

Notice of Annual General Meeting of Orexo

The shareholders in Orexo AB (publ) are summoned to the annual general meeting, to be held on Thursday 11 April 2013, at 5.00 pm in Orexo's 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 5 April 2013, and notify Orexo of their intention to attend the meeting not later than on Friday 5 April 2013 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.

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/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 5 April 2013 by which date such re-registration must have been executed.

There are 29,976,582 shares and votes outstanding in Orexo. The company holds 1,121,124 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. 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 members of the board and the chief executive officer.
13. Determination of the number of board members, deputy board members, auditors and deputy auditors.

14. Determination of fees for the board members and the auditor.
15. Election of board members, chairman of the board and auditor.
16. The board's proposal regarding resolution on guidelines for remuneration to the management.
17. Resolution regarding nomination committee.
18. The board's proposal regarding resolution on authorization for the board of directors to resolve on issue of new shares against payment in kind.
19. The nomination committee's proposal regarding the adoption of a performance-based, long-term incentive program 2013/2018 directed to the chairman of the board.
20. Resolution on amendment to performance-based, long-term incentive program 2011/2021 to enable allotment of employee stock options to the company's new CEO
21. Closing of the meeting.

Proposal regarding chairman of the meeting, the number of board members, deputy board members and auditors, fees for the board members and the auditor as well as election of chairman, other members of the board and election of auditor (items 2, 13, 14 and 15)

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

- that the chairman of the board, Martin Nicklasson, is elected chairman of the meeting (item 2),
- that the board of directors shall consist of six 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 1,500,000 to be allocated as follows: SEK 600,000 to the chairman, and SEK 150,000 to each of the other board members, and in total SEK 150,000 to be allocated to the members of the audit committee so that the chairman of the committee receives SEK 100,000 and SEK 50,000 are allocated between the other members of the committee, that fees to the auditor shall be paid against approved accounts, and that fees to the board members may, if agreed with Orexo, be invoiced by a company, in which case the invoiced fee shall be determined so that it is cost neutral for Orexo (item 14),
- that the ordinary board members Raymond Hill, Staffan Lindstrand, Scott Myers, Martin Nicklasson, Kristina Schauman and Michael Shalmi are re-elected, all for the period up until the end of the next annual general meeting (item 15),
- that Martin Nicklasson is re-elected as chairman of the board (item 15), and
- that PricewaterhouseCoopers AB is re-elected as auditor for the period up until the end of the next annual general meeting (item 15).

Allocation of the company's result (item 11)

The board of directors and the chief executive officer propose that there shall be no dividend for 2012 and that the results of the company shall be carried forward.

The board's proposal regarding resolution on guidelines for remuneration to the management (item 16)

The board of directors proposes that the annual general meeting resolve to approve the board of directors' proposal concerning principles and guidelines for the remuneration of the company's management in accordance with what is stated below, to apply until the annual general meeting 2014. The board's proposal principally conforms to guidelines previously applied to the remuneration of the company's management. "Management" refers to the chief executive officer and the other members of the management group, which in addition to the chief executive officer comprises seven persons. The board has appointed a Remuneration Committee to draw up proposals regarding remuneration and other terms of employment for the management.

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 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, 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 chief executive officer and the management shall be in line with market conditions. 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 set goals met by the individual. Variable remuneration shall amount to no more than 40 percent of the fixed salary of the chief executive officer and 30 percent of the fixed salary for the other members of the management. 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.

Orexo has adopted share-based incentive programs intended to promote the company's long-term interests by motivating and rewarding the management of the company, among others.

The chief executive officer and the other members of the management are covered by defined-contribution pension plans. The pension premiums paid by the company amount to not more than 20 percent of the chief executive officer's monthly salary, while premiums for the other members of the management amount to between 20 and 25 percent of fixed annual salary. The employment agreement with the chief executive officer may be terminated with six months' notice. Employment agreements with the other members of the management may be terminated with notice of between three and 12 months. The chief executive officer is entitled to severance pay equivalent to six months' salary if employment is terminated by the company. The other members of the management are entitled to severance pay equivalent to between zero and 12 months' salary if employment is terminated by the company. 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.

If the board considers that it is warranted in an individual case, the board may appoint a board member to carry out work for the company outside the board assignment, in which case the board member may be granted reasonable remuneration.

Resolution regarding nomination committee (item 17)

The board of directors proposes that the meeting resolves that the company shall have a nomination committee consisting of a representative of each of the four largest shareholders, based on the number of votes held, together with the chairman of the board. If any of the four largest shareholders declines to appoint a member to the nomination committee, additional shareholders are, by order of size, to be offered appointment until four 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 2013. 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 four 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 general meeting 2014. 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.

The board's proposal regarding resolution on authorization for the board of directors to resolve on issue of new shares against payment in kind (item 18)

The board of directors proposes that the annual general meeting authorize the board of directors, up until the next annual general meeting on one or several occasions, to issue new shares against payment in kind. However, such issue must never result in the company's issued share capital or number of shares in the company, at any time, increasing by more than a total of 10 percent, or cause the company's share capital to exceed the maximum allowed share capital according to the articles of association.

The nomination committee's proposal regarding the adoption of a performance-based, long-term incentive program 2013/2018 to the chairman (item 19)

The Nomination Committee of Orexo proposes that the annual general meeting resolves to adopt a performance-based, long-term incentive program 2013/2018 directed to chairman of the board, Martin Nicklasson (the "Chairman Program"). The Chairman Program shall only

come into force if vesting has not occurred under Orexo's board member share plan 2012/2017 by 30 April 2013.

In order to implement the proposed incentive program, the Nomination Committee proposes that the annual general meeting resolves in accordance with items a – b below. All resolutions are proposed to be conditional upon each other. A resolution in accordance with items a – b below must be supported by shareholders representing at least 9/10 of the shares and number of votes represented at the annual general meeting.

Adoption of the Chairman Program (item 19 a)

Background and summary of program

As previously communicated, Orexo is exploring commercial alternatives for the US market introduction of Zubsolv, including different partnership structures. In connection with the appointment of Nikolaj Sørensen as new CEO of Orexo in February 2013, Martin Nicklasson, the Chairman of the Board of Orexo, took on the role as Executive Chairman to oversee and support the CEO and the management team in the US commercialization process, for an interim period of time. The inclusion of Martin Nicklasson as part of the executive leadership further strengthens its commercial expertise, as the company will leverage Martin Nicklasson's extensive network and experience, to secure that the full value potential of Orexo's commercial assets are realized.

During the appointment as Executive Chairman, Martin Nicklasson will perform work which is significantly beyond, and outside, the scope of his ordinary board assignment. In the opinion of the nomination committee, this important work should of course be adequately remunerated. The Nomination Committee believes, however, that, going forward, such remuneration should not be paid in cash. Instead, the nomination proposes the Chairman Program, which will serve the purpose of further incentivising Martin Nicklasson whilst, at the same time, limiting Orexo's costs and ensuring that the remuneration is limited in the absence of value creation for the shareholders.

In summary, the Chairman Program entails that Martin Nicklasson is granted 200,000 stock options, free of charge, each option entitling the holder to acquire one share in Orexo ("Performance Shares"). The exercise price for each Performance Share will correspond to 100 percent of the volume weighted average price for the Orexo share during the ten trading days immediately prior to the allocation. The Performance Shares can be exercised, subject to vesting and fulfilment of performance conditions, during a period of five years from allocation. The terms and conditions for the Chairman Program shall, in general, correspond to the performance-based, long-term incentive program 2011/2021 directed to employees of Orexo, as adopted by the shareholders' meeting in February 2011, provided, however, that the Chairman Program shall be a five-year program (instead of 10-year) and that the Performance Shares will be subject to three-year vesting (instead of five-year). No Performance Shares shall be capable of being exercised following the fifth anniversary of the date of the shareholders' meeting adopting the Chairman Program. The Chairman Program shall only come into force if vesting has not occurred under the Orexo board member share plan 2012/2017 by 30 April 2013.

Requirements for vesting

The right to acquire shares through exercise of the Performance Shares shall be subject to vesting criteria. 50 percent of the Performance Shares shall be vested according to time and internal operational criteria (“Time-vested Performance Shares”) and 50 percent shall be vested according to share price performance and relative share performance (“Share Price-vested Performance Shares”).

Time-vested Performance Shares

As set forth above, Time-vested Performance Shares shall be vested according to time and internal operational criteria. The internal operational criteria shall be resolved by the board of directors at the time of allocation of Performance Shares under the Chairman Program, and thereafter prior to each of the respective reporting periods (as defined below), on an individual basis and be connected to financial performance of Orexo and its subsidiaries (revenue, profitability, etc.) and to R&D and other operational targets (achieved milestones, etc.) (the “Internal Operational Criteria”). Time-vested Performance Shares shall be exercisable with 1/3 of the Time-vested Performance Shares as from the date falling one year from the date of the allocation (the “anniversary date”) provided that (i) 80 percent of the Internal Operational Criteria have been met in the twelve months reported by Orexo up until such anniversary date (“reporting period”), and an additional 1/3 as from each of the two subsequent anniversary dates, provided that 80 percent of the Internal Operational Criteria have been met in the respective reporting periods up until such anniversary dates, respectively, and provided that (ii) the holder at such dates is still appointed board member in Orexo.

Share Price-vested Performance Shares

The Share Price-vested Performance Shares shall be exercisable depending on (i) the fulfilment of both of the performance criteria as set forth below (the “Performance Criteria”) and provided that (ii) the holder at such date is still appointed board member in Orexo group.

The Performance Criteria shall be measured on the basis of the quoted volume weighted average price for the Orexo share on NASDAQ OMX Stockholm during the twenty trading days immediately prior to each assessment (the “Share Price”). When calculating the increase in the Share Price, a comparison shall be made with the volume weighted average price for the Orexo share during the ten trading days immediately prior to the allocation.

Performance criterion 1

For any vesting of Share Price-vested Performance Shares to occur, the increase in the Share Price shall correspond to the amounts set forth below. The increase in the Share Price as set forth below shall not be calculated for a period exceeding five years, meaning that the Share Price must have been achieved within a continuous five year period.

Increase in Share Price	Vesting percentage of Share Price-vested Performance Shares (also conditional upon the fulfilment of Performance Criterion 2 below)
> 60 percent (or Share Price of SEK 86*)	33 percent
> 100 percent (or Share Price of SEK 108*)	66 percent

> 150 percent (or Share Price of SEK 135*)	100 percent
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These categories correspond to a five year average return performance of approximately 10 percent per annum, 15 percent annum and 20 percent per annum respectively.

* Example based on a starting Share Price of SEK 54.0, which corresponds to the closing share price for the Orexo share on NASDAQ OMX Stockholm on 5 February 2013.

Performance criterion 2

In addition to satisfaction of Performance Criterion 1, for any vesting to occur, the Share Price shall have outperformed the NASDAQ OMX Stockholm Biotechnology PI Index for a 90-day period immediately prior to such day when Performance Criterion 1 above is satisfied. The determination of satisfaction of Performance Criterion 2 shall be made continuously as long as Performance Criterion 1 is satisfied, where the above-mentioned 90-day period shall be the period immediately prior to each such determination.

Terms for acquisition of shares and recalculation

As soon as one of a vesting criterion as described above has been met, the vested Performance Shares can be exercised and shares can be acquired in the company. Exercise can be made on one or several occasions.

If the chairman's appointment as board member in Orexo ends before the end of the five year exercise period, the vested Performance Shares must be exercised to acquire shares within three months from the date of the cessation of the appointment, after which date all Performance Shares will lapse.

The detailed terms of the Performance Shares shall be prepared by the Board in accordance with the present proposal and include conventional commercial rules for warrants, including rules for recalculation. Upon corporate actions which demand recalculation, such as an issue of new shares with preferential rights, reductions of the share capital, liquidation, etc., recalculation shall be made using, to the extent possible, the terms and conditions of warrants, with the intention that such actions should not affect the value of the Performance Shares. The recalculations set forth in this paragraph shall be made, with binding effect for the company and the chairman, by the company's auditor.

Upon death the right to Performance Shares is transferred to the estate of the deceased.

Restrictions regarding the right to transfer the Performance Shares and taxation in connection with the Performance Shares

Performance Shares issued shall not be considered as securities and shall not be transferable to a third party.

The Performance Shares shall be issued free of charge and the holder will be taxed, as income, for the difference between the market value of Orexo's share at the time of the exercise and the exercise price of the Performance Shares. The Orexo group shall be responsible for and shall pay social security charges (Sw. *arbetsgivaravgifter*) in relation thereto.

Costs, dilution and securing of the Chairman Program

The Chairman Program will be accounted for in accordance with “IFRS 2 – Share-based payments”. IFRS 2 stipulates that the Performance Shares should be expensed as personnel costs over the vesting period and will be reported directly against equity. The market value of a Performance Share cannot be estimated with traditional methods. A so-called Monte Carlo simulation gives a value of approximately SEK 13 per Performance Share or about MSEK 2.7 in total, provided that they are fully exercised. Fully exercised and assuming a share price amounting to SEK 100, social costs amount to approximately MSEK 2.9.

The costs are expected to have marginal effect on key ratios of the company.

In order to secure that the company can meet its obligations to deliver shares at the time of exercise of the Performance Shares, it is proposed that the Meeting resolves to approve transferring such shares. As a consequence, it is proposed to authorise the Board to issue not more than 200,000 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 deliver shares under the Program. Furthermore, it is proposed that delivery of shares under the Chairman Program may also be executed by transfer of a maximum of 200,000 own shares held by the company. However, no more than in total 200,000 own shares or warrants may be used for the Chairman Program.

Information on existing incentive programs

An exercise of all warrants to be issued to secure the obligations under the Chairman Program corresponds to a dilution of 0.6 percent of all shares and votes outstanding in the company. In case to Performance Shares are provided through transfer of own shares, the dilution will decrease to a corresponding extent.

For a description of the company’s existing long-term incentive programs please see the company’s annual report for 2012, note 16, and the company’s website, www.orexo.com.

Authorisation for the Board of Directors to resolve on issue of warrants for ensuring the Chairman Program (item 19 b)

The Nomination Committee proposes that the annual general meeting resolves to authorise the Board of Directors, until the next annual general meeting, on one or several occasions, to resolve to issue a maximum of 200,000 warrants, each entitling to subscription of one share in Orexo. The warrants shall solely be used to ensure that the company can fulfil its obligations to deliver shares under the Chairman Program. The wholly-owned subsidiary of Orexo, Pharmacall AB shall be entitled to subscribe for the warrants. The rationale for the deviation from the shareholders’ preferential rights is to ensure fulfilment of the Orexo’s obligations under the terms of the Chairman Program described above under item 19 a.

Resolution on amendment to performance-based, long-term incentive program 2011/2021 to enable allotment of employee stock options to the company’s new CEO (item 20)

At the extraordinary general meeting held on 16 February 2011, a performance-based, long-term incentive program 2011/2021 was adopted. The latest time for making an offer to participate in the program was subsequently extended to 31 December 2013. The board proposes that the annual general meeting approves that 300,000 stock options are allotted to the company's new CEO, Nikolaj Sørensen. This entails an expansion of the program, whilst all other terms remain unaltered.

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 Virdings allé 32 A, 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.

Uppsala, March 2013
Orexo AB (publ)
The board of directors