KARO BIO

PRESS RELEASE

KARO BIO TERMINATES THE EPROTIROME PROGRAM

STOCKHOLM, February 14, 2012 - Karo Bio AB (publ) has decided to discontinue the development program for eprotirome after an animal study has demonstrated unwanted effects following long-term exposure. The planned spin-off of the preclinical part of operations will not proceed.

The animal study is a toxicology study in which damage to cartilage was seen in dogs that were given eprotirome for up to 12 months. The cartilage damage was apparent only after 12 months exposure and occurred in all animals treated with high doses but was also seen in the lower dose groups. The control animals displayed no damage.

These unexpected findings mean that it cannot be excluded that also humans may suffer from similar cartilage damage. Chronic treatment with eprotirome must therefore be considered as too risky in relation to the lipid-lowering effect that the current study intends to demonstrate.

Eprotirome's steering committee decided yesterday to recommend Karo Bio to terminate the ongoing phase III study. The findings also mean that the regulatory prerequisites to continue the study as planned are not in place.

In a six-month toxicology study in dogs these findings were not observed and patients included in the phase III study have been given eprotirome during a considerable shorter period of time.

"Eprotirome has been a project with great potential, but also a project with risks. Unfortunately, the risks associated with long term use do not outweigh the benefits, why we are forced to make this difficult decision," says CEO Per Bengtsson.

The total cost of eprotirome's phase III program that was scheduled to run until 2014, has previously been estimated to approximately SEK 300 million. The cost of the program through 2011 totalled approximately SEK 100 million. Karo Bio will take wind-up charges in the first quarter of 2012 totalling approximately SEK 55 million. This includes costs for terminating the phase III program, and all wind-up costs. It is the company's assessment that financing of the operations is secured for at least 12 months from today.

Karo Bio has previously announced a streamlining of operations with the sale of the preclinical operations, which would result in two companies: one focused on eprotirome and the other organized around Karo Bio's unique knowledge in nuclear receptors. The preclinical part was intended to be sold to new owners and strengthen Karo Bio's financial position. The decision to terminate the eprotirome program changes the motives for such a transaction. The Board will therefore halt preparations to split the company and focus operations on the preclinical projects

In preclinical operations, Karo Bio has several development programs built on its

knowledge of drug development based on nuclear receptors. For one of these programs (RORgamma) a collaboration and licensing agreement was signed with Pfizer in December 2011, which during the first two years will provide Karo Bio USD 10-14 million and during long time potential revenue of up to USD 217 million, and furthermore royalty revenue. Karo Bio is also engaged in project development in the areas of the receptors ERbeta and GR. Commercial discussions are ongoing regarding ERbeta.

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About Karo Bio
Karo Bio is a pharmaceutical company focused on the research and development of innovative drugs for large medical needs. The company runs a number of drug development projects within the indication areas cardiovascular and metabolic diseases, neuropsychiatry, inflammation, 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. Karo Bio is based in Huddinge, Sweden, has around 70 employees and is listed on NASDAQ OMX Stockholm.

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