

Notice of Annual General Meeting of Orexo

The shareholders in Orexo AB (publ), reg. no. 556500-0600, registered office Uppsala, are summoned to the annual general meeting, to be held on Thursday 16 April 2020, at 16.00 pm in Orexo's facilities at Rapskatan 7E in Uppsala, Sweden. Due to the COVID-19 outbreak we friendly ask our attendees to read our Visitation Policy before attending in person at <https://orexo.com/about-us/visitation-policy/>.

Participation, etc.

Shareholders who wish to participate in the meeting must be recorded in the share register maintained by Euroclear Sweden AB on Wednesday 8 April 2020, and notify Orexo of their intention to attend the meeting not later than on Wednesday 8 April 2020 by post to Orexo AB, P.O. Box 303, SE-751 05 Uppsala, Sweden, by telephone +46 (0) 18 780 88 00, by telefax +46 (0) 18 780 88 88, or by e-mail to lena.wange@orexo.com.

The notification shall set forth the name, personal/corporate identity number, the number of shares held, telephone number (daytime) and, where applicable, number of assistants (not more than two) that the shareholder intends to bring to the meeting. Shareholders to be represented by proxy should submit a power of attorney (original document) and a certificate of registration or equivalent together with the notification of attendance. A proxy form is available at www.orexo.com.

Shareholders whose shares are registered in the name of a nominee through a bank or a securities institution must temporarily re-register their shares in their own names to be entitled to participate in the meeting. Such registration, which may be temporary, must be duly effected in the share register maintained by Euroclear Sweden AB on Wednesday 8 April 2020, and the shareholders must therefore advise their nominees well in advance of this date.

When this notice to attend the annual general meeting is issued, the total number of shares in the company is 35,553,610 with 34,794,936.1 votes, of which 34,710,639 are ordinary shares entitling to one vote per share, and 842,971 are C shares entitling to one-tenth (1/10) vote per share. In total the company holds 371,035 own ordinary shares and 842,971 own C shares. The number of own shares is based on the company's holding as per the close of 13 March 2020, the last trading day prior to the announcement of the notice.

Proposed agenda

1. Opening of the meeting.
2. Election of chairman of the meeting.
3. Preparation and approval of the voting list.
4. Approval of the agenda.
5. Election of one or two persons who shall approve the minutes of the meeting.
6. Determination of whether the meeting has been duly convened.
7. Speech by the chief executive officer.
8. Presentation of the annual report and the auditor's report as well as the consolidated financial statements and the auditor's report on the consolidated financial statements.
9. Presentation of the work performed by the board of directors and its committees.

10. Resolution regarding adoption of the income statement and the balance sheet as well as the consolidated income statement and the consolidated balance sheet.
11. Resolution regarding allocation of the company's result pursuant to the adopted balance sheet.
12. Resolution regarding discharge from liability of the board members and the chief executive officer.
13. Determination of the number of board members and auditors.
14. Determination of fees for the board members and the auditor.
15. Election of board members, chairman of the board and auditor.
16. Resolution on guidelines for remuneration to the executive management.
17. Resolution regarding nomination committee.
18. Resolution regarding authorization for the board of directors to resolve to issue new shares.
19. Resolution regarding authorization for the board of directors to resolve to repurchase and transfer own shares.
20. Resolution regarding amendment to the performance-based long-term incentive program LTIP 2011/2021.
21. Resolution regarding reduction of the share capital with cancellation of class C shares and bonus issue.
22. Resolution regarding adoption of new performance-based long-term incentive program LTIP 2020.
23. Resolution regarding adoption of new performance-based long-term incentive program LTIP Stay-on 2020.
24. Closing of the meeting.

Proposals regarding chairman of the meeting, the board of directors and auditors (items 2, 13, 14 and 15)

The nomination committee of Orexo, which consists of Martin Nicklasson (chairman of the board), Christian Salling (Novo Holdings A/S and chairman of the nomination committee), Björn Odlander (HealthCap) and Claus Berner Møller (Arbejdsmarkedets Tillaegspension), proposes:

- that Rikard Lindahl is elected chairman of the meeting (item 2),
- that the board of directors shall consist of eight board members with no deputy members (item 13),
- that the number of auditors shall be one with no deputy auditors (item 13),
- that the fees to the board of directors shall amount to SEK 3,550,000 to be allocated as follows: SEK 900,000 to the chairman and SEK 300,000 to each of the other board members, and in total SEK 400,000 to be allocated to the members of the audit committee so that the chairman of the committee receives SEK 200,000 and SEK 200,000 are allocated in equal parts between the other members of the committee, and in total SEK 150,000 to be allocated to the members of the remuneration committee in equal parts between the members of the committee, and that fees to the auditor shall be paid against approved accounts (item 14),
- that the board members Staffan Lindstrand, David Colpman, Kirsten Detrick, Henrik Kjær Hansen, Fred Wilkinson and Mary Pat Christie are re-elected, and that James Noble and Charlotte Hansson are elected as new members of the board, all for the period up until the end of the next annual general meeting. Martin Nicklasson and Kristina Schauman has declined re-election (item 15),

- that James Noble is elected as chairman of the board (item 15), and
- that Ernst & Young Aktiebolag is re-elected as auditor for the period up until the end of the next annual general meeting. The proposal is in accordance with the recommendation by the audit committee (item 15).

Allocation of the company's result (item 11)

The board of directors proposes that there shall be no dividend for 2019 and that the results of the company shall be carried forward.

Proposal regarding resolution on guidelines for remuneration to the executive management (item 16)

The board of directors proposes that the annual general meeting resolves to approve the board of directors' proposal concerning principles and guidelines for the remuneration of the company's executive management in accordance with what is stated below, to apply until the annual general meeting 2021.

The executive management of Orexo falls within the provisions of these guidelines. Executive management refers to board members, the CEO and other members of the executive management, which comprised eight persons by the end of 2019. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting 2020. These guidelines do not apply to any remuneration decided or approved by the general meeting.

Remuneration under employments subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

The company's business strategy is the following.

Orexo has developed from being an R&D stage company to becoming a profitable fully integrated specialty pharmaceutical company with its own commercial business in the US. From a strong operational and financial platform, Orexo is aiming to become a leader in the field of substance use disorder. To achieve this, the commercial business will be broadened through business development, M&A and launch of proprietary pharmaceuticals and digital therapies.

Orexo's objectives and strategies onwards is to broaden the US commercial platform to leverage scale and expand sales, further accelerate Orexo US performance and EBIT construction as well as to launch at least one new product from the pipeline within three years.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the executive management a competitive total remuneration.

Long-term share-related incentive plans have been implemented in the company. Such plans have been resolved by the general meeting and are therefore excluded from these guidelines. The long-term share-related incentive plans for certain senior executives and key employees within the Orexo group and for Group Management Team and US Leadership Team employees, respectively, proposed by the board of directors and submitted to the annual general meeting 2020 for approval are excluded for the same reason. The proposed plans differ from the existing long-term share-related incentive plans but include similar performance criteria as existing plans for senior executives and key employees. The current plans include certain executives and key employees within the Orexo group. The performance criteria used to assess the outcome of the plans are distinctly linked to the business strategy and thereby to the company's long-term value creation, including its sustainability. These performance criteria currently comprise the share price development, the surpassing of a certain index or the meeting of certain financing and operating objectives, and thereby organic growth and product development. Further, the plans are conditional upon certain holding periods.

Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

Types of remuneration, etc.

Orexo shall offer terms of employment that are in line with market rates so that the company can recruit and retain skilled personnel. Remuneration to the executive management shall comprise a fixed salary, variable remuneration, long-term incentive programs, pensions and other customary benefits. Remuneration is based on the individual's commitment and performance in relation to previously established goals, both individual goals and goals for the entire company. Individual performance is continuously evaluated.

Fixed salary is generally reviewed on an annual basis and shall be based on the qualitative performance of the individual. The fixed salary of the executive management shall be in line with market conditions.

The executive management may be offered cash bonuses. The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. Variable remuneration shall take into account the individual's level of responsibility and degree of influence. The size of variable remuneration is based on the percentage of predetermined and measurable criteria which can be financial or non-financial. They may also be individualized, quantitative or qualitative objectives. The criteria shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promoting the executive's long-term development. To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The remuneration committee is responsible for the evaluation of the variable cash remuneration to the CEO and the other executives. For financial objectives, the evaluation shall be based on the latest financial information made public by the company. The variable remuneration shall amount to a maximum of 40 percent of the annual fixed cash salary for the CEO, up to 30 percent of the annual fixed cash salary for other members of the executive management in Sweden and up to 60 percent of the annual fixed cash salary for members of the executive management employed in the US subsidiary. The majority of the variable remuneration shall be based on the sales development and the financial results at group and subsidiary level. The

percentage rate in relation to US employees reflects the subsidiary's significance for the group's earnings as well as an American labor market that is requiring an increased share of variable remuneration in order to attract and retain key employees. Furthermore, the board of directors shall have the option of allocating further variable non-recurring remuneration to the management when the board deems it to be appropriate. Such allocation of non-recurring remuneration may, after consolidation with other variable remuneration, amount to a maximum of 70 percent of the annual fixed cash salary.

The CEO and the other members of the executive management are covered by defined contribution pension plans, including health insurance (Sw. *sjukförsäkring*). Variable cash remuneration shall not qualify for pension benefits except to the extent required by mandatory collective agreement provisions applicable to the executive. The pension premiums paid by the company to the CEO and other members of the executive management may amount to not more than 20 percent of the annual fixed cash salary.

The employment agreement with the CEO may be terminated with six months' notice. Employment agreements with the other members of the executive management may be terminated with a notice of between zero and six months. The CEO is entitled to severance pay equivalent to six months' salary if employment is terminated by the company. The other members of the executive management are entitled to severance pay equivalent to between 3 and 12 months' salary if employment is terminated by the company. Upon notice from the executive, there is no right to severance pay.

In addition, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall be based on the fixed cash salary at the time of termination of employment and be paid during the time the non-compete undertaking applies, however not for more than 12 months following termination of employment.

Executives may be awarded customary other benefits, such as company car and travel between the place of residence and the workplace. Such other benefits may amount to not more than 20 percent of the fixed annual cash salary.

The board is entitled, if it assesses that this is warranted in an individual case, to assign company work to a board member over and above the board assignment, in which case the board member may be granted reasonable remuneration.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines. Executives who are expatriates to or from Sweden may receive additional remuneration and other benefits to the extent reasonable in light of the special circumstances associated with the expat arrangement, taking into account, to the extent possible, the overall purpose of these guidelines. Such benefits may not in total exceed 30 percent of the fixed annual cash salary.

Salary and employment conditions for employees

In the preparation of the board of directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by

including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the board of directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The board of directors has established a remuneration committee. The committee's tasks include preparing the board of directors' decision to propose guidelines for executive remuneration. The board of directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting.

The remuneration committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The members of the remuneration committee are independent of the company and its executive management. The CEO and other members of the executive management do not participate in the board of directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The board of directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the remuneration committee's tasks include preparing the board of directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

Resolution regarding nomination committee (item 17)

The nomination committee proposes that the meeting resolves that the company shall have a nomination committee consisting of a representative of each of the three largest shareholders, based on the number of votes held, together with the chairman of the board. If any of the three largest shareholders declines to appoint a member to the nomination committee, additional shareholders are, by order of size, to be offered appointment until three members are appointed. The names of the members of the nomination committee and the names of the shareholders they represent shall be made public not later than six months before the annual general meeting and be based on shareholding statistics provided by Euroclear Sweden AB per the last banking day in August 2020. Unless the members of the nomination committee agree otherwise, the member representing the largest shareholder, based on the number of votes held, shall be appointed chairman of the nomination committee. If a shareholder representative no longer represents the owner or leaves the nomination committee before its work is completed, the shareholder shall be entitled to appoint a new member of the nomination committee. A shareholder who has appointed a member of the nomination committee has the right to remove such member and appoint a new member of the nomination committee. In the event a shareholder that has appointed a member is no longer one of the three largest shareholders, based on the number of votes held, the appointed member shall resign and be replaced by a new member in accordance with the above procedure. Unless special circumstances apply, no changes should be made in the composition of the nomination committee as a result of minor changes in voting rights or

changes in voting rights which occur later than two months before the annual general meeting. Changes in the composition of the nomination committee shall be made public as soon as possible.

The nomination committee shall prepare and submit proposals to the general meeting on chairman of the meeting, board members, chairman of the board, board fees to each of the board members and the chairman as well as remuneration for committee work, if any, fees to the company's auditor, and, when applicable, proposal regarding election of new auditor. Further, the nomination committee shall prepare and propose principles for the composition of the nomination committee to the annual general meeting 2021. The nomination committee shall be entitled to charge the company with costs for consultants and other expenses necessary for the nomination committee to carry out its duties.

Resolution regarding authorization for the board of directors to resolve to issue new shares (item 18)

The board of directors proposes that the annual general meeting authorizes the board of directors to resolve to issue new shares on one or several occasions until the next annual general meeting, with or without preferential rights for the shareholders, against cash payment or against payment through set-off or in kind, or otherwise on special conditions. However, such issue of shares must never result in the company's issued share capital or the number of shares in the company at any time, being increased by more than a total of 10 per cent. The purpose of the authorization is to enable the board to make corporate acquisitions, product acquisitions or to enter into collaboration agreements, or to raise working capital or broaden the shareholder base.

Resolution regarding authorization for the board of directors to resolve to repurchase and transfer own shares (item 19)

The board of directors proposes that the annual general meeting authorizes the board of directors to resolve to repurchase, on one or several occasions until the next annual general meeting, as many own shares as may be purchased without the company's holding at any time exceeding 10 per cent of the total number of shares in the company. The shares shall be purchased on Nasdaq Stockholm and only at a price per share within the price range applicable, i.e. the range between the highest purchase price and the lowest selling price.

The board of directors also proposes that the annual general meeting authorizes the board of directors to resolve, on one or several occasions until the next annual general meeting, to transfer (sell) own shares. Transfers may be carried out on Nasdaq Stockholm at a price within the price range applicable, i.e. the range between the highest purchase price and the lowest selling price. Transfers may also be made in other ways, with or without preferential rights for the shareholders, against cash payment or against payment through set-off or in kind, or otherwise on special conditions. Upon such transfers, the price shall be established so that it is not below market terms. However, a discount to the stock market price may apply, in line with market practice. Transfers of own shares may be made of up to such number of shares as is held by the company at the time of the board of director's resolution regarding the transfer.

The purpose of the authorization to repurchase own shares is to promote efficient capital usage in the company, to provide flexibility as regards the company's possibilities to distribute capital to its shareholders and for use in the context of the company's incentive plans. The purpose of

the authorization to transfer own shares is to enable the board to make corporate acquisitions, product acquisitions or enter into collaboration agreements, or to raise working capital or broaden the shareholder base or for use in the context of the company's incentive plans.

The board of director's statement in accordance with chapter 19 section 22 of the Swedish Companies Act is made available together with the proposal.

Resolution regarding amendment to the performance-based long-term incentive program LTIP 2011/2021 (item 20)

On 16 February 2011, the extraordinary general meeting of Orexo resolved to implement a performance-based long-term incentive program with stock options for the chief executive officer, senior management and key employees within the Orexo group ("LTIP 2011/2021"). The extraordinary general meeting resolved to issue a maximum of 1,540,000 warrants to Orexo's wholly-owned subsidiary Pharmacall AB, free of consideration, in order to hedge Orexo's undertaking to deliver shares in accordance with LTIP 2011/2021. The extraordinary general meeting further resolved to approve of Pharmacall AB's disposal of the warrants to fulfil Orexo's obligations under LTIP 2011/2021. On the extraordinary general meeting of Orexo on 6 August 2013, Orexo resolved to amend the terms and conditions of LTIP 2011/2021 and to issue an additional 700,000 warrants in order to hedge Orexo's undertaking to deliver shares in accordance with LTIP 2011/2021. Thus, a total of 2,240,000 warrants have been issued to Pharmacall AB under LTIP 2011/2021 and the number of warrants that are currently outstanding amounts to 724,638.

The company is now in a position, and view it as more favourable, to finance its obligations under LTIP 2011/2021 with internal funds. In light thereof, the board of directors proposes that the conditions for LTIP 2011/2021 are amended to include a cash alternative, entailing that a stock option may, subject to the approval of the board of directors, be satisfied through payment of a cash amount that is equal to the value of the Orexo share on the date of the request for exercise as defined in the LTIP 2011/2021 plan rules, less the applicable strike price for the acquisition of shares as defined in the extraordinary general meeting's resolution to implement LTIP 2011/2021.

As mentioned above, Pharmacall AB currently holds 724,638 outstanding warrants for subscription of shares in Orexo. The total number of outstanding ordinary shares in Orexo is 34,710,639. Assuming full exercise of warrants for subscription of shares, the maximum level of dilution of ordinary shares would have amounted to 2.1 percent. Assuming a share price of SEK 65, the maximum cost for satisfying the stock options through payment of a cash amount, as is proposed by the board of directors, will amount to SEK 9.0 million.

Resolution regarding reduction of the share capital with cancellation of class C shares and bonus issue (item 21)

The board of directors of Orexo proposes that the annual general meeting resolves to reduce the share capital and resolves on a bonus issue in accordance with item (a) – (b) below. The resolutions are contingent of each other and are therefore proposed to be adopted as one resolution.

(a) Reduction of the share capital by way of cancellation of own shares

The board of directors proposes that the annual general meeting resolves to reduce the company's share capital with a maximum of SEK 337,188.40 for allocation to unrestricted equity. The reduction shall be made by cancellation of the 842,971 acquired own class C shares that are held by the company on the day of the notice to the annual general meeting.

(b) Bonus issue without the issuance of new shares

The board of directors proposes that the company's share capital shall be increased with a maximum of SEK 337,188.40 with the amount being transferred from unrestricted equity (according to the balance sheet to be adopted by the annual general meeting 2020). The bonus issue shall be carried out without the issuance of new shares.

The board of director's statement in accordance with chapter 20 section 13 of the Swedish Companies Act and the auditor's statement in accordance with chapter 20 section 14 of the Swedish Companies Act are made available together with the proposal.

Resolution regarding adoption of new performance-based long-term incentive program LTIP 2020 (item 22)

The board of directors proposes that the annual general meeting resolves to implement a new performance-based long-term incentive program for senior executives and key employees within the Orexo group ("**LTIP 2020**"). LTIP 2020 is proposed to include up to approximately 120 senior executives and key employees within the Orexo group.

LTIP 2020 is a three-year performance-based program. Under LTIP 2020, the participants will be granted, free of charge, (i) performance-based share awards ("**Share Awards**"), and (ii) performance-based employee stock options ("**Employee Stock Options**"), entitling to a maximum of 310,000 shares in Orexo, in accordance with the terms stipulated below.

The rationale for the proposal

LTIP 2020 is intended for certain senior executives and key employees within the Orexo group. The board of directors of Orexo believes that an equity incentive program is an important part of a competitive remuneration package to be able to attract, retain and motivate qualified employees to the Orexo group. With reference thereto, the board of directors has decided to propose the adoption of LTIP 2020. LTIP 2020 is based on performance-based Share Awards and Employee Stock Options and adapted to the current needs of the Orexo group.

The purpose of LTIP 2020 is to attract, retain and motivate employees of the Orexo group, provide a competitive remuneration package and to align the interests of the senior executives and key employees with the interests of the shareholders. The board of directors is of the opinion that this strengthens the interest for Orexo's business and also stimulates company loyalty in the future. In light of the above, the board of directors believes that the implementation of LTIP 2020 will have a positive effect on the development of the Orexo group and consequently that LTIP 2020 is beneficial to both the shareholders and the company.

Conditions for Share Awards and Employee Stock Options

The following conditions shall apply for the Share Awards and the Employee Stock Options.

- The Share Awards and the Employee Stock Options shall be granted free of charge to the participants as soon as possible following the annual general meeting 2020 and no later than on 30 June 2020. Out of the granted Share Awards and Employee Stock Options, 30 percent shall constitute Share Awards and 70 percent shall constitute Employee Stock Options.
- Each Share Award entitles the holder to receive one share in the company free of charge, except for the appropriate taxes, three years after the granting of the Share Award (the vesting period), provided that the holder, with some exceptions, still is employed by the Orexo group.
- Each Employee Stock Option entitles the holder to receive one share in the company upon payment of the strike price, three years after granting of the Employee Stock Option (the vesting period), provided that the holder, with some exceptions, still is employed by the Orexo group. The strike price shall be fixed to 100 percent of the volume-weighted average price for the Orexo share during the ten trading days preceding the date for allotment.
- A prerequisite for entitlement to receive shares on the basis of Share Awards is that Performance Targets 1 and/or 2 have been satisfied pursuant to the terms and conditions specified below.
- A prerequisite for entitlement to receive shares on the basis of Employee Stock Options is that Performance Target 1 has been satisfied pursuant to the terms and conditions specified below.
- The number of Share Awards and Employee Stock Options encompassed by LTIP 2020 is to be re-calculated in the event that changes occur in Orexo's equity capital structure, such as a bonus issue, merger or consolidation of shares, new issue, reduction of the share capital or similar measures.
- To make the participants' interest equal with the shareholders', Orexo will compensate the participants for distributed dividends, if any, during the vesting period by increasing the number of shares that each Share Award and each Employee Stock Option, respectively, entitles to after the vesting period.
- The Share Awards and the Employee Stock Options are non-transferable and may not be pledged.
- The Share Awards and the Employee Stock Options can be granted by the parent company and any other company within the Orexo group.

Performance Conditions

The Share Awards are to be divided according to two different performance conditions encompassed by LTIP 2020. The performance conditions focus on the holder still being employed by the Orexo group ("**Performance Target 1**") and Orexo's financial and operational targets for 2020 ("**Performance Target 2**"). Of each participant's granted Share Awards, approximately 33 percent (one third) will pertain to Performance Target 1 and up to approximately 67 percent (two thirds) will pertain to Performance Target 2.

The Employee Stock Options are to be divided according to one performance condition encompassed by LTIP 2020, which is Performance Target 1. Of each participant's granted Employee Stock Options, 100 percent will pertain to Performance Target 1, meaning that no Employee Stock Options will vest unless the performance target is met.

The allotment of shares that each participant later may receive depends on achievement of the established performance targets as described below.

Performance Target 1 (for Share Awards and Employee Stock Options): This target pertains to the holder still being employed by the Orexo group upon vesting.

Performance Target 2 (for Share Awards): This target pertains to the fulfilment of the financial and operational targets for the financial year 2020 as established by the board of directors and relates to Orexo's key KPIs as for example revenue, profitability and achieved milestones, etc. Performance achievement of individual targets is weighted into an overall average performance achievement. The outcome will be measured lineally; meaning that from zero to 100 percent of the Share Awards will vest depending on the overall average rate of performance of the financial and operational targets. All Share Awards will vest and entitle to one share each if 100 percent of the overall average performance is achieved. When calculating the overall performance achievement, individual targets may account for a maximum of 120 percent achievement, but the overall average performance is capped at 100 percent. If performance achievement falls below 80 percent for an individual target, this individual target accounts for zero in the calculation of the overall average achieved.

The board of directors will present the rate of achievement of Performance Target 2 in the annual report for 2020.

Allocation

The participants are divided into two allocation categories: (i) CEO and other members of group management; (ii) other key personnel. The maximum number of Share Awards and Employee Stock Options that a participant may be granted in LTIP 2020 depends on the category to which the participant belongs.

To ensure that the value of the share-based remuneration does not reach an unintended level in relation to other remuneration, the value of the Share Awards and Employee Stock Options granted to the CEO and group management must not, at the time of the grant, exceed a value equal to the person's current annual base salary. For other key personnel the value must not exceed 33 percent of the annual base salary.

The board of directors shall resolve upon the final allocation of the Share Awards and Employee Stock Options as soon as possible after the annual general meeting. Several factors will be considered in order to secure recruitment, retention and motivation when deciding upon individual allocations including position within Orexo, individual performance and total value of current remuneration package. Individual allocation cannot exceed the above-mentioned limit for the category that the individual belongs to. Out of the allocated Share Awards and Employee Stock Options, 30 percent will constitute Share Awards and 70 percent will constitute Employee Stock Options.

The share price that is to form the basis for calculating the number of Share Awards and Employee Stock Options is to correspond to the average last price paid during a given period of trading. This period comprises the first ten days of trading immediately following the date of the 2020 annual general meeting. The share price is then divided by the individual granting value in order to arrive at the total number of Share Awards and Employee Stock Options granted per participant.

Preparation and administration

The board of directors shall be responsible for preparing the detailed terms and conditions of LTIP 2020, in accordance with the mentioned terms and guidelines. To this end, the board of directors shall be entitled to make adjustments to meet foreign regulations or market conditions. The board of directors may also make other adjustments if significant changes in the Orexo group, or its operating environment, would result in a situation where the decided terms and conditions for LTIP 2020 no longer are appropriate. Prior to finally determining allotment of shares on the basis of Share Awards and Employee Stock Options, the board of directors will assess whether the outcome of LTIP 2020 is reasonable. This assessment will be conducted in relation to the company's financial earnings and position, conditions in the stock market and other circumstances. Should the board of directors not consider the outcome to be reasonable, the number of shares to be allotted will be reduced.

Preparation of the proposal

LTIP 2020 has been initiated by the board of directors of Orexo and has been structured in consultation with external advisers based on an evaluation of prior incentive programs and best market practices. LTIP 2020 has been prepared by the remuneration committee and reviewed at meetings of the board of directors.

Scope and costs of the program

LTIP 2020 will be accounted for in accordance with "IFRS 2 – Share-based payments". IFRS 2 stipulates that the Share Awards and Employee Stock Options should be expensed as personnel costs over the vesting period and will be accounted for directly against equity. Personnel costs in accordance with IFRS 2 do not affect the company's cash flow. Social security costs will be expensed in the income statement during the vesting period.

Assuming a share price at the time of implementation of SEK 52, that Performance Target 1 is achieved and that Performance Target 2 is achieved at 50 percent, including a share price increase of 30 percent during the vesting period, the annual cost for LTIP 2020 including social security costs is estimated to approximately SEK 3.0 million before tax. The corresponding annual cost with full achievement of Performance Target 1 and Performance Target 2, including a share price increase of 60 percent during the vesting period, is estimated to approximately SEK 5.7 million before tax.

LTIP 2020 will have marginal effects on Orexo's key ratios since delivery of shares shall be made by way of transfer of Orexo's repurchased ordinary shares as is described under section "Delivery under LTIP 2020" below.

Since delivery of shares under LTIP 2020 shall be made by way of transfer of Orexo's repurchased ordinary shares, LTIP 2020 entails no dilution of the shareholding of the company. The maximum level of dilution for all other outstanding long-term incentive programs in the company amounts to approximately 4.2 percent (however, provided that item 20 and 21 of the proposed agenda to the annual general meeting regarding amendment to the performance-based long-term incentive program LTIP 2011/2021 and reduction of the share capital with cancellation of class C shares and bonus issue, respectively, are resolved upon by the annual general meeting, none of the outstanding long-term incentive programs would entail any dilution).

Information on Orexo's existing incentive programs can be found in the 2019 annual report, note 9 and 23, as well as on the company's website www.orexo.com.

Delivery under LTIP 2020

The board of directors proposes that delivery of shares under LTIP 2020 shall be made by way of transfer of Orexo's repurchased ordinary shares. In addition, the board of directors proposes that delivery may also be satisfied through payment of a cash amount that is equal to the value of the Orexo share on the date of vesting less the applicable strike price for any Employee Stock Options.

Resolution regarding adoption of new performance-based long-term incentive program LTIP Stay-on 2020 (item 23)

The board of directors proposes that the annual general meeting resolves to implement a new performance-based long-term incentive program for certain Global Management Team ("GMT") employees and US Leadership Team ("USLT") employees within the Orexo group ("LTIP Stay-on 2020"). LTIP Stay-on 2020 is proposed to include up to approximately 12 GMT and USLT employees within the Orexo group.

LTIP Stay-on 2020 is a three-year performance-based program. Under LTIP Stay-on 2020, the participants will be granted, free of charge, (i) performance-based share awards ("**Share Awards**"), and (ii) performance-based employee stock options ("**Employee Stock Options**"), entitling to a maximum of 25,731 shares in Orexo, in accordance with the terms stipulated below.

The rationale for the proposal

LTIP Stay-on 2020 is intended for certain GMT and USLT employees within the Orexo group and qualification for participation in LTIP Stay-on 2020 is conditional upon the participant either keeping shares from allocations in Orexo's other on-going long-term incentive programs (the "**implemented LTIPs**") or investing in new Orexo shares with part of or the entire annual cash bonus of the participant. The board of directors of Orexo believes that an equity incentive program is an important part of a competitive remuneration package to be able to attract, retain and motivate qualified employees to the Orexo group. The board of directors further believes that LTIP Stay-on 2020 constitutes an important incentive for GMT and USLT employees to keep shares in the company. With reference thereto, the board of directors has decided to propose the adoption of LTIP Stay-on 2020. LTIP Stay-on 2020 is based on performance-based Share Awards and Employee Stock Options and adapted to the current needs of the Orexo group.

The purpose of LTIP Stay-on 2020 is to attract, retain and motivate employees of the Orexo group, provide a competitive remuneration package and to align the interests of GMT and USLT employees with the interests of the shareholders. The board of directors is of the opinion that this strengthens the interest for Orexo's business and also stimulates company loyalty in the future. In light of the above, the board of directors believes that the implementation of LTIP Stay-on 2020 will have a positive effect on the development of the Orexo group and consequently that LTIP Stay-on 2020 is beneficial to both the shareholders and the company.

Conditions for Share Awards and Employee Stock Options

The following conditions shall apply for the Share Awards and the Employee Stock Options.

- Qualification for participation in LTIP Stay-on 2020 is conditional upon the participant (i) keeping shares from allocations in any of Orexo's implemented LTIPs between 1 May 2020 and 31 July 2020 ("**Opt-in 1**"), or (ii) investing in new Orexo shares with part of or the entire annual cash bonus of the participant between 1 February 2021 and 30 April 2021 ("**Opt-in 2**").
- Under Opt-in 1, the Share Awards and the Employee Stock Options shall be granted free of charge to the participants as soon as possible after 31 July 2020 and no later than on 31 August 2020.
- Under Opt-in 2, the Share Awards and the Employee Stock Options shall be granted free of charge to the participants as soon as possible after 30 April 2021 and no later than on 31 May 2021.
- Out of the granted Share Awards and Employee Stock Options, 50 percent shall constitute Share Awards and 50 percent shall constitute Employee Stock Options. Every five (5) shares kept in accordance with Opt-in 1 and every five (5) shares acquired in accordance with Opt-in 2, respectively, entitle the participant to one (1) Share Award and one (1) Employee Stock Option.
- Each Share Award entitles the holder to receive one share in the company, free of charge, except for the appropriate taxes, three years after the granting of the Share Award (the vesting period), provided that the holder, with some exceptions, still is employed by the Orexo group.
- Each Employee Stock Option entitles the holder to receive one share in the company upon payment of the strike price, three years after the granting of the Employee Stock Option (the vesting period), provided that the holder, with some exceptions, still is employed by the Orexo group. The strike price shall be fixed to 100 percent of the volume-weighted average price for the Orexo share during the ten trading days preceding the date for allotment.
- A prerequisite for entitlement to receive shares on the basis of Share Awards is that Performance Targets 1 and/or 2 have been satisfied pursuant to the terms and conditions specified below.
- A prerequisite for entitlement to receive shares on the basis of Employee Stock Options is that Performance Target 1 has been satisfied pursuant to the terms and conditions specified below.
- The number of Share Awards and Employee Stock Options encompassed by LTIP Stay-on 2020 is to be re-calculated in the event that changes occur in Orexo's equity capital structure, such as a bonus issue, merger or consolidation of shares, new issue, reduction of the share capital or similar measures.
- To make the participants' interest equal with the shareholders', Orexo will compensate the participants for distributed dividends, if any, during the vesting period by increasing the number of shares that each Share Award and each Employee Stock Option, respectively, entitles to after the vesting period.
- The Share Awards and the Employee Stock Options are non-transferable and may not be pledged.
- The Share Awards and the Employee Stock Options can be granted by the parent company and any other company within the Orexo group.

Performance Conditions

The Share Awards are to be divided according to two different performance conditions encompassed by LTIP Stay-on 2020. The performance conditions focus on the holder still being employed by the Orexo group (“**Performance Target 1**”) and Orexo’s financial and operational targets for 2020 (“**Performance Target 2**”). Of each participant’s granted Share Awards, 50 percent will pertain to Performance Target 1 and up to 50 percent will pertain to Performance Target 2.

The Employee Stock Options are to be divided according to one performance condition encompassed by LTIP Stay-on 2020, which is Performance Target 1. Of each participant’s granted Employee Stock Options, 100 percent will pertain to Performance Target 1, meaning that no Employee Stock Options will vest unless the performance target is met.

The allotment of shares that each participant later may receive depends on achievement of the established performance targets as described below.

Performance Target 1 (for Share Awards and Employee Stock Options): This target pertains to the holder still being employed by the Orexo group upon vesting.

Performance Target 2 (for Share Awards): This target pertains to the fulfilment of the financial and operational targets for the financial year 2020 as established by the board of directors and relates to Orexo’s key KPIs as for example revenue, profitability and achieved milestones, etc. Performance achievement of individual targets is weighted into an overall average performance achievement. The outcome will be measured lineally; meaning that from zero to 100 percent of the Share Awards will vest depending on the overall average rate of performance of the financial and operational targets. All Share Awards will vest and entitle to one share each if 100 percent of the overall average performance is achieved. When calculating the overall performance achievement, individual targets may account for a maximum of 120 percent achievement, but the overall average performance is capped at 100 percent. If performance achievement falls below 80 percent for an individual target, this individual target accounts for zero in the calculation of the overall average achieved.

The board of directors will present the rate of achievement of Performance Target 2 in the Annual Report for 2020.

Allocation

Every five (5) shares kept in accordance with Opt-in 1 and every five (5) shares acquired in accordance with Opt-in 2, respectively, entitle the participants of LTIP Stay-on 2020 to one (1) Share Award and one (1) Employee Stock Option. Out of the allocated Share Awards and Employee Stock Options, 50 percent will constitute Share Awards and 50 percent will constitute Employee Stock Options.

In relation to allocation under Opt-in 1, the board of directors shall resolve upon the final allocation of the Share Awards and Employee Stock Options as soon as possible after 31 July 2020. In relation to allocation under Opt-in 2, the board of directors shall resolve upon the final allocation of the Share Awards and Employee Stock Options as soon as possible after 30 April 2021.

Preparation and administration

The board of directors shall be responsible for preparing the detailed terms and conditions of LTIP Stay-on 2020, in accordance with the mentioned terms and guidelines. To this end, the board of directors shall be entitled to make adjustments to meet foreign regulations or market conditions. The board of directors may also make other adjustments if significant changes in the Orexo group, or its operating environment, would result in a situation where the decided terms and conditions for LTIP Stay-on 2020 no longer are appropriate. Prior to finally determining allotment of shares on the basis of Share Awards and Employee Stock Options, the board of directors will assess whether the outcome of LTIP Stay-on 2020 is reasonable. This assessment will be conducted in relation to the company's financial earnings and position, conditions in the stock market and other circumstances. Should the board of directors not consider the outcome to be reasonable, the number of shares to be allotted will be reduced.

Preparation of the proposal

LTIP Stay-on 2020 has been initiated by the board of directors of Orexo and has been structured in consultation with external advisers based on an evaluation of prior incentive programs and best market practices. LTIP Stay-on 2020 has been prepared by the Remuneration Committee and reviewed at meetings of the board of directors.

Scope and costs of the program

LTIP Stay-on 2020 will be accounted for in accordance with "IFRS 2 – Share-based payments". IFRS 2 stipulates that the Share Awards and Employee Stock Options should be expensed as personnel costs over the vesting period and will be accounted for directly against equity. Personnel costs in accordance with IFRS 2 do not affect the company's cash flow. Social security costs will be expensed in the income statement during the vesting period.

Assuming a share price at the time of implementation of SEK 52, that Performance Target 1 is achieved and that Performance Target 2 is achieved at 50 percent, including a share price increase of 30 percent during the vesting period, the annual cost for LTIP Stay-on 2020 including social security costs is estimated to approximately SEK 0.3 million before tax. The corresponding annual cost with full achievement of Performance Target 1 and Performance Target 2, including a share price increase of 60 percent during the vesting period, is estimated to approximately SEK 0.6 million before tax.

LTIP Stay-on 2020 will have marginal effects on Orexo's key ratios since delivery of shares shall be made by way of transfer of Orexo's repurchased ordinary shares as is described under section "Delivery under LTIP Stay-on 2020" below.

Since delivery of shares under LTIP Stay-on 2020 shall be made by way of transfer of Orexo's repurchased ordinary shares, LTIP Stay-on 2020 entails no dilution of the shareholding of the company. The maximum level of dilution for all other outstanding long-term incentive programs in the company amounts to approximately 4.2 percent (however, provided that item 20 and 21 of the proposed agenda to the annual general meeting regarding amendment to the performance-based long-term incentive program LTIP 2011/2021 and reduction of the share capital with cancellation of class C shares and bonus issue, respectively, are resolved upon by the annual general meeting, none of the outstanding long-term incentive programs would entail any dilution).

Information on Orexo's existing incentive programs can be found in the 2019 annual report, note 9 and 23, as well as on the company's website www.orexo.com.

Delivery under LTIP Stay-on 2020

The board of directors proposes that delivery of shares under LTIP Stay-on 2020 shall be made by way of transfer of Orexo's repurchased ordinary shares. In addition, the board of directors proposes that delivery may also be satisfied through payment of a cash amount that is equal to the value of the Orexo share on the date of vesting less the applicable strike price for any Employee Stock Options.

A resolution in accordance with the board of directors' proposal in item 18 and 21 shall only be valid where supported by not less than two-thirds of both the votes cast and the shares represented at the meeting and resolutions in accordance with the board of directors' proposal in item 19, 20, 22 and 23 shall only be valid where supported by not less than nine-tenths of both the votes cast and the shares represented at the meeting.

The shareholders are reminded of their right to request information in accordance with Chapter 7 Section 32 of the Swedish Companies Act. The annual report and all other documents, including the nomination committees' motivated statement and the auditor's report pursuant to Chapter 8 Section 54 of the Companies Act, are available at the company's office at Rapskatan 7 E, in Uppsala and at www.orexo.se no later than three weeks before the meeting and will be sent to shareholders who so request and who inform the company of their postal address. This notice is a translation of a Swedish notice and in case of any deviations between the both language versions, the Swedish version shall prevail.

Processing of personal data

For information on how your personal data is processed, see <https://www.euroclear.com/dam/ESw/Legal/Privacy-notice-bolagsstammor-engelska.pdf>.

Uppsala, March 2020
Orexo AB (publ)
The board of directors