



Press release

Notice of Extraordinary General Meeting of Orexo

The shareholders in Orexo AB (publ), reg. no. 556500-0600, registered office Uppsala, are summoned to the extraordinary general meeting, to be held on Tuesday 19 May 2020, at 11.00 am in Orexo's facilities at Rapskatan 7E in Uppsala, Sweden. Due to the COVID-19 outbreak we kindly 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 13 May 2020, and notify Orexo of their intention to attend the meeting not later than on Wednesday 13 May 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 13 May 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 500,000 own ordinary shares and 842,971 own C shares.

Advance voting

The shareholders may exercise their voting rights at the general meeting by voting in advance, so called postal voting in accordance with section 3 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations. Orexo encourages the shareholders to use this opportunity in order to minimise the number of participants attending the general meeting in person and thus reduce the spread of the infection.



A special form shall be used for advance voting. The form is available on www.orexo.com. A shareholder who is exercising its voting right through advance voting do not need to notify the company of its attendance to the general meeting. The advance voting form is considered as the notification of attendance to the general meeting.

The completed voting form must be submitted to the company no later than on Wednesday 13 May 2020. The completed and signed form shall be sent to Orexo AB, P.O. Box 303, SE-751 05 Uppsala, Sweden. A completed form may also be submitted electronically and is to be sent to lana.wange@orexo.com. If the shareholder is a legal entity, a certificate of incorporation or a corresponding document shall be enclosed to the form. The same apply for shareholders voting in advance by proxy. The shareholder may not provide special instructions or conditions in the voting form. If so, the vote is invalid.

Further instructions and conditions are included in the form for advance voting.

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. Resolution regarding adoption of new performance-based long-term incentive program LTIP 2020.
8. Resolution regarding adoption of new performance-based long-term incentive program LTIP Stay-on 2020.
9. Closing of the meeting.

Proposal regarding chairman of the meeting (item 2)

The nomination committee of Orexo proposes that Rikard Lindahl, member of the Swedish Bar Association, from Advokatfirman Vinge is elected chairman of the meeting.

Resolution regarding adoption of new performance-based long-term incentive program LTIP 2020 (item 7)

The board of directors proposes that the 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 620,000 shares in Orexo, in accordance with the terms stipulated below. The Share Awards entitle to a maximum of 186,000 shares in Orexo and the Employee Stock Options entitle to a maximum of 434,000 shares in Orexo.

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 extraordinary general meeting on 19 May 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 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 extraordinary general meeting on 19 May 2020. 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 18.0 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 34.4 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 on 16 April 2020 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 8)

The board of directors proposes that the 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 51,464 shares in Orexo, in accordance with the terms stipulated below. The Share Awards entitle to a maximum of 25,732 shares in Orexo and the Employee Stock Options entitle to a maximum of 25,732 shares in Orexo.

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 2.0 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 3.5 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 on 16 April 2020 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 items 7 and 8 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, April 2020

Orexo AB (publ)

The board of directors