

October 5, 2004

KARO BIO'S RIGHTS ISSUE FULLY SUBSCRIBED

Karo Bio has carried out a new share issue with preferential rights for the Company's shareholders generating approximately MSEK 96, excluding transaction costs.

The subscription period ended Friday October 1, 2004. The rights issue generates approximately MSEK 96 excluding transaction costs and was to 98.9 percent subscribed with preferential right for the shareholders. Remaining shares will be allocated by the Karo Bio Board of Directors.

At the special general meeting in August 2004, it was resolved to authorize the Board of Directors to issue additional shares, corresponding to no more than 10 percent of the outstanding shares after the rights issue, provided the rights issue is over-subscribed. Additionally MSEK 24 excluding transaction costs can be generated to Karo Bio. Applications for such subscription have been received. The Board will shortly decide on the authorization.

"It is very pleasing that so many of our shareholders have decided to participate in this new share issue. The funds generated means that we can continue to develop Karo Bio by taking selected programs into clinical trials", says Björn O. Nilsson, President and CEO.

The new shares are expected to become available for trading on the O-list of the Stockholm Stock Exchange on or about November 9, 2004.

The total number of shares amounts to 28 150 108 shares after the rights issue, representing a share capital amounting to kSEK 140 751.

ABG Sundal Collier is financial advisor to Karo Bio in this transaction.

Huddinge, October 5, 2004

KARO BIO AB

For further information, please contact

Björn O. Nilsson, President & Chief Executive Officer, phone +46 8 608 60 20
Bertil Jungmar, Chief Financial Officer, phone +46 8 608 60 52

Facts about Karo Bio

Karo Bio has operations in Huddinge, Sweden, and 79 employees.

Karo Bio has been listed on the Stockholm stock exchange (Reuters: KARO.ST) since 1998 and maintains a leading position in the field of drug discovery focused on nuclear receptors. Nuclear receptors are validated drug targets for a number of clinical indications and the Company uses proprietary

technologies for the development of novel and improved therapies for major markets.

Karo Bio has drug discovery programs in several therapeutic areas including women's health care, cancer, cardiovascular disease, atherosclerosis and diabetes.

Karo Bio collaborates with major pharmaceutical companies for the development of products and marketing. In these collaborations Karo Bio receives upfront payments, R&D funding and milestone payments, as well as royalties on net sales when products reach the market.

Karo Bio has strategic pharmaceutical drug discovery collaborations with Merck & Co., Inc. and Wyeth Pharmaceuticals.

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