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Press release

November 25, 2010

## **RESOLUTIONS PASSED BY THE GENERAL MEETING OF KARO BIO AB (PUBL)**

**Stockholm, November 25, 2010 – At the extraordinary general meeting of Karo Bio AB (publ) (Reuters: KARO.ST) on November 24, 2010, it was resolved to approve the Board of Director's resolution of October 25, 2010, on a preferential rights issue.**

The general meeting resolved to approve the Board of Director's resolution on the new share issue with preferential rights for the shareholders, which can increase the share capital with an amount of not more than SEK 116,119,191.50 and the number of shares with no more than 232,238,383. The terms of the rights issue provide that for every existing two (2) shares in Karo Bio, the holder is entitled to three (3) subscription rights and one (1) subscription rights entitle the holder to subscribe for one (1) new share. The subscription price is SEK 1.40 per share, which means that the rights issue will raise a maximum of approx. SEK 325 million before transaction costs.

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. For shareholders who choose not to participate in the rights issue, a dilution effect of up to approx. 60 percent will occur. However, shareholders can gain economic compensation for this dilution by selling their subscription rights.

The general meeting resolved to approve the Board of Director's resolution to change the Articles of Association, that the Company's share capital limits should be increased from at least SEK 35 000 000 and at most SEK 140 000 000 to at least SEK 75 000 000 and at most SEK 300 000 000, that the limits for the number of shares are to be increased from at least 70 000 000 and at most 280 000 000 to at least 150 000 000 and at most 600 000 000 and that the general meeting shall be allowed to be held in Huddinge, besides in Stockholm.

The general meeting resolved to approve the revocation of the resolution of the 2009 Annual General Meeting to amend Article 7 of the Articles of Association to the extent this has not yet been entered into force. After the adoption of the new Articles of Association the general meeting repeated the decision to amend Article 7 in the Articles of Association as decided by the 2009 annual general meeting, but not yet entered into force. The amendment enables the Company to give notice of general meetings by advertisement in Post- och Inrikes Tidningar (Swedish Official Gazette) and on the Company's website, instead of by advertisement in Post- och Inrikes Tidningar (Swedish Official Gazette) and in Dagens Industri. The fact that notice has been given shall be advertised in Dagens Industri. The decision shall be conditional upon an amendment of the Swedish Companies Act having entered into force, whereby the wording of Article 7 as decided above will be compatible with the Companies Act. The statutory amendment is anticipated to enter into force on January 1, 2011.

The general meeting also resolved to approve the financing contract, known as an Equity Credit Facility, which Karo Bio has entered with Azimuth Opportunity Ltd and that gives the company access to further financing of USD 35 million, equivalent to approximately SEK 230 million at current exchange rate, through on at most 36 occasions over 36 months implement new issues directed to Azimuth Opportunity Ltd. The subscription price per share will have a discount of five per cent. In addition to the discount, Azimuth Opportunity Ltd. is entitled to a lump sum

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payment of one per cent of the commitment amount under the contract in conjunction with the contract entering into force and also a draw down fee of one per cent for each draw down.

The general meeting resolved to approve the Board of Director's resolution to authorize the board to issue shares to Azimuth Opportunity Ltd. The board is given authorization to issue new shares before the next Annual General Meeting, without limitation in any way other than as is prescribed by the Articles of Association applicable from time to time concerning limits on the number of shares and share capital. The subscription price shall be determined in accordance with the financing contract between the Company and Azimuth Opportunity Ltd.

#### **Indicative timetable for the rights offering**

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

#### **Guarantees and commitments**

The rights issue is fully underwritten, subject to customary conditions. Azimuth Opportunity Ltd., Storford 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.

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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 25, 2010, at 08:30 am CET.*

This press release is also available online at: [www.karobio.com](http://www.karobio.com) and [www.newsroom.cision.com](http://www.newsroom.cision.com)