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KARO BIO CARRIES OUT A FULLY GUARANTEED RIGHTS ISSUE OF MSEK 230

STOCKHOLM, April 29, 2015 – The Board of Karo Bio AB (publ) has resolved to carry out a rights issue with preferential rights for the existing shareholders. The terms of the rights issue entail that three (3) existing shares will entitle to subscription for one (1) new share at a subscription price of SEK 1.00. Subscription for new shares shall take place during the period from June 3, 2015 up to and including June 18, 2015. At full subscription, Karo Bio will be provided with rights issue proceeds amounting to approximately MSEK 230 before rights issue costs. In addition, it is proposed that the meeting authorize the Board to resolve on an over-allotment option of MSEK 20 to be utilized in the event of a large interest and an over-subscription of the rights issue. The rights issue is covered to 100% by subscription undertakings and guarantee undertakings, of which more than 95% is guaranteed by Anders Lönner, Chairman of the Board.

The rights issue resolution of the Board is subject to the approval of the meeting and therefore the shareholders are summoned to an Extraordinary General Meeting to be held on May 25, 2015. Notice of Extraordinary General Meeting will be announced in a separate press release.

Background and reasons

Since the year-end Pfizer is developing the RORgamma-project towards the market. Karo Bio is entitled to compensation of more than MUSD 200, exclusively of royalties, when the project reaches certain development and sales goals, As regards the ERbeta cancer and ERbeta MS projects, work is focused on finding potential partners for licensing.

The new direction of Karo Bio is to create a balance between pre-clinical projects and more projects and products closer to the market. The first step of this new direction was taken by the agreement concluded in March on marketing co-operation with the German pharmaceutical company Dr. Wolff. In April, Karo Bio acquired the development company Tanomed AB which develops a unique product for soothing and preventing common colds through strengthening of the body's own defense to fight coriza virus. This means that Karo Bio has added two new business projects during the first quarter.

The ambition is to add more projects during 2015 and onwards in order to continue the expansion of the company's development portfolio by investing in innovative projects with a low development risk and short time to the market that enables new products. In this area, there are in Sweden as well as abroad, a large number of interesting development projects where Karo Bio, with its new organisation and international network and experience within the company, can contribute to creating a surplus value.

The company evaluates several acquisition possibilities. This offensive strategy may result in some financial undertakings but will in the end lead to an increased shareholder value.

In order to strengthen the company's financial and operational capacity, the Board of Karo Bio has resolved to carry out a rights issue.

Terms of the rights issue

The rights issue entails that Karo Bio's share capital is increased by maximum of SEK 4,598,244.337097 through the issue of maximum 229,914,516 shares. Existing shareholders have preferential rights to subscribe for new shares in proportion to the number of shares previously owned. Those who are registered as shareholders of Karo Bio at the record date are entitled to subscribe for one (1) new share for each three (3) existing shares in the company.

The record date for the determination of which shareholders are entitled to subscribe for new shares with preferential rights shall be June 1, 2015. Subscription for new shares shall take place during the period from June 3, 2015 up to and including June 18, 2015, or such later date to be decided by the Board. The subscription price for each new share shall be SEK 1.00, which means that the new issue, at full subscription, will provide rights issue proceeds of approximately MSEK 212 after rights issue costs.

In the event that not all shares are subscribed for by the exercise of subscription rights, the Board shall decide on allotment of shares without the exercise of subscription rights up to the maximum amount of the rights issue. Such allotment shall be made, firstly, to those who have subscribed for shares by exercising subscription rights and who wish to subscribe for additional shares, pro rata in proportion to their subscription by exercising subscription rights, secondly, to others who have notified their interest to subscribe for shares without exercising subscription rights, pro rata in proportion to their subscription and, thirdly, to those who have guaranteed subscription for shares pro rata in proportion to provided guarantees.

Over-allotment option

In addition, it is proposed that the meeting authorize the Board to resolve on an over-allotment option of additionally maximum 20,000,000 shares at a subscription price of SEK 1.00 per share to be exercised at a large interest and at full subscription of the rights issue. If fully exercised, Karo Bio is provided with additional rights issue proceeds of MSEK 20. The new share issue may take place without preferential rights of the company's shareholders according to the principles of allotment applicable to the rights issue.

Subscription and guarantee undertakings

Anders Lönner and Nomic AB (represented by Per-Anders Johansson, board member), who jointly represent approximately 7.0 per cent of the share capital of Karo Bio, have undertaken to subscribe for their full pro rata shares in the rights issue, which corresponds to approximately MSEK 16 of the rights issue. In addition to the subscription undertaking, Anders Lönner has undertaken to subscribe for shares in the

total amount of MSEK 214 in the rights issue. In total, approximately MSEK 230 in the rights issue is secured by subscription undertakings and guarantees undertakings equivalent to 100% of the total rights issue amount.

Preliminary timetable of the rights issue

April 29, 2015	Notice of Extraordinary General Meeting
May 25, 2015	Extraordinary General Meeting
May 29, 2015	First trading day of the share without the right to participate in the rights issue
June 1, 2015	Record date for participating in the rights issue
June 1, 2015	Estimated date of publication of the prospectus
June 3 – June 18, 2015	Subscription period
June 3 – June 16, 2015	Trading in subscription rights
June 23, 2015	Estimated date of announcement of the outcome of the rights issue

Extraordinary General Meeting

Shareholders of Karo Bio AB are summoned to Extraordinary General Meeting to be held on May 25, 2015 at 3.00 p.m. in Hörsalen, Novum Forskningspark (4th floor), Hälsovägen 7 at Huddinge. The complete notice is announced in a separate press release.

Advisors

Redeye AB is acting as financial advisor and Mannheimer Swartling is acting as legal advisor to the company in connection with the rights issue.

For further information, please contact:

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About Karo Bio

Karo Bio is a development company focused on broadening its operations to include projects and products closer to market. Karo Bio has several projects approaching clinical phase. Karo Bio is based in Huddinge, Sweden and is listed on Nasdaq Stockholm.

Karo Bio publishes this information according to the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication on April 29, 2015, at 8.30 a.m. CET.

IMPORTANT INFORMATION

The information in this press release does not constitute an offer to acquire, subscribe for or otherwise trade with shares, subscription rights or other securities in Karo Bio. The offer to people concerned to subscribe for shares in Karo Bio will only be made by way of the prospectus that Karo Bio plans to publish around June 1, 2015.

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No subscription rights, paid and subscribed shares or shares have been registered and will not be registered according to the United States Securities Act of 1933 ("Securities Act") or the securities legislation in any state or other jurisdiction in the U.S. and shall not be offered, subscribed for, exercised, pledged, sold, distributed, delivered or transferred, directly or indirectly in the U.S., without the written approval of Karo Bio and pursuant to an applicable exemption from the registration demands in the Securities Act and in accordance with the securities legislation in the relevant state or other jurisdiction in the U.S.

This press release may contain some forward-looking information that reflects Karo Bio's present view on future events and financial and operational development. Words like "concern", "assess", "expect", "may", "plan", "estimate" and other expressions that mean indications or predictions regarding future development and trends and not based on historic facts, constitutes forward-looking information. Forward-looking information is by nature connected with known as well as unknown risks and uncertain factors as it is dependent on future events and circumstances. Forward-looking information is no guarantee of future results or development and the real outcome may deviate materially from what has been stated in forward-looking information.