

Notice of Annual General Meeting of the Shareholders of Karo Bio Aktiebolag

The annual general meeting of the shareholders of **Karo Bio Aktiebolag (publ)** will be held on Friday April 25, 2008 at 2.00 p.m. in Wenströmsalen, IVA Konferenscenter, Grev Turegatan 16, Stockholm, Sweden.

I. RIGHT TO PARTICIPATE, NOTIFICATION

Shareholders who wish to participate in the annual general meeting must be recorded in the share register kept by the Swedish Securities Register Center (VPC AB) by Saturday April 19, 2008 and, further, must notify the company of their intention to participate in the meeting by no later than Monday April 21, 2008 at 4.00 p.m. As the record day (April 19, 2008) fall on a Saturday, shareholders must be registered as entitled to vote at the Swedish Securities Register Center (VPC AB) by Friday April 18, 2008, to be entitled to participate in the general meeting.

Notification should be made in writing to Karo Bio AB, att: Eva Kruse, Novum, SE-141 57 Huddinge, Sweden, by fax + 46 8 774 52 80, or by e-mail to agm@karobio.com. Notification can also be made on the company's web site www.karobio.com/agm. When notifying, the shareholders should state name, personal/corporate identity number (where applicable), address, telephone number, and e-mail address. In the case of representatives participating in the meeting, proof of due authorization should be forwarded to the company in conjunction with the notification. One or two advisors may accompany a shareholder to the meeting, provided that the shareholder gives notice as to the number of such advisors.

Shareholders whose shares are registered under the name of a nominee must temporarily register their shares in their own names to be entitled to participate in the meeting. Such registration must be in effect at the Swedish Securities Register Center (VPC AB) no later than Saturday April 19, 2008, which means that shareholders must notify their nominee well in advance of that date.

II. PROPOSED AGENDA

1. Opening of the meeting;
2. Election of chairman at the meeting;
3. Preparation and approval of the voting list;
4. Approval of the agenda;
5. Election of persons to confirm the minutes;
6. The determination as to whether the meeting has been duly convened;
7. Presentation of the annual report and the audit report as well as the group consolidated financial statement and the audit report thereon;
8. Resolution to adopt the income statement and the balance sheet as well as the consolidated income statement and the consolidated balance sheet;
9. Resolution as to the treatment of the loss in accordance with the adopted balance sheet;

10. Resolution as to the board of directors' and the president's discharge from liability;
11. Resolution as to the number of board directors and deputy board directors;
12. Resolution on the remuneration to the board of directors and auditor;
13. Election of board of directors and the chairman of the board;
14. Resolution on a nominating committee;
15. Resolution as to principles for remuneration of executive management;
16. Closing of the meeting.

III. PROPOSED RESOLUTIONS

Item 2: Election of chairman at the meeting

The nominating committee, consisting of Jörgen Vrenning, chairman and appointed by Catella funds; Bengt Belfrage, Nordea funds; Mats Guldbrand, AMF Pension and Ragnhild Wiborg, Consepio; as well as Dr. Leon E. Rosenberg, chairman of the Karo Bio board of directors, proposes Sven Unger as chairman at the meeting.

Item 9: The board of directors' proposal as to the treatment of the company's loss in accordance with the adopted balance sheet

The board of directors proposes that no dividend be paid for the financial year 2007 and that the parent company's aggregate deficit of SEK 164,070,476 shall be carried over.

Item 11: Resolution as to the number of board directors and deputy board directors

The nominating committee proposes that the board of directors shall consist of six board members with no deputy members.

Item 12: Resolution on remuneration of the board of directors and the auditor

The nominating committee proposes that remuneration to the board of directors be paid with SEK 495,000 to the chairman, SEK 280,000 to the vice chairman and SEK 180,000 each to the directors elected by the annual general meeting, who are not employed by the company. It is also proposed SEK 120,000 in remuneration for committee work to be distributed within the audit committee with SEK 30,000 to its chairman and SEK 20,000 to the other two members and within the compensation committee with SEK 20,000 to its chairman and SEK 15,000 to the other two members. Remuneration of the auditor is proposed to be as per approved invoice.

Item 13: Election of board of directors and chairman

The nominating committee proposes that Dana M. Fowlkes, Laurent Leksell, Dr. Leon E. Rosenberg, Birgit Stattin Norinder and Per Olof Wallström be re-elected as directors. Lars Ingelmark and Ulla Litzén have declined re-election. The nominating committee also proposes that Leif Carlsson be elected as new director. Dr. Leon E. Rosenberg is proposed to be chairman. Birgit Stattin Norinder is proposed to be vice chairman.

Leif Carlsson is an experienced senior manager and financial officer born 1957. He has held leading positions as Managing Director and Chief Financial Officer in Swedish and international public companies, among them WM-data, and he has considerable experience in mergers and acquisitions.

Item 14: Resolution on a nominating committee

The nominating committee proposes that the four largest shareholders as of August 31, 2008, not being represented in the board of directors, shall appoint one representative each, who together with the chairman of the board shall be members of the nominating committee in respect of the 2009 annual general meeting. The representatives shall be appointed and announced no later than six months before to the annual general meeting 2009. The nominating committee shall appoint a chairman among themselves, whereby the chairman of the board of directors shall not be chairman. Should a shareholder decline to participate in the nominating committee or leave the nominating committee before its work is completed, the right to appoint a representative shall turn to the closest largest shareholder not represented in the nominating committee. Should the ownership structure significantly change subsequent to the establishment of the nominating committee, the composition of the nominating committee shall be changed in accordance with the above principles.

The nominating committee shall prepare proposals to be presented at the annual general meeting 2009 for resolution as regards chairman at the general meeting, chairman and other members of the board of directors, remuneration of the board of directors and auditors, and principles for appointment of 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 2009.

If the nominating committee finds it necessary, it may utilize reasonable resources, such as external consultants, on the account of the company.

Item 15: The board of directors' proposal to principles for remuneration of executive management

The board of directors' proposal on guidelines for remuneration of executive management includes the following items. Executive management consists of the president of Karo Bio AB and executives that report directly to the president as well as presidents of Karo Bio's subsidiaries. Remuneration and other employment terms for executive management shall be competitive. In addition to fixed salary, executive management shall receive variable remuneration, which shall be linked to the fixed salary and shall not exceed 60 per cent of the fixed annual salary for the president and 50 per cent of the fixed annual salary for the other executives and be based on the achievement of determined business goals. In addition to the above, a bonus may be offered for the purpose of retaining individuals with the company in the event of a substantial change, or proposed change, in the ownership structure of the company, corresponding to a maximum of 50 per cent of the fixed annual salary for the president and other executives. Dismissal and severance pay shall not exceed 24 months salary in total for each executive. Pension benefits shall be based on defined benefit pension schemes or accede to the Swedish ITP-plan. The board may derogate from the guidelines where there are special reasons for doing so.

IV. DOCUMENTS

The annual report and the audit report as well as the board of directors' complete proposals will be available at the company's offices in Huddinge and on the company's web site www.karobio.com/agm from Friday April 11, 2008. Copies of all documents will be sent to shareholders that so request and state their address or e-mail address. Copies of all documents will be available at the general meeting.

Proxy forms in accordance with Chapter 7 Section 54a of the Swedish Companies Act (2005:551) will be available at the company's website and may be ordered from the company.

As per April 19, 2008 the total number of shares and votes in the company amounts to 116,119,192.

Huddinge in March 2008
Karo Bio Aktiebolag (publ)
The Board of Directors

For further information, please contact:

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About Karo Bio

Karo Bio is a drug discovery and development company specializing in nuclear receptors for the development of novel pharmaceuticals.

The Company has a strong project portfolio with innovative molecules that primarily targets metabolic diseases such as diabetes, atherosclerosis and dyslipidemia. In all of these areas there are significant market opportunities and a need for new pharmaceuticals with new mechanisms of action. Karo Bio intends to bring selected compounds within niche therapeutic areas into late stage clinical development and, potentially, to the market. In addition to pursuing niche opportunities, Karo Bio continues to develop compounds aimed at treatment of broad patient populations to clinical proof of concept before out-licensing.

In addition to the proprietary projects, Karo Bio has three strategic collaborations with international pharmaceutical companies for development of innovative therapies for the treatment of common diseases.

Karo Bio is listed on the OMX Nordic Exchange Stockholm AB since 1998 (Reuters: KARO.ST).