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Press release

November 22, 2010

KARO BIO ANNOUNCES TERMS FOR THE RIGHTS ISSUE

Stockholm, November 22, 2010. Karo Bio AB (publ) (Reuters: KARO.ST) has set the terms of the rights issue that on October 25, 2010, was resolved by the Board of Directors subject to approval by the Extraordinary General Meeting.

- Shareholders in Karo Bio who on the record date November 29, 2010, are registered shareholders have preferential rights to subscribe for 3 new shares for every 2 shares held
- The subscription price is SEK 1.40 per share, which represents total rights issue proceeds of approximately SEK 325 million before transaction costs
- The subscription price corresponds to a "discount" of approximately 41 percent to the theoretical ex-rights price of SEK 2.38 based on the closing price of Karo Bio's share on November 19, 2010 of SEK 3.86
- The subscription period runs from and including December 2, 2010, up to and including December 16, 2010
- The rights issue is fully underwritten by Carnegie Investment Bank AB ("Carnegie") and other external underwriters
- The rights issue is subject to approval by the Extraordinary General Meeting, which will be held on November 24, 2010. Registration to participate at the EGM can be made until 16.00 CET today; please refer to Karo Bio's web site www.karobio.com/egm

For every two (2) shares held in Karo Bio the holder is entitled to three (3) subscription rights. One (1) subscription right entitles the holder to subscribe for one (1) new share. The subscription price is SEK 1.40 per share which implies that the rights issue will raise a maximum of approximately SEK 325 million for Karo Bio, before transaction costs, through the issue of no more than 232,238,383 new shares. The share capital may be increased by not more than SEK 116,119,192. The subscription price is based on current market standards for similar transactions.

The record date at the Swedish Central Securities Depository, Euroclear Sweden AB, for participation in the rights offering is November 29, 2010. The subscription period will run from and including December 2, 2010, up to and including December 16, 2010, or such later date as decided by the Board of Directors. Rights not subscribed by such date will be void and have no value. Trading in subscription rights will take place on NASDAQ OMX Stockholm from and including December 2, 2010 up to and including December 13, 2010.

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Indicative timetable for the rights offering

November 24, 2010	EGM to resolve upon the Board of Director's decision regarding the rights issue
November 25, 2010	The first day of trading in Karo Bio's share without preferential right to participate in the rights issue
November 25, 2010	Preliminary day for publication of the prospectus
November 29, 2010	Record date for participation in the rights issue, i.e. shareholders that on this day are on Karo Bio's share register will receive subscription rights and be able to participate in the rights issue
December 2–13, 2010	Trading in subscription rights
December 2–16, 2010	Subscription period
December 22, 2010	Announcement of preliminary outcome

Background and reasons

Karo Bio views eprotriome as its most important project at present and top priority is being given to make sure that this product is given the best possibilities to reach the market. In July this year, Karo Bio announced that the company has chosen to focus on *heterozygous familial hypercholesterolemia* (HeFH) as the first indication for eprotriome. HeFH is a hereditary condition that causes patients to suffer from very high blood lipids already in their youth. At present, the direct target group for eprotriome is close to 100,000 patients in the EU. Market research indicates that eprotriome's annual sales potential for HeFH in the EU can be estimated to approximately USD 100 million with the current diagnosis rate.

The company's plan for eprotriome is to conduct a phase III program with the objective of obtaining market approval for the indication HeFH in the EU. The trials are planned to commence during 2011. Provided that the development program progresses as planned, an application for market approval is expected to be submitted to EMA in late 2013 or during 2014.

The cost of conducting the planned clinical phase III program for eprotriome is estimated to approximately SEK 400 million. During the coming 12-month period, the company will evaluate the strategy for projects in earlier development phases, where focus will be on development partnerships and cost efficiency with the purpose to limit the capital need for these projects. Through an Equity Credit Facility (ECF) of USD 35 million, corresponding to approximately SEK 230 million, and the guaranteed rights issue of approximately SEK 300 million after transaction costs, the company will have sufficient financial resources, together with its existing liquid assets, to finance the phase III program for eprotriome as well as the company's other operations and other projects.

Guarantees and commitments

The rights issue is fully underwritten, subject to customary conditions. Azimuth Opportunity Ltd., Storfjord Limited, Ponderus Invest AB and Carnegie have guaranteed an amount totaling approximately SEK 330 million. In addition, Karo Bio's chairman Bo Håkansson and the company's CEO Fredrik Lindgren have declared their intentions to subscribe for their respective proportions of the rights issue.

Financial and legal advisors

Carnegie is Lead manager and Bookrunner in the rights issue. Carnegie and HDR Partners are financial advisors to Karo Bio. Fredersen Advokatbyrå acts as legal advisor to Karo Bio. Gernandt & Danielsson acts as legal advisor to Carnegie and HDR Partners.

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About Karo Bio

Karo Bio is a pharmaceutical company focused on the research and development of innovative drugs for unmet medical needs. Karo Bio's vision is to become a pharmaceutical company with sustainable profitability, commercial products and a competitive project portfolio.

Karo Bio runs a number of development projects within the indication areas cardiovascular and metabolic diseases, neuropsychiatry, inflammation, cancer and women's health. An important foundation for the company's activities is its unique knowledge of nuclear receptors as target proteins for the development of novel pharmaceuticals, as well as related mechanisms of action. Important processes and competencies within the company include structurally based research, drug discovery, preclinical and clinical development, and medical and regulatory expertise.

Karo Bio has the capacity to process select compounds for niche indications through the whole development chain, while compounds addressing large patient groups require development collaborations or outlicensing at some stage in the process. In addition to proprietary projects, Karo Bio has three strategic collaborations with international pharmaceutical companies.

Karo Bio, headquartered in Huddinge, has 70 employees, and is listed on NASDAQ OMX Stockholm since 1998 (Reuters: KARO.ST).

Karo Bio publishes this information in accordance with the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. The information was published on November 22, 2010, at 08:45 am CET.