

KARO BIO PREPARES SPIN-OFF OF PRECLINICAL DEVELOPMENT

STOCKHOLM, 25 October 2011 - Karo Bio AB (publ) is preparing a better allocation of resources and competences by spinning off the company's preclinical activities. This part will therefore be transferred into a subsidiary that is intended to become autonomous in operations as well as by ownership. The subsidiary will be proposed to assume the name Karo Bio.

Karo Bio is currently dominated by the eprotirome project which has very large potential. At the same time, it is among the world leaders in drug development of pharmaceuticals that act through nuclear receptors. This drug class represents 10-15 per cent of the global pharmaceutical market and is expected to continue to grow.

Most of Karo Bio's operations that are currently conducted at the Huddinge campus are pre-clinical research and development along with several projects. Before these operations are transferred into a separate subsidiary, a cost efficiency program will be implemented. In order to do so, Karo Bio immediately initiates negotiations with labor unions about organizational changes. An independent management will be appointed in the subsidiary ahead of the spin-off.

The purpose of the spin-off is that, in both operations, sharpen the business focus, highlight values and create a platform for rational use of both companies' expertise and resources. The goal is to create two attractive investment options, a clear resource allocation and better business opportunities.

Karo Bio's financing is deemed sufficient to implement eprotirome's Phase III program, after which an application for marketing approval will be submitted. Karo Bio aims to finance the subsidiary under a transition period, but intends to seek new owners to the subsidiary for its future funding.

"We want to create two attractive companies with clear objectives and the right resources. In the stock market, Karo Bio is today synonymous with eprotirome which overshadows our other operations. Through the spin-off, we want to create increased value for shareholders and protect their interests," says CEO Per Bengtsson. "The name Karo Bio is a strong brand name in the field of nuclear receptors, both in academic and industrial circles. It makes sense from a business perspective that this name follows the pre-clinical activities."

The Board intends to, within six months, present a detailed plan on how the spin-off will take place. A proposal for change of name will be submitted to the general meeting.

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About Karo Bio

Karo Bio is a pharmaceutical company focused on the research and development of innovative drugs for large medical needs. The company runs a number of drug development projects within the indication areas cardiovascular and metabolic diseases, neuropsychiatry, inflammation, autoimmune diseases, 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. Karo Bio is based in Huddinge, Sweden, has around 70 employees and is listed on NASDAQ OMX Stockholm.

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 24 October, 2011, at 08:30 am CET.

This press release is also available online at www.karobio.com and www.newsroom.cision.com