

July 10, 2007

KARO BIO UPDATES STATUS IN THE MERCK & CO., INC. COLLABORATION

Karo Bio announces today that Merck & Co., Inc. has decided to discontinue development of the clinical candidate identified in the collaboration between the two companies. The investigational compound entered phase I clinical development in 2006 and, although generally well tolerated, was discontinued as the product profile is unsuitable for further development.

A back up compound has been approved for entry into preclinical development.

The collaboration with Merck targets estrogen receptors with the aim to develop new treatments in the field of women's health care. The collaboration is based on the discovery of the estrogen receptor beta, which offers the potential for the development of selective drugs that can target either the alpha-receptor or the beta-receptor. The joint discovery phase concluded into 2002, with Merck responsible for development of selected compounds. Merck covers all development costs and has rights to marketing and sales. Karo Bio has rights to milestones when the project reaches important development stages and to royalties on future sales.

"It is unfortunate that the clinical candidate in the joint collaboration with Merck has been discontinued. However, this is part of the drug development process and we are pleased with Merck's commitment to the program and to the fact that the set back is not related to the mechanism of action or the treatment concept", says Per Olof Wallström, President of Karo Bio.

KARO BIO AB

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Facts about Karo Bio

Karo Bio is a drug discovery and development company specializing in nuclear receptors for the development of novel pharmaceuticals with focus on metabolic diseases. Karo Bio has three clinical and four preclinical projects.

The company has expanded from being a drug discovery company by adding in-house preclinical and clinical development resources and competence for development of drugs to treat metabolic diseases. The company has a strong project portfolio with

innovative molecules that primarily targets diseases such as diabetes, atherosclerosis and dyslipidemia. In all of these areas there are significant market opportunities and a growing need for new pharmaceuticals with new mechanisms of action.

In addition to the proprietary projects Karo Bio has two strategic collaborations with international pharmaceutical companies and one biotech collaboration 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).

This press release is also available online at: www.karobio.com and www.waymaker.net.