

Karolinska Development secures funding from CP Group, a leading Asian life science investor, and initiates preparation for a convertible bond issue

STOCKHOLM, November 5, 2014. Karolinska Development AB today announced that:

- the company will complete a private placement totaling SEK 63 million before issue costs to the leading Asian life science investor Sino Biopharmaceutical Limited, a member of the Charoen Pokphand Group (CP Group);
- the Board of the company is considering an issue of convertible bonds of up to SEK 400 million, a substantial part of which is expected to be carried out as a rights issue;
- the company has obtained a guarantee from Chia Tai Resources Limited, part of the CP Group, to subscribe for SEK 150 million in a potential future convertible bond issue, provided that such issue is made on certain terms, including that Chia Tai Resources Limited is actually allocated the full guaranteed amount of SEK 150 million, and provided that the convertible bond issue is approved at an Extraordinary General Meeting of the Company; and
- Chia Tai Medicines Holding Limited, part of the CP Group, has declared an interest to invest up to approximately SEK 740 million¹ in Karolinska Development's portfolio companies.

The Charoen Pokphand Group (CP Group) is a transnational conglomerate that consists of three core businesses that operate in the agribusiness and food, retail and distribution, and the telecommunications industries with investment in 16 countries. Founded in 1921, the CP Group currently employs over 300,000 people with offices and factories located worldwide. Annual revenue for the CP Group for the year 2013 was USD 41 billion. Sino Biopharmaceutical Limited, part of the CP Group, is a pharmaceutical R&D and distribution company with a product sales network throughout China and first-class production facilities certified by the SFDA (State Food and Drug Administration). The company is listed on the Hong Kong Stock Exchange's main board (Stock Code: 1177).

"I am very excited by the innovation culture of Sweden and the prolific pipeline of research emerging from the world-class research groups at Karolinska Institutet. Our group has a long tradition of entrepreneurial ventures in diverse global contexts and deep expertise in bringing technologies and innovations to market, through sustainable R&D and financing models that are suitable for the post-financial crisis economy. We are fully committed to developing a mutually beneficial and long-term strategic engagement in Karolinska Development AB and the wider Swedish healthcare system", said Tse Ping, Vice-Chairman of CP Group and Chairman of Sino Biopharmaceutical Limited.

"The cooperation with CP Group will enable Karolinska Development to invest in innovations that address global unmet medical needs. Our contact surfaces with the Asian pharmaceutical industry will increase, which is of great importance in our mission of bringing innovative developments from Karolinska Development into this rapidly growing part of the world. We sincerely welcome CP Group as a new significant, strategic and long-term shareholder and are looking forward to expanding our relations even further in the future", said Dr. Bo Jesper Hansen, Chairman of Karolinska Development AB.

¹USD 100 million based on today's exchange rate

“We recently announced a number of distinct changes in Karolinska Development's strategy and management structure. As part of my commitment to implement these changes, this announcement confirms an improved financial stability and enhances our ability to bring innovation to Asia. The new strategic and long-term shareholder firmly confirms the value of our portfolio companies and our mission to develop innovations for the benefit of patients worldwide. I will work diligently with our new investor to materialize the interest of CP Group to invest in the portfolio early next year”, said Bruno Lucidi, CEO of Karolinska Development AB.

Sino Biopharmaceutical has today subscribed for shares of series B amounting to SEK 63 million in a directed share issue. The subscription price in the private placement is SEK 13 per share, which is 4.4 percent lower than the share price at the closing of NASDAQ OMX Stockholm on November 4, 2014, the previous trading day, and 10.7 percent higher than the volume weighted average price during the period from October 8 to November 4, 2014. The subscription price has been agreed upon after negotiations between Karolinska Development and the subscriber, based on the quoted market value of the share.

The issue is performed within the scope of the mandate to the Board decided at the company's Annual General Meeting held on May 14, 2014. The Board believes that it is advantageous for the company and for the company's owners to capitalize on the ability to raise capital on favorable terms from a strong Asian specialist investor with significant experience in the life science field. The Board therefore believes that the issue, which is made with deviation from the shareholders' pre-emptive rights, will promote value creation for all shareholders of Karolinska Development.

The funding is intended to be used for the continued development and value creation in Karolinska Development's portfolio companies. In addition, the company's position in negotiations with potential licensees and partners will be strengthened.

Further, the Board of Karolinska Development is considering an issue of convertible bonds, subject to approval at an Extraordinary General Meeting of the Company, to an aggregate amount between SEK 150 and 400 million. SEK 150 million of the total amount will either be directed to Chia Tai Resources Limited, part of the CP Group, and the residual, if any, with pre-emptive rights for existing shareholders. Alternatively, the full amount may be issued with pre-emptive rights for existing shareholders. Chia Tai Resources Limited is committed, to the extent that the issue is not fully subscribed for based on pre-emptive rights, to subscribe and pay for the convertible bonds up to an aggregate amount of up to SEK 150 million, provided that Chia Tai Resources Limited is actually allocated the full amount of SEK 150 million, that the shareholders approve on a conversion price of SEK 22 per share, a term of five years and an annual interest rate of 8 percent, and certain other conditions. The Board will shortly initiate discussions with the company's major shareholders to probe the conditions for the issue. Any decision to direct the issue to, or otherwise give preference in the issue to Chia Tai Resources Limited, will be subject to approval by the Swedish Securities Council.

In addition, CP Group has announced interest to invest up to approximately SEK 740 million in existing and future portfolio companies together with Karolinska Development. The goal is to make the first investment in early 2015 and invest the full amount within five years. The parties have entered into negotiations regarding the structure and terms of this cooperation.

For further information, please contact:

Dr. Bo Jesper Hansen, Chairman of the Board, Karolinska Development AB
Phone: + 46 722 459 892, e-mail: bo.jesper.hansen@karolinskadevelopment.com

Bruno Lucidi, CEO, Karolinska Development AB
Phone: +46 72 245 9892, e-mail: bruno.lucidi@karolinskadevelopment.com

TO THE EDITORS

About Karolinska Development AB

Karolinska Development aims to create value for patients, researchers, investors and society by developing innovations from world class science into differentiated products that can be partnered. The business model is to: SELECT the most commercially attractive medical innovations that can potentially satisfy unmet medical needs; DEVELOP innovations to the stage where the greatest return on investment can be achieved; and COMMERCIALIZE the innovations through the sale of companies or out-licensing of products. An exclusive deal flow agreement with Karolinska Institutet Innovations AB, along with other cooperation agreements with leading universities, delivers a continuous flow of innovations. For more information, please visit www.karolinskadevelopment.com.

Karolinska Development is listed on NASDAQ OMX (KDEV). Karolinska Development may be required to disclose the information provided herein pursuant to the Securities Markets Act.

About The Charoen Pokphand Group

The Charoen Pokphand Group (CP Group) is a transnational conglomerate that consists of three core businesses that operate in the agribusiness and food, retail and distribution, and the telecommunications industries with investment in 16 countries. Founded in 1921, the CP Group currently employs over 300,000 people with offices and factories located worldwide. Annual revenue for the CP Group for the year 2013 was USD 41 Billion. One of CP Group's companies is Sino Biopharmaceutical Limited, a pharmaceutical R&D and distribution company listed on the Hong Kong Stock Exchange's main board (Stock Code: 1177) with a countrywide product sales network and first-class production facilities certified by the SFDA (State Food and Drug Administration). The deal is enabled by Accelerated Innovation AB, a private equity and financial consultancy company headquartered in Stockholm, Beijing, Hong Kong, and Jakarta, which is engaged as the lead financial advisor to CP Group for its European Investments.