

NOTICE OF EXTRAORDINARY GENERAL MEETING IN KARO PHARMA AB

Shareholders in Karo Pharma AB are hereby called to an extraordinary general meeting on Thursday, July 21, 2016 at 3:00 p.m. at Karo Pharma's offices at, Novum Research Park (level 8, elevator E), Hälsövägen 7 in Huddinge.

Right to attend

Entitled to attend the extraordinary general meeting are those who are both registered shareholders in the share register held by Euroclear Sweden AB at the record date July 15, 2016 and have given notification to the company of their intention to attend the extraordinary meeting not later than July 15, 2016.

Shareholders with nominee-registered shares must temporarily register their shares in their own name with Euroclear Sweden to attend the meeting. Such registration must be completed by July 15, 2016 and should be requested well in advance to this date to the nominee of the shares.

Notification to attend

Notification to attend the meeting shall be submitted in writing to the address Karo Pharma AB, att: Henrik Palm, Nybrokajen 7, 5th floor, SE-111 48 Stockholm, Sweden or by email to henrik.palm@karopharma.se. Name, personal identification number or corporate identity number, phone number daytime and number of shares held shall be included in the notification to attend. Where applicable, the number of advisors (maximum two) shall be stated. If a shareholder intends to be represented by proxy, power of attorney and other authorization documents should be included in the notification. The original authorization documents must be able to be presented at the meeting. Proxy forms are available from the company and at the company's website and will be sent to shareholders who provide their postal address.

Proposal for 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 persons to confirm the minutes
6. Determination as to whether the meeting has been duly convened
7. The board's proposal for a resolution to issue stock options and to implement an option plan for personnel
8. Closing

Proposals of the Board

Item 7 – The board’s proposal for a resolution to issue stock options and to implement an option plan for personnel

The Board considers it to be advantageous for the company and its shareholders that personnel has a long term interest in a good value development for the company's shares and focus their work on promoting such development. In order to strengthen such interest the board proposes that the meeting resolves to issue options and to transfer such options to personnel in accordance with the following major guidelines.

The proposal concerns an issue of maximum 5,200,000 options. The right to subscribe for the options shall, with deviation from the shareholders’ preferential rights, be vested in Karo Pharma AB's wholly owned subsidiary Karo Pharma Research AB, reg. no. 556588-3641, (the "Subsidiary"), which will offer personnel in Karo Pharma Group to acquire such options.

Subscription for options shall take place no later than August 26 2016. The options will be issued to the Subsidiary against no remuneration.

Each option entitles the holder to subscribe for one new share in the company. The subscription price shall be an amount equivalent to twice the volume weighted average price of the Karo Pharma share during the period between August 1, 2016 and August 12, 2016, though not below the par value.

The purpose of the deviation from shareholders' preferential rights is to establish an incentive program in order to strengthen the interest of personnel in Karo Pharma Group's operations and development and to facilitate the recruitment of competent and dedicated staff.

Each option carries the right to subscribe for shares using the option prior to July 20th 2019. A condition for the transfer of the options to personnel, however, limits the utilization time to 18 months.

The right to acquire share options from the Subsidiary shall be granted to personnel in the Karo Pharma Group, whereby the company's executive chairman and the executive group shall be entitled to acquire 4,200,000 options.

The options shall be transferred on market conditions at a price determined according to Black & Scholes' valuation model. The transfer price shall be fixed during the period between August 1, 2016 and August 12, 2016.

Options may be offered also to personnel subsequently employed. For such acquisitions the conditions set out in this proposal shall apply correspondingly.

Applications for the acquisition of options shall be filed during the period from 15 August 2016 until 26 August 2016. The board of directors shall be entitled to extend the application period and to determine a corresponding application period for such new personnel whose acquisitions will take place after the initial application period.

At full subscription for new shares with the support of all options the share capital will be increased by approximately SEK 2,079,977.10 which corresponds to a dilution of approximately 7.5% of the share capital and votes.

For a valid resolution shareholders representing at least nine tenths of both the votes cast and the shares represented at the meeting must support the resolution.

Available documents and information

The Board's complete proposal and resolutions, respectively, together with other documents in accordance with the Swedish Companies Act will be available at the company and on the company's website www.karopharma.se. Copies of the documents will be sent free of charge to shareholders who so request and state their address.

Shareholders at the meeting are entitled to ask questions concerning the matters to be dealt with at the meeting.

Number of shares and votes in the company

At the time of issue of this notice, the total number of shares and votes in the company was 63,907,193. The company holds no treasury shares.

Stockholm in June 2016

Karo Pharma AB (publ)

The Board of Directors

Karo Pharma 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 June 28, 2016, at 8.00 a.m. CET.