

October 12, 2004

KARO BIO COMPLETES NEW SHARE ISSUE AND USE AUTHORIZATION TO ISSUE ADDITIONAL SHARES

The Karo Bio Board of Directors has decided to issue 2 815 010 new shares, whereby additionally MSEK 24 excluding transaction costs are generated to the Company.

At the special general meeting August 30, 2004, it was resolved to authorize the Board of Directors to issue an additional 2 815 010 shares, provided that the rights issue that was recently completed was fully subscribed. The rights issue, which was fully subscribed, generated MSEK 96 before transaction costs to Karo Bio.

The Board has on October 11, 2004 decided to use the authorization in full. Hence, allocation of shares has been made to those who have applied for shares without preferential right and were shareholders on the record date September 8, 2004 and further in accordance with the guidelines previously communicated. The subscription price is SEK 8.50, which means that additionally MSEK 24 excluding transaction costs are generated to Karo Bio. The new share issues generate in total approximately MSEK 113 after transaction costs.

“The funds now generated will be important to continue investment into our promising portfolio and to take internal projects 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 30 965 118 shares after the decision to issue additional shares, representing a share capital amounting to kSEK 154 826.

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

Huddinge, October 12, 2004

KARO BIO AB

For further information, please contact

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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.