KARO BIO

Press release

October 20, 2009

KARO BIO UPDATES ITS PROJECT PORTFOLIO

STOCKHOLM, October 20, 2009. The Swedish biotech company Karo Bio (Reuters: KARO.ST) today announced that it has updated its portfolio of development projects.

The update in brief:

- ER-beta: A candidate drug has been nominated. Pre-clinical development is being initiated
- Eprotirome: An application to start a clinical phase I study has been submitted to the FDA, to supplement the clinical documentation needed for start of clinical phase III development
- KB3305: Further in-house development of KB3305 for the treatment of Type-2 diabetes will not be pursued by Karo Bio. A partner for the project will be sought. Evaluation of other potential clinical indications is ongoing.

Karo Bio's ER-beta program has attracted considerable attention in recent months. Earlier in the autumn, the analyst company Windhover picked it as one of the ten most interesting projects for partnering in the neuroscience area. Karo Bio has selected a lead compound as its candidate drug. The company will initiate pre-clinical development. This process is expected to take 12 to 14 months.

"This is an important milestone for Karo Bio. In parallel, we continue our work with other follow-up compounds within this exciting program. We are also having discussions with a number of stakeholders around ER-beta", commented Per Olof Wallström, President and CEO of Karo Bio.

There are several potential therapeutic uses for the ER-beta compounds; CNS-related diseases, including depression; some forms of cancer; pain; and inflammation.

Eprotirome, which has been evaluated in a total of three phase II studies, is Karo Bio's most advanced project. During the fall the company has completed a study in England aimed at defining how eprotirome is handled and excreted by the body. A clinical pharmacokinetic study, measuring the uptake of eprotirome from an improved tablet formulation, will be completed this year. These studies will supplement the clinical documentation needed for start of phase III. Planning of the phase III program is ongoing. In parallel, efforts to partner eprotirome is continuing.

Karo Bio has also taken the decision not to initiate further in-house development of KB3305 for the treatment of Type-2 diabetes.

"We received very positive proof-of-principle data from the concluded phase I program, but the combination of a more challenging competitor and regulatory situation in the

Type 2 diabetes field, and internal needs to prioritize investments, has made us come to this decision", commented Per Olof Wallström.

A partner for the project will be sough. Concurrently, the company continues to analyse how the compound can be used for other, specialist-focused therapies.

For more information, please contact:
Per Olof Wallström, President and Chief Executive Officer
Phone: +46 8 608 60 20
E-mail: p.o.wallstrom@karobio.se

Erika Söderberg Johnson, Chief Financial Officer
Phone: +46 8 608 60 27
E-mail: erika.soderberg.johnson@karobio.se

Notes to editors

About Karo Bio
Karo Bio is a drug discovery and development company specializing in endocrinology and targeting nuclear receptors as target proteins for the development of novel pharmaceuticals. The company has a project portfolio with innovative molecules that primarily target dyslipidemia, diabetes, inflammation, and women's health. In these areas, there are significant market opportunities and a clear need for pharmaceuticals with new mechanisms of action. Karo Bio develops compounds aimed at treating broad patient populations up to clinical proof of concept before out-licensing. In therapeutic niche areas, Karo Bio has the capacity to bring selected compounds into late stage clinical development and, potentially, to the market.

In addition to the proprietary projects, Karo Bio has three strategic collaborations with international pharmaceutical companies for development of innovative therapies for the treatment of common diseases. Karo Bio is listed on NASDAQ OMX Stockholm since 1998 (Reuters: KARO.ST).

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