

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

Stockholm, May 11, 2012 - The shareholders of Karo Bio AB (publ) are hereby given notice to attend the annual general meeting on June 12th, 2012, at 4.00 pm CET at Hörsalen, Novum Forskningspark (level 4 – elevator E), Hälsovägen 7, Huddinge, Sweden.

Right to participate

A right to participate at the annual general meeting applies for those who have been recorded in the share register kept by Euroclear Sweden AB on June 5th, 2012, and who gives the Company notice of intent to participate at the annual general meeting no later than June 5th, 2012, at 4.00 pm CET.

Shareholders whose shares are registered under the name of a nominee must temporarily register their shares in their own names with Euroclear Sweden AB to be entitled to participate in the meeting. Such registration must be in effect no later than June 5th, 2012 and should be requested with the nominee well in advance.

Notice of intent to participate

Notice of intent to participate should be made in writing to Karo Bio AB, att: Eva Kruse, Novum, SE-141 57 Huddinge, Sweden, by fax + 46 8 774 82 61, by e-mail to agm@karobio.com or by Karo Bio's website, www.karobio.com/agm. When notifying, the shareholders should state name, personal identity number or registration number, daytime telephone number as well as the number of shares. When applicable the number of advisors (maximum two) must also be stated. Shareholders who wish to be represented by proxy should attach power of attorney and any other authorization documents to the notification. Such documents must be available in original for presentation at the general meeting. Power of attorney forms are available at the Company and will be sent upon request to any shareholder who states his postal address. No later than three weeks prior to the general meeting a power of attorney form will be available on the Company's website, www.karobio.com.

Proposal of agenda

1. Opening of the meeting
2. Election of chairman of the meeting
3. Preparation and approval of the voting list
4. Approval of the agenda
5. Election of one or two persons to confirm the minutes
6. The determination as to whether the meeting has been duly convened
7. Address by the CEO
8. Presentation of the annual report and the audit report as well as the group consolidated financial statement and the audit 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. Allocation of the Company's result according to the adopted balance sheet
11. Resolution as to the board of directors' and the CEO's discharge from liability
12. Resolution as to the number of board members
13. Resolution on the remuneration to the board of directors
14. Election of board members
15. Election of chairman of the board
16. Resolution on the remuneration to the auditor
17. Election of auditor
18. Resolution on guidelines regarding the appointing of nominating committee
19. Resolution as to principles for remuneration of executive management
20. Authorization of the board of directors to issue new shares

21. Closing of the meeting

Proposal of appropriation of result (item 10)

The board of directors proposes that no dividend be paid for the financial year 2011 and that the loss for the year of SEK -226,611,988 is covered by making use of the non-restricted share premium reserve with SEK 11,341,040 as well as making use of the restricted share premium reserve as per December 31st, 2011 with SEK 138,014,104. The remaining amount of SEK 77,256,844 is covered by utilizing parts of the restricted share premium reserve that was created in connection with the reduction of the share capital which was decided on the annual general meeting on April 27th, 2012.

Election of chairman of the meeting, board of directors, chairman of the board and auditor, decision regarding remuneration and decision on guidelines regarding the nominating committee (item 2, 12-18)

The nominating committee, which according to the resolution by the annual general meeting 2011 has consisted of Jan Lundström (chairman), Johan Claesson, Bo Håkansson, Lars Magnusson, Mikael Lönn and the chairman of the board Göran Wessman propose as follows

to elect Peter Landgren as chairman of the meeting,

to choose five board members and no deputy members,

that the remuneration for the period until the next annual general meeting shall 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 compensation committee.

that remuneration to the auditor as per approved invoice,

to re-elect the board members Christer Fåhraeus, Anders Waas, Göran Wessman and Per Bengtsson and to elect Per Anders Johansson as new board member. Elisabeth Lindner and Jan Sandström have declined re-election,

to re-elect Göran Wessman as chairman of the board,

to re-elect the registered accounting firm PricewaterhouseCoopers for the period until the end of the annual general meeting 2013,

that the following principles should apply to the nominating committee: The chairman of the board shall – at the latest by the end of the third quarter – ensure that the Company's five largest shareholders or owner groups, are offered to appoint one representative each to the nominating committee. If one or several shareholders do not wish to appoint a member of the nominating committee, the next shareholder based on ownership is contacted with the mandate to appoint a member of the nominating committee. The chairman of the board is to be convener of the nominating committee. The composition of the nominating committee shall be announced as soon as it has been appointed, although no later than six months prior to the annual general meeting 2013. The member of the nominating committee who represents the largest shareholder in terms of votes shall be chairman of the committee, unless the members of the committee agree otherwise.

Should a member of the nominating committee leave the committee before its work is completed, if the committee deems it appropriate, the nominating committee shall request the same shareholder, or if this shareholder is no longer one of the major shareholders, the next largest shareholder to appoint a substitute. Any such changes will be announced on the Company's website.

The nominating committee shall prepare proposals to be presented at the annual general meeting 2013 for resolution as regards chairman of the general meeting, number of directors and deputy members, remuneration to the board of directors and auditor, electing of chairman of the board, other members of the board and auditor and appointment of and instructions for a nominating committee.

The term of office of the nominating committee runs until a new nominating committee has been appointed in accordance with the resolution on appointment of the nominating committee by the annual general meeting 2013.

The nominating committee shall not receive remuneration, but shall, to the extent it considers necessary, have the right on the account of the Company to utilize reasonable resources, such as external consultants.

Information about the person proposed for election as new director:

Per Anders Johansson, born in 1954

Primary experience: CEO and chairman of the board in CIMON AB, a family-owned engineering consulting firm, since 1999. Before that, CFO and Vice President in inter alia Ellos AB, Nordico AB and Karlshamns Group.

Other assignments: Chairman of the board in Sparbanken i Karlshamn.

Resolution as to principles for remuneration of executive management (item 19)

The board of directors proposes the following guidelines regarding remuneration of executive management:

Karo Bio will apply remuneration levels and terms of employment that are necessary to recruit and retain a competent management with the capacity to achieve established business goals. Executives shall be offered remuneration of competitive and market relevant rate. In addition to fixed salary, executives should 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 the 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 relevant period of time, requiring the recipient to invest the net amount after tax that succeeds 20 per cent of the annual salary in Karo Bio-shares on the market. Remuneration under an incentive program shall be paid in the form of salary and shall be regarded as pensionable income.

The executives' pension benefits shall be competitive in relation to what's generally applicable to the 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) 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 not exceed 12 months' salary for each executive.

The guidelines above shall include the CEO of Karo Bio and the executive management that report directly to the CEO as well as CEO's of Karo Bio's subsidiaries.

To the extent that a director of the board perform services on behalf of the Company in addition to the board's work, consulting fees may be payable.

The board may derogate from the guidelines in an individual case where there are special reasons for doing so.

Authorization of the board of directors to issue new shares (item 20)

The Board proposes that the annual general meeting authorizes the board of directors to resolve to issue new shares with the right to subscribe to Azimuth Opportunity Ltd, on one or more occasions prior to the next annual general meeting, without regard to shareholders' pre-emption rights. It shall be possible to make issues for cash payment or set-off. The number of shares that should be possible to issue to the authorization shall not be limited in a 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 reason for deviating from the shareholders' pre-emption rights shall be that the Company should be able to utilize the financing in accordance with the financing agreement (Equity Credit Facility) that the Company has entered into with Azimuth Opportunity Ltd. and that was approved by the extraordinary general meeting on November 24th, 2010. The subscription price shall be determined in accordance with what is stated in the agreement, which shall not diverge from the market price of the Company's shares by more than a market discount. The board of directors, the CEO or whoever the board otherwise appoints, shall be authorized to do such minor adjustments and clarifications of the resolution of the annual general meeting that may be required upon registration with the Swedish Companies Registration Office (*Sw: Bolagsverket*).

A decision in accordance with the proposal of the board of directors shall be valid only where supported by shareholders holding at least two-thirds of both the votes cast and the shares represented at the meeting.

Other information

When this notice to attend the annual general meeting was issued, the total number of shares and votes in the Company was 387,063,972.

Accounting documents, audit report and the auditor's statement regarding whether there has been compliance with the approved principles for remuneration of executive management and complete supporting documents will be available at the Company and on the Company's website during a period of not less than three weeks prior to the annual general meeting. The documents shall be sent upon request to any shareholder stating his postal address. Upon request by any shareholder and where the board of directors and the CEO believe that such may take place without significant harm to the Company, the board of directors and CEO shall provide information at the annual general meeting regarding any circumstance which may affect the assessment of a matter on the agenda and any circumstance which may affect the assessment of the Company's financial position. The duty to provide information shall apply also to the Company's relationship to other group companies and to the group accounts.

Huddinge in May 2012

Karo Bio AB (publ)

The Board of Directors

For further information, please contact:

Henrik Palm, CFO, cell +46 70 540 4014 or via henrik.palm@karobio.se

About Karo Bio

Karo Bio is a research and development company focused on innovative drugs for large medical needs. The foundation for operations is a unique knowledge of nuclear receptors as target proteins for the development of novel pharmaceuticals and the related mechanisms of action, as well as experience and expertise in preclinical and clinical development.

Karo Bio is active in preclinical development in the areas of neuropsychiatry, inflammation, autoimmune diseases, cancer and women's health. The company has a number of strategic collaborations with big pharma.

Karo Bio is based in Huddinge, Sweden. The company has around 55 employees and is listed on NASDAQ OMX Stockholm (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 May 11, 2012, at 11:30 am CET.

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