

Karolinska Development AB (publ), Annual General Meeting 2019

The Board of Directors' a) proposal regarding resolution to amendments of the Articles of Association (share capital limits and number of shares) and b) resolution on, subject to approval by the Annual General Meeting, a directed share issue to the convertible holders

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

To enable the issue of new shares under item b) below, the limits for the share capital and the number of shares in the Articles of Association must be amended. The Board of Directors of Karolinska Development AB (publ) corp. reg. no. 556707–5048 has herein drawn up two different proposals on amendments to the Articles of regarding the limits of the share capital and the number of shares. The Board of Directors, the CEO, or anyone appointed by the Board of Directors, shall, after the directed issue under item b) is completed and the outcome is known, be authorised to submit the Articles of Association to the Swedish Companies Registration Office required for the directed issue under item b) to be registered with the Swedish Companies Registration Office.

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

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

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

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

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

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

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

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

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

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

b) Resolution on, subject to approval by the Annual General Meeting, a directed new issue of shares to the convertible holders

The Board of Directors resolves on, subject to approval by the Annual General Meeting, a directed new issue of B-shares to the holders of the Company's outstanding convertibles 2015/2019, on the terms and conditions set out below:

1. The right to subscribe for new B-shares shall, with deviation from the shareholders pre-emption rights, belong to the persons recorded as convertible holders, in the register held by Euroclear Sweden AB of the Company's outstanding convertibles 2015/2019 (the "**Convertible Holders**").
2. The purpose of the new issue of shares is to reduce the outstanding convertible debt, which would strengthen the Company's equity position compared to its share capital, thereby reducing the Company's overall financial risk profile. The reason for the deviation from the shareholders' pre-emption rights is that the new issue of shares by set-off is a necessary part of the refinancing of the Company.
3. The number of B-shares that each Convertible Holder shall be entitled to subscribe for shall correspond to the number of B-shares that would be issued by off-setting the Convertible Holder's claim under the Convertibles, including accrued interest until 30 June 2019, for new B-shares in the Company.
4. The Board of Directors is, pursuant to Chapter 13, section 5, first paragraph, item 8 of the Swedish Companies Act, authorized to, before the Annual General Meeting 28 June 2019, resolve the maximum amount by which the share capital shall increase, the maximum number of B-shares to be issued and the subscription price per each new B-share. The subscription price will be based on the volume-weighted average share price (VWAP) of the Company's shares as quoted on Nasdaq Stockholm for the fifteen (15) trading days ending two (2) trading days prior to the Annual General Meeting, with a discount of three (3) per cent on such VWAP.
5. Subscription and payment shall be made during the period 8 July 2019 to 19 July 2019 by using an application form provided by the Company. Over-subscription is not allowed. The Board of Directors has the right to extend the period of subscription.
6. Payment for new B-shares shall be made in cash in connection with subscription. It is noted that the Board of Directors has the possibility to allow set-off under Chapter 13, section 41 of the Swedish Companies Act in order for subscribed shares to be paid by set-off of the Convertible Holder's claims under the convertible, including accrued interest until 30 June 2019. The Board of Directors has the right to extend the period for payment.
7. The new B-shares entitle to dividends for the first time on the first record date for dividend that take place after the issue of new B-shares has been registered with the Swedish Companies Registration Office and been recorded in the share register kept by Euroclear Sweden AB.
8. The Board of Directors' resolution on new issue of requires that the Company's Articles of Association is amended as proposed under item a) above.

Other information

By participating in the issue, as described in this item 20, the total holdings of two of the shareholders of the Company, Sino Biopharmaceutical Limited and Chia Tai Resource Limited (a wholly-owned subsidiary to Sino Biopharmaceutical Limited) (together referred to as "Sino

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

Documents in accordance with Chapter 13, Section 6 of the Swedish Companies Act is attached, Appendix A–C.

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

The Board of Directors, the CEO, or anyone appointed by the Board of Directors or the CEO, shall be authorised to make such minor amendments to the above resolution as may be necessary in connection with the registration of the resolution with the Swedish Companies Registration Office or Euroclear Sweden AB or due to other formal requirements.

Solna in May 2019

Karolinska Development AB (publ)

The Board of Directors