

# Notice of Extraordinary General Meeting of Orexo

**The shareholders in Orexo AB (publ) are summoned to the extraordinary general meeting, to be held on Friday 13 July 2012, at 3.00 pm in Orexos facilities at Virdings allé 32A, in Uppsala, Sweden.**

## *Participation, etc*

Shareholders who wish to participate in the Meeting must be recorded in the share register maintained by Euroclear Sweden AB on Friday 6 July 2012, and notify Orexo of their intention to attend the Meeting not later than on Monday 9 July 2012 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 [beata.augenblick@orexo.com](mailto:beata.augenblick@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](http://www.orexo.com).

Shareholders whose shares are registered in the name of a nominee/custodian must temporarily re-register their shares in their own names to be entitled to participate in the Meeting. Shareholders must inform their nominee/custodian of such re-registration well before Friday 6 July 2012 by which date such re-registration must have been executed.

There are 29,865,495 shares and votes outstanding in Orexo. The company holds no treasury shares.

## *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. Authorization to repurchase and transfer the company's own shares
8. Resolution on transfer of own shares under the Performance-based, Long-term Incentive Program 2011/2021.
9. Resolution to adopt a board member share plan 2012/2017, to issue of warrants to subscribe for new shares and to approve transfer of the warrants or own shares under the board member share plan 2012/2017.
10. Resolution on amendment to Performance-based, Long-term Incentive Program 2011/2021.
11. Closing of the Meeting.

***Authorization to repurchase and transfer the company's own shares (item 7)***

The Board of Directors proposes that the Meeting authorizes the Board of Directors to resolve to repurchase, on one or several occasions prior to the next annual general meeting, as many shares as may be purchased without the company's holding at any time does not exceed 10 per cent of the total number of shares in the company. The shares shall be purchased on NASDAQ OMX Stockholm and only at a price within the price range registered at any given time, i.e. the range between the highest bid price and the lowest offer price.

The Board of Directors also proposes that the Board of Directors shall be authorized to resolve, on one or several occasions during the period until the next annual general meeting, to transfer all shares held by the company, via NASDAQ OMX Stockholm or in connection with the acquisition of companies, businesses or parts thereof on market terms, however, not to a price lower than current stock market value. Transfer of shares on the NASDAQ OMX Stockholm may at a price within the price range registered at any given time, i.e. the range between the highest bid price and the lowest offer price.

The purpose of the proposed authorizations is to provide flexibility as regards the company's possibilities to distribute capital to its shareholders and to promote more efficient capital usage in the company.

***Resolution on transfer of own shares under the Performance-based, Long-term Incentive Program 2011/2021 (item 8)***

At the annual general meeting in 2011 it was resolved to adopt a performance-based long-term incentive program 2011/2021 ("LTIP 2011/2021") addressed to employees of the company which entails that participants in LTIP 2011/2021 are entitled to acquire shares in the company. To ensure delivery of shares to employees under the terms of LTIP 2011/2021, the company has issued 1,540,000 warrants to the wholly owned subsidiary Pharmacall AB, which will be used to hedge the company's obligations to participants in LTIP 2011/2021. In addition to the described hedging structure based on warrants, the Board of Directors now propose that delivery of shares under the LTIP 2011/2021 also can be made by transfer of own shares held by the company. The Board of Directors therefore proposes that the Meeting resolves that a maximum of 1,540,000 own shares held by the company may be transferred to participants under the terms of LTIP 2011/2021, however, in total, no more than 1,540,000 shares or warrants may be used for LTIP 2011/2021.

***Resolution to adopt a board member share plan 2012/2017, to issue warrants to subscribe for new shares and to approve transfer of the warrants or own shares under the board member share plan 2012/2017 (item 9)***

Orexo's major shareholders, HealthCap and Novo A/S, propose that the Meeting resolves to adopt a board member share plan in accordance with items 9 A-C below. All resolutions are proposed to be conditional upon each other and are therefore proposed to be adopted in connection with each other.

#### *A. Board member share plan 2012/2017*

As a result of the successful acquisition of the US rights to Abstral, as well as, the continued progress of the OX219 development program, Orexo has formed a base for establishing a successful US commercial presence with two potentially leading commercial brands. HealthCap and Novo A/S consider that this creates an extraordinary opportunity for Orexo to transform its current operations and complete the integration of its business model. To best succeed with this endeavour, and secure the optimal financial return to the shareholders of Orexo, in the interest of the shareholders, HealthCap and Novo A/S deem it necessary to engage Board members substantially closer to the company, in order to optimally support management, by operationally leveraging the Board members key area of expertise and personal network for the upcoming analysis and decision process of the best path forward for Orexo. To compensate, remunerate and incentivise the Board members to assist with the extraordinary efforts associated with this transformation of Orexo, HealthCap and Novo A/S therefore proposed that the Meeting resolves to adopt a board member share plan 2012/2017 (the “**Plan**”). For avoidance of doubt, board members associated with large shareholders, dependent members, will not be part of the Plan.

The Plan entails that Board members are granted stock options, free of charge, each option entitling the holder to acquire one share in Orexo (“**Board Shares**”). The Board shares are non-transferable instruments. The Board shares will be allocated after the Meeting, but will only vest subject to the fulfilment of at least one of the shareholders’ substantial value creating defined vesting conditions described below:

- a general meeting resolves on a transaction whereby Orexo establishes a commercial infrastructure in the US through a merger in which the Company is valued at 250 per cent of the current market cap of MSEK 800.
- a general meeting resolves to approve a transaction whereby the shareholders of Orexo accepts a collective share purchase offer corresponding to 250 per cent of the company’s current market cap of MSEK 800.
- a general meeting resolves on an extraordinary dividend to the shareholders corresponding to 200 per cent of the Company’s current market cap of MSEK 800.

Vesting shall also occur if a general meeting resolves on any transaction resulting in the same shareholder value creation as any of the transactions described above. Should none of the above described vesting conditions be met as of 30 April 2013, all granted Board shares will not vest, but lapse.

The exercise price for each Board Share shall correspond to 100 per cent of the volume weighted average price for the Orexo share during the ten trading days period after the Meeting.

The Plan will comprise of in total 270,000 Board Shares whereof Martin Nicklasson will be granted 135,000 Board Shares, Christina Schauman 45,000 Board Shares, Raymond G. Hill 45,000 Board Shares and Scott Meyers 45,000 Board Shares. In addition, the Plan also entails that Raymond G. Hill’s cash board fee decided at the annual general meeting 2012 will be reduced to SEK 150,000.

The Board Shares are fully exercisable upon vesting and exercise can be made on one or several occasions. The Board Shares are valid until the earlier of 31 December 2017 or 6

months after an option holder no longer is a Board member in Orexo, where after all non-exercised Board Shares will lapse.

In order to ensure that the company can meet its obligations to the holders of Board Shares at the time of exercise of the Board Shares, it is also proposed that the Meeting resolves to issue not more than 270,000 warrants with the right to subscribe for new shares to the wholly-owned subsidiary Pharmacall AB. These warrants shall be used to ensure that the company can fulfil its obligations to the holders of Board Shares at the time of exercise.

*B. Issue of warrants with the right to subscribe for new shares*

Orexo's major shareholders, HealthCap and Novo A/S propose that the company shall issue not more than 270,000 warrants with the right to subscribe for new shares, whereby the company's share capital may increase with not more than SEK 108,000.

Only the wholly-owned subsidiary Pharmacall AB shall have the right to subscribe for the warrants with the right and obligation to dispose of the warrants in accordance with below. The warrants shall be issued free of charge. Subscription for new shares, in accordance with the terms and conditions for the warrants, can be made from and including the time of the registration of the warrants with the Swedish Companies Registration Office up to and including 31 December 2019. The subscription price for the warrants (i.e. the amount payable upon exercise of the warrants) shall correspond to 100 per cent of the volume weighted average price for the Orexo share during the ten trading days period after the Meeting.

*C. Approval of transfer the warrants and own shares*

Orexo's major shareholders, HealthCap and Novo A/S propose that the Meeting approves that Pharmacall AB transfer of the warrants to meet the company's obligations according to the Board Shares issued under the board member share plan. In addition, it is proposed that delivery of shares under the Plan also can be made by transfer of own shares held by the company. HealthCap and Novo A/S therefore proposes that the Meeting resolves that a maximum of 270,000 own shares held by the company may be transferred to Board members under the Plan, however, in total, no more than 270,000 shares or warrants may be used for the Plan.

***Resolution on amendment to Performance-based, Long-term Incentive Program 2011/2021 (item 10)***

At the extraordinary general meeting held on 16 February 2011, it was resolved to adopt LTIP 2011/2021 for Orexo's senior executives. The right to acquire new shares through exercise of the performance shares in LTIP 2011/2021 is subject to certain vesting conditions. Of all performance shares allocated under LTIP 2011/2021, 50 per cent of the performance shares shall be vested according to time and internal operational criteria, so-called time-vested performance shares, and 50 per cent shall be vested according to share price performance and relative share performance, so-called share price-vested performance shares.

As a result of the proposal by Novo A/S and HealthCap to adopt a board member share plan set out in item 9 above, the Board deems it appropriate to align the vesting conditions in all of the company's outstanding incentive plans and, thus, align the interests of the employees with the interest of the Board members. Therefore, the Board proposes to amend the terms and

conditions of the LTIP 2011/2021 to the effect that, in addition to the decided vesting conditions, all performance shares granted under LTIP 2011/2021 shall vest if vesting occurs under the board member share plan 2012/2017. The proposal in item 10 is conditional upon the Meeting resolving to adopt a board member share plan in item 9 A-C above.

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A resolution in accordance with the Board of Directors' proposal in item 7 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 items 8-10 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. All relevant documents are available in the company's office at Virdings allé 32 A, in Uppsala and at [www.orexo.se](http://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.

Uppsala, June 2012  
**Orexo AB (publ)**  
*The Board of Directors*