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**03 September
2001**

Karo Bio In Partnership To Develop New Drug For Atherosclerosis

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HUDDINGE, Sweden September 3, 2001 -- Swedish biotechnology company, Karo entered into a three-year collaboration agreement with global pharmaceutical company American Home Products (NYSE:AHP). Together, the two companies aim to develop a completely new drug to prevent and treat atherosclerosis one of the most common causes of death in the Western world.

"This new collaboration with AHP is of strategic importance for Karo Bio to further solidify our leading position in the field of nuclear receptor-based drug discovery," says Per Mårtensson, Karo Bio's Chairman of the Board of Directors. "The negotiations for this collaboration have resulted in a well balanced agreement."

If the partnership results in two distinct globally marketed products, Karo Bio will receive up to USD 100 million, comprising an up-front payment, R&D funding, and milestone payments linked to development and global approvals. Karo Bio will also receive royalties on sales of revenue and an in-market bonus if certain sales goals are met. The world market for atherosclerosis drugs is approximately USD 15-20 billion.

"Together Karo Bio and American Home Products are taking the first step towards developing a completely new way of preventing and treating atherosclerosis," says Björn Nilsson, CEO Karo Bio. "We are pleased and excited about this collaboration. AHP has an excellent drug discovery organisation, a proven record in development, and corporate commitment to lead the development of treatments for cardiovascular disease."

"Karo Bio is a world leader within the research area of nuclear receptors. Its unique technology and knowledge about the causes of atherosclerosis complement our strengths in drug discovery, clinical development and marketing," says C. Richard Lyttle, Ph.D., President Discovery, Women's Health Research, Wyeth-Ayerst Research. "We look forward to a successful partnership."

The collaboration is also an acknowledgment of Karo Bio's expertise in discovering novel drug applications based on nuclear receptors, which have been shown to be a central target in the course of many diseases. Equally, Karo Bio has been able to commercialise its knowledge through strategic partnerships with major international pharmaceutical companies.

Focusing on the liver X receptor (LXR), the joint research programme will concentrate initially on developing treatments for atherosclerosis. Correctly acting upon LXR stimulates the production of a specific transport protein, which dissolves dangerous cholesterol build-up in arteries, thereby preventing atherosclerosis. The proof of principle is that in Tangier disease the patients lack a functioning transport protein and therefore develop

atherosclerosis

KARO BIO AB (publ)

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Press conference

Monday September 3, 11am, Stockholm, Berns restaurant, main entrance Berzelii Kilsalen. Snacks will be served.

Those who wish to participate in the press conference by telephone, please ring +008 84 by 10:55 a.m.

Background:

Atherosclerosis

Atherosclerosis results from cholesterol and fat attaching to artery walls and creating obstructions. The artery narrows, leading to blood flow being restricted or blocked. This condition can lead to a number of disorders, including high blood pressure, vascular cardiac insufficiency, chest pain, and thrombotic events, of which heart attack and stroke are the most dangerous forms. At present, no drug is available which is able to give hardened arteries back their elasticity. Certain cholesterol-reducing drugs, so-called statins, are used in a preventative manner. Diseases resulting from atherosclerosis are very common in the Western world. Cardiovascular disease affects 13 per cent of the Swedish population and causes approximately 48 per cent of deaths annually. The market for drugs to treat atherosclerosis is estimated to be approximately USD 15-20 billion per year.*

**Source: Swedish National Board of Health and Welfare, 1998*

Karo Bio

Karo Bio has operations in Sweden and the USA. The company has 120 employees and 250 patent cases, including 100 approved patents.

Karo Bio has been listed on Stockholmsbörsen (KARO) since 1998, and maintains a leading position in the field of drug discovery based on nuclear receptors. Nuclear receptors are significant and validated drug targets for many clinical indications, and the company has proprietary technologies to develop novel and improved therapies for major markets.

Karo Bio has drug discovery programmes in many therapeutic areas, including women's health care, metabolic disorders such as obesity, cardiovascular disease, diabetes, dermatology, ophthalmology, and infectious disease. Karo Bio collaborates with leading pharmaceutical companies to develop and market products. These partnerships provide Karo Bio with a revenue stream comprising up-front payments, R&D funding, and royalties on net sales when products reach the market.

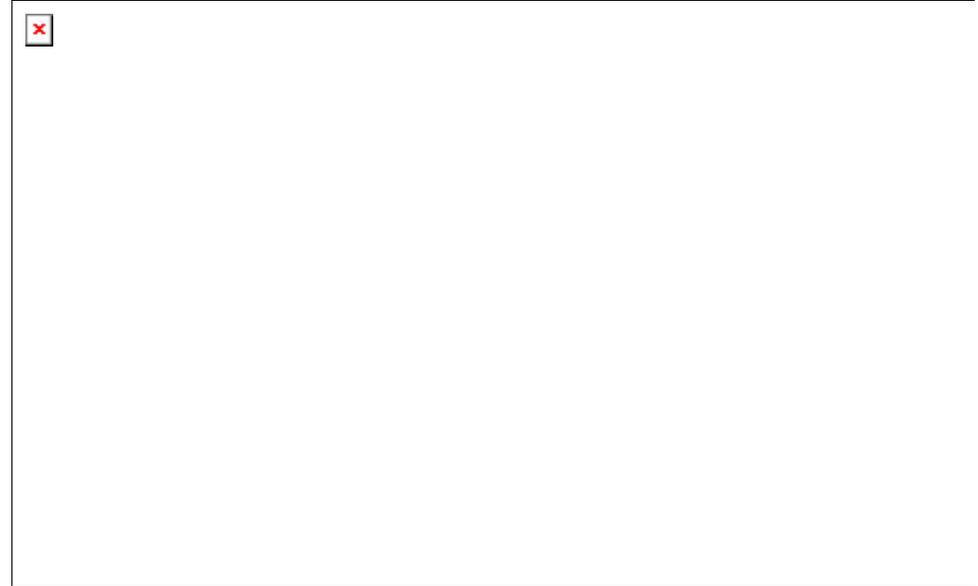
Karo Bio has strategic drug discovery partnerships in place with Abbott Laboratories, Myers Squibb, Merck & Co., Aventis Pharma and American Home Products.

AHP

American Home Products Corporation is one of the world's largest pharmaceutical companies. AHP's pharmaceutical and biotechnology-based research and development

focuses on therapeutic areas including women's health care, transplant and immunology, musculoskeletal disorders, cardiovascular disease, infectious diseases, neuroscience, oncology, vaccines, nutritionals, gastrointestinal disease, and haemophilia. AHP has over 10,000 employees in more than 100 countries, and the company's sales for 2000 totalled \$1.5 billion. The company is headquartered in New Jersey.

Illustration of LXR mechanism



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