

## NOTICE OF ANNUAL GENERAL MEETING IN KARO BIO AB (PUBL)

**STOCKHOLM, April 4, 2013 – Karo Bio AB (publ). Shareholders in Karo Bio AB (publ) are hereby called to the annual general meeting on May 7, 2013 at 4.00 p.m. in the Lecture Hall, Novum Science Park (4<sup>th</sup> floor – elevator E), Hälsovägen 7, Huddinge, Sweden.**

### *Right to attend*

Entitled to attend the annual general meeting are those who are both registered shareholders in the share register held by Euroclear Sweden AB at the record date April 30, 2013 and have notified the company of their intention to attend the general meeting no later than on April 30, 2013, preferably before at 4:00 p.m.

Shareholders with nominee-registered shares must temporarily register their shares in their own name with Euroclear Sweden AB to attend the meeting. Such registration must be completed by April 30, 2013 and should be requested well in advance of this date to the nominee of the shares.

### *Notification to attend*

Notification to attend the meeting shall be submitted in writing to the address Karo Bio AB, att: Eva Kruse, Novum, S-141 57 Huddinge, Sweden, by fax to +46 8 774 82 61, via e-mail to [eva.kruse@karobio.se](mailto:eva.kruse@karobio.se) or via Karo Bio's website [www.karobio.se/stamma](http://www.karobio.se/stamma). Name, personal identification number or corporate identity number, phone number and number of shares held shall be included in the notification to attend. Where applicable, the number of advisors (maximum two) shall be stated. If a shareholder intends to be represented by proxy, power of attorney and other authorization documents should be included in the notification. The original authorization documents must be able to be presented at the meeting. Proxy forms are available from the company and at the company's website and will be sent to shareholders who provide their postal address.

### *Proposal of Agenda*

1. Opening
2. Election of chairman of the meeting
3. Preparation and approval of the voting list
4. Approval of the agenda
5. Election of two persons to confirm the minutes
6. Determination as to whether the meeting has been duly convened
7. Address by the CEO
8. Presentation of the annual report and the auditor's report as well as the group consolidated financial statement and the auditor's report thereon

9. Adoption of the income statement and the balance sheet as well as the consolidated income statement and the consolidated balance sheet
10. Resolution on allocation of the company's result according to the adopted balance sheet
11. Resolution regarding discharge from liability for the board of directors and the CEO
12. Determination of the number of board members
13. Determination of fees to the members of the board of directors
14. Election of board members
15. Election of chairman of the board
16. Determination of remuneration to the auditor
17. Election of auditor
18. Resolution on guidelines for the nomination committee
19. Resolution on principles for remuneration of executive management
20. Authorization of the board of directors to issue new shares
21. Closing

***Proposals by the nomination committee (items 2 and 12-18)***

The nomination committee in respect of the annual general meeting 2013 has at the time of publication of this notice not informed the company of its proposals regarding items 2 and 12-18 on the agenda. The company can therefore not include any proposals on these items in this notice, but will make the nomination committee's proposals public as soon as it has been informed of these.

***Proposals by the Board of Directors***

**Proposal for allocation of the company's result (item 10)**

The board of directors proposes that no dividend be paid for the financial year 2012 and that the funds available for disposal of the annual general meeting of SEK 38,012,880, including the loss for the year amounting to SEK 98,592,492, are carried forward.

**Resolution on principles for remuneration of executive management (item 19)**

The board of directors proposes the following guidelines regarding remuneration of executive management:

Karo Bio will apply remuneration levels and terms of employment that are necessary to recruit and retain a competent management with the capacity to achieve established business goals. Executives shall be offered remuneration of competitive and market relevant rate. In addition to fixed salary, executives may also receive variable remuneration, as a reward for achieving targets in simple and transparent structures. The executives' remuneration according to incentive programs should be based on the extent to which stated operational goals are achieved. Karo Bio's commitment under incentive programs should be limited in relation to the fixed salary and not exceed 40 per cent of the fixed annual salary, before social costs, for each executive during the relevant period of time, requiring the recipient to invest the net amount after tax that succeeds 20 per cent of the annual salary in Karo Bio-shares on the market. Remuneration under an incentive program shall be paid in the form of salary and shall be regarded as pensionable income.

The executives' pension benefits shall be competitive in relation to what is generally applicable for corresponding executives on the market, and shall be based upon defined benefit pension schemes, or be connected to the ITP plan. Pension benefits are based on a retirement age of 65.

The executives' non-monetary benefits (e.g. car and health care benefits) should facilitate the execution of the work and be determined by what is considered reasonable in relation to market custom and the benefit to the company.

Notice and severance pay shall in total not exceed 12 months' salary for each executive.

The guidelines above shall include the CEO of Karo Bio and the executive management that report directly to the CEO as well as CEO's of Karo Bio's subsidiaries. To the extent a director of the board performs services on behalf of the company in addition to the work in the board, consulting fees may be payable.

The proposed guidelines are in substance similar to those adopted by the AGM 2012 with the addition that the executive management can act on a consultancy basis and in that case the remuneration will be in the same frame as if they were employed. The board may derogate from the guidelines in an individual case where there are special reasons for doing so.

#### **Authorization of the board of directors to issue new shares (item 20)**

The Board proposes that the annual general meeting authorizes the board of directors to resolve, on one or several occasions prior to the next annual general meeting and with derogation from shareholders' pre-emption right, on new share issues directed to Azimuth Opportunity Ltd. It shall be possible to make issues for cash payment or set-off. The number of shares to be issued by virtue of the authorization shall not be limited in any other way than by the limits on the number of shares and share capital prescribed in the Articles of Association applicable from time to time. The reason for the derogation from the shareholders' pre-emption right shall be that the company should be able to raise financing in accordance with the financing agreement (Equity Credit Facility) that the company has entered into with Azimuth Opportunity Ltd. and that was approved by the extraordinary general meeting on November 24, 2010. The subscription price shall be determined in accordance with what is stated in the agreement, which shall not diverge from the market price of the company's shares by more than a market discount. The board of directors, the CEO or whoever the board otherwise appoints, shall be authorized to do such minor adjustments and clarifications of the resolution of the annual general meeting that may be required upon registration with the Swedish Companies Registration Office (Sw: Bolagsverket).

A decision in accordance with the proposal of the board of directors will be valid only where supported by shareholders holding at least two-thirds of both the votes cast and the shares represented at the meeting.

#### ***Information at the general meeting***

At the general meeting, the board and the CEO shall, if any shareholder so requests and the board believes that it can be done without material harm to the company, provide information about conditions that may affect the assessment of an item on the agenda and the assessment of the company's financial position. The corresponding disclosure obligation also applies in relation to subsidiaries. The disclosure obligation also applies to the company's relation to other group companies and the consolidated accounts.

#### ***Available documents and information***

Accounting documents, the auditor's report, the auditor's statement regarding compliance with existing principles for remuneration of executive management and the complete proposals will be available at the company and on the company's website at least three weeks before the meeting. Copies of the documents will be sent free of charge to shareholders who request these documents and state their address. The nomination committee's motivated statement to its proposal for members of the board will be announced on the company's website as soon as it has been received by the company.

#### ***Number of shares and votes in the company***

At the time of issue of this notice, the total number of shares and votes in the company amounts to 495,947,369. The Company holds no treasury shares.

Huddinge in April 2013

**Karo Bio AB (publ)**

*The Board of Directors*

**For further information, please contact:**

Henrik Palm, CFO, mobile +46 70 540 4014 or e-mail [henrik.palm@karobio.se](mailto:henrik.palm@karobio.se)

**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 neuropsychiatry, inflammation, autoimmune diseases and cancer. 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 43 employees and is listed on NASDAQ OMX Stockholm.

*Karo Bio publishes this information in accordance with the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication on April 4, 2013, at 4pm CET.*

This press release is also available at [www.karobio.com](http://www.karobio.com) and [www.newsroom.cision.com](http://www.newsroom.cision.com)