

NOTICE OF ANNUAL GENERAL MEETING IN KARO BIO AB (PUBL)

Shareholders in **Karo Bio AB (publ)** are hereby called to the annual general meeting on **Thursday May 8, 2014 at 4.00 p.m.** at Hörsalen, Novum Science Park (4th floor – elevator E), Hälsövägen 7 in Huddinge, Sweden.

Right to attend

Entitled to attend the annual general meeting are those who are both registered shareholders in the share register held by Euroclear Sweden AB at the record date May 2, 2014 and have notified the company of their intention to attend the general meeting no later than on May 2, 2014, preferably before at 4:00 p.m..

Shareholders with nominee-registered shares must temporarily register their shares in their own name with Euroclear Sweden AB to attend the meeting. Such registration must be completed by May 2, 2014 and should be requested well in advance of this date to the nominee of the shares.

Notification to attend

Notification to attend the meeting shall be submitted in writing to the address Karo Bio AB, att: Susanne Thylin-Westlund, Novum, SE-141 57 Huddinge, Sweden, by fax to +46 8 774 82 61, via e-mail to susanne.thylin-westlund@karobio.se or via Karo Bio's website www.karobio.se/stamma. Name, personal identification number or corporate identity number, phone number and number of shares held shall be included in the notification to attend. Where applicable, the number of advisors (maximum two) shall be stated. If a shareholder intends to be represented by proxy, power of attorney and other authorization documents should be included in the notification. The original authorization documents must be able to be presented at the meeting. Proxy forms are available from the company and at the company's website and will be sent to shareholders who provide their postal address.

Proposal of Agenda

1. Opening
2. Election of chairman of the meeting
3. Preparation and approval of the voting list
4. Approval of the agenda
5. Election of two persons to confirm the minutes
6. Determination as to whether the meeting has been duly convened
7. Address by the CEO
8. Presentation of the annual report and the auditor's report as well as the group consolidated financial statement and the auditor's report thereon
9. Adoption of the income statement and the balance sheet as well as the consolidated income statement and the consolidated balance sheet
10. Resolution on allocation of the company's result according to the adopted balance sheet
11. Resolution regarding discharge from liability for the board of directors and the CEO
12. Determination of the number of board members
13. Determination of fees to the members of the board of directors
14. Election of board members
15. Election of chairman of the board

16. Determination of remuneration to the auditor
17. Election of auditor
18. Resolution on principles for remuneration of executive management
19. Resolution for authorization of the board of directors to resolve on new issues of shares
20. Closing

Proposals by the nomination committee (items 2 and 12-17)

The nomination committee prior to the annual general meeting 2014 has consisted of Göran Wessman, chairman of the board of directors and representing Mikael Lönn and own holdings (Protem Wessman AB), Jan Lundström (chairman), representing JPMP i Visby AB, Staffan Halldin, Magnus Claesson own holdings, Lars Magnusson, representing Johan Edlund and Per-Anders Johansson, representing own holdings (Nomic AB).

The nomination committee proposes the annual general meeting to resolve:

to elect advokat Madeleine Rydberger as chairman of the meeting,
to elect seven board members elected by the meeting and no deputy board members,
that the board remuneration for the period until the next annual general meeting shall, unchanged, be SEK 420,000 to the chairman and SEK 150,000 each to the other directors. No remuneration will be paid for work within the audit committee or the remuneration committee.
that remuneration to the auditor shall be paid as per approved invoice,
to re-elect the board members Göran Wessman, Christer Fåhraeus, Per-Anders Johansson, Sibylle Lenz and Anders Waas and to newly elect Anders Lönner and Thomas Hedner,
to elect Anders Lönner as chairman of the board, and
to re-elect the registered accounting firm PricewaterhouseCoopers for the period until the end of the annual general meeting 2015.

Information about persons proposed for new election

Anders Lönner is born 1945 and is MSc. Pol. Sci. Anders Lönner was previously CEO and President for Meda AB and has before then been CEO for Astra Läkemedel with responsibility for, among other things, Astra's Nordic subsidiaries, CEO in Karo Bio AB and President of Läkemedelsföreningen. This year, Anders Lönner has been elected Honorary Doctor of Medicine at Karolinska Institutet. Anders Lönner holds 3,263,049 shares in Karo Bio and has subscribed for 15,000,000 additional shares in a directed share issue that was approved by an extraordinary general meeting on March 17, 2014.

Thomas Hedner is born 1949 and is professor in clinical pharmacology at the faculty of medicine at Gothenburg University at the department for Innovation and Entrepreneurship. Thomas Hedner is a trained doctor (MD and PhD) and business economist (MBA). He has, as inventor and entrepreneur founded several biomedical start-ups such as Blood Pressure AB, DuoCort AB and Laccure AB and is board member in AnaMar AB and Smartsun AB. Thomas Hedner holds 3,226,052 shares in Karo Bio.

Proposals by the Board of Directors

Proposal for allocation of the company's result (item 10)

The board of directors proposes that no dividend be paid for the financial year 2013 and that the funds available for disposal of the annual general meeting of SEK 13,928,475, including the loss for the year amounting to SEK -22,084,405, are carried forward.

Resolution on principles for remuneration of executive management (item 18)

The board of directors proposal for guidelines regarding remuneration of executive management is in principle the same as was adopted by the annual general meeting 2013, except for the previous requirement that recipients of variable remuneration should invest a certain amount of the remuneration in Karo Bio shares. The proposal entails the following main points:

For a satisfactory performance, remuneration shall be paid as a fixed salary. In addition to fixed salary, executives may also receive variable remuneration, as a reward for achieving targets in simple and transparent structures. The executives' remuneration according to incentive programs should be based on the extent to which stated operational goals are achieved. Karo Bio's commitment under incentive programs should be limited in relation to the fixed salary and not exceed 40 per cent of the fixed annual salary, before social costs, for each executive during the applicable time period. Remuneration shall include pension and holiday remuneration.

The executives' pension benefits shall be competitive in relation to what is generally applicable for corresponding executives on the market, and shall be based upon defined benefit pension schemes, or be connected to the ITP plan. Pension benefits are based on a retirement age of 65.

The executives' non-monetary benefits (e.g. car and health care benefits) should facilitate the execution of the work and be determined by what is considered reasonable in relation to market custom and the benefit to the company.

Notice and severance pay shall in total not exceed 12 months' salary for each executive.

The guidelines shall include the CEO of Karo Bio and the executive management that report directly to the CEO as well as possible CEO's of subsidiaries. To the extent a director of the board performs services on behalf of the company in addition to the work in the board, consulting fees on market terms may be payable. The board may derogate from the guidelines in an individual case where there are special reasons for doing so.

Resolution for authorization of the board of directors to resolve on new issues of shares (item 19)

The board of directors proposes that the meeting authorizes the board of directors to, on one or several occasions prior to the next annual general, resolve on new share issues. The number of shares to be issued by virtue of the authorization shall not exceed 10 per cent of the registered share capital (at the time of the share issue resolution). The new share may be made with or without deviation from the shareholders' pre-emption right and with or without terms of issue in kind or set-off or other terms. The purpose of the authorization is to increase the company's financial flexibility and enable acquisitions through payment with shares. If the board of directors resolves on a share issue with deviation from the shareholders' pre-emption right, the reasons shall be to provide the company with new capital and/or new shareholders of strategic importance for the company and/or acquisitions of other companies or businesses. When deviating from the shareholders' pre-emption right the basis for the subscription price shall be on market terms. Other terms may be resolved by the board of directors.

A valid resolution requires that the proposal is supported by shareholders representing at least two-thirds of both the votes cast and the shares represented at the meeting.

Information at the general meeting

At the annual general meeting, the board and the CEO shall, if any shareholder so requests and the board believes that it can be done without material harm to the company, provide information about conditions that may affect the assessment of an item on the agenda and the assessment of the company's financial position. The corresponding disclosure obligation also

applies in relation to subsidiaries. The disclosure obligation also applies to the company's relation to other group companies and the consolidated accounts.

Available documents and information

Accounting documents, the auditor's report, the auditor's statement regarding compliance with existing principles for remuneration of executive management and the complete proposals will be available at the company and on the company's website at least three weeks before the meeting. Copies of the documents will be sent free of charge to shareholders who request these documents and state their address. The nomination committee's motivated statement to its proposal for members of the board will be announced on the company's website as soon as it has been received by the company.

Number of shares and votes in the company

At the time of issue of this notice, the total number of shares and votes in the company amounts to 495,947,369. The company holds no treasury shares.

Huddinge in April 2014
Karo Bio AB (publ)
The Board of Directors