

KARO BIO AND ZYDUS CADILA EXTEND RESEARCH AGREEMENT

Stockholm, March 21, 2011 – Karo Bio AB (publ) (Reuters: KARO.ST) and Zydus Cadila have agreed to extend their research collaboration with the purpose to discover and develop novel anti-inflammatory drug compounds which affect glucocorticoid receptors in a selective manner.

In early 2008, Karo Bio and the Indian pharmaceutical company Zydus Cadila initiated a three-year collaboration. The parties have now agreed to extend the collaboration for one year. The aim of the collaboration is to design novel, selective glucocorticoids for the treatment of inflammatory diseases that have as powerful anti-inflammatory properties as conventional glucocorticoid steroids, such as cortisone and similar compounds, but with significantly reduced side effects and thereby the potential for a broader use. Both parties carry their own costs within the collaboration program and share potential rewards.

The separation of the beneficial effects from the side effects of glucocorticoids has been referred to as the holy grail of anti-inflammatory therapy and has been pursued by many. Promising results, generated under the collaboration between Zydus Cadila and Karo Bio by using a new and unique approach, indicate that such separation may be achievable. Preclinical evaluation is ongoing for the identification of the most suitable compounds for further development into drug candidates.

Glucocorticoids are used to treat many different inflammatory conditions such as rheumatoid arthritis, inflammatory bowels disease, psoriasis and asthma which together represent a market of over USD 10 billion. These anti-inflammatory agents for long term use could, however, lead to the development of unwanted side effects like e.g. diabetes and osteoporosis. The collaboration between Karo Bio and Zydus Cadila aims to develop drugs that improve treatments by lowering side effects.

“To date, the collaboration has generated several novel compounds that may have potential as drug candidates. We have decided to extend our collaboration for another year to allow us to continue to combine the strengths of Karo Bio and Zydus Cadila to jointly study these further”, says Karo Bio’s CEO Mr Fredrik Lindgren.

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About Zydus Cadila

Zydus Cadila is an innovative global pharmaceutical company that discovers, develops, manufactures and markets a broad range of healthcare products. The group's operations range from API to formulations, animal health products and cosmeceuticals.

Headquartered in the city of Ahmedabad in India, the group has global operations in four continents spread across USA, Europe, Japan, Brazil, South Africa and 25 other emerging markets.

In its mission to create healthier communities globally, Zydus Cadila delivers wide ranging healthcare solutions and value to its customers. With over 10,000 employees worldwide, a world-class research and development centre dedicated to discovery research and eight state-of-the-art manufacturing plants, the group is dedicated to improving people's lives. (www.zyduscadila.com)

About Karo Bio

Karo Bio is a pharmaceutical company focused on the research and development of innovative drugs for unmet medical needs. Karo Bio's vision is to become a pharmaceutical company with sustainable profitability, commercial products and a competitive project portfolio.

Karo Bio runs a number of development projects within the indication areas cardiovascular and metabolic diseases, neuropsychiatry, inflammatory conditions, autoimmune diseases, cancer and women's health. An important foundation for the company's activities is its unique knowledge of nuclear receptors as target proteins for the development of novel pharmaceuticals, as well as related mechanisms of action. Important processes and competencies within the company include structurally based research, drug discovery, preclinical and clinical development, and medical and regulatory expertise.

Karo Bio has the capacity to process select compounds for niche indications through the whole development chain, while compounds addressing large patient groups require development collaborations or out-licensing at some stage in the process. In addition to proprietary projects, Karo Bio has three strategic collaborations with international pharmaceutical companies.

Karo Bio, headquartered in Huddinge, has 70 employees, and is listed on NASDAQ OMX Stockholm since 1998 (Reuters: KARO.ST).

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