INVITATION TO SUBSCRIBE FOR SHARES IN

KAROLINSKA DEVELOPMENT AB

Subscription period 18 January – 2 February 2022

The Swedish Financial Supervisory Authority approved a Swedish version of this Prospectus on 14 January 2022. The Prospectus is valid twelve months from the date of the approval. The obligation to supplement the Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when the Prospectus is no longer valid, and Karolinska Development will only supplement the Prospectus when required according to rules on Prospectus supplement in the Prospectus Regulation.

ERIK PENSER BANK

Important information to investors

Some definitions
"Karolinska Development" or "the Company" refers to Karolinska Development AB, corporate registration number 556707-5048, the group of which Karolinska Development is part or any subsidiaries of Karolinska Development. "Prospectus" refers to the present secondary issue prospectus. "Rights Issue" or the "Offer" refers to the offer to acquire new shares of class B in Karolinska Development in accordance with the terms and conditions in this Prospectus. "Erik Penser Bank" refers to Erik Penser Bank AB (publ), corporate registration number 556097-8701. "Euroclear" refers to Euroclear Sweden AB, corporate registration number 556112-8074. "SEK" refers to the Swedish krona, "EUR" refers to the Euro and "USD" refers to the US dollar. "k" refers to thousand and "M" refers to million.

Preparation and registration of the Prospectus
A Swedish version of this Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (Sw: Finansinspektionen) as the competent authority in accordance with Regulation (EU) 2017/1129 (the "Prospectus Regulation"). Finansinspektionen approves this Prospectus only to the extent that it meets the requirements for completeness, comprehensibility and consistency specified in Regulation (EU) 2017/1129. This approval shall not be construed as any kind of support for the issuer or for the quality of the securities referred to in this Prospectus. Investors should make their own assessment of whether it is appropriate to invest in these securities. The Prospectus has been prepared as a simplified prospectus in accordance with Article 14 of the Prospectus Regulation.

Karolinska Development has not taken and will not take any measures to allow an offer to the public in any jurisdiction other than Sweden. The offer is not aimed at persons whose participation presupposes that additional prospectuses are drawn up or registered or that another measure is taken in addition to what is required by Swedish law. The Prospectus will not be distributed and may not be posted or otherwise distributed or sent to or in any country where this would require any further action to be taken or where this would be contrary to the laws or regulations of that country.

No shares or other securities covered by the Offer have been registered and or will be registered under the United States Securities Act of 1933 as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction in the United States and may not be offered, sold or otherwise transferred, directly or indirectly, in or to the United States, except under an applicable exemption from, or through a transaction not covered by, the registration requirements of the Securities Act and in accordance with the securities laws of the relevant state or other jurisdiction in the United States. The Offer also does not cover persons in Australia, Japan, Canada, New Zealand, Singapore, South Africa, South Korea or any other country where the Offer or distribution of the Prospectus violates applicable laws or regulations, or presupposes that additional prospectuses are drawn up, registered or any other action undertaken in addition to what is required by Swedish law.

The Prospectus has been prepared in both Swedish and English language versions. In the event of any conflict between the versions, the Swedish version shall prevail.

Market information and some future-oriented information
The Prospectus contains some historical market information. Information obtained from third parties has been reproduced correctly and, as far as the Company knows and can ascertain from information published by this third party, no facts have been omitted that would make the reproduced information incorrect or misleading. However, the Company has not made any independent verification of the information provided by third parties, so the completeness or accuracy of the information presented in the Prospectus cannot be guaranteed.

Forward-looking statements are based on current circumstances at the time of publication of the Prospectus and are statements that do not relate to historical facts and events but consist of statements and opinions concerning the future and reflect Karolinska Development's intentions, assessments or current expectations and goals.

Future-oriented information is always associated with uncertainty because it refers to and is dependent on circumstances beyond the Company's control. There is, therefore, no assurance that assessments made in the Prospectus regarding future conditions will be realised, either explicitly or implicitly. The Company also does not undertake to publish updates or revisions of statements regarding future conditions as a result of new information or the like that appear after the time of publication of the Prospectus, in addition to what follows from applicable legislation.

Forward-looking statements can be identified by containing words such as "believe", "expect", "anticipate", "intend", "can", "plan", "appreciate", "should", "could", "aim" or "perhaps" or, in each individual case, negations thereof, or similar, expressions. The forward-looking statements in this Prospectus are based on various assumptions, many of which in turn are based on additional assumptions. Although Karolinska Development considers that the expectations reflected in these forward-looking statements are reasonable, the Company cannot give any guarantees that they will occur or prove to be correct as these statements are based on assumptions or estimates and are subject to risks and uncertainties. Such risks, uncertainties, unforeseen events and other significant factors may cause actual events to differ materially from the expectations expressed or implied herein by such forward-looking statements. Karolinska Development does not guarantee that the assumptions behind the forward-looking statements in this Prospectus are free from error and does not assume any responsibility for the future fulfilment of the statements made in this Prospectus.

The subscription rights can have an economic value
In order not to lose the value of the subscription rights, the holder must either exercise the received subscription rights and subscribe for shares no later than 2 February 2022, or no later than 28 January 2022 sell the received subscription rights that are not intended to be used for subscription of shares. Please note that it is also possible to register for the subscription of shares without the support of subscription rights and that shareholders with nominee-registered holdings with a depository at a bank or other custodian must contact their bank or custodian for instructions on how to subscribe and pay.

Information to investors in the United States
No subscription rights, paid subscribed shares (Sw. Betald tecknad aktie ("BTA")) or shares in Karolinska Development ("Securities") have been registered and or will be registered under the Securities Act, or the securities laws of any state or other jurisdiction in the United States and Securities may not, directly or indirectly, be used, offered, sold, resold, delivered or otherwise transferred in the United States, except under an available exemption from, or through a transaction not covered by, the registration requirements of the Securities Act and in accordance with the securities laws of the relevant state or other jurisdiction in the United States. Securities are offered outside the United States in accordance with Regulation S under the Securities Act. No offer of Securities will be made to the public in the United States. In the United States, only "qualified institutional buyers" ("QIBs"), as defined in Rule 144A, may exercise subscription rights and purchase BTAs and new shares if it is permitted according to any exception to the registration requirements in the Securities Act, provided that such QIBs act in accordance with the procedure described in section "Terms and Conditions – The United States". Consequently, investors other than QIBs may not participate in the Offer, subscribe for new shares or exercise subscription rights, and application forms or other documents required to participate in the Offer from such investors will not be accepted by Karolinska Development or Erik Penser Bank. Erik Penser Bank will not carry out transactions or bring forth or try to bring forth the purchase or sale of any securities in or to the United States in connection with the Offer. Karolinska Development will be solely responsible for offering Securities to eligible shareholders in the United States. The Securities have not been recommended by the US Securities and Exchange Commission (SEC), any state securities authority or any other authority in the United States. Nor have any of such authorities assessed or commented on the Offer or the accuracy or reliability of this document. To claim the opposite is a criminal act in the United States. In the United States, this Prospectus is provided on a confidential basis and for the sole purpose of enabling a potential investor to consider acquiring the Securities described herein.

Risks
All information provided in the Prospectus should be carefully considered, particularly regarding the specific conditions set out in the section "Risk factors", which describe certain risks that an investment in Karolinska Development´s shares may entail. Statements about the future and other future conditions in this Prospectus are made by the Board of Directors of Karolinska Development and are based on known market conditions. These statements are well elaborated, but the reader is aware that these, like all future assessments, are associated with uncertainty.

Dispute and applicable law
Disputes regarding the content of the Prospectus and related legal matters shall be settled by Swedish courts. Swedish law is exclusively applicable to the Prospectus.

Presentation of financial information
Certain financial and other information presented in the Prospectus has been rounded off to make the information easily accessible to the reader. Consequently, the figures in some columns do not correspond exactly to the stated total. This is the case when amounts are stated in thousands, millions or billions and appears especially in the section "Selected historical financial information" as well as in the annual reports and interim reports that have been incorporated by reference. Except when expressly stated, no information in the Prospectus has been reviewed or audited by the Company's auditor.

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The Offer in brief

Preferential rights	Those who on the record date are registered as shareholders in Karolinska Development have preferential right to subscribe for new shares of the same class as were held on the record date
The Offer	The public is only offered shares of class B
Record date	14 January 2022
Subscription price	SEK 4.00
Subscription period	18 January – 2 Februari 2022
Trading in subscription rights of class B	18 January – 28 January 2022
Trading in BTA B	18 January 2022 – until the Swedish Companies Registration Office has registered the Rights Issue

Other information

ISIN code shares of class B	SE0002190926
Ticker for shares of class B	KDEV
ISIN code subscription rights of class B	SE0017161409
ISIN code BTA B	SE0017161417
Admission for trading of shares of class B, subscription rights B and BTA B	Nasdaq Stockholm Small Cap

Financial calendar

Year-end report	25 February 2022
Annual report	25 March 2022
Interim report jan – mar 2022	29 April 2022
Annual general meeting	12 May 2022

Summary

SECTION 1 – INTRODUCTION AND WARNINGS

Name of securities and ISIN code	Shares of class B have ISIN code SE0002190926 and are traded with ticker KDEV.
Name of issuer, contact information and LEI code	Karolinska Development AB (publ) Headquarters: Tomtebodavägen 23 A, 171 65 Solna, Sweden Telephone: +46 (0)8 524 860 70 Website: www.karolinskadevelopment.com Registration.no: 556707-5048 LEI code (identification number of legal entity): 54930011ZA52NKO5W681.
Information about the competent authority that approved the Prospectus	The Prospectus has been reviewed and approved by the Swedish Financial Supervisory Authority which is the competent authority for approval of prospectus according to the Prospectus Regulation. Contact information for the Swedish Financial Supervisory Authority: Finansinspektionen (Swedish Financial Supervisory Authority) Postal address: Box 7821, 103 97 Stockholm, Sweden Telephone: +46 (0)8 408 980 00 Email: finansinspektionen@fi.se Website: www.fi.se
Date of approval	The Prospectus was approved by the Swedish Financial Supervisory Authority on 14 January 2022.
Warnings	This summary should be read as an introduction to the Prospectus. Any decision to invest in the Securities should be based on an assessment of the entire Prospectus by the investor. Investors may lose all or part of the invested capital. Where a claim relating to the information contained in the Prospectus is brought before a court of law, the plaintiff investor may, under the national legislation of each member state, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translations thereof, but only if the summary is misleading, inaccurate, or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in securities.

SECTION 2 – KEY INFORMATION REGARDING THE ISSUER

Who is the issuer of the Securities?

Domicile and legal form of the issuer	The Company's legal name is Karolinska Development AB (publ). The Company was founded in Sweden on 7 July 2006 and is a Swedish public limited liability company operating its business in accordance with the Swedish law. The corporate registration number is 556707-5048 and LEI code (identification number of legal entity) 54930011ZA52NKO5W681. Karolinska Development's registered office is located in the municipality of Solna, Stockholm County, Sweden.
Main business operations of the issuer	Karolinska Development is an investment company which offers an opportunity to participate in the value creation of a number of Nordic life sciences companies. The company focuses on identifying breakthrough medical innovations and invests in the creation and growth of companies that advance these assets into differentiated commercial products that are designed to make a difference to patients' lives while providing an attractive return on investment to shareholders.
Main shareholders of the issuer	The table below shows Karolinska Development's shareholders whose holdings exceed 5 per cent of either votes or capital as of 31 December 2021 and thereafter known changes.

SHAREHOLDER	SHARES OF CLASS A	SHARES OF CLASS B	CAPITAL (%)	VOTES (%)
invoX Pharma Ltd[1]	–	75,727,285	43.11	40.03
Worldwide International Investments Ltd	–	28,007,077	15.94	14.80
Stift För Främjande & Utveckling	1,503,098	2,079,836	2.04	9.04
Other shareholders	–	68,348,113	61.09	36.13
Total	**1,503,098**	**174,162,311**	**100.0**	**100.0**

As far as the Company's Board of Directors is aware, there are no shareholders' agreements between the Company's shareholders that aim at a joint influence over the Company. The Company's Board of Directors is furthermore not aware of any agreements or such that could lead to a change of control of the Company. The Company is neither directly nor indirectly controlled by an individual party.

[1] Sino Biopharmaceutical has on 4 October 2021 transferred its holding in Karolinska Development to the wholly owned subsidiary invoX Pharma Ltd.

The Issuer's Board of Directors and executive management	The Company's Board of Directors consists of the Chairman of the Board, Björn Cochlovius, and the Board members Anna Lefevre Skjöldebrand, Philip Duong, Benjamin Toogood and Theresa Tse. The Company's Chief Executive Officer since 2017 is Viktor Drvota. Johan Dighed is the General Counsel since 2020 and also the Company's Deputy Chief Executive Officer since 2021. Per Aniansson is the Company's Chief Financial Officer and Investment Director since 2021. John Öhd is the Company's Chief Scientific Officer since 2020.
Auditor of the Issuer	The auditor of the Company is Ernst & Young Aktiebolag, with the authorised auditor Oskar Wall as the auditor in charge. Ernst & Young has been the Company's auditor during the whole period covering the financial information of this Prospectus. The address of the auditor is Box 7850, 103 99 Stockholm, Sweden.

Key financial information regarding the issuer

Key financial information regarding the issuer

Below is selected historical financial information regarding Karolinska Development for the financial years 2019-2020 and the interim period January-September 2021 with comparable figures for the same period in 2020. The information relating to the financial years 2019 and 2020 has been obtained from the Company's annual reports and the information relating to the interim period January-September 2021 with comparable figures for the same period in 2020 has been obtained from the Company's interim report for the period January-September 2021. The annual reports have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as adopted by the EU. Furthermore, the Swedish Financial Reporting Board's recommendation RFR1, the "Supplementary Accounting Rules for Groups" and statement UFR 7 and 9 by the Financial Reporting Council have also been applied. The interim report for the period January-September 2021 have been prepared in accordance with IAS 34 – Law of Interim reporting and Annual Reports.

Selected items from the reporting of the Company's result

AMOUNT IN kSEK	2019-01-01 2019-12-31	2020-01-01 2020-12-31	2020-01-01 2020-09-30	2021-01-01 2021-09-30
	Audited	Audited	Unaudited	Unaudited
Revenue	3,384	2,651	2,123	1,701
Operating profit/loss	347,941	-202,426	-289,639	178,197
Profit/loss for the period	302,977	-207,487	-293,406	190,313

Selected items from the Company's financial position report

AMOUNT IN kSEK	2019-12-31	2020-12-31	2020-09-30	2021-09-30
	Audited	Audited	Unaudited	Unaudited
Assets	1,166,704	890,083	818,155	1,127,028
Equity	1,007,732	800,267	714,337	990,601

Selected items from the Company's cash flow report

AMOUNT IN kSEK	2019-01-01 2019-12-31	2020-01-01 2020-12-31	2020-01-01 2020-09-30	2021-01-01 2021-09-30
	Audited	Audited	Unaudited	Unaudited
Cash flow from operating activities	-6,725	-33,200	-59,206	21,175
Cash flow from investment activities	57,243	57,606	78,171	-51,188
Cash flow from financing activities	-14,229	-669	–	-536
Cash and cash equivalents at the end of the period	52,132	75,869	71,098	45,320

Specific key risks related to the issuer

Specific key risks related to the issuer	Risk associated with investments in the portfolio companies – Karolinska Development invests, for instance, in companies with projects in early stages, which means that it is uncertain whether a product can be commercialised. Additionally, Karolinska Development primarily invests in unlisted companies, which means that Karolinska Development may not be able to find suitable exit alternatives. If above mentioned risks are realised, the Company's business, results, financial psoition and growth could be adversely affected.

Specific key risks related to the issuer, cont.	Future financing requirements – In order to secure financing for investments in current and new portfolio companies, Karolinska Development may seek additional financing in the future. If Karolinska Development is unable to obtain funding on time, the Company may be required to significantly curtail its investments, implying that the Company's business, results, financial position and growth could be adversely affected. Key employees at Karolinska Development and its portfolio companies – It is vital that Karolinska Development succeeds in retaining its key employees and is able to recruit new team members when needed. If Karolinska Development or the portfolio companies would be unsuccessful in its efforts to retain and recruit relevant personnel, the Company's business, results, financial position and growth could be adversely affected. The development work of the portfolio companies – The majority of the portfolio companies' therapeutic projects are in phase II stages of development and further research and development work is required before the innovations and technologies of the companies can be commercialised. If none of the portfolio companies can achieve such commercial success, it would adversely affect the portfolio companies' and the Company's business, results, financial position and growth. Valuation risks – Companies active in pharmaceutical development and medical technology at an early phase are, by their very nature, difficult to value. Due to the uncertainty in these assessments and the subjectivity in the inputs, the estimated value of the portfolio may deviate substantially from future generated value. If the value of the Company's portfolio companies is written down or written off, it would adversely affect the Company's results and financial position. The challenge of innovation – The markets for pharmaceutical, biotechnology, diagnostics and medical devices are characterised, inter alia, by long periods of research and development, rapid technological development, regulatory challenges, and a large number of competing products launches. If the portfolio companies cannot successfully, and within set time frames, break into these markets and establish their products and technologies, the portfolio companies' and the Company's business, results, financial position and growth could be adversely affected. Long time before marketing of products – The time it takes before a product candidate can be commercialised could lead to delay in milestone payments and royalty income, or that they lapse entirely, which could adversely affect the portfolio companies' and the Company's business, results, financial position and growth. Market and technology development – The portfolio companies frequently operate in markets characterised by rapid development and problems in the development work may lead to delays in set timetables and those products and techniques, once they are fully-developed, will not satisfy the market requirements and demands and/or will not achieve broad market acceptance, which could adversely affect the portfolio companies' and the Company's business, results, financial position and growth. Need for strategic partners – Most of the portfolio companies have a great need to enter into partnerships or ally themselves with major international companies to market their products. The portfolio companies may not be successful in attracting third parties to enter into such partnerships, and, if such partnerships are entered into, they may not develop as planned, which could adversely affect the portfolio companies' and the Company's business, results, financial position and growth. Intellectual property rights of the portfolio companies – The success of the portfolio companies is to a large extent dependent on the portfolio companies' ability to protect methods and technologies that they develop under patent protection. There is a risk that such patent protection could be considerably less extensive than the portfolio companies expect, or afterwards be declared invalid. Further, a portfolio company may need to resort to litigation to enforce a patent granted and there is a risk that any party should claim that a portfolio company's creation or use of methods or technologies infringes upon such party's intellectual property rights, and the portfolio company may be forced to pay damages and eventually cease the infringing activity. If any of the risks related to the intellectual property of the portfolio companies were to materialise, it could adversely affect the portfolio companies' and the Company's business, results, financial position and growth.

	Future financing requirements of the portfolio companies – Research and development activities and marketing efforts in the life science industry are capital-intensive. The portfolio companies may not be able to obtain further capital on advantageous terms. Any inability of Karolinska Development to participate in future investment rounds in a portfolio company could lead to the portfolio company having to curtail its business and/or to Karolinska Development's holding in the company being diluted by other investors. The risk is particularly high in Karolinska Development's subsidiaries, which are dependent on capital from Karolinska Development. If any of these risks were to materialise, it could adversely affect the portfolio companies' and the Company's business, results, financial position and growth. Tax risks – Karolinska Development's business is conducted in accordance with Karolinska Development's interpretation of the applicable tax regulations. The Company's interpretation of the regulations may be incorrect, or legislation may be amended, potentially with retroactive effect, which could have a negative effect on the Company's financial position. Dependency on obtaining regulatory approvals – The portfolio companies and their collaborating partners may fail in obtaining approvals from regulatory authorities to commence or complete clinical trials. If approval is obtained, such clinical trials may prove that the products are not safe or effective to the extent necessary to obtain marketing authorisations from regulatory authorities. If the portfolio companies and their collaborating partners do not receive required approvals or authorisations for their product candidates, the portfolio companies', and the Company's business, results, financial position and growth could be adversely affected.

SECTION 3 – KEY INFORMATION REGARDING THE SECURITIES

Main features of the securities	
Security type, category, and ISIN	The offered shares refer to shares of class B in Karolinska Development with ISIN Code SE0002190926 and ticker KDEV.
Currency, value, nominal value, and number of the issued security	The shares are denominated in SEK. The Company's share capital amounts to SEK 1,756,654.09, divided into 1,503,098 shares of class A and 174,162,311 shares of class B. The quota value of the shares is SEK 0.01. Full payment has been made for all the shares.
Rights associated with the securities	The shares in Karolinska Development have been issued in accordance with the Swedish Companies Act (2005:551) and the rights associated with the shares issued by the Company, including the rights following the articles of association, can only be amended in accordance with the procedures set out in this Act. There are no restrictions on the right to freely transfer the Company's ordinary shares. Shares of class A carry ten (10) voting rights and shares of class B carry one (1) voting right at the general meeting. At the Annual General Meeting, each shareholder entitled to vote may vote for the full number of shares owned and represented by him. If the Company resolves to issue new shares of two classes, shares of class A and shares of class B, through a cash issue or an issue with payment by set-off, owners of shares of class A and class B shall enjoy preferential right to subscribe for new shares of the same share class pro rata to the number of shares previously held by them (primary preferential right). If the Company resolves to only issue shares of one share class through a cash issue or an issue with payment by set-off, all shareholders shall, irrespective of class of shares, have preferential rights to subscribe for new shares pro rata to the number of shares previously held by them. All shares have equal rights to the Company's assets upon liquidation and equal rights to dividend. Decisions on dividends are made at the Annual General Meeting and are paid through Euroclear. The right to a possible dividend accrues to the person who on the record date for dividends determined by the Annual General Meeting is registered as a holder of shares in the share register kept by Euroclear.
Dividend policy	To date, Karolinska Development has not paid any dividends to shareholders. When Karolinska Development's cash flow from operations exceeds the Company's future capital requirements, the Board of Directors may propose that the Annual General Meeting resolves on a dividend.

Where will the securities be traded?	
Admission for trading	The Company's shares of class B are listed on Nasdaq Stockholm with ticker KDEV. The Company's shares of class A are not listed. Following the registration of the new shares of class B issued in the Offer at the Swedish Companies Registration Office, the shares will be traded on Nasdaq Stockholm.

What are the main risks related to the securities?	
Main risks specifically related to the securities	The principal risks related to the securities and the Offer includes, among other, the following risks. Major shareholders and change of control – Major existing or future shareholders may use its influence in a way that is not in all aspects beneficial to all shareholders. If major shareholders increase or decrease their holdings in the Company, it may adversely affect the price of Karolinska Development's shares negatively. Shareholders who choose not to participate in the Offer loose the right to subscribe for new shares and becomes diluted – Shareholders who do not utilise, or only partly utilises, their subscription rights or because of applicable legal restrictions cannot exercise their subscription rights, can have their holdings of shares and votes in the Company diluted. Unsecured subscription and guarantee commitments - Karolinska Development has received subscription commitments of approximately SEK 238.6M, corresponding to approximately 48.6 per cent of the Rights Issue. In addition, the Company has received guarantee commitments of approximately SEK 129.7M, corresponding to approximately 26.4 per cent of the Rights Issue. However, the subscription and guarantee commitments are not secured by, for example, bank guarantees. Consequently, there is a risk that one or more of the said parties will not be able to fulfil their respective commitments.

SECTION 4 - INFORMATION REGARDING THE OFFER	
On what conditions and within what period can I invest in this security?	In the Rights Issue, existing shareholders own the right to subscribe for new shares of the same class of shares as previously held. Thus, the Offer amounts to 121,742,614 shares of class B. In addition to this, a maximum of 1,052,163 shares of class A will be issued. Only shares of class B is a part of the Offer. The Company will receive subscription commitments of approximately SEK 238.6M corresponding to approximately 48.6 per cent of the Offer and has in addition signed guarantee undertakings of SEK 129.7M corresponding to 26.4 per cent of the Offer. In total, the subscription commitments and the guarantee undertakings amount to approximately SEK 368.3M, corresponding to 75 per cent of the Offer. Price: The subscription price for each share, regardless of class, in the Offer amounts to SEK 4.00. Preferential right: Those who on the record day, 14 January 2022, are registered as shareholders in Karolinska Development have preferential right to subscribe for shares of class B in the Offer in relation to the number of shares previously held. Holdings of one (1) share entitle to one (1) subscription right of class B. Ten (10) subscription rights entitle to subscribe for seven (7) new shares of class B. In addition, shareholders and other investors without preferential right are offered to register their interest to subscribe for new share of class B. The same conditions apply to shareholders of class A. Subscription period: Registration for subscription of shares with subscription rights shall take place by simultaneous cash payment during the period 18 January – 2 February 2022. Registration of interest to subscribe for shares of class B without subscription right shall be submitted during the same period. Trading with subscription rights: Subscription rights of class B are traded on Nasdaq Stockholm during the period 18 January – 28 January 2022. Trading with BTA: Trading with BTA of class B will take place on Nasdaq Stockholm from 18 January 2022 until the Swedish Companies Registration Office has registered the Rights Issue.
Dilution effect	Shareholders who choose not to participate in the Offer will have their shareholding diluted by up to approximately 41.1 per cent of the capital and votes in the Company.
Costs related to the Offer	The cost of the Offer is estimated to amount to approximately SEK 18M. Brokerage is not paid for subscribers in the Offer.

Why is this Prospectus created?	
Reasons and use of the issue proceeds	Karolinska Development is an investment company that offers an opportunity to participate in the value creation of a number of Nordic life science companies that are pioneering potentially ground-breaking medical innovations with substantial commercial opportunities. Karolinska Development's management and Board of Directors assess the selected portfolio companies based on criteria such as inherent risk level in drug or technology development, from both an indication view as well as for the specific preparation, and the commercial potential from a risk-adjusted perspective. In addition, Karolinska Development offers an active management of holdings and good risk diversification in a complex sector, which can be challenging for an investor to achieve on their own. Investments are mainly made through co-investments together with other leading national and international specialist investors. This facilitates access to a broader capital base, additional expertise within pharmaceutical and medical technology development and commercialisation and expanded international networks between potential licensing and business partners. Karolinska Development has a focused but wide portfolio consisting of seven biotech companies, two medtech companies, which are currently between preclinical phase and ongoing phase II studies as well as commercialisation for the medtech products. In November 2021, an agreement was entered into to divest the holding, corresponding 9.7 per cent, in Forendo Pharma Ltd to Organon & Co (NYSE: OGN). If all milestones are met, the total purchase price for the entire company amounts to USD 945M. Karolinska Development estimates the risk-adjusted present value of future cash flows (rNPV) from the transaction, including the initial payment, at SEK 114M. Karolinska Development intends to continue investing and developing existing portfolio companies as well as identifying and investing in additional attractive research companies. Karolinska Development annually evaluates between about 100 and 200 companies, of which about 20 undergo an even more in-depth review. Through continued investments in the existing portfolio as well as in new commitments, Karolinska Development's Board of Directors believes that significant shareholder value can be generated for the Company's shareholders and due to this, the Board has resolved on the Offer. The net payment of SEK 348M after issue costs of SEK 18M and set-off of loans, credits and interest from the major owner invoX amounting to SEK 125M, is planned to be used for the following purposes: • Existing investments, SEK 106M, • New investments, SEK 206M, and • General business purposes, SEK 36M.
Subscription commitments and guarantee undertakings	The Company has received subscription commitments from a number of existing shareholders totalling approximately SEK 216.2M, corresponding to approximately 44 per cent of the issue. Subscription commitments have also been received from a number of external and existing investors who take over subscription rights and use these to subscribe for new shares totalling approximately SEK 22.4M corresponding to approximately 4.6 per cent of the Offer. In total, the subscription commitments amount to approximately SEK 238.6M, corresponding to 48.6 per cent of the Offer. In addition, the Company has entered into agreements on guarantee undertakings with a number of external investors amounting to approximately SEK 129.7M corresponding to 26.4 per cent of the Offer. In total, the subscription commitments and the guarantee undertakings amount to approximately SEK 368.3M, corresponding to 75 per cent of the Offer. The Board of Directors estimates the Company's existing working capital to not be sufficient for Karolinska Development's current need for the upcoming twelve-month period. Working capital refers to the Company´s opportunities to gain access to cash and cash equivalents to fulfil its payment obligations after which they fall due for payment. The Company's liquidity forecast of cash flows, together with available cash and cash equivalents, indicates that the available working capital is sufficient up until September 2022 and that the deficit amounts to approximately SEK 76M over the next twelve months. The Board assesses that the net proceeds from the Rights Issue will cover the Company's liquidity needs for at least the next two years. If the Rights Issue would not be fully subscribed for and the parties who entered subscription and guarantee commitments would not fulfil their obligations, the Company will examine other financing options, or run the business at a slower pace than planned, until additional capital can be raised. In the event that all alternative financing options fail, there is a risk that the Company would be forced to revise current development plans, which could have a negative effect on the Company's growth.
Significant conflicts of interest	For the Rights Issue, Erik Penser Bank is the financial advisor and Cirio Advokatbyrå AB is the legal advisor for the Company. Erik Penser Bank is entitled to a pre-agreed remuneration for its services in connection with the Rights Issue. Cirio Advokatbyrå AB receives ongoing compensation for services rendered. In addition to the above parties' interest in the Rights Issue being carried out successfully, Erik Penser Bank and Cirio Advokatbyrå AB have no financial or other interests in the Rights Issue. It is not considered to be any conflicts of interest between the parties. Karolinska Development has received subscription commitments from existing shareholders and entered into agreements on guarantee undertakings with a number of existing shareholders and a number of external investors. In total, the subscription commitments and guarantee undertakings amount to approximately SEK 368.3M, corresponding to 75 per cent of the Offer. In addition to the interest of the above parties that the Rights Issue is carried out successfully, it is assessed that there are no financial or other interests or any conflicts of interest between the parties who in accordance with the above have financial or other interests in the Rights Issue.

Risk factors

Without claiming to be exhaustive, the risks described below are associated with the Company´s business, branch and market, legal risks, financial risks and risks related to the share and the Rights Issue and are deemed to be of material significance. The Company has based its assessment of the materiality of each risk factor on the probability of their occurrence and the expected magnitude of their negative impact. The description below is based on information available as of the day of the Prospectus. The risk factors that are currently considered to be the most material are presented first in each category and the subsequent risk factors are presented without any particular order. In accordance with Regulation (EU) 2017/1129 of the European Parliament and of the Council (the Prospectus Regulation), the risk factors mentioned below are limited to risks which are specific to the Company and/or to the securities and which are material for taking an informed investment decision.

Risks related to the business and the market

Risks associated with investments in the portfolio companies

Karolinska Development invests in companies with projects in early stages, before beneficial effects have been proven in animal or human testing, so-called proof of principle and proof of concept studies. Accordingly, the business is associated with high risk, as the products, intellectual property rights or other offers provided by early-stage companies may fail to deliver. Karolinska Development primarily invests in unlisted companies, which entails that Karolinska Development may not be able to find suitable exit alternatives for its investments within the time frame expected by the Company, or at all. If Karolinska Development is unsuccessful in finding suitable exit opportunities for its investments, or if studies in the Company´s portfolio companies fail to deliver, the Company´s operational business and financial position could be adversely affected.

The Company estimates the level of risk as high.

Risks associated with the share prices of Karolinska Development´s listed portfolio companies

The Company holds shares in listed companies whose share price may fluctuate over time, which means that the Company is exposed to those portfolio companies' share prices. As the long-term commitment determines the Company´s strategic actions, there may be a large share price exposure in one or more of the Company´s investments. A negative change in the portfolio companies' share price may therefore have a negative impact on the Company´s net asset value. Karolinska Development may also be negatively affected if low liquidity obstructs divestments of the Company´s listed portfolio companies or if divestment of part of a listed portfolio company results in reduction in the value of the remaining holding. If the portfolio companies' share prices fall, or if holdings are sold at a loss, the Company´s earnings and financial position can be negatively affected.

The Company estimates the level of risk as medium.

Key employees at Karolinska Development and its portfolio companies

Karolinska Development´s organisation consists of only a few key employees, responsible for the operational business and the Company´s investments. It is vital that Karolinska Development succeeds in retaining its key employees and to recruit new employees when necessary. Consequently, high demands will be placed on the Company´s professional leadership, that Karolinska Development´s distinctive profile is preserved and that the expected development is realised. Karolinska Development competes for staff with other companies and investment funds. Should Karolinska Development fail in its efforts to retain and recruit employees with relevant skills, the Company´s operational business, earnings and growth may be adversely affected.

Furthermore, a key factor for the portfolio companies is to succeed in retaining and recruiting individuals with experience in fundraising, company development, exits and/or expertise in research and technology of relevance to the portfolio companies. Equally important is a skilled leadership and a stimulating workplace for the employees. To succeed, high demands will be placed on the portfolio companies' leadership skills. Except for an interesting work environment, attractive employment conditions are important. Should the portfolio companies fail in their efforts to retain and recruit employees with relevant skills, the portfolio companies and the Company´s operational business and growth may be adversely affected.

The Company estimates the level of risk as high.

The development work of the portfolio companies

The majority of the portfolio companies' therapeutic projects are in stage II of development and further progress within the research and development work is required before the companies' innovations and technologies can be commercialised. Examples of such work are testing of drugs on patients to assess the candidate drugs'

effect and safety. Challenges or delays may occur, and the development work may not be successfully conducted, or conducted at all. The portfolio companies' forthcoming product development may fail to deliver, just like any development of pharmaceutical, other biotechnological products or technologies and medical technologies. This includes the possibility that any or all of the portfolio companies' product candidates prove to be ineffective or toxic, or otherwise fail to meet applicable regulatory standards, fail to obtain necessary regulatory approvals or clearances or prove to be difficult to develop into commercially viable products.

Cash flow from divestments or licensing of projects is subject to the success of the portfolio companies' projects. Each outcome has a direct impact on the potential value of a portfolio company. Other factors that may have an impact on the cash flow from the portfolio companies are competitors' success and demand from potential buyers at a given point in time.

Most of the portfolio companies' projects may not be commercialised to the extent necessary in order for Karolinska Development´s investment in the project to be profitable, or even for Karolinska Development to recover the capital invested from the portfolio company in question. Karolinska Development has a relatively narrow portfolio, which limits the potential that one or more projects can be commercialised successfully enough to result in significant dividends or exit proceeds to Karolinska Development. If none of the portfolio companies are able to achieve such commercial success, the portfolio companies and the Company´s operational business and growth would be adversely affected.

The Company estimates the level of risk as medium.

Long time before marketing of products

The time it takes before a product candidate has completed the entire research and development process, established a strong patent protection, satisfied all regulatory requirements, and found strong marketing and distribution partners, is often underestimated. Moreover, the market introduction of new products and technologies often starts slowly. Introducing new products and technologies, which are not previously known and accepted, or have predetermined reimbursement models, takes time. This could lead to delays in milestone payments and royalty income, or that they lapse entirely, which could adversely affect the portfolio companies and the Company's operational business, result, financial position and growth.

The Company estimates the level of risk as medium.

Risks related to investments

Future investments in companies or businesses can entail both business risks and company specific risks, such as miscalculations with respect to value and future prospects as well as unexpected costs due to unknown events. Also, risks identified and considered prior to each investment can be misjudged and have an adverse impact in terms of value and future prospects, and furthermore cause unexpected costs as a result of such misjudgements or omissions when fulfilling contractual obligations. Prior to investments, the Company conducts a due diligence review, regarding the investment in question.

When conducting such review, the Company and its advisors may be dependent on available resources, often including information provided by the Company being subject of the investment and, in some cases, investigations and reports from third parties. Such information may be limited and, in some cases, incorrect or misleading. It is thus not certain that the investigations made regarding a certain investment opportunity will shed light on all relevant facts, opportunities or risks that may be necessary or helpful when evaluating the investment opportunity. Therefore, there is a risk that the success or future result of an investment cannot be achieved in accordance with the financial expectations existing at the time of the investment decision being made, which may adversely affect the Company´s operational business and financial position.

The Company estimates the level of risk as medium.

Valuation risks

Companies active in pharmaceutical development and medical technology at an early phase are, by their very nature, difficult to value, as lead times are very long and development risks are high. Due to the uncertainty in these assessments and the subjectivity in the input data, the estimated value of the portfolio may deviate substantially from the future generated value. This is largely due to trial costs, the sensitivity of the valuation methods or that milestones are moved, and other similar assumptions, which are not necessarily accounted for when the contract value is determined by negotiation. Financing strategy decisions can also influence the valuation. If the value of the Company's portfolio companies is written down or written off, the Company's financial position and result may be adversely affected.

The Company estimates the level of risk as medium.

Competition for the portfolio companies

The markets for the product candidates and new technologies of the portfolio companies are exposed to fierce competition. The portfolio companies' direct and indirect competitors are in many cases major international companies. Such companies are already established on the markets of the portfolio companies and may hold competitive advantages. Moreover, they typically have the ability to quickly react and adapt to new research and development or new market conditions. Compared to the portfolio companies, they may also have greater financial resources, expertise in research and development, clinical trials, better opportunities to obtain regulatory approvals and superior marketing.

Competitors may develop more effective, affordable and suitable products, or may obtain patent protection earlier or succeed in commercialising their products earlier than Karolinska Development's portfolio companies. These competing products may cause the portfolio companies' product candidates to become obsolete or otherwise limit the portfolio companies' opportunities to generate profits from their product candidates, which could adversely affect the portfolio companies and the Company´s operational business and growth.

The Company estimates the level of risk as medium.

The challenge of innovation

The markets for pharmaceuticals, diagnostics, biotechnology, and medtech products are characterised, inter alia, by long periods of research and development, rapid technological development, regulatory challenges, and a large number of competing product launches. The existing and potential customers of the portfolio companies often work within established reference models and standard practices. The portfolio companies conduct business with highly advanced research and pioneering technologies. If the portfolio companies cannot successfully, and within set time frames, break into these markets and establish their products and technologies, the portfolio companies and the Company's operational business, result, financial position and growth could be adversely affected.

The Company estimates the level of risk as medium.

Market and technology development

The portfolio companies frequently operate in markets characterised by rapid development. New and competing products and technologies may pose a threat to the products developed by the portfolio companies. Moreover, new products and actors result in increased competition, which may adversely affect the price and market penetration.

The future prospects of the portfolio companies will, to a great extent, depend on their ability to develop their business and to produce products and technologies of high quality. The portfolio companies' development work may not proceed without issues. Issues concerning the development work may result in delays in set time schedules and products and techniques, when fully developed, not meeting market demand and requirements and/or not achieving broad market acceptance. Changes in pricing principles may impair the value of the products, technologies and services developed by the portfolio companies, which in turn could adversely affect the portfolio companies and the Company´s operational business and growth.

The Company estimates the level of risk as medium.

Product liability for the portfolio companies

Portfolio companies in commercial phases may in many cases be exposed to risks relating to product liability claims, that may arise due to possible shortcomings in the manufacture, studies or marketing of certain pharmaceutical, or diagnostic, biotechnological and medical technological products. The portfolio companies may not be able to obtain or maintain insurance protection for such claims on acceptable terms and conditions, or at all. In addition, the insurances obtained by the portfolio companies may not provide adequate protection against a potential claim. This could adversely affect the portfolio companies and the Company´s costs and financial position.

The Company estimates the level of risk as low.

Cooperation with the portfolio companies and co-investors

Karolinska Development usually appoints representatives to serve on the Board of Directors of its portfolio companies. The aim is to provide these portfolio companies with guidance on a strategic level in matters concerning their development. The Board of Directors of the portfolio companies are also composed of other investors´ representatives as well as independent board members. Every collaboration within the Board of Directors is dependent on effective communication and good relationships between the concerned parties. Karolinska Development´s board representatives constitute a minority of the board members in the portfolio companies and their influence on board meetings may therefore be limited. Moreover, it is necessary for Karolinska development and its executive management to succeed in reaching agreements with other investors which could contribute to the further development of the portfolio companies. Should the Company fail to reach or maintain such relationships or agreements, the further development, operational business, results and financial position of the portfolio companies may be negatively affected.

The Company estimates the level of risk as low.

License agreement regarding the use of “Karolinska”

Pursuant to a license agreement between the Company and Karolinska Institutet, Karolinska Development has a non-exclusive and non-transferrable right to use “Karolinska” in its company name. The license agreement expires in December 2025, and thereafter, the Company will no longer be able to use “Karolinska” in its company name. “Karolinska” is a strong brand, and there is a risk that the absence of it may impair the Company´s reputation.

The Company estimates the level of risk as low.

Need for strategic partners

Most of the portfolio companies have a great need to enter into partnership agreements or cooperate with major international companies to market their products. The portfolio companies may not be successful in attracting third parties to enter into such partnerships, and if such partnerships are entered into, they may not develop as planned. If a strategic partner does not fulfil its contractual obligations or commitments, fails to meet expected deadlines, must be replaced or if the clinical information received by the partner for some reason appears to be incorrect or of poor quality, planned clinical trials may extended, delayed, or terminated. This could have a negative impact on the operational business of the portfolio companies and their ability to license or commercialise their products.

The company estimates the level of risk as medium.

Trade secrets of the portfolio companies

Some portfolio companies may be dependent on trade secrets, not protected by patents or other intellectual property rights, being safeguarded. Such trade secrets may include, but are not limited to, information relating to inventions for which patent has not yet been sought or information relating to manufacturing processes or methods for which patent cannot be sought. The portfolio companies’ employees and collaboration partners generally have an obligation of confidentiality towards each portfolio company. However, someone who possess information of great value to a portfolio company, may disclose or use such information in a manner that impairs the portfolio company’s position on the market, which could adversely affect the operational business and growth of the portfolio company in question.

The Company estimates the level of risk as low.

Future financing requirements of the portfolio companies

Research and development activities and marketing efforts in the life science industry are capital intensive. The portfolio companies may not be able to raise additional capital on favourable terms and conditions, and the capital that can be obtained may not be sufficient to finance the activities in accordance with the portfolio companies’ respective business plans. Any inability of Karolinska Development to participate in future investment rounds in a portfolio company could lead to the portfolio company having to curtail its business and/or to Karolinska Development’s holding in the company being diluted by other investors. Even in situations where Karolinska Development would be able and willing to participate, co-investors may not be willing to participate on the same terms and conditions. Should any of these risks be realised, the portfolio companies and the Company´s operational business and growth may be adversely affected.

The Company estimates the level of risk as medium.

Financial risks

Future financing requirements

Future investments in current and new portfolio companies require capital. To secure the financing of investments in current and new portfolio companies, Karolinska Development may seek additional funding in the future. Such additional funding may not be available to Karolinska Development on acceptable terms and conditions, or at all. If Karolinska Development is unable to obtain funding on time, the Company may be required to curtail its investments significantly and, therefore, may not conduct its business in accordance with the existing business plan.

Loan financing, if available, can be expensive and may involve restrictive obligations or otherwise constrain the Company´s financial flexibility. Should any of the above risks be realised, the Company´s investment activities and financial position may be adversely affected.

The Company estimates the level of risk as medium.

Tax risks

Karolinska Development´s operational business is conducted in accordance with the Company´s interpretation of applicable tax regulations. The Company´s interpretation of tax regulations may be incorrect, or legislation may be amended, potentially with retroactive effect, which could adversely affect the Company´s financial position.

Karolinska Development's assessment is that the Company has a partial right to deduct input value added tax (VAT). The rules concerning input VAT are complicated and Karolinska Development's partial right to deduct input VAT could be questioned, entailing further limitations in respect of the Company's right to deduct input VAT, which in turn would give rise to increased costs for the Company. There is also a risk that Swedish tax authorities reassesses previous year's tax returns, denying the Company the right to deduct input VAT, which would result in increased costs for the Company. The Company's right to deduct input VAT may also be limited by future legislative changes. Limitations in Karolinska Development's partial right to deduct input VAT could adversely affect the Company's results and financial position.

The Company estimates the level of risk as low.

Currency risk

Currency risk refers to the risk that the fair value of the Company´s assets varies due to changes in exchange rates. The risk related to changes in exchange rates arises due to purchase and sale transactions in different currencies and when converting items in the balance sheet from foreign to Swedish currency. The currency risk for Karolinska Development primarily relates to the currency exposure to which the Company´s portfolio companies are exposed. As of the date of the Prospectus, the Company´s portfolio company Aprea Therapeutics Inc, reports in a currency other than SEK, namely US dollar. Major changes in this exchange rate in relation to the Swedish krona may therefore affect the value of the portfolio company as well as the Company´s balance sheet. As of 30 September 2021, the value of Aprea Therapeutics Inc, which is indirectly owned through KDev, amounted to approximately 10 per cent of KDev's portfolio value, and further, Kdev amounted to approximately 24 per cent of Karolinska Development's total portfolio value stated in the balance sheet. The Company does generally not use financial instruments to hedge against currency risks. Future exchange rate changes in relation to the Swedish krona may therefore adversely affect the Company´s financial position.

The Company estimates the level of risk as low.

Interest risk

The Company´s interest risk is mainly due to its borrowing. As of 30 September 2021, the Company´s borrowing amounted to SEK 112.5M, with fixed interest rate. The loan in question will be redeemed in connection with the Rights Issue. However, it cannot be ruled out that new credits may be required in the future, for example to invest in portfolio companies. The Company does generally not hedge against the interest rate risk, why changes in interest rates may adversely affect the Company´s results and interest expenses.

According to the Company's investment guidelines, cash and cash equivalents must be invested in income funds or low-risk interest-bearing instruments. Changes in applicable interest rates can therefore affect the value of the financial instruments and reduce the return on investment. From the Company´s perspective, an unfavourable development of the interest rates may adversely affect the Company´s costs and financial position.

The Company estimates the level of risk as low.

Legal and regulatory risks

Intellectual property rights of the portfolio companies

The success of the portfolio companies is to a large extent dependent on the portfolio companies' ability to protect methods and technologies, which they develop with the protection of patents and other intellectual property rights, to prevent competitors from using their innovations and other protected information. Since patent applications in general are confidential for 18 months from the date of the application, third parties may have filed patent applications regarding methods and technologies covered by a portfolio company's pending patent applications without the portfolio company´s knowledge of such applications. This may entail that the portfolio company's patent application does not have priority, which in turn could result in the patent being considerably less extensive than applied for. The fact that a patent has been granted does not provide absolute protection during the term of the patent. Patents may later be declared invalid by court or an authority, which leads to insufficient patent protection in relation to other innovations. In addition, granted patents must be properly transferred from the inventor/inventors to the portfolio company in question. The scope of the patent protection is also dependent on the patent category and the wording of the patent application. The different patent categories and the wording of the patent application are important for the strength of a patent and can vary from case to case.

Under the patent legislation, the application of an innovation in accordance with a portfolio company's patent may be governed by the technology in another patent on which the portfolio company's patent is dependent. In such a situation, the portfolio company may not be able to ensure the right to use such technology at reasonable conditions to the portfolio company, or at all.

A third party may bring a lawsuit against a portfolio company for infringing its patent rights. Likewise, a portfolio company may need to bring a lawsuit against a third party to enforce a patent granted to the portfolio company or to determine the scope and invalidity of patent granted to a third party. Patent litigations often take several years, and the issue may, depending on the rules of the country in question, be tried in several courts. The cost of pursuing intellectual property litigation, even if resolved in the portfolio company's favour, could be substantial. Litigation could also divert the portfolio company's focus from the portfolio company's ordinary business. Uncertainty resulting from pursuing litigation could limit a portfolio company's ability to continue its operations. If any party should claim that a portfolio company's creation or use of methods or technologies infringes upon such party's intellectual property rights, the portfolio company may be forced to pay damages and cease the infringing activity.

In several countries, prohibitory injunctions may be granted at an early stage of legal proceedings. As prohibitory injunctions often require provided security, the portfolio companies may lack sufficient financial resources to pursue prohibitory injunctions.

It is not certain that the patents of the portfolio companies ensure sufficient legal or commercial protection against financially strong competitors that, despite the patent, may use the portfolio company's methods and technologies. Furthermore, the patents of the portfolio companies may not ensure sufficient legal or commercial protection against similar products, which the market assesses to be replaceable with the portfolio company's product. Only a few of the portfolio companies may have registered trademarks. Without accurate registration, it might be difficult, or at least time and resource consuming, to prevent a third party from using the respective portfolio company's company name or brands. If any of the risks related to the intellectual property rights of the portfolio companies were to be realised, the portfolio companies and the Company's operational business may be adversely affected.

The Company estimates the risk as low.

Dependency on obtaining regulatory approvals

In order to obtain regulatory approvals for commercial sale of the portfolio companies' products, the portfolio companies and their collaborating partners will be required to complete clinical trials to demonstrate the safety and efficiency of the products. The portfolio companies and their collaborating partners may fail in obtaining approvals from regulatory authorities to commence or complete such clinical trials. If approval is obtained, such clinical trials may prove that the products are not safe or effective to the extent necessary to obtain marketing authorisations from regulatory authorities. Positive results demonstrated in development studies and clinical trials finalised by the portfolio companies and their collaborating partners may not be confirmed in future clinical trials.

The portfolio companies and their collaborating partners will not be able to market any of their products without first obtaining necessary approvals from the regulatory authorities of relevance for the approval in question. The regulatory process to obtain approval for a new pharmaceutical product may take many years and usually requires significant financial resources. If the portfolio companies and their collaborating partners do not obtain the necessary authorisations to market their product candidates, the portfolio companies and the Company's operational business and future development may be adversely affected.

The Company estimates the level of risk as medium.

Risks related to the shares and the Offer

Shareholders who do not participate in the Rights Issue miss out on the right to subscribe for new shares and are affected by dilution

Shareholders who do not participate in the forthcoming Rights Issue before the end of the subscription period will miss out on the right to subscribe for new shares to the subscription price and will therefore be diluted of up to approximately 41.1 per cent of the Company´s share capital and 41.2 per cent of the voting rights through the issuance of not more than 1,052,163 shares of class A and 121,742,614 new shares of class B. There will be no compensation to holders of subscription rights that are forfeited due to that they are not exercised or sold. Shareholders that do not exercise, or only partly exercise, their subscription rights or due to applicable legal restrictions cannot exercise their subscription rights, could also have their proportional holdings of shares and votes in the Company diluted in accordance with the above. Furthermore, there is a risk that the compensation that a shareholder receives on the market for selling its unexercised subscription rights, does not correspond to the economic dilution of the shareholder's ownership in the Company following the Rights Issue.

The Company estimates the level of risk as high.

Trading in subscription rights and paid subscribed shares (BTA) may be limited

Those who were registered as shareholders in the Company on the record date receive subscription rights in proportion to their existing shareholdings. The subscription rights are expected to have an economic value that can only benefit the holder if he or she either exercises them for subscription for new shares no later than 2 February 2022 or sells them no later than 28 January 2022. After 2 February 2022, unexercised subscription rights will be removed, without prior notification, from the holder's securities account and the holder will thus, in full, be deprived of the expected economic value of the subscription rights. Both subscription rights and paid subscribed shares which, after payment, are booked into the securities accounts of those who have subscribed for new shares, will be subject to trading on Nasdaq Stockholm for a limited period. Trading in these instruments may be limited, which may cause difficulties for individual holders to sell their subscription rights and/or BTA and thereby entail that the holder will not be able to compensate themselves for the economic dilution effect that the Rights Issue entails in accordance with the above. Trading in BTA is expected to take place on Nasdaq Stockholm from 18 January 2022 until approximately week 8, 2022. Investors thereby risk being unable to realise the value of their BTAs. Such circumstances would constitute a significant risk for individual investors. Limited liquidity could also enhance fluctuations in the market price of subscription rights and/or BTA's. Consequently, pricing of these instruments risks to be incorrect or misleading.

The Company estimates the level of risk as high.

Future dilution

The Company may need additional capital to finance the operational business or to make intended investments, such as acquisitions or investments in portfolio companies. An issue of shares or other securities may have an adverse effect on the market price of outstanding shares and may also dilute the shares and voting rights held by the existing shareholders if existing shareholders are not given preferential rights in the issue or if existing shareholders for some reason cannot, or do not utilise their preferential rights.

The Company estimates the level of risk as medium.

Major shareholders with substantial influence

As of the date of the Prospectus, Sino Biopharmaceutical Limited holds, indirectly through its subsidiary invoX Pharma Ltd, approximately 43 per cent of the shares and 40 per cent of the voting rights and Worldwide International Investments Ltd holds approximately 15 per cent of the shares and 15 per cent of the voting rights. Following the Rights Issue, Sino Biopharmaceutical Limited will, indirectly, hold approximately 43.1 per cent of the shares and approximately 40.0 per cent of the voting rights provided that the Offer is fully subscribed for. Consequently, Sino Biopharmaceutical Limited will continue to have a substantial influence over the Company in matters that are subject to the approval of the shareholders, such as election of new board members, amendments of the articles of association, issue of shares and appropriation of profits. The interests of Sino Biopharmaceutical Limited may differ significantly from the interests of other shareholders or may otherwise compete with them.

The Company estimates the level of risk as medium.

Unsecured subscription commitments and guarantee undertakings

Karolinska Development has received subscription commitments of approximately SEK 238.6M, corresponding to approximately 48.6 per cent of the Rights Issue. In addition, the Company has received guarantee undertakings of approximately SEK 129.7M, corresponding to approximately 26.4 per cent of the Rights Issue. The Company has thus received subscription commitments and guarantee undertakings of approximately 75 per cent of the Rights Issue. However, the subscription commitments and guarantee undertakings are not secured by e.g. bank guarantees. Consequently, there is a risk that one or several of the mentioned parties will not fulfil their respective commitments. If above subscription commitments and gurantee undertakings would not be fulfilled it would have an adverse effect on the Company's possibilities to successfully complete the Rights Issue and strengthen the Company's capital base.

The Company estimates the level of risk as medium.

The Company´s securities may fluctuate in value and liquidity

An investor shall note that an investment in the Company´s securities are associated with risks. Listed securities are at times affected by significant price and volume fluctuations that are not connected to the Company´s development of the result. During the period 1 January 2021 to 31 December 2021, the closing price of the Company´s share has been SEK 1.54 at the lowest and SEK 10.82 at the highest. The price development of the securities is dependent on multiple factors, some of which are company specific, while others are related to the stock market in general. For example, the share price may be affected by supply and demand, fluctuations in actual or projected earning, failure to meet stock analysts' earnings expectations, failure to achieve financial and operational targets, changes in general economic conditions, changes in regulatory conditions and other factors. Hence, there is no guarantee regarding the future price development of the Company's securities, why the value of the investment may increase as well as decrease. Limited liquidity in the Company's securities may also amplify the price fluctuations. During the period 1 January 2021 to 31 December 2021, the Company's share had an average trading volume of approximately 3,115,268 shares per day. Limited liquidity in the Company's securities may also implicate difficulties for the individual shareholder to dispose of its shares. There is a risk that the Company's securities cannot be sold for a price acceptable for the holders, or at all, at any time.

The Company estimates the level of risk as medium.

Invitation to subscribe for shares in Karolinska Development

On 10 December 2021, the Board of Directors in Karolinska Development resolved, to issue new shares with preferential rights for the Company's existing shareholders to subscribe for new shares of the same class of shares as the shareholders previously held. The Offer in this Prospectus regards shares of class B only. The Board of Directors' resolution on the Rights Issue was approved by an extraordinary general meeting held on 12 January 2022.

One (1) existing share of class B on the record date, 14 January 2022, entitles to one (1) subscription right and ten (10) subscription rights entitle to subscription of seven (7) new shares of class B for a subscription price of SEK 4.00. The subscription period runs between 18 January 2022 to 2 February 2022. Upon full subscription of the Offer, the Company will receive approximately 491.2M prior to issue costs.

Upon full subscription of the Rights Issue, the Company's share capital will increase with SEK 1,227,947.77, from SEK 1,756,654.09 to SEK 2,984,601.86, through a share issue of maximum 122,794,777 shares[1], each with a quota value of SEK 0.01. Shareholders who choose not to participate in the Offer may have their ownership in the Company diluted by up to 41.1 per cent of the capital and approximately 41.2 per cent of the votes but can completely or partially compensate financially for dilution effects by selling obtained subscription rights.

Some of the Company´s major shareholders and a a number of external investors, by taking over available subscription rights, have made subscription commitments. In addition, guarantee undertakings were entered between the Company and a number of external investors. The subscription commitments amount to SEK 238.6M, corresponding to 48.6 per cent of the Offer and the guarantee undertakings amount to SEK 129.7M, corresponding to 26.4 per cent of the Offer. In total, the subscription commitments and the guarantee undertakings amount to approximately 75.0 per cent of the Rights Issue. However, these commitments are not secured by, for example, pledges, blocking accounts or similar arrangements.

Allocation without preferential rights shall primarily be made to such subscribers who have also subscribed for shares, regardless of class of shares, with the support of subscription rights, regardless of whether the subscriber was a shareholder on the record date or not, and in the event that allotment cannot be made in full, allotment shall be made in relation to the number of subscription rights exercised for subscription of shares. Secondly, allotment of shares subscribed without the support of subscription rights shall be made to those who have subscribed without the support of subscription rights, and in the event that allotment to these cannot be made in full, allotment shall be made in proportion to the number of shares each subscribed for. Thirdly and lastly, allotment of shares subscribed without the support of subscription rights shall be made to those who have entered into guarantee undertakings agreements as issue guarantors, and in the event that allotment cannot be made in full, allotment shall be made in proportion to the amount guaranteed. If allotment in any stage above cannot be made pro rata, allotment shall be made by drawing lots.

Shareholders in Karolinska Development are hereby invited to subscribe for new shares of class B in the Company with preferential rights in accordance with the terms of the Prospectus. In addition, shareholders and other investors are also offered to register an interest in subscribing for new shares without preferential rights in accordance with the terms of the Prospectus.

Solna 14 January 2022
Karolinska Development AB
The Board of Directors

The Board of Directors of Karolinska Development is responsible for the content of the Prospectus and, to the Board's knowledge, the information provided in the Prospectus is in accordance with the facts and no information that is likely to influence its meaning has been omitted.

[1] Including a maximum of 1,052,163 shares of class A, which are not part of the Offer, but which existing shareholders of class A have the right to subscribe for and excluding 244,285 shares of class B held by the Company.

Motive for the Offer

Karolinska Development is an investment company focusing on life science and offers investors an opportunity to participate in the value creation of several carefully selected companies that are in the forefront of scientific research that develop medical innovations with substantial commercial opportunities. Through the knowledge of Karolinska Development's management and Board of Directors, the selected portfolio companies are assessed based on criteria such as inherent risk level in drug or technology development, from both an indication point of view as well as for the specific substance, and the commercial potential from a risk-adjusted perspective. In addition, Karolinska Development offers an active management of the portfolio and a good risk diversification in a complex sector, which can be challenging for an investor to achieve on their own.

Investments are mainly made through co-investments together with other leading national and international specialist investors. This facilitates access to a broader capital base, additional expertise within pharmaceutical and medical technology development and commercialisation as well as expanded international networks between potential licensing and business partners. Karolinska Development has a focused but wide portfolio consisting of seven biotech companies and two medtech companies, which are currently between preclinical phase and ongoing phase 2 studies as well as commercialisation for the medtech products. In November 2021, an agreement was entered into to divest the holding, corresponding to 9.7 per cent, in Forendo Pharma Ltd to Organon & Co (NYSE: OGN). If all milestones are met, the total purchase price for the entire company amounts to USD 945M. Karolinska Development estimates the risk-adjusted present value of future cash flows (rNPV) from the transaction, including the initial payment, at SEK 114M. Karolinska Development intends to continue investing in and developing existing portfolio companies as well as identifying and investing in additional attractive research companies. Karolinska Development annually evaluates between about 100 and 200 companies, of which about 20 undergo an even more in-depth review.

Through continued investments in the existing portfolio as well as in new commitments, Karolinska Development's Board of Directors believes that significant shareholder value can be generated for the Company's shareholders and due to this, the Board has resolved on the Offer. The net payment of SEK 348M after issue costs of SEK 18M and set-off of loans, credits and interest from the main owner invoX amounting to SEK 125M, is planned to be used for the following purposes:

- Existing investments, SEK 106M,
- New investments, SEK 206M, and
- General business purposes, SEK 36M

The Company has received subscription commitments from a number of existing shareholders of approximately SEK 216.2M, corresponding to approximately 44.0 per cent of the Offer, as well as from external investors, who have entered agreements to take over subscription rights, of approximately SEK 22.4M, corresponding to approximately 4.6 per cent of the Offer. In total, the subscription commitments amount to approximately SEK 238.6M, corresponding to approximately 48.6 per cent of the Offer. In addition, the Company has received guarantee undertakings of approximately SEK 129.7M from a number of external investors, corresponding to approximately 26.4 per cent of the Offer. The Company has thus received subscription commitments and guarantee undertakings of approximately SEK 368.3M, corresponding to approximately 75.0 per cent of the Rights Issue.

The Board of Directors assesses the Company's existing working capital not to be sufficient for Karolinska Development's current needs for the upcoming twelve-month period. Working capital refers to the Company's opportunities to gain access to cash and cash equivalents in order to fulfil its payment obligations after which they fall due for payment. The Company's liquidity forecast of cash flows, together with available cash and cash equivalents, indicates that the available working capital is sufficient up until September 2022 and that the deficit amounts to approximately SEK 76M over the next twelve months. The Board of Directors assesses that the net proceeds from the Rights Issue will cover the Company's liquidity needs for at least the next two years. In the event of the Rights Issue not being fully subscribed for and the parties who entered subscription and guarantee commitments not fulfilling their obligations, the Company will examine other financing options, or run the business at a slower pace than planned, until additional capital can be raised. If all alternative financing options fail, there is a risk that the Company would be forced to revise current development plans, which could have a negative effect on the Company's growth.

Interest and conflicts of interest

Erik Penser Bank is the financial advisor and Cirio Advokatbyrå is the legal advisor for the Company in connection with the Offer. Erik Penser Bank is entitled to a pre-agreed remuneration for its services in connection with the Offer and Cirio Advokatbyrå receives compensation according to their hourly rates for services rendered. In addition to this, Erik Penser Bank and Cirio Advokatbyrå have no financial or other interests in the Rights Issue.

The Company has received subscription commitments from a number of existing shareholders and in addition entered into guarantee undertakings with several external investors at a total of approximately SEK 368.3M, corresponding to approximately 75.0 per cent of the issue. Cash commission is paid according to the guarantee undertakings of seven (7) per cent of the guaranteed amount.

In addition to the interest of the above parties that the Rights Issue is carried out successfully, and with regard to issue guarantees that agreed compensation is paid, it is assessed that there are no financial or other interests or any conflicts of interest between the parties who in accordance with the above have financial or other interests in the Rights Issue.

Advisors

Erik Penser Bank is the Company's financial advisor and the legal advisor is Cirio Advokatbyrå, which have assisted the Company in the preparation of the Prospectus. As all information in the Prospectus derives from the Company, Erik Penser Bank and Cirio Advokatbyrå disclaim all responsibility in relation to existing or future shareholders in the Company and regarding other direct or indirect financial consequences as a result of investment or other decisions based in whole or in part on information in the Prospectus. Erik Penser Bank is also an issuing institution regarding the Offer.

Terms and Conditions

The Offer

Those who, on the record date 14 January 2022, are registered as shareholders in Karolinska Development have preferential right to subscribe for shares issued in Karolinska Development of the same class of shares as the shareholder previously owns. The offer comprises a maximum of 121,742,614 new shares of class B (ISIN code: SE0002190926) that are issued at a price of SEK 4.00 per share. In addition, a maximum of 1,052,163 shares of class A can be issued. The shares of class A do constitutes a part of the Offer. If the Rights Issue is fully subscribed, the Company will receive a maximum of SEK 491.2M before transaction costs.

Shareholders who choose not to participate in the Offer may have their ownership in the Company diluted by up to 122,794,777 shares[1], corresponding to 41.1 per cent of the capital and approximately 41.2 per cent of the voting rights, but have the opportunity to full or partial financial compensation for the diluting effect by selling obtained subscription rights.

Application can also be made, by both existing shareholders and new investors, to subscribe for shares that have not been subscribed for with the support of subscription rights, see further "*Subscription of shares without the support of subscription rights*" below.

Subscription period

Registration for subscription of shares of class B with or without the support of subscription rights shall take place during the period 18 January - 2 February 2022. The Board of Directors of the Company has the right to extend the period during which notification of subscription and payment may take place. A possible extension of the subscription period will be announced in a press release no later than 2 February 2022.

Subscription price

The shares are issued at a subscription price of SEK 4.00 per share. Brokerage commission will not be charged.

Costs for investors

No costs will be charged investors who participate in the Offer. In the case of trading in subscription rights and BTA, however, brokerage commission is normally charged in accordance with the applicable terms for securities trading.

Record day

The record date in the Euroclear system in order to determine who is entitled to receive subscription rights in the Rights Issue is 14 January, 2022. Those who on the record date are registered in the share register kept by Euroclear, on behalf of Karolinska Development, receive subscription rights in relation to the number of shares held on the record date.

Subscription rights

For each share of class B in Karolinska Development held on the record date, one (1) subscription right is received. Ten (10) subscription rights entitle to subscribe for seven (7) new shares.[2]

Holders of subscription rights have a preferential right to subscribe for shares in relation to the number of subscription rights held and exercised. The shares of class B in Karolinska Development are traded including the right to receive subscription rights up to and including 12 January 2022. The shares of class B are traded excluding the right to receive subscription rights in the Rights Issue from 13 January 2022.

Trading in subscription rights

Trading in subscription rights of class B takes place on Nasdaq Stockholm during the period 18 - 28 January 2022 under the ticker KDEV TR. The ISIN code for the subscription rights of class B is SE0017161409. A bank or custodian handles the brokerage of purchases or sales of subscription rights. Anyone wishing to buy or sell subscription rights must therefore contact their bank or custodian. In such trading, brokerage commission is normally charged.

Important dates and information about subscription rights

Subscription for shares through the exercise of subscription rights must be made by simultaneous cash payment during the period 18 January - 2 February 2022. Please note that subscription rights that are not exercised become invalid after the end of the subscription period and thus lose their value. Unexercised subscription rights will be deregistered from each shareholder's VP account without notification from Euroclear. To prevent loss of the value of the subscription rights, they must, at the latest, either be exercised for subscription of shares on 2 February 2022 or sold on 28 January 2022. Please note that the procedure for unexercised subscription rights may vary depending on the custodian and in some cases results in an automatic sale of the subscription rights in the event that the custodian is not contacted in good time before the end of the subscription period. For more information about each custodian's treatment of non-exercised subscription rights, the custodian should be contacted directly.

[1] Including a maximum of 1,052,163 shares of class A, which are not part of the Offer, but which existing shareholders of class A have the right to subscribe for and excluding 244,285 shares of class B held by the Company.
[2] Corresponding terms and conditions applies for shareholders who hold shares of class A.

Subscription and payment with the support of subscription rights

Directly registered shareholders
The shareholders who on the record date are registered in the share register kept by Euroclear on behalf of the Company will receive a pre-printed issue report with an attached payment notice from Euroclear. The pre-printed issue report shows, among other things, the number of subscription rights received. Anyone who is included in the list of pledgees specially kept in connection with the share register does not receive an issue report but is notified separately. No separate VP notice that reports the registration of subscription rights on shareholders' VP accounts will be sent out.

Registration for subscription of shares with the support of subscription rights must be made by simultaneous cash payment. Subscription and payment must be made in accordance with one of the following alternatives:

1. Pre-printed payment advice from Euroclear
In case that all subscription rights received on the record date, are exercised for subscription of shares, the pre-printed payment slip from Euroclear shall be used as the notification of subscription by payment. The special application form must therefore not be used. No additions or changes may be made to the text pre-printed on the payment advice. Registration is binding.

2. Special application form
If subscription rights are acquired or sold or if the shareholder for other reasons intends to exercise a different number of subscription rights than what is stated on the pre-printed payment advice from Euroclear, the special application form must be used. Notification of subscription by payment must be made in accordance with the instructions stated on the special application form. The pre-printed payment advice from Euroclear should therefore not be used. A special application form can be ordered from Erik Penser Bank via telephone, e-mail or downloaded from Erik Penser Bank's website. The special application form must be received by Erik Penser Bank no later than 5 pm on 2 February 2022. Only one application form per person or company will be considered. In case that more than one application form are submitted, only the first one will be considered. Incomplete or incorrectly completed special application forms may be disregarded. Registration is binding. Completed special application form is sent or submitted to:

Erik Penser Bank
Issue department / Karolinska Development
Box 7405
103 91 Stockholm
Visitors: Apelbergsgatan 27
Phone: 08-463 80 00
Email: emission@penser.se
Website: www.penser.se

Nominee shareholders with a depository with a bank or custodian
Shareholders who on the record date are nominee-registered with a bank or custodian will not receive an issue report from Euroclear. Subscription and payment shall, in respect of nominee-registered shareholders, take place in accordance with instructions from the respective bank or custodian.

Subscription of shares without the support of subscription rights

Notification of subscription for shares without the support of subscription rights shall take place during the same period as notification of subscription of shares with the support of subscription rights, i.e. during the period 18 January - 2 February 2022.

Shareholders residing in certain unauthorized jurisdictions

Allocation of subscription rights and issuance of new shares through exercise of subscription rights to persons who are residents or citizens of countries outside the EES may be affected by securities laws in such countries. Due to this shareholders, with some possible exceptions, who have their existing shares directly registered on VP accounts with registered addresses in the United States (with exception of QIBs that operate in accordance with the procedures described below), Australia, Canada, Japan, New Zealand, Switzerland, South Africa, South Korea, Singapore, or other jurisdiction in which it would not be permissible to offer subscription rights or new shares, will not receive any subscription rights to their respective VP accounts or be allowed to subscribe for new shares. The subscription rights that otherwise would have been registered for these shareholders will be sold on the market and the sales proceeds, with deduction of costs, will be paid to such shareholders. Payment is made to the income account which is linked to the shareholder's VP account. Amounts less than SEK 100 will only be paid out on request.

United States

The securities have not and will not be registered under the Securities Act or the Securities Act in any state or other jurisdiction of the United States and the Securities may not be used, offered, sold, resold, delivered or transferred, directly or indirectly, in or to the United States, except under an available exemption from, or in a transaction not covered by, the registration requirements of the Securities Act and in accordance with any

applicable securities law in any state or any other jurisdiction in the United States. Karolinska Development does not direct the Offer to the United States, except for QIBs that act accordingly with the procedures described below, and no part of the Prospectus or any pre-printed issue report or application form constitutes or will constitute, or be part of, an offer or an invitation to sign, or an offer or an invitation for acquire or subscribe to any Securities in the United States.

With some exceptions, neither the Prospectus, nor any pre-printed issue report, or application form may be sent to shareholders whose addresses are located in, or who live in, or are in the United States. Banks and other nominees who manages shares for shareholders in Karolinska Development whose holdings on the record date are nominee registered may not send this Prospectus, or any pre-printed issue report, or application form to shareholders whose addresses are in, or who lives in, or is in the United States without first obtaining Karolinska Development's written approval.

Shareholders whose address is in, or who live in, or is located in the United States will be allowed to exercise their rights to subscribe for new shares in accordance with the Offer only if the person is a QIB and signs, and to Karolinska Development returns, a duly completed so-called investor representation letter in the format that Karolinska Development provides. The so-called investor representation letter will require that each such QIB commits and approves that (i) the person is a QIB and (ii) the person will only offer, subscribe, take advantage of, pledge, sell, resell, grant, deliver, or otherwise transfer the new shares through transactions that are exempt from, or not subject to, the registration requirements in the Securities Act and which complies with the securities legislation in relevant state. The so-called investor representation letter will contain additional written commitments, agreements, and recognitions attributable to, among other things, the transfer restrictions that are applicable to the new shares. Each such QIB whose holding is nominee registered through a bank or other nominee shall ensure that the relevant bank or other nominee comes in with a so-called investor representation letter on his/her behalf.

Any person who acquires or subscribes for subscription rights or new shares and which is not a QIB that has sent a so-called investor representation letter to Karolinska Development will, by agreeing to receive the Prospectus, or the pre-printed issue report, or the registration form, or by accepting delivery of subscription rights, or new shares, be deemed to have declared, guaranteed and accepted that the person is not, and at the time of acquisition or subscription of subscription rights or new shares will not be, a resident in, or be located in the United States, or act on a non- discretionary basis in favour for, or on behalf of a person who is present in, or residing in the United States, or on behalf of such person. Pre-printed issue reports or application forms sent from or postmarked in the United States will be considered invalid and anyone subscribing for new shares and wants to keep the subscribed shares in registered form must provide an address outside the United States for registration of the new shares.

Every person in the United States who is not a QIB and who receives a copy of the Prospectus or a pre-printed issue report or application form is obliged to disregard from this. Consequently, investors who are not QIBs cannot participate in the Offer, subscribe for new shares, or exercise subscription rights, and application forms or other documents required to participate in the Offer from such investors will not be accepted by Karolinska Development or Erik Penser Bank. In connection with the Offer, Erik Penser Bank will not carry out any transactions or bring about or try to bring about the acquisition or sale of some securities in or to the United States. Karolinska Development will be solely responsible for an offer of Securities to eligible shareholders in the United States.

Allocation principles

In case that not all shares of class B have been subscribed for by the exercise of subscription rights, the Board of Directors shall, within the limits of the maximum amount of the Rights Issue, resolve on the allotment of shares of class B subscribed for without the support of subscription rights.

Allocation without preferential rights shall primarily be made to such subscribers who have also subscribed for shares and exercised subscription rights, regardless of whether the subscriber was a shareholder on the record date or not, and in case allocation to these investors cannot be made in full, allotment shall be made in relation to the number of subscription rights exercised for subscription of shares.

Secondly, allotment of shares subscribed for without the support of subscription rights shall be allotted to those who have subscribed for shares without the support of subscription rights, and in the event that allotment to them cannot be made in full, allotment shall be made in proportion to the number of shares each subscribed for.

Third and last, allotment of shares subscribed for without the support of subscription rights shall be allotted to those who have entered into guarantee undertakings agreements as guarantors, and in case allotment of these cannot be made in full, allotment shall be made in proportion to the amount each guarantor has guaranteed.

If allotment, at any stage, according to the above cannot be made pro rata, allotment shall be made by drawing lots.

Directly registered shareholders
Directly registered shareholders' registration of interest to subscribe for shares without the support of subscription rights must be made on the application form "*Application form for subscription of shares without the support of preferential rights*" which should be filled in, signed and sent or submitted to Erik Penser Bank to the address above. Application form can be ordered from Erik Penser Bank by phone, e-mail or downloaded from Erik Penser Bank's website. The application form must be received by Erik Penser Bank no later than 5 pm on 2 February 2022. Only one application form per person or company will be considered. In case that more than one application form is submitted, only the first one will be considered. Incomplete or incorrectly completed application form may be disregarded. Registration is binding. Notification of any allocation is made by sending a contract note which must be paid in accordance with the instructions on this. Notification is only issued to those who have received allotment. If payment is not made on time, the right to the new shares may be transferred to another. In case that the share price is lower than the subscription price, the person who was first allotted the new shares is liable to pay for all or part of the difference.

Nominee-registered shareholders with a depository with a bank or custodian
Nominee-registered shareholders' registration of interest to subscribe for shares without the support of subscription rights must be made in accordance with instructions from the respective bank or custodian. Notification of allotment and payment regarding nominee-registered shareholders takes place in accordance with routines from the respective custodian.

Foreign shareholders
Shareholders residing outside Sweden who wish to participate in the Rights Issue must send the pre-printed payment advice, in case all received subscription rights are used, or "Special application form", if another number of subscription rights are used, together with payment to the address as above. Payment must be made to Erik Penser Bank's bank account in SEB with the following account information:

Bank: SEB (Skandinaviska Enskilda Banken AB)
IBAN number: SE48 5000 0000 0556 5101 8077
SWIFT: ESSESESS

Please note that due to restrictions in the securities legislation, the Rights Issue is not directed at persons residing or having a registered address in the USA, Australia, Japan, New Zealand, Switzerland, Singapore, South Africa, South Korea, Canada or other countries where participation requires additional prospectus, registration. or other measures than those that follow from Swedish law. Shareholders with a registered address in one of these countries are encouraged to contact Erik Penser Bank to obtain payment from the sale of received subscription rights, after deduction of sales costs, to which these holders would otherwise have been entitled. Payment of such sales proceeds will not take place if the net amount is less than SEK 200.

Requirements for NID numbers for natural persons
National ID or National Client Identifier (NID number) is a global identification code for individuals. According to MiFID II, all legal persons have, from on 3 January 2018, a NID number and this number need to be specified to make a securities transaction. If such a number is not specified, Erik Penser Bank is prevented from carrying out the transaction to the natural person in question. If you have Swedish citizenship, your NID number consists of the designation "SE" followed by your social security number. Have you additional or any other kind of citizenship other than Swedish your NID number may be some other type of number. For more information on how to obtain NID numbers, contact your bank. Remember to find out your NID number in good time as the number needs to be stated on the registration form.

Requirements for LEI code for legal entities
Legal Entity Identifier (LEI) is a global identification code for legal persons. According to MiFID II legal persons need, from 3 January 2018, to have a LEI code to be able to carry out a security transactions. If such a code is missing, Erik Penser Bank may not execute the transaction to the legal entity in question.

Paid subscribed shares (BTA)
Subscription by payment is registered with Euroclear as soon as this is completed, which normally means up to three banking days after payment. Thereafter, the subscriber receives a VP notification with confirmation that paid subscribed shares (BTA) have been booked in the subscriber's VP account. Shareholders whose holdings are nominee-registered via a depository with a bank or custodian receive information from the respective custodian.

Trading with BTA
Trading in BTA will take place on Nasdaq Stockholm under the ticker KDEV BTA from 18 January 2022 until the Swedish Companies Registration Office has registered the Rights Issue. ISIN code for BTA is SE0017161417. This registration is expected to take place around week 7, 2022.

Delivery of shares

BTA will be replaced by shares of class B as soon as the Rights Issue has been registered by the Swedish Companies Registration Office. After this registration, BTA will be booked out of the respective VP account and replaced by shares without special notification. Such a rebooking is expected to take place around week 8, 2022. The newly issued shares of class B will be admitted to trading on Nasdaq Stockholm in connection with the rebooking.

Admission to trading

The newly issued shares will be admitted to trading on Nasdaq Stockholm in connection with the rebooking of BTA. Such rebooking is expected to take place around week 8, 2022. The securities that are intended to be issued are of the same type as the securities that are already admitted to trading on Nasdaq Stockholm.

Right to dividend

The newly issued shares entitle to a dividend for the first time on the record date for dividends that occurs immediately after the shares have been registered in the Company's share register.

Publication of the outcome of the Rights Issue

The outcome of the Rights Issue will be announced in a press release, which is expected to be around 7 February 2022.

Other information

The Board of Directors of Karolinska Development does not have the right to suspend, revoke or temporarily withdraw the offer to subscribe for shares in the Company in accordance with the terms of the Prospectus. A subscription of new shares is irrevocable and the subscriber may not cancel or modify a subscription of new shares. An incomplete or incorrectly completed application form may be left without consideration. If the payment for subscribed shares is late, insufficient or is paid incorrectly, the notification of subscription may be left without consideration or subscription may be made with a lower amount. Paid payment that has not been accepted will in that case be repaid. If several application forms of the same category are submitted, only the application form that Erik Penser Bank first received will be considered. Late payment of less than SEK 100 will only be refunded upon request. Registration of the Rights Issue with the Swedish Companies Registration Office is expected to take place in week 7, 2022.

Subscription commitments and guarantee undertakings

In connection with the Offer, Karolinska Development has received subscription commitments and guarantee undertakings corresponding to 75.0 per cent of the Rights Issue. The subscription commitments and guarantee undertakings are shown in the table below, but, however, they are not secured by bank guarantee, blocked accounts, pledges or similar arrangements.

Subscription commitments received amount to approximately SEK 238.6M, corresponding to approximately 48.6 per cent of the Rights Issue, and have been received from the parties listed in the table below. No compensation is paid for subscription commitments.

Guarantee undertakings amount to SEK 129.7M, corresponding to approximately 26.4 per cent of the Rights Issue, and have been entered into with external investors. Karolinska Development shall pay compensation of seven (7.0) per cent of the guaranteed amount for these guarantee undertakings, corresponding to a renumeration of approximately SEK 9.1M. The guarantee undertakings were entered into during December, 2021. The underwriting consortium has been coordinated by Erik Penser Bank.

NAME	SUBS. COMMITMENTS	GUARANTEE UNDERTAKINGS	SUM	%
invoX Pharma Ltd[1]	212,036,396	–	212,036,396	43.2
Insamlingsstiftelsen för främjande och utveckling av medicinsk forskning vid KI[2]	4,208,652	–	4,208,652	0.9
Nyenburgh[3]	12,000,000	50,000,000	62,000,000	12.6
Wilhelm Risberg[8]	2,700,000	18,000,000	20,700,000	4.2
Modelio[4]	1,750,000	15,000,000	16,750,000	3.4
Formue Nord[5]	1,750,000	15,000,000	16,750,000	3.4
Fredrik Lundgren[8]	1,200,000	8,000,000	9,200,000	1.9
Oscar Molse[8]	1,000,000	7,500,000	8,500,000	1.7
Karkas Capital[6]	1,000,000	7,000,000	8,000,000	1.6
Dariush Hosseinian[8]	1,000,000	7,000,000	8,000,000	1.6
Erik Penser Bank[7]	–	2,200,000	2,200,000	0.4
Total	**238,645,048**	**129,700,000**	**368,345,048**	**75.0**

1. Can be reached at address: 1 Princeton Mews, 167-169 London Road
2. Can be reached at address: Humlegårdsgatan 11, 114 46 Stockholm
3. Can be reached at address: Beursplein 5, 1012 JW Amsterdam
4. Can be reached at address: Ingmar Bergmans gata 2, 114 34 Stockholm
5. Can be reached at address: Østre Alle 102, 9000 Aalborg
6. Can be reached at address: Hangövägen 29, 114 41 Stockholm
7. Can be reached at address: Apelbergsgatan 27, 111 37 Stockholm
8. Can be reached through the Company or Erik Penser Bank

Business description

Overview

Karolinska Development is an investment company which offers an opportunity to participate in the value creation of several Nordic life sciences companies with substantial commercial opportunities. The Company focuses on identifying medical innovations and invests in the creation and growth of companies that advance these assets into differentiated commercial products, that are designed to make a difference to patients' lives while providing an attractive return on investment to shareholders.

Karolinska Development has established relations with leading universities and research institutes in the Nordic region, including Karolinska Institutet, enabling good insight to innovative research and early access to medical innovations with the opportunity to become world leaders in their respective fields. In addition, Karolinska Development has well-established relations within venture capital, enabling investment opportunities within a wide range of life science businesses. The Company aims to build companies around scientists who are leaders in their fields, supported by experienced management teams and advisers. By providing financing and in-depth knowledge together with international investors who are specialised in the sector, the Company assesses good conditions for successful development of each corporate engagement.

To develop a new drug or a new medical device takes a long time and requires significant financial investments. The risk of an individual project not reaching the market is high. Yet, there is a great interest in small and medium-sized life science companies due to the immense potential of value growth in the companies that do reach successes. Karolinska Development has a highly developed method with long experience of optimising the commercial potential of the portfolio companies' life science projects and to reduce the intrinsic biological project risk as far as possible – all research and development takes place because of the so far unknown outcomes.

One way to reduce the risks is to implement broad development programs with several potential areas of use for a candidate drug or a medical device. A candidate drug which turns out to be ineffective in a certain medical indication may well be successful in another. The portfolio companies receive professional support throughout the process of optimising the design of their clinical studies, and the potential for spreading the risk by expanding therapeutic indications is subject to continuous assessment.

The development strategies for the individual projects are structured in close cooperation with world-leading scientific and clinical experts.

Another way to optimise value creation is to prepare the disposal of the holding already at the time of an investment. Karolinska Development works goal-oriented towards optimising the portfolio companies' prerequisites to commercialise their projects. The portfolio companies have been strengthened in the past years through the recruitment of people with a documented ability to close international business deals in the life sciences sector.

An additional success factor is to continuously adjust the composition of Karolinska Development's portfolio to maintain an acceptable total risk level.

The most important asset of an investment company is the people responsible of selecting and developing the investments. Karolinska Development's management team consists of people with many years of experience from investment activities, research and development, and building companies. The management also has an extensive international network within both the scientific world and the global life science industry.

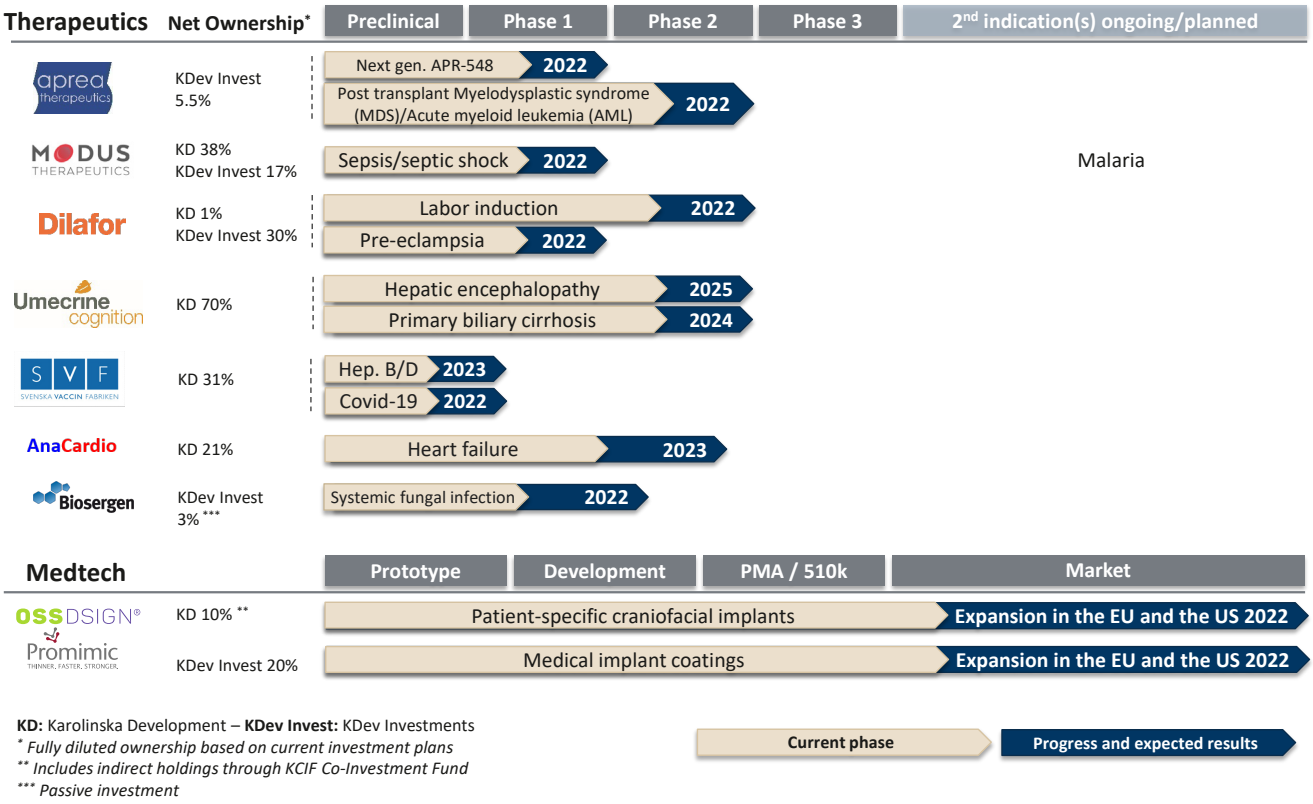
Karolinska Development takes on a long-term engagement in its portfolio companies. Investments in pharmaceutical projects typically continue until proof-of-concept is demonstrated in phase 2 studies. The reason being that this is an attractive time for business deals. Only then can it be demonstrated that a drug candidate has the anticipated biological effect, thereby substantially reducing the ongoing development risk and significantly increasing the value of the project. Holdings in portfolio companies within medtech are divested at a later point in time when the companies have launched their first product and have become cash flow positive. The possibility to enter cash-flow generating licensing deals, IPOs, or exit options are however continuously evaluated throughout the companies' development.

Portfolio overview

Karolinska Development's portfolio consists of nine companies targeting opportunities in innovative treatment for life threatening or serious debilitating diseases and other medical conditions. Seven of the portfolio companies have candidate drugs in ongoing clinical studies or approved products in early commercial phase. During the period 2022-2023 it is expected that four portfolio companies will present results from phase 1 studies and three portfolio companies are expected to present results from phase 2 studies. These clinical study results offer a potential for substantially increased opportunities for attractive divestments or licensing deals.

Comparable candidate drugs for the Company's active holdings in the portfolio have, in recent years, been out licensed or sold for contract values of billions for the individual projects. The portfolio companies have been strengthened in the past years through the recruitment of executive management with a documented ability to close international business deals in the life sciences sector. In addition to the portfolio companies, Karolinska Development has interests in two other life science companies, Forendo Pharma and Oncopeptides, in the form of earn-out agreements.

Karolinska Development's current portfolio



KD: Karolinska Development – **KDev Invest:** KDev Investments

* *Fully diluted ownership based on current investment plans*

** *Includes indirect holdings through KCIF Co-Investment Fund*

*** *Passive investment*

Investment strategy

Karolinska Development believes that some of the most innovative biomedical research and ideas in Europe originate at institutions in the Nordic region, and there is a substantial pool of hidden value potential.

The Company's strategy is therefore focused on identifying and investing in ground-breaking medical innovations new investment opportunities across the Nordic region with substantial commercial opportunities, to expand and diversify its portfolio into broader areas of life science with potential for value growth. The Company may also seek to make investments in undervalued companies on the public markets in the region and in more mature investments, where returns may be realised more quickly than from early-stage companies. Karolinska Development will seek to syndicate deals with professional life science investors.

Karolinska Development intends to realise value from its portfolio through dividends, trade sales, asset sales or IPOs. The key elements of Karolinska Development's strategy are expanded below.

A clear focus within the portfolio

Karolinska Development has a diversified portfolio consisting of companies that the Company, after a careful review process, assesses to have good chances of developing innovative medicines or medtech products that meet a clear medical need, and with the potential of delivering attractive returns to shareholders.

Investments in potentially ground-breaking medical innovations

Innovation level is an important parameter in evaluating the commercial potential of life science projects. Some are designed to make marginal improvements to existing treatments, whilst others are based on new types of compounds or technologies with the potential to dramatically improve patients' quality of life and maybe even increase the chances of a cure and survival. Karolinska Development primarily invests in the latter project category which is often referred to as "first-in-class" drug candidates.

Focusing on commercialisation

Evaluating the companies' ability to commercialise the projects is equally important as the innovation level. Karolinska Development focuses on optimising the portfolio companies' potential for commercialising their projects. The past years have seen the portfolio companies strengthened through the recruitment of people with a documented ability to close international business deals in the life sciences sector.

Development strategies for risk reduction

Karolinska Development has long-established processes for minimising the risk that the results of clinical trials fail to live up to justifiable expectations. The portfolio companies receive professional support throughout the process of optimising the design of their clinical studies, and the potential for spreading the risk by expanding therapeutic indications is subject to continuous assessment. The development strategies for the individual projects are structured in close cooperation with world-leading scientific and clinical experts.

Financing and exit model

Karolinska Development has the ambition to invest in portfolio companies via syndication with other professional life science investors. Karolinska Development continuously evaluates exit options. In accordance with industry standards, the investments in pharmaceutical projects normally continue until proof-of-concept is demonstrated in phase 2 studies, at which point the potential for entering cash-flow generating licensing deals, trade sales, or IPOs will be examined. The reason is that positive phase 2 data markedly increases the potential for attractive business deals. It is only when this data has been generated that it is possible to demonstrate that a candidate drug has the anticipated biological effect, thereby substantially reducing the ongoing development risk and significantly increasing the value of the project. Holdings in portfolio companies within medtech are usually divested at the point when the companies have launched their first product and have become cash flow positive.

Selected historical achievements

Over the past five years, Karolinska Development has successfully realised value for the Company's shareholders in the form IPOs or divestments of projects that have subsequently contributed to investments with continuous value growth. Since 2016, the value of the Company's portfolio has increased from SEK 146M to SEK 1,075M. In total, SEK 3,568M have been invested in the companies included in Karolinska Development's portfolio by a large number of investors, of which Karolinska Development itself has invested SEK 403M. The Company has carried out several exits during these five years, totalling SEK 414M, and includes the previous portfolio companies BioArctic, Xspray, ISS, Pharmanest, Asarina Pharma, Lipidor, and partial exits within current portfolio companies OssDsign and Aprea Therapeutics. The upfront payment for the recently divested portfolio company Forendo Pharma is also included here. Karolinska Development also has a track record of stock exchange listings, where six of the portfolio companies mentioned above; BioArctic, Asarnia Pharma, OssDsign, Aprea Therapeutics, Xspray, and Lipidor are listed on the stock exchange. In addition, the portfolio companies Biosergen and Modus Therapeutics were listed during 2021. Below is an overview of several selected investments made by the Company, and which have resulted in successful IPOs or divestments:

	BIOARCTIC	APREA THERAPEUTICS	XSPRAY PHARMA	FORENDO PHARMA
Founded:	2003, Karolinska Institutet	2003, Karolinska Institutet	2005	2003
Exit/IPO:	Generated about 80 times the original investment	Listing on Nasdaq, New York during 2019	Karolinska Development's ownership was divested in 2015 and an earn-out agreement was entered, which was realised in 2017	In November 2021, Organon & Co entered an agreement regarding the acquisition of the company. If all milestones are met, the total purchase price for the entire company amounts to USD 945M[2]
Market value[1]:	SEK 10.5 billion	USD 61.6M	SEK 1.3 billion	–

[1] As of 31 December 2021. Source: Nasdaq
[2] Karolinska Development's ownership amounted to 9.7 per cent

The sale of Forendo Pharma

Karolinska Development's latest successful exit is the sale of the Company's 9.7 per cent ownership in Forendo Pharma, which was communicated in November 2021. Forendo Pharma's shareholders and the buyer, Organon & Co (NYSE: OGN), entered an agreement in November 2021, which was completed in December 2021. The agreement states that Forendo Pharma´s shareholders acquire an initial purchase price amounting to USD 75M and thereafter hold the right to USD 270M in development-related milestones and an additional USD 600M in commercial milestones, totalling USD 945M. Karolinska Development estimates the risk-adjusted net present value of future cash flow ("rNPV") from the transaction, including the initial payment, to SEK 114M. The additional purchase consideration is expected to be paid during the period 2024–2034 and rNPV evaluations will be renewed continuously in connection with Karolinska Development's future quarterly reporting.

Principles of Investment

For investor lacking in-depth knowledge within the area of life science, it can be difficult and time consuming to evaluate a research project's level of innovation and quality. An ownership in Karolinska Development provides an opportunity for investors, who still want exposure to the sector, to easily take part of the value creation of a number of carefully selected highly innovative Nordic life science companies with significant commercial potential.

Access to both public and unlisted companies

For private individuals, there are usually limited opportunities to invest in unlisted companies, and in case such an investment is possible, it is often difficult for the investor to sell the holding at short notice and at a desirable price. Karolinska Development's extensive network in the Nordic life science sector continuously provides opportunities to invest in unlisted companies as well.

Good risk diversification

Investments in small and medium-sized life science companies involve significant risks, as the project developments' outcome is often binary. To diversify the risk, a varied and balanced portfolio is required. However, structuring and monitoring such a portfolio can be difficult and time-consuming. A holding in Karolinska Development provides an opportunity to take part of the value development in a well-balanced portfolio of innovative Nordic life science companies.

Professional assessment of biological risk

To assess the probability of a biological concept behind a life science project, becoming a finished product, extensive knowledge and experience is required. Karolinska Development's investments are always based on professional assessments of level of innovation and the viability of the scientific hypothesis on which an individual project is based.

Professional assessment of commercial risk

Even if a life science project develops well from a purely medical perspective, it does not necessarily mean that it is possible to capitalise on the scientific achievements. Prior to each investment, a thorough analysis is conducted by Karolinska Development to investigate the commercial potential of a potential new portfolio company, i.e. the probability that its projects can be out-licensed, divested or market-introduced under its own direction.

Continuous and close monitoring of holdings

Karolinska Development's investment managers continuously monitor the development of the portfolio companies, make additional investments if considered attractive, and carry out divestments of the holdings at times that are estimated to result in the best possible return for the shareholders.

Background and history of the Company

The origin of Karolinska Development dates back to 2003. Karolinska Development was founded with the aim to finance and commercialise innovations from researchers at Karolinska Institutet in Stockholm, Sweden's largest academic institution for medical education and research and one of Europe's largest medical universities.

Several of its current portfolio companies have their origin in the close cooperation with KIAB, the technology transfer arm of Karolinska Institutet. Karolinska Development has subsequently broadened its networks to capture innovations from other prominent research institutions in the Nordic region.

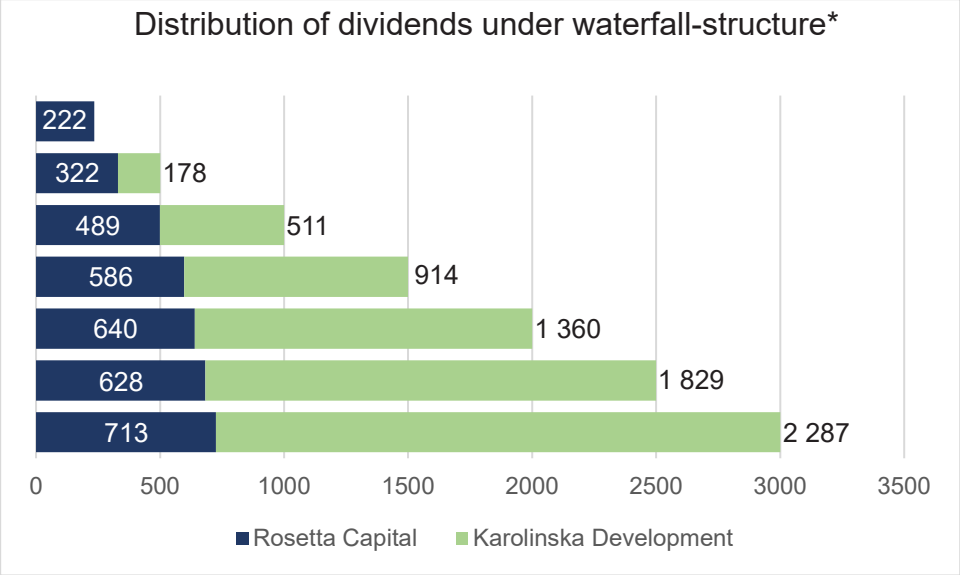
Since 2003, the portfolio of Karolinska Development has evolved from mainly including therapeutics companies with projects in pre-clinical phases to include companies with projects at various stages of clinical development, of which several are expected to deliver Phase 2 clinical proof-of-concept results within the next two years. The portfolio also includes two medical technology companies that are now commercialising their products and are building global sales and distribution networks through the execution of their commercial strategies.

Karolinska Development, in its current form as a Nordic life science investment firm, was established in 2008 when the investment funds Karolinska Development I AB (founded in 2003) and Karolinska Development II AB (founded in 2005) were merged with the Company. In 2011, the Company was listed on Nasdaq Stockholm (ticker: KDEV).

In December 2012, Karolinska Development and Rosetta Capital IV LP ("Rosetta Capital"), an international expert investor, entered into an agreement under which Rosetta Capital invested SEK 220M in a number of portfolio companies in exchange for a part of the future return from these companies. The shareholdings in the portfolio companies covered by the agreement with Rosetta Capital are located in the jointly owned company KDev Investments AB, which currently includes five companies: Aprea Therapeutics, Modus Therapeutics (Karolinska Development also owns Modus Therapeutics through a larger direct holding), Dilafor, Promimic and Biosergen.

The return from KDev Investment's holdings, including Rosetta Capital's investment of SEK 44M in the portfolio companies, will be distributed according to a so-called waterfall structure, illustrated in the graph below. With its current shareholding, Karolinska Development's share of dividend is 0 per cent for accumulated dividends up to SEK 220M, 65 per cent for accumulated dividends between SEK 220M and SEK 880M, 75 per cent for accumulated dividends between SEK 880M and SEK 1,320M and 92 per cent for accumulated dividends over SEK 1,320M.

KDev Investment´s partial divestments of Aprea Therapeutics in December 2020 and September 2021, which yielded SEK 66.7M for KDev Investments, enabled KDev Investments to pay a dividend to Rosetta Capital in 2020 of SEK 28.5M, which in turn was paid to Karolinska Development in order to redeem part of a receivable held by



Accumulated exit values of all KDev Investments' portfolio companies as dividends (MSEK)

*When calculating dividends, all previously distributed dividends must be considered, accumulated dividends paid amount to SEK 42M and have reduced the estimated dividend to Rosetta Capital.

What is fair value?

Fair value quantifies the combined value of the Company's investments at a given time. The calculation of the portfolio's fair value is based on the provisions of the international accounting standard, IFRS 13, and the International Private Equity and Venture Capital Valuation Guidelines (IPEV Valuation Guidelines). The fair value of the portfolio is divided into "Total portfolio fair value" and "Net portfolio fair value".

The total portfolio fair value is the aggregate return that would be obtained by Karolinska Development and KDev Investment if the shares in the portfolio companies were to be divested in an orderly transaction between market operators at the year-end.

The net portfolio fair value is the aggregate dividend that Karolinska Development will receive after KDev Investment's dividend payment to Rosetta Capital.

Karolinska Development against Rosetta for part of a deferred purchase price payment. In 2021, KDev Investments was able to pay an additional SEK 13M dividend to Rosetta Capital, of which SEK 0.7M was paid to Karolinska Development as redemption for the deferred purchase price. The dividends are included in the settlement of the waterfall with corresponding amount.

In 2014, Karolinska Development implemented a comprehensive strategy shift. At this time, the portfolio comprised of 21 companies whose projects displayed a wide variation in terms of their level of innovation. The strategy shift entailed that Karolinska Development retained its holdings in portfolio companies conducting "first in class" projects and divested a number of companies whose level of innovation and commercial potential were lower. Earn-out agreements assured Karolinska Development's right to still take part of the value creation of the of the divested companies. A goal-oriented process of strengthening the commercial competence of the remaining portfolio companies was launched at the same time. Measures were, in addition, implemented in order to broaden the number of therapeutic indication areas in the prioritised projects, in order to boost their commercial potential and spread the risks. The strategy shift was essentially completed in the beginning of 2017.

Karolinska Development's portfolio

A focused portfolio with substantial commercial opportunities

Karolinska Development's investments in therapeutic companies are conducted in syndicate with other professional life science investors, normally until proof-of-concept is demonstrated in phase 2 trials, at which point different exit options are evaluated. When engaging in medtech companies, the business model is to finance the companies until they show a positive operating result, before realising the investments.

Karolinska Development has a focused portfolio of therapeutic and medtech companies with significant value-generating potential. The portfolio companies are developing highly differentiated and commercially attractive products that have the potential to deliver compelling clinical and health economic benefits, as well as attractive returns on investment.

During the past years, Karolinska Development has optimised the clinical programs of the portfolio companies to reach clinically meaningful and value-generating milestones. The majority of Karolinska Development's portfolio companies are well-financed for the continued development and commercialisation efforts and are well-positioned to deliver crucial value-generating milestones within the coming two years. The ongoing pandemic has affected the portfolio companies to various extents. However, the majority have been able to develop according to original time plans.

In addition to Karolinska Development's active value creation in eight portfolio companies, the Company has a passive investment in one portfolio company and interests in the form of earn out-agreements in two additional life science companies.

An innovative approach to treating a broad range of cancers

Project	APR-246 (first-in-class)
Origin	Karolinska Institutet
Primary Indication	MDS
Development Phase	Phase 3
Holding in company	KDev Investments 5.5 per cent (fully-diluted ownership based on current investment plans)
Expected milestones	Results from phase 1 study with APR-548 expected during 2022.

Aprea Therapeutics (Boston, USA and Stockholm, Sweden) develops novel anticancer drugs targeting the tumour suppressor protein, p53. Mutations of the p53 gene occur in around 50 per cent of all human tumours and are associated with poor overall survival. Aprea's candidate drug, eprenetapopt (APR-246), has shown an ability to reactivate mutant p53 protein, inducing programmed cell death in many cancer cells. The company has received a breakthrough therapy and orphan drug designation from the American Food and Drugs Administration, the FDA.

The FDA approved an Investigational New Drug (IND) application for APR-548 – a next generation candidate drug being developed for oral administration – during 2020. The company is now initiating a clinical development programme for APR-548 in the treatment of TP53-mutated MDS.

At the end of 2020, top-line data were reported from a phase 3 study of eprenetapopt in patients with p53-mutated myelodysplastic syndrome (MDS). In the patient group that received a combination of eprenetapopt and azacitidine, the proportion with complete remission was higher (33.3 per cent) than in the group that received azacitidine alone (22.4 per cent). However, the difference was not statistically significant. Recently, positive results were reported from a phase 2 study of the drug candidate eprenetapopt in combination with azacitidine as post-transplant maintenance treatment in patients with TP53-mutated myelodysplastic syndrome (MDS) or acute myeloid leukaemia (AML). The relapse-free survival one year after transplantation was 58 per cent and the overall survival was 79 per cent.

In August 2021, the FDA issued a clinical hold for Aprea Therapeutics clinical program. The issue caused a pause in the patient enrolment for the company's clinical trials. On 9 December, the FDA removed the full clinical hold.

Aprea has been listed on the NASDAQ Global Select Market in the USA since October 2019.

The market

Eprenetapopt has the potential for use in many different types of cancer as mutations in p53 are found in around 50 per cent of all diagnosed cancers. The lead target indications thus far include blood tumours such as MDS and AML. MDS is an orphan disease and represents a spectrum of hematopoietic stem cell malignancies. Approximately 30-40 per cent of MDS patients progress to AML and mutations in p53 are found in up to 20 per cent of MDS and AML patients, which is associated with poor overall prognosis.

Recent progress

In April 2021, the FDA granted orphan drug designation to Aprea Therapeutic´s drug candidate eprenetapopt for the treatment of AML.

Positive results were reported from a phase 2 trial evaluating the drug candidate eprenetapopt in combination with azacitidine for post-transplant maintenance therapy in patients with TP53 mutant MDS and AML. The relapse free survival at 1-year post-transplant was 58 per cent and the overall survival was 79 per cent.

In August 2021, FDA issued a clinical hold for Aprea Therapeutics clinical program evaluating eprenetapopt with acalabrutinib or venetoclax and rituximab in lymphoid malignancies. The issue caused a pause in the patient enrolment for the company's clinical trials. On 9 December, the FDA removed the full clinical hold.

Deal values for similar projects

- USD 469M - MEI Pharma (licensor) & Helsinn Group (licensee) 2016
- USD 483M - Calithera Biosciences (licensor) & Incyte (licensee) 2017

Establishing new treatments against life threatening sepsis/septic shock

Project	Sevuparin (first-in-class)
Origin	Karolinska Institutet and Uppsala universitet
Primary indication	Sepsis/Septic shock
Development phase	Phase 2
Holding in company	Karolinska Development 38 per cent, KDev Investments 17 per cent (fully-diluted ownership based on current investment plans)
Expected milestones	Phase 2 proof-of-concept (PoC) sepsis/septic chock with expected start Q3/Q4 2022.

Modus Therapeutics (Stockholm, Sweden) is developing sevuparin as a treatment of sepsis/septic shock, a potentially life-threatening condition that is currently lacking efficient pharmaceutical therapies. Patients that are affected by sepsis are exposed to a risk of developing multi-organ failure and, in severe cases, decease. Sevuparin is a polysaccharide drug candidate with a multimodal mechanism of action, including anti-inflammatory, anti-adhesive and anti-aggregate effects. It acts by interfering with the harmful agents generated by white blood cells during systemic inflammation. This interference could potentially break the molecular chain of events that lead to vascular damage and plasma leakage in patients with sepsis/septic shock and other systemic inflammatory manifestations. Data from pre-clinical animal as well as in vitro human cell models has revealed that sevuparin was able to protect blood vessels and counteract lung plasma leakage during systemic inflammation.

Previous clinical trials in other patient groups have shown that sevuparin is well tolerated and has a favourable safety profile. In March 2021, Modus Therapeutics announced its intention to initiate a clinical development program in sepsis/septic shock. Sevuparin is believed to have a beneficial effect on the severe systemic inflammation that characterises this condition. The company intends to finance the development within the new indication through a rights issue in connection with the listing at the Nasdaq First North Growth Market. Modus also continues to collaborate with academic partners to identify additional indications where sevuparin has potential to create substantial therapeutic value. An example of this is the collaboration with Imperial College, initiated in May, London, with intention to try sevuparin in patients with severe malaria, which also constitutes a condition with systemic inflammation.

The market

Septic shock is a leading cause of death in intensive care units, with mortality rates typically exceeding 30 per cent. There is currently no specific pharmaceutical treatment available for the treatment of sepsis. As a result, it is one of the costliest conditions to treat in the hospital care setting. In 2019, US in-patient care costs for patients with sepsis was estimated to USD 23 billion. Sepsis/septic shock is triggered by an infection and causes the same form of severe uncontrolled inflammation that can occur in conjunction with extensive surgery, trauma, burns and autoimmunity.

Recent progress

Modus Therapeutics announced an updated strategy that sees the company focus on the clinical development of sevuparin as a new, important potential treatment for sepsis/septic shock, and possibly other severe inflammatory complications.

To facilitate the financing of this new indication, a successful listing of the company's share on Nasdaq First North in Stockholm was made in July 2021.

In November 2021, Modus Therapeutics announced that their phase 1b clinical trial with sevuparin was approved by certified authorities in the Netherlands. In December, the first subject in the sevuparin study was dosed. The planned study is a well-established model used to characterise the early stages of a septic reaction.

Reducing complications with childbirth

Project	Tafoxiparin
Origin	Karolinska Institutet
Primary indication	Induction of childbirth
Development phase	Phase 2b
Holding in company	Karolinska Development 1 per cent, KDev Investments 30 per cent (fully-diluted ownership based on current investment plans)
Expected milestones	Continued phase 2b study with lower doses according to plan.

Dilafor (Solna, Sweden) is developing tafoxiparin for obstetric indications, with particular reference to protracted labour and associated complications.

About one quarter of all pregnant women undergo induction in labour. In just over half of all cases, the induction fails, leading to protracted labour that entails an increased risk for both mother and child due to medical complications. Between 25 and 40 per cent of women who experience protracted labour eventually require an emergency caesarean section. Surgical intervention always entails not only a risk to the patient, but substantial health care costs. Tafoxiparin could eliminate patient suffering and save valuable health care resources.

Subcutaneous administration of tafoxiparin in an earlier phase 2a study showed a significantly positive effect with a shortened time to delivery and an enhanced ripening of the cervix in patients delivered after induction. A soft and ripe cervix is a prerequisite of successful labour induction.

The market

Approximately one quarter of all pregnant women require labour induction. The current standard treatment includes administration of prostaglandins and oxytocin, but in over 50 per cent of cases, the induction fails, leading to protracted labour, emergency caesarean sections, or other maternal and foetal complications.

Recent progress

Dilafor reported positive results from its phase 2b study in June 2021. In October, the company enrolled the first patient in a clinical Phase 2a study with tafoxiparin in pregnant women diagnosed with preeclampsia.

Deal values for similar projects

- USD 397M Velo Bio (seller) & AMAG Pharmaceuticals (buyer) 2018
- USD 465M Palatin Technologies (licensor) & AMAG Pharmaceuticals (licensee) 2017

A new approach to treating hepatic encephalopathy

Project	GR3027 (first-in-class)
Origin	Umeå universitet
Primary indication	Hepatic encephalopathy Idiopathic hypersomnia
Development phase	Phase 2a
Holding in company	Karolinska Development 70 per cent (fully-diluted ownership based on current investment plans)
Expected milestones	Planned listing in Q1 2022.

Umecrine Cognition (Solna, Sweden) is developing golexanolone (GR3207), a candidate drug in a new class of pharmaceuticals that affect the GABA system. An over-activation of the inhibitory GABA system in the CNS is suspected in conjunction with liver failure, causing very serious clinical symptoms. The overactivation is also thought to lay behind certain cognitive impairments and sleep disturbances. GABA-receptor modulating steroid antagonists, such as golexanolone, counter the increased activation of the GABA system and hence constitute a promising group of candidate drugs.

Golexanolone GR3027 has been shown to restore different types of neurological impairments in experimental models. The candidate drug enters the brain and works by reversing the inhibitory effects of the neurosteroid allopregnanolone on brain function in humans.

A clinical phase 2a study of golexanolone in patients with hepatic encephalopathy (HE), a serious neuropsychiatric and neurocognitive condition that occurs in conjunction with acute and chronic hepatic damage with underlying cirrhosis, was conducted during the last year. The results showed that the candidate drug was well-tolerated, that the safety profile was good, and that the pharmacokinetic profile was favourable. One of the effect parameters – a well-established and sensitive form of EEG study – demonstrates that the candidate drug has a significant effect on brain signalling, with a correlated positive effect on extreme daytime fatigue. There was no significant effect, however, on other secondary outcome measures. The company announced that, based on these study results, it had established a plan for the further development of the candidate drug.

The market

HE is a serious disease with a large unmet need that affects up to 1 per cent of the population in the USA and EU. 180,000-290,000 patients are hospitalised every year in the USA due to complications of HE. Once HE develops, mortality reaches 22-35 per cent after five years. HE is also associated with substantial societal costs.

Recent progress

In November 2021, Umecrine Cognition presented new scientific results that support the development of golexanolone as treatment for primary biliary cholangitis (PBC). Since Umecrine Cognition's candidate drug golexanolone has the ability to affect allopregnanolone, the company has, based on these new findings in combination with other supportive results, decided to commence the planning of a clinical phase 2 study within PBC.

In January 2022, the company presented results from a preclinical study showing that the drug candidate golexanolone has a suppressive effect on neuroinflammation in the cerebellum, leading to the cessation of disease-related motor disturbances.

The company announces a listing in Q1 2022 to finance phase 2b studies.

Deal values for similar projects

- USD 397M Aerial Biopharma (licensor) & Jazz Pharmaceuticals (licensee) 2014
- USD 201M Vernalis (licensor) & Corvus Pharmaceuticals (licensee) 2015

Developing anti-fungal therapeutics through biosynthetic engineering

Project	BSG005
Origin	SINTEF and Norwegian university of science and technology
Primary indication	Systematic fungal infection
Development phase	Preclinical
Holding in company	KDev Investments 4 per cent (fully-diluted ownership based on current investment plans
Expected milestones	Initiation of phase 1 study in Australia in 2022.

Based on the expertise in biosynthetic engineering, Biosergen (Trondheim, Norway) is currently running a development program for systemic fungal infections where a candidate drug has been selected, BSG005. The candidate drug BSG005 is in preclinical development and has demonstrated a broad spectrum of antifungal activity.

Patients most susceptible to systemic fungal infections are those whose immune systems are compromised by diseases such as cancer and those who are receiving immunosuppressive therapy. While effective treatments are available, their use is usually limited by serious side-effects or an increasing incidence of drug resistance.

Biosergen's BSG005 has in preclinical models and experiments demonstrated a wide antifungal efficacy spectrum. BSG005 has so far shown superior properties compared to conventional treatment in terms of efficacy, toxicity and pharmacokinetics.

The market

Fungal infections are a leading cause of death for more than 1.5 million people each year and the number continue to increase. Yet, the world is seriously underinvested in new antifungals. Three molecular classes are currently used clinically, only one of which has been developed in the last 30 years. Only one new antifungal product has been approved in the last 10 years. At the same time, the use of antifungals continues to increase. Partly due to the increasing number of treatments and diseases that lead to immunocompromised health conditions in combination with an aging population, but the main cause is that antifungals are increasingly and routinely used as fungicides in agricultural and animal production.

It comes as no surprise that multidrug resistance has begun to emerge and is now recognized by the WHO as a serious global health threat to several fungal strains. The three main classes of antifungals today are Polyenes, Azoles and Echinocandins. A small group of products are Allylamines and Pyrimidines. Total sales of antifungals for human medical use were estimated at approximately USD 16.7 billion by 2020. With an expected increase by 6–7 per cent per year. Although most serious infections occur in developing countries, the United States and Europe make up about 70 per cent of the market. The company expects the global annual sales potential for BSG005 to exceed USD 500M.

Recent progress

Australian regulators have approved the application to initiate a phase 1 study in Australia of the company's antifungal candidate drug BSG005.

The US Food and Drug Administration (FDA) granted Orphan Drug status for the drug candidate BSG005.

The company was listed on the Nasdaq First North Growth Market in June 2021.

Developing therapeutic proteins and DNA vaccines

SVENSKA VACCIN FABRIKEN

Project	SVF-001 (first-in-class)
Origin	Karolinska Institutet
Primary indication	Hepatitis B and D, SARS-CoV-2 and other Corona virus
Development phase	Preclinical
Holding in company	Karolinska Development 31 per cent (fully-diluted ownership based on current investment plans)
Expected milestones	The work of preparing the hepatitis B and D vaccine product for development in humans is expected to be completed in 2022. Phase 1 studies of hepatitis D and B vaccines could potentially be initiated in 2022/2023.

Svenska Vaccinfabriken (SVF; Solna, Sweden) develops therapeutic proteins and DNA vaccines against hepatitis B and hepatitis D, as well as vaccines to prevent infections by SARS-CoV-2 and potential future Coronaviruses. Therapeutic vaccines, unlike preventative vaccines, have the potential to cure already infected patients.

Despite the availability of preventative vaccines and antiviral treatments, over 250 million people live with a chronic hepatitis B infection. One million chronic carriers die each year due to complications caused by the virus, such as liver cirrhosis and liver cancer. The closely related hepatitis D virus infects 15-25 million hepatitis B carriers and exacerbates the progression of the disease.

Svenska Vaccinfabriken is using an in-house developed vaccine platform to produce a specific form of antibodies that blocks the ability of the hepatitis virus to invade human cells. The company has generated promising efficacy data in a preclinical animal model and is now continuing its preclinical development with the goal of enabling a phase 1 study to be initiated in 2022/2023.

Although Coronavirus infections are usually mild, some virus types can lead to life-threatening conditions. This has been the case in the outbreaks of SARS-CoV in 2003, MERS-CoV in 2012, and during the ongoing Covid-19 pandemic. SVF has also developed a platform to address and prevent severe infections of this kind and which is expected to afford the potential for quickly developing and producing vaccines against both existing and new forms of Coronaviruses. The company submitted a patent application specifically linked to a potential Covid-19 vaccine in 2021.

The market

Svenska Vaccinfabriken is currently focusing its innovative vaccine platform on the market for therapeutic vaccines for hepatitis B and D, and preventative vaccines for respiratory viral diseases, such as Covid-19. The 2017 KuicK research report, “Global Hepatitis Drug Market & Clinical Trials Insight 2023” estimated the value of the annual global market for hepatitis B at between USD 4 and 5 billion, growing to USD 5-6 billion by 2023. The annual global market for hepatitis D, by contrast, is estimated at around USD 1 billion. There is substantial competition between vaccine developers, who comprise both smaller biotech companies and international pharmaceutical companies. Svenska Vaccinfabriken’s business model is based on guiding their vaccine projects to the clinical development phase and then licensing them out global pharmaceutical companies with established distribution networks. Investors’ interest in early vaccine companies and platforms similar to Svenska Vaccinfabriken’s has increased markedly in recent years. This is thought to be due to an increased awareness of the potential for the commercialisation of vaccines based on next generation technology, such as RNA vaccines and DNA vaccines. Interest in therapies to treat hepatitis B and D has further intensified – two areas in which the unmet medical need is still significant.

Recent progress

Karolinska Development increased its investment in SVF in June 2021. Karolinska Development’s ownership, after the add-on investment, now totals 31 per cent.

SVF granted US-patent regarding chimeric genes for immunotherapy against chronic hepatitis B and D virus infections.

The company appointed Richard Bethell as new CEO in January 2022.

Deal values for similar projects

- USD 546M Affinivax raises Class B and C financing 2020
- USD 1.4 billion MYR Gmbh (acquired) & Gilead Sciences Inc (buyer) 2020

A safer long-term treatment for heart failure

AnaCardio

Project	Peptide
Origin	Karolinska Institutet and Karolinska University Hospital
Primary indication	Heart failure
Development phase	Phase 2a
Holding in company	Karolinska Development 21 per cent (fully-diluted ownership based on current investment plans)
Expected milestones	Establishment of the company's clinical program during 2022.

AnaCardio (Stockholm, Sweden) is developing a new form of peptide drug that protects cardiac tissue in conjunction with heart failure.

Heart failure occurs when the heart's ability to pump sufficient blood to meet the body's needs has deteriorated. The underlying condition often involves a weakening of the heart's musculature, resulting in an inability to pump the blood out of the heart's chambers. The condition arises as a sequela of previous cardiovascular complications, such as high blood pressure or vasoconstriction. Chronic heart failure often presents with diffuse symptoms, such as tiredness or breathlessness, and delayed diagnosis is consequently a common problem. Acute heart failure results in an individual's health status becoming critical, necessitating hospitalisation. One of the major issues with existing pharmaceuticals is that they are not designed for long-term treatment, due to a degree of toxicity that results in the breakdown of cardiac tissue and consequent side effects, such as arrythmia, low blood pressure, ischemia, and an increased risk of premature mortality.

AnaCardio's clinical candidate drug is being developed to restore the heart's normal muscular function and blood circulation with ground-breaking and safer technique based on research by Professor Lars Lund at Karolinska Institutet.

The market

Heart failure is a global disease with a substantial unmet medical need for safe, effective drugs. Cardiovascular diseases are becoming more widespread as a result of the sedentary lifestyle and growing problems with obesity that are following in the wake of increasing global affluence.

An estimated 20 million people suffer from chronic heart failure and around 3 million people are hospitalised to treat it every year. The risk of developing cardiovascular disease increases with age, and 10-20 per cent of the elderly population is now estimated to suffer from chronic heart failure, which is now the most common reason for hospitalisation amongst the elderly. Heart failure not only cause considerable individual suffering, but it also has significant economic consequences for society in the form both of direct costs from in-patient care and of indirect costs in the form of productivity losses and reductions in tax revenues. The increased medical need is reflected in the sales value of heart failure treatments, which is expected to increase from USD 3.8 billion to USD 16.1 billion by 2026 in the world's seven largest pharmaceutical markets.

Recent progress

Karolinska Development invested in AnaCardio in June 2021. Karolinska Development's ownership totals 21 per cent. New board of directors were appointed in the summer of 2021.

During the third quarter, the company's new management and organization has been established, including CEO Patrik Strömberg and Alan Gordon as Chief Medical Officer.

Deal values for similar projects

- USD 2.1 B – Cardioxyl Pharmaceuticals (licensor) & Bristol-Myers Squibb (licensee) 2015
- USD 620M – Corthera (licensor) & Novartis (licensee) 2012

Commercialising innovative craniofacial implants

Project	OSSDSIGN® Cranial, OSSDSIGN® Facial and OSSDSIGN® Cranioplug
Origin	Karolinska University Hospital and Uppsala University
Primary indication	Cranial implants
Development phase	Marketed
Holding in company	Karolinska Development 10 per cent (fully-diluted ownership based on current investment plans, which includes indirect holdings through KCIF Co-Investment Fund)
Expected milestones	Financing for continued roll-out of the product internationally and market introduction of the Sirakoss product.

OssDsign (Uppsala, Sweden) is an innovative company that designs and manufactures implants and material technology for bone regeneration. Its lead products, OSSDSIGN® Cranial and OSSDSIGN® Facial, are already being sold in several European markets, including Germany, the UK, and the Nordic region. The company is commercialising its cranial implant in the USA and is currently preparing commercial activities in Japan after the approval of the company's OSSDSIGN® Cranial PSI product. OssDsign acquired Sirakoss Ltd, a company operating in the field of bone graft substitutes. This strategic acquisition means a fivefold increase in the company's addressable market.

During 2021, the company worked intensively to increase sales. The US subsidiary has been actively working since 2019 on strengthening the company's position in the USA through long-term, sound customer relationships. A recent patent application from the US Patent Office further enhances OssDsign's potential for future growth in the USA.

OssDsign's clinically proven bone regeneration technology has better healing properties than similar products. The company uses cutting edge 3D printing, moulding, and regenerative medicine technology to customise solutions for individual patients. The result is a patient-specific, titanium-reinforced implant made from a ceramic material with regenerative properties that accelerates the natural tissue formation and enables permanent healing of a bone defects. The regenerative effect of the ceramic material helps ensure a shorter healing process and entails both reduced suffering for the patient and cost savings for hospitals.

The market

OssDsign focuses on the market for craniomaxillofacial (CMF) implants. The total market size was estimated to USD 1.8 billion in 2016 and is expected to grow at an CAGR of 5-9 per cent worldwide over the next five years. The market for OssDsign's lead product in cranioplasty alone is estimated to approximately USD 200M. OssDsign's products target a well-defined patient population – the relevant type of operation is performed at a limited, and easily identifiable, number of hospitals worldwide. The price sensitivity is low, and the products are relatively easy to register in multiple markets.

Recent progress

In May 2021, OssDsign carried out a fully guaranteed rights issue of SEK 240M in combination with overallotment options of approximately SEK 30M – a total of approximately SEK 270M. The purpose of the financing is, among other things, to accelerate the company's development through the new strategy program ASCENT25.

The company launched OssDsign Catalyst in the U.S in August 2021 and the first patients in the US have also been treated. The product is a synthetic bone graft that stimulates the formation of healthy bone tissue in spinal fusion surgeries.

OssDsign received an expanded marketing authorisation from the U.S. Food and Drug Administration (FDA) for the company's patient-specific cranial implant product OssDsign Cranial PSI in October 2021.

Deal values for similar projects

- USD 330M – Baxter International (buyer) & ApaTech (seller) 2010
- USD 360M – Royal DSM (buyer) & Kensey Nash (seller) 2012

Coatings to enhance the properties of medical implants

Project	HA^{nano} Surface
Origin	Chalmers University of Technology
Primary indication	Implant surface coatings
Development phase	Marketed
Holding in company	KDev Investments 20 per cent (fully-diluted ownership based on current investment plans)
Expected milestones	In the beginning of 2022, further product launches and license agreements are expected to be closed and announced. Possibility of a listing of the company's share on Nasdaq First North Growth Market in 2022.

Promimic (Gothenburg, Sweden) is a biomaterials company that develops and markets a unique coating for medical implants called HA^{nano} Surface®, which increases their integration into bone and anchoring strength.

HA^{nano} Surface® is a sustainable, nanometre-thin coating that helps preserve the surface structure of the implant by reducing the risks of cracking. The coating is unique because it can be applied to any implant geometry and material, including porous materials and 3D structures. The technology on which HA^{nano} is based is FDA-approved, which means that a new implant coated with HA^{nano} Surface can receive marketing approval through the 510(k) route and reach a new market quickly. The coating process is easy to implement in the industrial scale production of implants.

Promimic has an established sales operation in the USA and a series of development and commercial partnerships, including one with Sistema de Implante Nacional (S.I.N), a leading provider of dental implants in Brazil, which is commercialising dental implants coated with HA^{nano} Surface®, and one with Danco Anodizing, which has established a manufacturing facility for implants with HA^{nano} Surface®, targeting the US and Chinese markets. Promimic strengthened its position in the orthopaedic market in 2019 and 2020 by entering partnerships with four new orthopaedic companies. The partnership includes the development and commercialisation of products within limb salvage surgery, knee implants and sports medicine treated with the HA^{nano} Surface® technology. Many of these products are new and modern 3D-printed spinal implants treated with HA^{nano} Surface® in order to improve osseointegration and stimulate new bone formation and bone growth on the implant surface.

The market

Promimic is focusing on the markets for dental and orthopaedic implants, which collectively represent a worldwide market opportunity of USD 60-800M. The competition amongst implant manufacturers is fierce and each market segment is dominated by four to eight global companies. Promimic's business model is centred on out licensing the HA^{nano} Surface® technology to leading implant manufacturers.

Recent progress

During 2021, seven new products were submitted to the FDA for 510(k) approval.

Seven products with Promimic's technology were also approved by the FDA in 2021.

At least two new applications for 510(k) approval will be sent to the FDA during 2022.

Deal values for similar projects

- USD 95M – Nobel Biocare (buyer) & AlphaBioTec (seller) 2008
- USD 120M – MAKO surgical (buyer) & Pipeline Biomedical (seller) 2013

Market overview

This Prospectus contains third party information and the Company confirms that the third-party information has been accurately reproduced and, as far as the Company is aware and can assure by comparison with other information published by such third party, no facts have been omitted which could mean that the rendered information is incorrect or misleading.

Karolinska Development is a Nordic investment company within life science. The Company focuses on identifying medical innovations within the Nordic region that are developed by entrepreneurs and researchers with the aim to create and grow companies that advance these innovations into differentiated commercial products that are designed to make a difference to patients' lives while providing an attractive return on investment to shareholders.

The life science market is a broad concept that, among other, includes products and methods aimed at maintaining good health or treating diseases. Karolinska Development's investments focus on ground-breaking pharmaceutical treatments and medical technology.

The growth of the life science industry links to the global health care expenses, which are expected to have an annual increase of 5.4 per cent between 2018-2022, a significant increase compared to the previous five-year period with 2.9 per cent. The drivers behind this increase are expected to be advances in treatments and technology, a more widespread access to health care in developing countries, longer life expectancy and rising health care expenditure.[1]

The market for therapeutics

The pharmaceutical industry is facing repercussions of patents expiries related to blockbuster pharmaceuticals. As a result, companies must identify new profitable patent protected innovative products to replace these. Pharmaceutical companies, which previously relied on in-house research and development, are increasingly dependent on external innovations and are actively seeking to license or acquire products under development from other companies.

The process of developing a new drug takes long time and requires significant investments. In average, it takes 12 years to translate a new scientific theory into a registered drug.[2] The risk of an individual project failing to reach the market is high. Only around 10 per cent of the projects that start phase 1 trials make it to the market.[3] Nevertheless, there is a considerable interest in investing in smaller life science companies. This is due to the enormous potential for value creation in companies that succeed.

In order to cut down the time to market and balance the biological risk, many pharmaceutical companies focus on identifying and acquiring or licensing promising projects in a later clinical phase and thereafter continues the development and commercialisation of the projects.

Preclinical research

Research and development activities carried out in a laboratory setting. Potential target structures for new pharmaceuticals are identified. Chemical or biological compounds with the ability to influence these target structures are characterised, produced on a small scale, and tested in a range of experimental models. The objective is to designate one or more candidate drugs with the desired properties for further development.

Preclinical development

Officially regulated preclinical trials to ensure that a candidate drug has the properties required for it to be suitable for progression to clinical trials on humans. Ensuring that the compound has a good safety profile is an important component of this process.

Phase 1

Conducted on healthy test subjects to determine whether the candidate drug behaves in the same way in the body as indicated in preclinical trials. Documentation of the safety profile of the compound is also the focus of this phase.

Phase 2

Conducted on a limited number of patients with the disease that the candidate drug is intended to alleviate or cure. The focus is on studying efficacy and safety, and on establishing data for determining the doses to be used in the phase 3 studies.

Phase 3

Studies with substantially larger number of patients. The results of the phase 3 studies form an important element of the source data required to obtain market approval from the pharmaceutical regulatory authorities.

[1] Deloitte. 2019 Global Healthcare Outlook. Shaping the Future., 2019
[2] https,://www.fass.se/LIF/menydokument?userType=2&menyrubrikId=3204
[3] BIO, Clinical Development Success Rates 2006-2015, 2016

Registration process
An application is submitted to one or more pharmaceutical regulatory authorities. Processing an application normally takes around one year.

Market launch
If the pharmaceutical regulatory authority has approved the application, the product launch can begin. Price negotiations with the organisations that will pay for the drug must, however, be conducted first in the majority of countries.

Prospects
The market for pharmaceuticals is estimated to grow during the period 2021 to 2028 at an average annual growth rate (”CAGR”) of about 15.8 per cent per year, from about USD 753 billion by 2020. The key forces behind this market growth in pharmaceuticals are among others, a significantly growing demand in developing countries such as China and India, improved reimbursement policies, and streamlining of regulatory processes with certified authorities.[1] In addition, the global market for prescription drugs is continuing to look promising. Sales of prescription drugs are forecasted to reach USD 1.6 billion in 2026, which corresponds to a CAGR of 8.9 per cent from 2020 to 2026. The presence of chronic diseases such as cancer, heart disease, and diabetes are expected to increase, which in turn will stimulate opportunities for sales of prescription drug revenues during the forecasted period. The pandemic has caused a substantial acceleration in online care and during 2020, the value of an online doctor visit was estimated to be USD 30 billion.[2]

The Market for Speciality and Orphan Drugs
The therapeutic companies in Karolinska Development’s portfolio focus on potentially ground-breaking specialty and orphan drugs. Specialty pharmaceuticals are pharmaceuticals normally prescribed by specialist doctors. Usually, specialty pharmaceuticals are characterised by a high sales price, low level of competition, high level of product differentiation and relatively low sales volumes.

Orphan drugs, which are part of the market for specialty pharmaceuticals, are defined as pharmaceuticals used to diagnose, prevent, or treat rare diseases that are chronic, debilitating and often life-threatening. Rare diseases affect a very limited part of the population. In the US, a rare disease, i.e., a disease which is treated with orphan drugs, is defined as a disease that affects less than 200,000 people, while the EU defines a rare disease as a disease that affects less than one in 2,000 people (0.05 per cent of the population).[3]

TThe term “orphan drug” derives from and reflects the previous low interest within the pharmaceutical industry to carry out research and to develop pharmaceuticals for rare diseases. The small target population combined with high research and development costs has previously limited the development of orphan drugs under standard pharmaceutical conditions since few pharmaceutical companies were willing to take candidates through the expensive process of research development and procedures for regulatory approval.

To encourage the development of new treatments for these rare and often severe diseases, the US enacted a new legislation in 1983.[4] “The Orphan Act” provides regulatory and financial incentives in order to motivate pharmaceutical companies to develop pharmaceuticals for rare diseases. The Orphan Act resulted in the adoption of similar legislations in Japan (1993), Australia (1998) and within the EU (2000). The purpose of these legislations is to create market exclusivity for a number of years and simultaneously enable shorter procedures for regulatory approval, thereby creating protection against competition from generic pharmaceuticals and reducing development costs for pharmaceutical companies. The regulatory authorities can grant pharmaceutical candidates the status as orphan drug candidates if certain formulated criteria are considered to be met.

The market for orphan drugs is considered to be underdeveloped because the majority of identified rare diseases still lack treatment alternatives. In the past few years, due to the expiration of patents and growing competition in the market for generic pharmaceuticals, many pharmaceutical companies have shifted focus to orphan drugs. Due to the market exclusivity provided by law combined with the possibility to price products at a higher level than other pharmaceuticals as a result of the low degree of competition and the large medical need, the pharmaceutical companies find the market for orphan drugs attractive.

[1] Grand View Research, Biotechnology Market Size, Share & Trends Analysis, 2021
[2] Fortune Business Insights, Prescription Drugs Market Size, Share & Industry Analysis, 2020
[3] Evaluate Pharma, Orphan Drug Report, 2015
[4] Act to amend the Federal Food, Drug, and Cosmetic Act to facilitate the development of pharmaceuticals for rare diseases and conditions, and for other purposes, 1983.

The global orphan drugs market is predicted to almost double and account for 20 per cent of worldwide prescription sales by 2024. By 2025, the global orphan market is projected to reach USD 323.4 billion, growing at a CAGR of 11.5 per cent between 2018–2025. Predominantly innovative advances in gene and cell therapy are predicted to drive the growth.[1, 2] Note, the area of orphan drugs related to oncology has increased the most in proportion from the periods 1998-2007 and 2008-2017.[3]

In summary, there is a momentum in the development of treatments for rare life-threatening and severe debilitating diseases. Other factors spurring this development include:

- The medical need for pharmaceuticals treating rare types of cancer is substantial and there is also an increasingly refined understanding of the biology behind these diseases. The technical advances made in recent years enable development of individualised pharmaceuticals which in combination with for instance diagnostic tests, i.e. companion diagnostics, artificial intelligence, and advances in health care analytics could result in a more efficient treatment of these diseases.

- Considering the lack of satisfactory treatment alternatives for patients affected by rare diseases, the regulatory authorities are increasingly willing to engage in proactive dialogues with pharmaceutical companies to facilitate development of new pharmaceuticals. This is done through, for instance, more rapid development paths by means of a simplified approval procedure and shorter approval cycles.

- The growth of influential and well-organised patient organisations within rare diseases.

- Advantageous remuneration levels for differentiated products that meet the medical need of patients with rare diseases, and which result in clinically relevant increased length of life expectancy and quality of life. These factors confirm that rare diseases are an attractive area in the biopharmaceutical industry and are expected to result in the discovery of promising new technologies and new molecules

The market for medical technology

Karolinska Development has two portfolio companies in the medical technology (medtech) sector. A medtech product is any instrument, apparatus, software, material, or other article intended for: diagnosis, prevention, monitoring, treatment or alleviation of disease or compensation for an injury or handicap; and modification of the structure or any function of the body. The functionality of a medtech product is not achieved by pharmacological, immunological, or metabolic means. Examples range from surgical instruments to implants, prostheses, MRI machines, CT and PET scans.

The growth of the global medtech market was stagnant from 2011–2015, with a value ranging from USD 350–375 billion. This was mainly due to lasting impact of the 2009 financial recession.[4] Up until the year before the pandemic, 2019, the market share increased marginally to about USD 407 billion. The pandemic caused recession to some extent for medtech industry and the industry's revenues decreased by about 5 per cent during 2020. However, the outlook is promising as both research expenses and financing is increasing. The market for digital technology within medical care is increasing rapidly due to the pandemic.[5] Key drivers of growth are, as aforementioned, increased life expectancy, chronic diseases, advances in technology and treatment, and rising health care expenditure.

In vitro diagnostics (IVD), i.e. tests that can detect diseases, conditions, or infections, is one of the fastest growing segments, driven by the prevalence of chronic diseases. Furthermore, Software-as-a-Medical-Device (SaMD) is a rapidly growing area generating new innovations that regulatory authorities throughout the world are working to properly regulate and make more agile.

The US is the largest medtech market in the world with a market size representing just under 42 per cent of the global medtech market, followed by Europe with a market size of EUR 140 billion, which corresponds to just under 28 per cent.[6] The Asia Pacific region is expected to gain momentum over the next years because of increasing investments in health care infrastructures, generally improvement in standard of living and economic development.

[1] Deloitte, 2019 Global Life Science Outlook, Focus and Transform Accelerating Change in Life Science, 2019
[2] Global Orphan Drugs Market 2019 Industry Key Players, trends, Sales, Supply, Demand, Analysis & Forecast to 2025,
[3] AHIP, The Rise of Orphan Drugs, 2019
[4] Deloitte. 2019 Global Life Science Outlook. Focus and Transform I Accelerating change in Life Science.
[5] EY, Global medtech industry is proud of its response to the COVID-19 pandemic and despite its slowdown remains optimistic amid continued collaboration and acceleration of digital technologies, 2021-10-06
[6] MedTech Europe, The European Medical Technology in Figures, 2021

Development of medtech products

Medtech products comprise everything from sticking plasters to radiotherapy equipment, and the commercialisation processes naturally differ in line with the type of product. One of the key differences between the development of medtech and pharmaceutical products is that medtech products do not usually undergo the formal clinical development phases (phase 1−3 studies) described in the section above. Another difference lies in the fact that the development risk is generally lower while the commercialisation risk is higher. Fewer projects fail during the development process, while market launch can be more prolonged than for pharmaceuticals.

The official approval requirements for medtech products depend on the control level required to determine the product's safety and efficacy, or its similarity to previously approved products. Typically, a prototype is developed based on a concept or an idea for a new device. From there on, proof of concept is established, and the prototype is iterated and tested to generate the evidence and documentation required for market approval.

Approval process in the USA

In the USA, the products are divided into three categories. Class I products require no formal approval, class II products are only required to show that they are equivalent to a previously approved product, while class III products must obtain Pre-Market Approval (PMA) before launch. In the latter case, clinical studies supervised by the US regulatory authority, the FDA, are required.

Approval process in the EU

In the EU, all products must be CE-labelled before sales may commence. The CE-labelling (Conformité Européenne) system requires the manufacturer to confirm that the product meets regulatory requirements. A product that achieves CE-labelling in one country has access to the entire EEA market. In many cases, the manufacturer can independently carry out all the tests and investigations required to demonstrate the product's regulatory compliance. If the products are associated with specific risks, the manufacturer is required to engage an external certification organisation, known as a "notified body". In 2021, EU introduced a new regulation for medtech products, MDR, that replaces the MDD directive. MDR demands a more compliant regulatory process within the EU and puts higher demands on clinical trials and evidence. In 2022, a new regulation will be introduced regarding in vitro diagnostic, IVDR, which will put higher demands on clinical results, quality control, and reduce the differences between different EU members.

Reimbursement

Once it has been approved, the product can be marketed and used, but a strong sales performance will usually require the health care provider to receive reimbursement from government bodies or private insurance companies. The process of obtaining such an approval from the payers can be both complicated and lengthy. Health economic evaluations have become an increasingly important factor in obtaining reimbursed payment for medtech products.

The market for acquisitions and licensing deals

Despite increased internal research and development costs, the large life science companies, particularly pharmaceutical companies, have failed to develop a higher number of new approved products than previously. To compensate, the companies have to an increasing extent turned to licensing, mergers, and acquisitions to fill in-house capability gaps, gain scale and access to new markets, new drugs, and new technologies. Such deals play a significant role in life science companies' strategies to supply their pipelines and drive future growth.

The transaction structures of license agreements are generally divided into three components: (1) up-front payments, (2) additional payments based on achievement of certain development and commercial milestones, and (3) royalties on future product sales. Up-front payment is the payment that the licensor receives at the time of conclusion of the license agreement. Additional payments based on achievement of certain milestones are potential payments contingent on positive results at certain milestones, which are negotiated between the licenses parties. Milestones typically include phases of pharmaceutical development, regulatory approval, and sales levels. Royalty payments are normally based on future sales of the approved product. Amounts to be paid up-front and paid in relation to milestones as well as percentage of royalties are negotiated between the licensor and licensee. The balance between the three components varies on a case-by-case basis but generally, the licensing deals of clinical projects include up-front payments and milestones which often amount to tens of millions of dollars and levels of royalties exceeding 10 per cent.[1]

After several years marked by a decline in the number of business agreements (including license deals, mergers and acquisitions) within the life science sector, the trend pivoted because of the pandemic. This accele-

[1] Medtrack 2017, Partnering in the Pharma World: BIO-Europe® and Industry Trends 2017 Update.

ration has continued from 2020 to 2021 and the total value of transactions during the first six months in 2021 reached USD 123 billion, which is an increase of 410 per cent compared to the same period in 2020. The largest public transaction amounted to USD 34 billion and includes a business agreement between Hellman & Friedman LLC, The Blackstone Group Inc, The Carlyle Group Inc, and Medline Industries Inc. The increase in volume of mergers and acquisitions was not equally as big, but it amounted to a number of 201 during the first six months of 2021, which is an increase of 101 per cent compared to the same period in 2020.[1]

Highest valued transactions in 2021 for pharmaceuticals and life science

The intense increase in business agreements within the sector of life science is expected to continue. Key drivers for this activity are expected to be access to capital, a normalisation of the capital market for life science companies after a year of significant valuations, and a demand for companies to execute on their growth strategies. Within the medtech market, a large number of deals are expected to be driven by the companies' demand for differentiating their product portfolio and obtain future growth.[1]

Transaction status	Target company	Industry	Acquiring company	Value (billion USD)
Announced	Medline Industries Inc.	Medtech	Hellman & Friedman LLC; The Blackstone Group Inc; The Carlyle Group Inc	34.0
Announced	PPD, Inc.	Other	Thermo Fisher Scientific Inc	21.9
Announced	PRA Health Sciences, Inc.	Other	ICON Public Limited Company	12.8
Closed	GW Pharmaceuticals plc	Pharmaceuticals	Jazz Pharmaceuticals plc	7.3
Announced	Cantel Medical Corp.	Medtech	STERIS plc	4.9

[1] PwC, Pharmaceutical & life sciences deals insights: 2021 mid year outlook, 2021

Selected historical financial information

Below is selected financial historical information concerning Karolinska Development for the financial years 2019 and 2020 and the interim period January - September 2021 with comparative figures for the corresponding period 2020. The information for the financial years 2019 and 2020 has been obtained from the Company's annual reports and the information for the period January - September 2021 with comparative figures for the corresponding period 2020 has been obtained from the Company's interim report for the period January - September 2021. Items with "N/A" lacks information from the annual reports and the interim report. The financial information in this section should be read together with the Company's audited annual reports for the financial years 2019 and 2020, including accompanying notes and auditor's reports, which are referred to in the Prospectus.

Karolinska Development's annual reports for the financial years 2019 and 2020 have been audited and the auditor's report is attached to the annual reports. The interim report for the period January - September 2021 has not been subject to review by the Company's auditor. The annual reports have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretative statements from the IFRS Interpretations Committee as adopted by the European Union. Furthermore, the recommendation RFR1 "Supplementary accounting rules for groups" and statements UFR 7 and 9 from the Swedish Financial Reporting Board have been applied. The interim report for the period January - September 2021 has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act. The accounting principles applied to investment companies, unless otherwise stated, with the accounting principles and calculation methods used in the preparation of the most recent annual report. Apart from Karolinska Development's audited annual reports for the financial years 2019 and 2020, no information in the Prospectus has been reviewed or audited by the Company's auditor.

Income statement for the Company

Amount in kSEK	2021-01-01 2021-09-30	2020-01-01 2020-09-30	2020-01-01 2020-12-31	2019-01-01 2019-12-31
	Unaudited	Unaudited	Audited	Audited
Revenue	1,701	2,123	2,651	3,384
Change in fair value of shares in portfolio companies	239,973	-289,210	-215,378	415,136
Change in fair value of other financial assets and liabilities	-40,845	23,757	43,077	-28,215
Other expenses	-5,596	-6,427	-8,466	-18,186
Personnel costs	-16,519	-19,354	-23,620	-23,474
Depreciation of right-of-use assets	-517	-528	-690	-704
Operation profit/loss	**178,197**	**-289,639**	**-202,426**	**347,941**
Interest income	6,399	699	908	1,949
Interest expenses	-4,283	-4,294	-5,688	-32,387
Other financial gains and losses	10,000	-172	-281	-14,526
Financial net	**12,116**	**-3,767**	**-5,061**	**-44,964**
Profit/loss before taxes	**190,313**	**-293,406**	**-207,487**	**302,977**
Tax	–	–	–	–
Net profit/loss for the periods	**190,313**	**-293,406**	**-207,487**	**302,977**

Balance sheet for the Company

Amount in kSEK	2021-09-30	2020-09-30	2020-12-31	2019-12-31
ASSETS	Unaudited	Unaudited	Audited	Audited
Fixed assets				
Tangible fixed assets				
Right of use assets	862	858	690	704
Financial fixed assets				
Shares in portfolio companies at fair value through profit or loss	1,075,495	675,825	770,320	1,047,600
Loans receivable from portfolio companies	–	1,779	–	1,768
Total fixed assets	**1,076,357**	**678,462**	**771,010**	**1,050,072**
Current assets				
Account receivable	–	31	3	39
Receivables from subsidiaries	–	–	80	–
Receivables from portfolio companies	2,510	1,866	243	322
Other financial assets	722	64,774	41,181	62,620
Other current receivables	1,224	1,224	768	787
Prepaid expenses and accrued income	895	700	929	732
Cash and cash equivalents	45,320	71,098	75,869	52,132
Total current assets	**50,671**	**139,693**	**119,073**	**116,632**
TOTAL ASSETS	**1,127,028**	**818,155**	**890,083**	**1,166,704**
EQUITY AND LIABILITIES				
Equity				
Share capital	1,757	1,757	1,757	1,757
Share premium	2,378,373	2,378,373	2,378,373	2,378,373
Accumulated losses including net profit/loss for the year	-1,389,529	-1,665,793	-1,579,863	-1,372,398
Total equity	**990,601**	**714,337**	**800,267**	**1,007,732**
Long-term liabilities				
Long-term liabilities to related parties	122,611	74,433	–	–
Total long-term liabilities	**122,611**	**74,433**	**–**	**–**
Current liabilities				
Convertible loan	–	–	–	19,964
Current interest-bearing liability to related party	–	–	75,864	70,000
Other financial liabilities	3,742	20,155	5,726	46,851
Accounts payable	690	685	617	11,484
Liability to make lease payment	880	898	711	726
Other current liabilities	1,343	1,538	1,373	2,991
Accrued expenses and prepaid income	7,161	6,109	5,525	6,956
Total current assets	**13,816**	**29,385**	**89,816**	**158,972**
Total liabilities	**136,427**	**103,818**	**89,816**	**158,972**
TOTAL EQUITY AND LIABILITIES	**1,127,028**	**818,155**	**890,083**	**1,166,704**

Statement of cash flows for the Company

Amount in kSEK	2021-01-01 2021-09-30	2020-01-01 2020-09-30	2020-01-01 2020-12-31	2019-01-01 2019-12-31
Cash flow from operating activities	Unaudited	Unaudited	Audited	Audited
Operating profit/loss	178,197	-289,639	-202,426	347,941
Adjustments for items not affecting cash:				
Depreciation	517	528	690	704
Results of fair value change	-199,128	265,453	172,301	-386,921
Other items	–	-536	-45	-32
Proceeds from short-term investments	–	–	–	783
Interest paid	–	–	–	-1,765
Cash flow from operating activities before changes in working capital and operating investments	**-20,414**	**-24,194**	**-29,480**	**-39,974**
Cash flow from changes in working capital				
Increase/Decrease in operating receivables	-2,590	-1,949	29,988	-215
Increase/Decrease in operating liabilities	44,179	-33,063	-33,708	32,780
Cash flow from operating activities	**21,175**	**-59,206**	**-33,200**	**-6,725**
Investment activities				
Part payment from earn-out deal	-2,370	-5,092	-5,093	11,617
Sale of shares in portfolio companies	3,941	101,853	101,853	23,444
Acquisitions of shares in portfolio companies	-52,759	-18,590	-39,154	-46,958
Proceeds from sale of short-term investments	–	–	–	69,140
Cash flow from investments activities	**-51,188**	**78,171**	**57,606**	**57,243**
Financing activities				
Amortization of lease liabilities	-536	–	-669	-684
Issue costs	–	–	–	-13,545
Cash flow from financing activities	**-536**	**–**	**-669**	**-14,229**
Cash flow for the period	**-30,549**	**18,966**	**23,737**	**36,289**
Cash and cash equivalents at the beginning of the year	75,869	52,132	52,132	15,843
Cash and cash equivalents at the end of the year	**45,320**	**71,098**	**75,869**	**52,132**

Capital structure and other financial information

Capital structure

kSEK	2021-11-30
Total current liabilities	**5,207**
Guaranteed	–
Secured	–
Unguaranteed/unsecured	5,207
Long-term interest-bearing liabilities	**123,938**
Guaranteed	–
Secured	–
Unguaranteed/unsecured	123,938
Total equity	**983,697**
Share Capital	1,757
Reserve fond(s)	–
Other reserves	981,940
Total capitalisation	**1,112,842**

Net financial indebtedness

kSEK	2021-11-30
A. Cash and bank	43,140
B. Other cash equivalents	–
C. Other financial assets	–
D. Liquidity (A+B+C)	**43,140**
E. Current financial indebtedness (including debt instrument, but excluding the current share of long-term indebtedness)	5,207
F. Current share of long-term financial indebtedness	–
G. Current financial indebtedness (E+F)	**5,207**
H. Current financial net indebtedness (G-D)	**-37,933**
I. Long-term accounts payable and other indebtedness	123,938
J. Debt Instrument	–
K. Long-term accounts payable and other liabilities	–
L. Long-term financial indebtedness (I+J+K)	**123,938**
M. Total financial indebtedness (H+L)	**86,005**

Indirect indebtedness/pledge assets and contingent liabilities

The Company has no indirect indebtedness. The Company has a contingent liability through investment commitment in portfolio company Dilafor, where Karolinska Development's share amounts to SEK 12,928k, see also "Ongoing investments" below.

Credits and collateral

The Company has two mortgage loans from the major owner invoX Pharma Ltd. The first one amounts to SEK 70M (with interest rate of 8 per cent which is due, together with the loan, 2022-12-31) and the second amounts to SEK 42.5M (with interest rate of 5 per cent which is due, together with the loan, 2022-12-31). The loans have no collateral.

Declaration of working capital

The Board of Directors assesses that the Company's existing working capital is not sufficient to cover the need for the upcoming twelve months. With existing cash and a credit facility of EUR 8.5M the Board of Directors assesses that the Company has sufficient of cash and cash equivalents up until the third quarter of 2022 and that the maximum deficit will amount to SEK 76M in the upcoming twelve-month period.

Upon full subscription in the Rights Issue, the Company will receive SEK 491M before issue costs which are estimated to SEK 18M. The Company's major owner, invoX Pharma Ltd intends to set off loan with nominal amount of approximately SEK 113M and accrued interest of approximately SEK 12M in the Rights Issue. The Board of Directors assesses that the net proceeds from the Rights Issue will secure the Company's need for working capital for at least the next 24 months, including new investments.

In connection with the Rights Issue, invoX Pharma Ltd has entered an agreement to subscribe for its share of the issue, amounting to SEK 212M, corresponding to 43.2 per cent of the Offer. Insamlingsstiftlesen för främjande och utveckling av medicinsk forskning vid Karolinska Institutet has entered an agreement to subscribe for held shares of class A amounting to SEK 4.2M, corresponding to 0.9 per cent of the Offer. In addition, a number of external investors have agreed to subscribe for shares amounting to SEK 22.4M, corresponding to 4.6 per cent of the Offer, by taking over subscription rights. In total, the Company has received subscription commitments of approximately SEK 238.6M, corresponding to approximately 48.6 per cent of the Rights Issue. In addition, the Company has received guaran-

tee undertakings of approximately SEK 129.7M, corresponding to approximately 26.4 per cent of the Rights Issue. The Company has thus received subscription commitments and guarantee undertakings of approximately 75.0 per cent of the Offer. However, the subscription commitments and guarantee undertakings are not secured by bank guarantees, blocking accounts, pledges or similar arrangements.

In the event of the Rights Issue not being fully subscribed for or subscribed for to a sufficiently large extent, despite guarantee undertakings and subscription commitments, Karolinska Development could hold off new investments. The existing working capital then covers the planned investments in the existing portfolio and operational costs up until the third quarter of 2023. However, the existing working capital does not cover a repayment of the outstanding liabilities with payment due on 31 December 2022. If the Rights Issue fails to carry through, additional financing will be needed up until this date in order to repay the loans, alternatively a renegotiation of the loans for an extension or conversion of loans and accrued interest rates of the loans.

Investments

The Company has not made any significant investments during the period from the date of the latest public financial report.

Ongoing investments

The Company has committed to invest SEK 12,928 k in the portfolio company Dilafor, see “Indirect indebtedness/pledge assets and contingent liabilities” above. The Company also intends to invest up to SEK 30,000 k in the portfolio company Umecrine Cognition in connection with the company’s listing.

Important changes in Karolinska Development’s financial position after 30 September 2021

In November 2021, Karolinska Development announced that the Company has entered an agreement to divest its shares (9.7 per cent) in Forendo Pharma, which was subsequently executed in December 2021 when Karolinska Development received the first up-front payment of approximate SEK 52M.The remainder will be obtained at a later date. The increase of the portfolio company’s book value is reflected in full in the Company’s quarterly report for the period January to September 2021.

In addition to the above, no other important changes related to Karolinska Development’s profit/loss or financial position has occurred since the end of the most recent accounting period.

Trends

The Company’s activities compromise investments and support operations in research and development within the life science sector, which is why there are no significant trends regarding production, sales, warehouse, costs, or sales prices within Karolinska Development.

Board of Directors, executive management and auditor

Board of Directors

According to Karolinska Development´s articles of association, the Board of Directors shall consist of not less than tree (3) and not more than nine (9) board members. Currently, Karolinska Development´s Board of Directors consists of five (5) members, including the chairman, with no deputy board members. The current Board of Directors is appointed for the period until the end of the annual general meeting 2022.

The information presented below set forth the name, year of birth, position, year of election, principal education, current assignments in companies, prior assignments in companies during the past five years, holdings of shares, stock-options or other share related financial instruments in Karolinska Development and independence in relation to the Company and its senior management as well as major shareholders, of each board member.

Björn Cochlovius

Born: 1968.

Position: Chairman of the board since 2020.

Education: Doctorate (Dr.rer.nat) from Saarland University, Habilitation, (Assoc.Prof) from Heidelberg University.

Other current assignments: CEO of Medraxa Therapeutics GmbH. Chairman of the Board of Directors of Sapreme Tech- nologies BV. SVP Business Development at Atriva Therapeutics GmbH, President at Biocure Technologies Ltd, General Manager at BC BioMed Consulting GmbH and partner at Jürg Kurmann Merger and Acquisitions AG.

Prior assignments (last five years): Chairman of the Board of Directors and member of the Board of Directors of Isogenica Ltd. Senior Director Development Asia-Pacific at Abbvie Inc.

Holdings in Karolinska Development as of the day of the Prospectus: No holdings.

Independence: Independent in relation to the Company, the senior management and the Company´s major shareholder.

Theresa Tse

Born: 1992.

Position: Board member since 2017.

Education: Bachelor's degree of Science in Economics from Wharton School of University of Pennsylvania.

Other current assignments: Chairwoman of the Board of Directors and Executive Director of Sino Biopharmaceutical Limited (Listed on the Hong Kong stock exchange). Member of the Board of Directors of invoX Pharma Ltd, France Investment (China 1) Group Limited, Chia Tai Life Technology Limited and Yun On Investment Holding Limited.

Prior assignments (last five years): -.

Holdings in Karolinska Development as of the day of the Prospectus: 75,727,258 shares of class B (by related legal person).

Independence: Independent in relation to the Company and the senior management. Not independent in relation to the Company´s major shareholder.

Anna Lefevre Skjöldebrand

Born: 1969.

Position: Board member since 2021.

Education: Master of laws from Uppsala University.

Other current assignments: CEO of Swedish Medtech Service AB. Chairman of the Board of Directors of Sweden Medtech4Health svab. Member of the Board of Directors of Stiftelsen Swecare, St Erik Eye Hospital and COCIR.

Prior assignments (last five years): Member of the Board of Directors of Dedicare AB, the Swedish eHealth Agency and the Swedish Institute for Standards (SIS) AB. Deputy board member of Lefevre Konsult AB. Member of the Advisory Council at the Swedish Medical Products Agency.

Holdings in Karolinska Development as of the day of the Prospectus: No holdings.

Independence: Independent in relation to the Company, the senior management and the Company´s major shareholder.

Benjamin Toogood

Born: 1976.

Position: Board member since 2021.

Education: Bachelor of Pharmacy from Rhodes University, MSc from University of Witwatersrand And Executive MBA from University of Cambridge.

Other current assignments: Head of Global Business Development at Sino Pharmaceuticals Limited. Director at invoX Pharma Limited, Softhale BV and pHion Therapeutics.

Prior assignments (last five years): Global Head of BD & M&A at Sandoz International AG.

Holdings in Karolinska Development as of the day of the Prospectus: No holdings.

Independence: Independent in relation to the Company and the senior management. Not independent in relation to the Company´s major shareholder.

Philip Duong

Born: 1990.

Position: Board member since 2022.

Education: Bachelor's degree of Commerce from University of Toronto.

Other current assignments: Head of Investments at Sino Biopharmaceuticals Limited. Member of the Board of Directors of Softhale BV and Treadwell Therapeutics.

Prior assignments (last five years): Vice President at Deutsche Bank AG (Hong Kong Branch).

Holdings in Karolinska Development as of the day of the Prospectus: No holdings.

Independence: Independent in relation to the Company and the senior management. Not independent in relation to the Company´s major shareholder.

Executive management

The information presented below set forth the name, year of birth, position, principal education, current assignments in companies, prior assignments in companies during the past five years and holdings of shares, stock-options or other share related financial instruments in Karolinska Development, of each member of the executive management team.

Viktor Drvota

Born: 1965.

Position: CEO since 2017

Education: M.D, Ph.D and Associate Prof. in Cardiology from the Karolinska Institute.

Other current assignments: CEO and member of the Board of Directors of KCIF Fund management AB. Chairman of the Board of Directors of Modus Therapeutics Holding AB and Umecrine Cognition AB. Member of the Board of Directors of Dilafor AB, OssDsign AB, KDev Investments AB and UC Research AB. Deputy board member of Promimic AB and Svenska Vaccinfabriken Produktion AB.

Prior assignments (last five years): Chairman and member of the Board of Directors of Promimic AB. Member of the Board of Directors of Aprea Therapeutics AB and Oveun AB.

Holdings in Karolinska Development as of the day of the Prospectus: 68,548 shares of class B.

Per Aniansson

Born: 1966.

Position: Chief Financial Officer and Investment Director since 2021.

Education: MSc from Chalmers University of Technology and MBA from INSEAD.

Other current assignments: CEO and member of the Board of Directors of Anian AB. Member of the Board of Directors of Attana AB, AAC Clydespace AB, Sinsa Labs AB, Star Syringe Ltd and Stiftelsen Bota cancer. Deputy board member of AnaCar dio AB, AnaCardio R&D AB and AnaCardio Holding AB.

Prior assignments (last five years): CEO and member of the Board of Directors of Perma Ventures AB. Chairman of the Board of Directors of VOC Diagnostics AB, Smart Eye AB, SciBase Holding AB, OssDsign AB, AnaCardio AB, AnaCardio R&D AB, Re:NewCell AB and Origin Sciences Ltd. Deputy board member of CeDe Group AB, CEDEFT Intressenter AB and Scarp Group AB.

Holdings in Karolinska Development as of the day of the Prospectus: No holdings.

Johan Dighed

Born: 1973.

Befattning: General Counsel and Deputy CEO since 2021.

Education: Master of laws from Lund University.

Other current assignments: Chairman of the Board of Directors of KD Incentive AB, KCIF Fund Management AB and KDev Invest Consul ting AB. Member of the Board of Directors of KDev Investments AB, AnaCardio AB, AnaCardio R&D AB, AnaCardio Holding AB and Promimic AB. Deputy board member of Modus Therapeutics AB and ITKnowledge STHLM AB.

Prior assignments (last five years): Chairman of the Board of Directors of IFA DBB AB. Member of the Board of Directors of Skalstugans stif telse, AnaCardio AB and AnaCardio R&D AB. Deputy board member of Skalstugan AB. Authorised Signatory of SEB.

Holdings in Karolinska Development as of the day of this Prospectus: 15,000 shares of class B.

John Öhd

Born: 1971.

Position: Chief Scientific Officer since 2020.

Education: Medicine degree from Linköping University and Medicine Doktor from Lund University.

Other current assignments: CEO of Modus Therapeutics Holding AB. Member of the Board of Directors of Modus Therapeu tics AB, AnaCardio AB, AnaCardio R&D AB, AnaCardio Holding AB, Umecrine Cognition AB and Svenska Vaccinfabriken Produktion AB.

Prior assignments (last five years): Chief Medical Officer of Medivir AB.

Holdings in Karolinska Development as of the day of this Prospectus: No holdings.

Additional information regarding the members of the Board of Directors and executive management

No member of the Board of Directors or the executive management team has any family relationship with any other member of the Board of Directors or the executive management team. There are no conflicts of interests between the members of the Board of Directors or the executive management team and Karolinska Development. However, as previously stated, some members of the Board of Directors and the executive management have private financial interests in the Company. No other conflicts of interests exist.

No member of the Board of Directors or the executive management team has been involved in any bankruptcies, receiverships, liquidations or companies

put into administration (other than voluntary liquidation) in the past five years as a chairman of the Board of Directors, member of the Board of Directors, deputy board member or member of the executive management team. Neither have they been convicted in any fraud-related case or been subject to any public incrimination or sanctions by statutory or regulatory authorities, nor have they been disqualified by a court from acting as a member of an administrative management or a supervisory body of a company or to hold leading or overarching functions in a company during the past five years.

None of the members of the Board of Directors or the executive management team have entered into any agreement with the Company or its subsidiaries regarding benefits after termination of the assignment.

The office address of the Board of Directors and the executive management is c/o Karolinska Development AB, Tomtebodavägen 23 A, Solna, Sweden.

Auditor

The Company´s auditor is Ernst & Young Aktiebolag, which was re-elected at the annual general meeting held on 5 May 2021, for the period until the end of the annual general meeting 2022. Oskar Wall, who is an authorised public accountant and a member of FAR (the professional institute for authorised public accountants in Sweden), is the principal auditor since October 2020. Until October 2020, Björn Ohlsson was the principal auditor. Ernst and Young Aktiebolag has been the Company´s auditor during the entire period covered by the historical financial information in this Prospectus.

Shares, share capital and ownership structure

General information regarding the shares

According to Karolinska Development´s articles of association, the share capital shall be not less than SEK 1,750,000 and not more than SEK 7,000,000. The number of shares shall be not less than 175,000,000 and not more than 700,000,000. As of 31 December 2020, Karolinska Development´s share capital amounted to 1,756,654.09 SEK, divided into 1,503,098 shares of class A, each carrying ten (10) voting rights, and 174,162,311 shares of class B, each carrying one (1) voting right. The quota value per share was SEK 0.01. Neither the number of shares, nor the share capital have been subject to any changes since 31 December 2020 until the date of this Prospectus. The shares in Karolinska Development are issued in accordance with Swedish law, are fully paid, denominated in SEK and are freely transferable. The shareholders' rights can only be altered in accordance with the procedure specified in the Swedish Companies Act (2005:551).

The Rights Issue

The Rights Issue will, upon full subscription, result in the number of shares in Karolinska Development increasing from 175,665,409 shares (of which 1,503,098 are shares of class A and 174,162,311 are shares of class B) to 298,460,186 shares (of which 2,555,261 are shares of class A and 295,904,925 are shares of class B), which corresponds to an increase of the number of shares of approximately 41.1 per cent and an increase of the voting rights of approximately 41.2 per cent. Simultaneously, the share capital will increase by SEK 1,227,947.77, from SEK 1,756,654.09 to SEK 2,984,601.86.

The development of the share capital

The Company´s share capital has since 2016 changed in accordance with the table below.

Dilution

Full subscription will result in an increase of the Company´s shares from 175,664,409 shares (of which 1,503,098 are shares of class A and 174,162,311 are shares of class B) to 298,460,186 shares (of which 2,555,261 are shares of class A and 295,904,925 are shares of class B), which will result in a dilution effect for those shareholders who decide not to subscribe for shares in the Rights Issue of a total of 122,794,777 shares, corresponding to approximately 41.1 per cent of the total number of shares and approximately 41.2 per cent of the voting rights in the Company after the Rights Issue (calculated as the total number of new shares due to the Rights Issue divided by the total number of shares in the Company after a fully subscribed Rights Issue).

Net asset value

The table below illustrates the net asset value per share as of 31 December 2020, which can be compared with the price per share of SEK 4 in the Offer

	Before the Offer	After the Offer
Equity, MSEK	990.6	1,463.8*
Number of shares (as of the date of the Prospectus)	175,665,409	298,460,186
Net asset value per share, SEK	5.64	4.90

* Refers to Karolinska Development´s equity as of 30 September 2021 increased by the issue proceeds, including set-off loans and related interest, from the Rights Issue (SEK 491.2M) and with deduction for issue costs (SEK 18M).

Year	Event	Change in number of shares of class A	Total number of shares of class A	Change in number of shares of class B	Total number of shares of class B	Change in the share capital (SEK)	Total share capital	Quota value
2016	Opening balance	-	1,503,098	–	51,946,542	–	26,724,820.00	0.50
2016	Warrants[1]	-	1,503,098	15,358	51,961,900	7,679.00	26,732,499.00	0.50
2017	Set-off issue[2]	-	1,503,098	10,871,698	62,833,598	5,435,849.00	32,168,348.00	0.50
2017	Reduction[3]	-	1,503,098	-	62,833,598	-31,524,981.04	643,366.96	0.01
2017	Conversion[4]	-	1,503,098	564	62,834,162	5.64	643,372.60	0.01
2017	Warrants[5]	-	1,503,098	23,840	62,858,002	238.40	643,611.00	0.01
2017	Conversion[6]	-	1,503,098	106	62,858,108	1.06	643,612.06	0.01
2018	Warrants[7]	-	1,503,098	57,531	62,915,639	575.31	644,187.37	0.01
2019	Directed share issue[8]	-	1,503,098	111,246,672	174,162,311	1,112,466.72	1,756,654.09	0.01
2021	The Rights Issue[9]	1,052,163	2,555,261	121,742,614	295,904,925	1,227,947.77	2,984,601.86	0.01

1.Subscription of shares by exercise of warrants issued in incentive program (PSP 2013) resolved on the annual general meeting 2013. The subscription price was SEK 0.50 per share.
2. Set-off issue directed to the Company´s convertible holders. The subscription price was SEK 6.17 per share.
3. Reduction without cancellation of shares to transfer to non-restricted equity.
4. Conversion of part of a convertible loan. The subscription price was SEK 6.17 per share.
5. Subscription of shares by exercise of warrants issued in incentive program (PSP 2014) resolved on the annual general meeting 2014. The subscription price was SEK 0.01 per share.
6. Conversion of part of a convertible loan. The subscription price was SEK 6.17 per share.
7. Subscription of shares by exercise of warrants issued in incentive program (PSP 2015) resolved on the annual general meeting 2015. The subscription price was SEK 0.01 per share.
8. Directed share issue to the Company´s convertible holders. The subscription price was SEK 3.74 per share.
9. Provided full subscription in the Rights Issue.

Certain rights associated with the shares

General meeting

Notice of general meetings shall be published in the Official Swedish Gazette (Sw. Post- och inrikestidningar) and be held available on the Company´s website. At the time of the notice, an announcement with information stating that the notice has been issued, shall be published in Svenska Dagbladet. Those who wish to participate in a general meeting must be recorded as a shareholder in a transcription or other presentation of the whole share register six banking days prior to the general meeting and must also notify the Company of their intention to participate no later than on the date stated in the notice to the meeting.

Voting rights

Shares of class A carry ten (10) voting rights and shares of class B carry one (1) voting right at general meetings. Each shareholder is entitled to cast votes equal in number to the number of shares in the Company held by the shareholder.

Preferential rights to new shares

Should the Company resolve on an issue of shares of two classes, shares of class A and shares of class B, through a cash issue or set-off issue, holders of shares of class A and class B shall have preferential right to subscribe for new shares in proportion to the number of shares of the same class of shares previously held by the holder (primary preferential right). Shares that are not subscribed for with primary preferential right shall be offered to all shareholders for subscription (subsidiary preferential right). If the offered shares are not sufficient for the subscription with subsidiary preferential right, the shares shall be allocated amongst the subscribers in proportion to the number of shares that they previously held in the Company. To the extent this cannot be made, allotment shall be made by drawing of lots.

Should the Company resolve on an issue of shares of one class of shares through a cash issue or a set-off issue, all holders of shares, regardless of class of shares, shall have preferential right to subscribe for new shares in proportion to the number of shares previously held by the holder.

Should the Company resolve on an issue of warrants or convertibles through a cash issue or set-off issue, the shareholders shall have preferential right to subscribe for warrants as if the issue concerned the shares that may be subscribed for due to the warrants, and likewise, preferential right to subscribe for convertibles as if the issue concerned the shares that the convertibles may be replaced for.

What has been prescribed above shall, however, not entail any restrictions regarding the possibility to resolve on a cash issue or set-off issue with deviation from the shareholders' preferential right.

If the share capital increases due to a bonus issue, new shares shall be issued for each class of shares in proportion to the number of shares of each class of shares already existing in the Company. Thus, old shares of a certain class of shares shall give right to new shares of the same class of shares. This entails no restriction regarding the possibility to issue shares of a new class of shares through a bonus issue, after necessary amendments of the articles of association have been resolved upon.

Right to dividend and surplus in case of liquidation

All shares in the Company carry equal right to dividend as well as the Company´s assets and possible surplus in the event of liquidation. Resolutions regarding dividend are adopted by the general meeting in accordance with the rules on dividend in the Swedish Companies Act (2005:552) and is paid through Euroclear Sweden. Dividend are paid in cash on a per share basis but may also be paid in a manner other than cash (distribution in kind).

All shareholders registered as shareholders in the share register maintained by Euroclear Sweden on the record date adopted by the general meeting shall be entitled to dividend. If a shareholder cannot be reached through Euroclear Sweden, such shareholder retains its claims on the Company to the dividend amount. Such claim is subject to a statutory limitation period of ten years. Upon the expiry of the statutory limitation period, the dividend amount shall pass to Karolinska development. Neither the Swedish Companies Act nor the Company´s articles of association contain any restrictions regarding dividend to shareholders domiciled outside Sweden. Subject to any restrictions imposed by banking and clearing systems in applicable jurisdictions, payments to such shareholders are disbursed on the same terms as to shareholders domiciled in Sweden.

The tax legislation in Sweden and the shareholder´s home country may affect any income received from paid dividends.

Ownership structure

The table below illustrates an overview of the Company´s ownership structure as of 30 September 2021 and thereafter known changes.

The Company is neither directly nor indirectly controlled by an individual party.

Shareholder agreements

As far as the Board of Directors is aware, there are no shareholder agreements between the Company´s shareholders intended to establish joint influence over the Company. The Board of Directors is furthermore not aware of any shareholder agreements or similar agreements which may result in a change of control of the Company.

SHAREHOLDER	SHARES OF CLASS A	SHARES OF CLASS B	CAPITAL (%)	VOTES (%)
invoX Pharma Ltd[1]	–	75,727,285	43,11	40,03
Worldwide International Investments Ltd	–	28,007,077	15,94	14,80
Östersjöstiftelsen	–	3,889,166	2,21	2,06
HSBC Private Bank (Suisse)	–	3,875,000	2,21	2,05
Stift För Främjande & Utveckling	1,503,098	2,079,836	2,04	9,04
SEB AB, Luxembourg Branch	–	3,084,396	1,76	1,63
Coastal Capital International Ltd	–	2,470,541	1,41	1,31
Avanza Pension	–	1,947,824	1,11	1,03
SEB Investment Management	–	1,142,011	0,65	0,60
J.P. Morgan Bank Luxembourg	–	750,000	0,43	0,40
The ten largest shareholders	**1,503,098**	**122,973,136**	**70,87**	**72,95**
Other shareholders	–	51,189,175	29,13	27,05
Total	**1,503,098**	**174,162,311**	**100,00**	**100,00**

Warrants and convertibles

The Company had as per the day of this Prospectus no outstanding warrants or convertibles.

Dividend policy and dividend history

The Company will continue to invest in new and existing portfolio companies. Therefore, the Board of Directors has no intention to propose any dividend in the next few years. No dividend was disbursed for the FY 2020.

Authorisation to issue shares

On 5 May 2021, the annual general meeting resolved to authorise 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, on a new share issue. The total number of shares that may be subject to a new share issue in accordance with the authorisation, shall not exceed the limits of the share capital stipulated in the Company´s articles of association. Further, the total number of shares shall amount to new shares of class B, corresponding to not more than twenty (20) per cent of the share capital at the time of the first resolution regarding a new share issue, subject to the authorisation in question. Payment for subscribed shares shall be made in cash, in kind or by set-off.

Information regarding public takeover bids

The shares in the Company are not subject to any public takeover bid. No public takeover bid has been submitted for the Company´s shares during the current or the previous financial year. Pursuant to the Swedish Takeover Act (2006:451) (Sw. Lagen om offentliga uppköpserbjudanden på aktiemarknaden), a company may only, after resolved by the general meeting, take measures that are likely to impair the conditions for the submission or implementation of an offer, if the Board of Directors or the CEO has good reason to assume that the offer is imminent.

Central securities deposit

Karolinska Development´s shares are registered in a central securities depository register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479) (Sw. Lagen om värdepapperscentraler och kontoföring av finansiella instrument). This register is maintained by Euroclear Sweden (Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden). No share certificates have been issued for the shares. The ISIN code for the shares in Karolinska Development is SE0002190926.

[1] invoX Pharma Ltd is a wholly owned subsidiary of Sino Biopharmaceutical Limited.

Legal considerations and supplementary information

General corporate information

The Company´s company name is Karolinska Development AB. Karolinska Development´s corporate registration number is 556707–5048 and the registered office of the Board of Directors is situated in the municipality of Solna, Stockholm County, Sweden. Karolinska Development was established on 23 March 2006 and registered with the Swedish Companies Registration Office on 7 July 2006. The Company has conducted operations since then. The Company is a Swedish public limited liability company governed by the Swedish Companies Act (2005:551). Karolinska Development´s LEI-code is 54930011ZA52NKO5W681. The address to Karolinska Development´s website is https://www.karolinskadevelopment.com/. The information on the website does not form a part of this Prospectus unless such information has been incorporated by reference in this Prospectus.

Material agreements

Presented below is a summary of material agreements entered by the Company during the past two years, as well as other agreements entered by Karolinska Development, which contains rights or obligations of material significance for the Company (in both cases excluding agreements entered in the ordinary course of business). For information regarding financing agreements, see below under the section "*Transactions with related parties*".

License agreement regarding the use of "Karolinska"

Pursuant to a license agreement between the Company and Karolinska Institutet, Karolinska Development has a non-exclusive and non-transferrable right to use "Karolinska" in its company name. The license agreement expires in December 2025, and thereafter, the Company will no longer be able to use "Karolinska" in its company name.

Agreements regarding KDev Investments

On 21 December 2012, Karolinska Development entered into an agreement with Rosetta Capital regarding the sale of a minority share of Karolinska Development's holdings in 13 of the Company's portfolio companies (the "Rosetta Transaction"). The Rosetta Transaction was completed during the first quarter of 2013, at which time Karolinska Development transferred the holdings in the 13 concerned portfolio companies to a new investment company: KDev Investments. Karolinska Development is the majority owner and holds 90.12 per cent of the shares and Rosetta Capital is the minority owner of KDev Investments. The shareholders have entered into a shareholder's agreement regarding the management of KDev Investments AB, and they exercise joint control over the company. The KDev Investments AB group is considered a joint venture for accounting purposes.

Today, the KDev investment portfolio comprises of Aprea Therapeutics, Modus Therapeutics, Dilafor, Promimic and Biosergen.

Repayment of loans and invested funds in, as well as dividend distributions from KDev Investments shall be made as follows. Initially, both parties shall receive repayment of shareholder loans related to operational expenses. Further, Rosetta Capital shall receive an amount corresponding to SEK 43.8M covering investments made in the portfolio companies. Thereafter, distribution of dividend shall be disbursed to Rosetta Capital as holder of preference shares in KDev Investments, in accordance with the preferential dividend distribution rights under i)–iii) below. The first SEK 29.2M of the dividend distribution to Rosetta Capital shall be utilised to pay Karolinska Development for the deferred purchase price related to the purchase of shares in KDev Investments AB.

(i) 100 per cent of total future returns up to SEK 220M;
(ii) 30 per cent of total future returns between SEK 220M and SEK 880M; and
(iii) 18.33 per cent of total future returns between SEK 880M and SEK 1,320M.

In connection with KDev Investments partial divestment of shares in Aprea Therapeutics in December 2020, KDev Investment disbursed a dividend of SEK 28.5M to Rosetta Capital, which in turn was paid to Karolinska Development, as part of repayment of a claim of SEK 29.2M that Karolinska Development has against Rosetta Capital. In connection with a further sale of shares in Aprea Therapeutics during November 2021, KDev Investment has disbursed an additional dividend of SEK 13.2M to Rosetta Capital, of which an additional amount of SEK 0.7M was repaid to Karolinska Development in accordance with the above stated. Of the SEK 43.8M that Rosetta Capital is to receive for investments in portfolio companies, SEK 2.1M remains and Karolinska Development's claim amounting to SEK 29.2M is fully repaid by Rosetta Capital.

Cooperation with the European Investment Fund ("EIF")

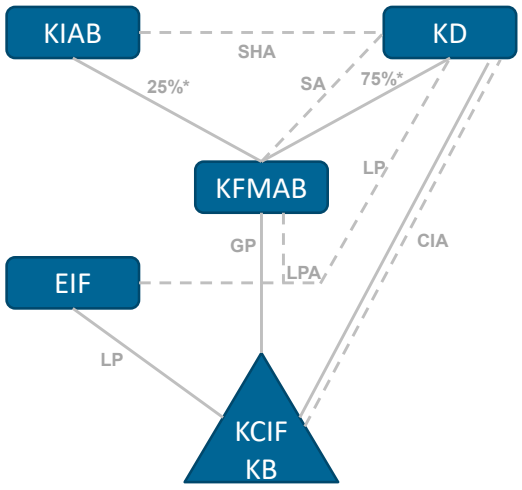
In November 2009, Karolinska Development and EIF established a cooperation, resulting in EIF, subject to certain specified conditions, investing alongside Karolinska Development in some portfolio companies at a ratio of 27:73.

EIF normally invests in traditional fund structures in terms of risk capital investments. Such funds typically have a limited term, are usually required to immediately disburse any realised surplus to the fund investors rather than to reinvest it in other portfolio companies and are, typically controlled by the investment managers of such funds. To structurally correspond, as much

as possible, to the traditional fund structures and thereby fulfil the requirements set by EIF to initiate the cooperation, co-investments are carried out through KCIF Co-Investment fund KB ("KCIF"). The ownership and operations of KCIF are governed by a limited partnership agreement.

Investors and limited partners of KCIF are EIF, having committed to contribute EUR 12.9M, and Karolinska Development, having committed to contribute EUR 4.5M. The commitments are drawn down continuously by KCIF on an as-needed basis, to cover investments as well as KCIF's payment of an annual management fee to KCIF Fund Management AB ("KFMAB"), which is the general partner and manager of KCIF. KFMAB is owned to 75 per cent by Karolinska Development and owned to 25 per cent by KIAB.

Set forth below is a chart illustrating the ownership in the KCIF structure and the agreements relating to the co-operation with EIF.



*Ownership according to agreement, currently KIAB holds 25 per cent of the shares and 5.71 per cent of the voting rights and Karolinska Development holds 75 per cent of the shares and 94.29 per cent of the voting rights.

KD = Karolinska Development
SHA = Shareholder's Agreement
SA = Service agreement
LPA = Limited partnership agreement
LP = Limited Partner
GP = General Partner
CIA = Co-Investment agreement

KFMAB is entitled to an annual management fee of one (1) per cent of the invested capital. KFMAB manages the operations of KCIF through the purchase of services from Karolinska Development in accordance with a service agreement. The service agreement entitles Karolinska Development to an annual renumeration corresponding to the amount remaining of the management fee after deduction of KFMAB's other costs and a certain buffer for future costs in KFMAB.

Any dividend from KCIF will essentially be distributed as follows. Initially, EIF and Karolinska Development shall receive an amount equal to their respective actual drawndown to KCIF plus an annual interest rate of six per cent. Thereafter, Karolinska Development shall receive an amount corresponding to 20 per cent of the remaining profit. The remaining funds shall be distributed with 80 per cent to EIF and Karolinska Development in proportion to their respective capital investment in KCIF. The remaining 20 per cent shall be distributed to Karolinska Development, of which 25 per cent will be redistributed to KIAB.

Since 2013, only follow-on investments can be made by KCIF, and KCIF has a lifespan of twelve years, expiring on 16 November 2021.

As of 16 November 2021, the liquidation of KCIF has been initiated. The existing holdings is to be distributed to Karolinska Development and EIF.

Investment and shareholders' agreement regarding portfolio companies

Karolinska Development enters into investment and shareholders' agreements with other shareholders in Karolinska Development's portfolio companies. These agreements usually regulate governance, investments and issues related to divestments of the portfolio companies and their businesses. The exact regulation in each case varies depending on Karolinska Development's ownership and the ownership structure in general.

Summary of information disclosed under MAR

The following is a summary of the information disclosed by Karolinska Development in accordance with the EU Market Abuse Regulation (596/2014) ("MAR") during the last twelve months and which is relevant as of the date of the Prospectus.

Results from clinical trials in portfolio companies

- On 1 June 2021, Karolinska Development disclosed that the Company´s portfolio company Dilafor has presented positive results from a phase 2b study of tafoxiparin.

Acquisitions and listings of portfolio companies

- On 15 March 2021, Karolinska Development disclosed that the Company´s portfolio company Modus Therapeutics is preparing a listing on Nasdaq First North Growth Market.

- On 11 June 2021, Karolinska Development disclosed that the Company´s portfolio company Promimic is evaluating the possibility of a listing on Nasdaq First North Growth Market.
- On 17 June 2021, Karolinska Development disclosed that the Company has acquired approximately 21 per cent of the shares in AnaCardio AB.
- On 11 November 2021, Karolinska Development disclosed that the Company´s holding of 9.7 per cent in the portfolio company Forendo Pharma is acquired by the global pharmaceutical company Organon at a total purchase price of USD 945M for the entire company provided fulfilment of all milestones.

Changes in the valuation of portfolio companies

- On 29 December 2020, Karolinska Development disclosed that the Company increases the book value of the holding in the portfolio company Umecrine Cognition by SEK 234M.
- On 17 June 2021, Karolinska Development disclosed that the Company increases the book value of its holding in the portfolio company Dilafor, which is indirectly owned via KDev Investments AB by SEK 450M.

Capital raising and election of Board member

- On 10 December 2021, Karolinska Development disclosed that the Company´s Board of Directors proposes a rights issue of approximately SEK 491M and the election of Philip Duong as a new Board member.

Regulatory proceedings, legal proceedings and arbitration proceedings

Karolinska Development is currently not a party of any legal proceedings or arbitration proceedings (including proceedings which have not yet been settled or those of which the issuer is aware may arise), that may have significant effects on Karolinska Development´s financial performance or profitability. Karolinska Development has furthermore not been involved in any such proceeding during the last twelve months.

Transactions with related parties

Affiliates

The Company has a related party relationship with its subsidiaries, joint ventures, associated companies and companies included in the legal group structure of Sino Biopharmaceutical Limited.

Karolinska Development has rendered services to the portfolio companies in the areas of management, communication, finance and administration, including legal and analytical operations. Fees for these services have been market based.

In November 2009, Karolinska Development and EIF entered into an agreement whereby EIF invests in parallel with Karolinska Development in portfolio companies. The parallel investments are made through KCIF at a ratio of 27:73 (Karolinska Development: EIF) provided that certain investment criteria are met. Thus, Karolinska Development invests partly indirectly via KCIF and partly directly in the portfolio companies. The investor and limited partner of KCIF are EIF, which has committed to contribute with a maximum of EUR 12.9M, and Karolinska Development, which has committed to contribute with a maximum of EUR 4.5M. The amounts are paid on an ongoing basis to KCIF when necessary to make investments, to cover KCIF's expenses, and to pay an annual management fee to KFMAB, a limited partner responsible for the operation of KCIF. The management fee for the period January 2021 until the date of this Prospectus amounted to SEK 89k.

KFMAB is currently owned to 75 per cent by Karolinska Development and 25 per cent by KIAB. The parties have entered into a shareholders' agreement regarding KFMAB.

KFMAB is entitled to an annual management fee corresponding to 2.5 per cent of the capital committed to KCIF during the investment period and 1 per cent of invested capital thereafter. In practice, KFMAB fulfills its obligations to manage the operations of KCIF by purchasing services from Karolinska Development in accordance with a service agreement. The service agreement entitles Karolinska Development to an annual compensation equivalent to what remains of the management fee after deduction of KFMAB's other expenses and a certain buffer for future expenses in KFMAB. Any dividend from KCIF will essentially be distributed as follows. Firstly, EIF and Karolinska Development shall receive an amount corresponding to the part of the committed capital paid to KCIF at the time of the dividend payment and an annual interest of 6 per cent on this amount. Secondly, 80 per cent of the remaining funds will be distributed to EIF and Karolinska Development in proportion to their capital investment. The remaining 20 per cent will be distributed to Karolinska Development on the condition that 25 per cent of the amount is redistributed to KIAB and at least 37.5 per cent is redistributed to the investment managers through Karolinska Development's profit-sharing program (which comprises only former employees).

Through its ownership and managerial role, Karolinska Development has concluded that it controls KFMAB and therefore considers KFMAB to be a subsidiary. The indirect ownership in the portfolio companies through KCIF´s holding appears from Karolinska Development's share of the portfolio companies, Note 33 of the annual report 2020.

Transactions with related parties

On 18 December 2019, Karolinska Development entered into a loan agreement totaling SEK 70M with Sino Biopharmaceutical Limited. The loan carries an annual interest rate of 8 per cent. The term of the loan has been extended on two occasions and now runs until 31 December 2022. According to the loan agreement, Sino Biopharmaceutical Limited has the right to offset the loan against shares through a directed share issue in the Company.

Furthermore, on 8 April 2021, Karolinska Development entered into a loan agreement with Sino Biopharmaceutical Limited. The loan agreement allows Karolinska Development to borrow a total of SEK 42.5M, with an annual interest rate of five per cent. As of the date of the Prospectus, the loan has been fully utilised. The loan agreements run until 31 December 2022. Both loans have been transferred by Sino Biopharmaceutical Limited to its subsidiary invoX Pharma Ltd. invoX Pharma Ltd has entered into a subscription commitment, which means that the loans, including interest, are set off against shares of class B in the Offer.

Moreover, on 9 November 2021, the Company entered into a loan agreement with invoX Pharma Ltd. The agreement allows Karolinska Development to borrow a total of EUR 8.5M, with an annual interest rate of 5 per cent. As of the date of the Prospectus, the Company has not utilised the loan. The agreement runs until 31 December 2022.

On 17 May 2021, Karolinska Development also entered into a consulting agreement with BC Biomed Consulting GmbH, a company controlled by the Company´s chairman of the Board of Directors, Björn Cochlovius.

2021-01-01 – 2021-12-31

Amount in kSEK	Liability to associate	Receivable from assocate
Associate relationship		
Karolinska Institutet Holding koncernen	6	0
invoX Pharma Ltd	124,603	0
Subsidiaries	0	0
Portfolio companies	0	4,303
BC Biomed Consulting GhbH	0	0
Total	**124,609**	**4,303**

2021-01-01 – 2021-12-31

Amount in kSEK	Sale of services	Interest income	Purchase of services	Interest cost
Associate relationship				
Owner: Karolinska Institutet Holding koncern	0	0	742	0
(of which is rental cost)			(714)	
Owner: invoX Pharma Ltd	0	0	0	6,239
Other joint ventures and associated companies	2,160	6,402	0	0
BC Biomed Consulting GhbH	0	0	0	0
Total	**2,160**	**6,402**	**742**	**6,239**

Advisors interests

The Company´s financial adviser in connection with the Rights Issue is Erik Penser Bank AB (Apelbergs gatan 27, Box 7405, 103 91 Stockholm). Erik Penser (and to Erik Penser related companies) has provided, and may in the future provide services within banking, finance, investments and commercial services as well as other services to the Company for which Erik Penser has been, and may in the future be, compensated.

Approval of the Prospectus

The Swedish Prospectus has been approved by the Swedish Financial Supervisory Authority (Sw. Finansinspektionen) as competent authority according to the regulation (EU) 2017/1129 (the Prospectus Regulation). The Swedish Financial Supervisory Authority only approves the Swedish Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. This approval shall not be considered as any kind of endorsement of the issuer, nor the quality of the securities, that are the subject of this Prospectus.

Investors should make their own assessments as to the suitability of investing in these securities. The Swedish Prospectus has been prepared as a simplified prospectus in accordance with article 14 of the Prospectus Regulation.

Exemption from the mandatory bid obligation

The Swedish Securities Council (Sw: Aktiemarknadsnämnden) has granted an exemption (AMN 2021:58) for invoX Pharma Ltd, an indirect wholly owned subsidiary of Sino Biopharmaceutical Limited, from the mandatory bid obligation that otherwise could arise in connection with the participation of invoX Pharma Ltd in the Rights Issue.

Documents incorporated by reference

The following accounting is incorporated with the Prospectus by reference. The documents that are incorporated by reference are available on https://www.karolinskadevelopment.com/en/reports-and-presentations.

- The Company´s annual report for the financial year 2020 (income statement on page 40, balance sheet on pages 41–42, cash flow analysis on page 43, accounting principles and notes on pages 48–79 and auditors' report on pages 80–82).

- The Company´s interim report for the period January–September 2021 (income statement on page 25, balance sheet on page 26 and accounting principles and notes on pages 30–36.

The parts of the incorporated documents which are not referred to are either not considered to be relevant for investors or are covered by other parts of the Prospectus.

Apart from the information that is incorporated in the Prospectus by reference, the information on the Company's website, or any other specified website, is not included in the Prospectus and has not been reviewed or approved by the competent authority.

Available documents

The Company´s articles of association, certificate of registration and documents incorporated by reference are, during the entire period of validity of the Prospectus, kept available for review at the Company´s head office during ordinary office hours on business days. The documents are also available in electronic form at the Company´s website https://www.karolinskadevelopment.com/.

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