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**The board of directors' of Orexo AB (Reg. No. 556500-0600) proposal to the shareholders' meeting regarding adoption of Orexo AB's performance-based, long-term incentive program 2011/2021 including an issue of warrants with right to subscribe for new shares and approval of disposal of the warrants under the performance-based, long-term incentive program**

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The board of directors' proposal in accordance with the above comprises the following proposals and information:

Appendix A      **The board of directors' of Orexo AB proposal regarding the adoption of Orexo AB's performance-based, long-term incentive program 2011/2021**

Appendix B      **The board of directors' of Orexo AB proposal regarding issue of warrants with right to subscribe for new shares and approval of disposal of the warrants**

Appendix B(i)    **Terms and conditions for Orexo AB's warrants 2011/2021**

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**The board of directors' of Orexo AB proposal regarding the adoption of Orexo AB's performance-based, long-term incentive program 2011/2021**

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The board of directors' of Orexo AB (Reg. No. 556500-0600) ("**Orexo**") proposes that the shareholders' meeting resolves to adopt Orexo's performance-based, long-term incentive program 2011/2021 (the "**Share Program**").

***Number of performance shares and exercise price***

Performance shares, with the right to acquire not more than 1,540,000 shares in Orexo, may be issued under the Share Program ("**Performance Shares**"). Each Performance Share shall give the right to acquire one (1) share in Orexo for payment of an exercise price corresponding to 100 per cent of the volume weighted average price for the Orexo share during the ten trading days immediately prior to the allocation. The exercise price, determined as set out above, shall be rounded off to the nearest 0.2 Swedish krona, whereby SEK 0.10 shall be rounded off downwards.

***Allocation***

The Performance Shares shall be allocated to senior executives of Orexo. As regards senior executives in countries abroad it is thereby presupposed that the allocation is in compliance with applicable laws and that the allocation, in the board of directors' opinion, can be made at reasonable administrative and financial contributions. No Performance Shares shall be capable of being exercised following the 10<sup>th</sup> anniversary of the date of the shareholders' meeting adopting the Share Program.

The board of directors shall resolve upon the allocation of Performance Shares and the allocation shall be made within three categories. Category 1 includes the Chief Executive Officer in Orexo with an allocation of not more than 500,000 Performance Shares. Category 2 includes senior managers, with an aggregate allocation of not more than 750,000 Performance Shares in such category. Category 3 includes other key employees, with an aggregate allocation of not more than 200,000 Performance Shares in such category. In addition, the board of directors shall have the possibility to allocate not more than 90,000 additional Performance Shares in total to employees in any of the above categories who have made exceptional contributions. The performance, position within and contribution to the Orexo group of the employee shall be considered when allocating Performance Shares. Members of the board of directors appointed by the shareholders' meeting shall not receive any Performance Shares. An offer to participate in the Share Program shall be made prior to the annual shareholders' meeting to be held in 2011.

***Requirements for vesting***

The right to acquire new shares through exercise of the Performance Shares shall, for each employee, be subject to vesting criteria. Of all Performance Shares allocated to a participant under the Share Program, 50 per cent of the Performance Shares shall be vested according to time and internal operational criteria ("**Time-vested Performance Shares**") and 50 per cent shall be vested according to share price performance and relative share performance ("**Share Price-vested Performance Shares**").

**(A) 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 to the participants under the Share 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, for each employee, be exercisable with 1/5 of the Time-vested Performance Shares allocated to such holder as from the date falling one year from the date of the allocation (the “**anniversary date**”) provided that (i) 80 per cent 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 1/5 as from each of the four subsequent anniversary dates, provided that 80 per cent 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 employed within the Orexo group or that the employment has expired in circumstances where the holder is a Good Leaver (as defined below). However, if the employment is terminated (irrespective of which party that terminates the employment) in circumstances where the holder is not a Good Leaver, no Performance Shares shall be exercisable by the employee, whether or not previously vested, and any and all Performance Shares held by such employee shall immediately become void upon notice of termination. In the event of termination (irrespective of which party that terminates the employment) in circumstances where the holder is a Good Leaver, the exercise period shall (except in connection with subparagraphs (b) and (c) below in the definition of Good Leaver) be 30 days as from the expiry of the employment, after which period all Performance Shares shall become void unless exercised during such 30-day period.

“**Good Leaver**” means any leaver who leaves by reason of: (a) retirement at normal retirement age with the agreement of the board of directors; (b) death; (c) permanent illness or incapacity (other than due to drug or alcohol dependency) or disability; (d) the employment being terminated (irrespective of which party that terminates the employment) otherwise than by Orexo For Cause (as defined below); or (e) by any other reason where the board of directors determines in its discretion that a leaver is a Good Leaver. “**For Cause**” means material breach of terms of employment, fraud, gross or serious misconduct or any other similar circumstances that justify the termination of a person’s employment without notice.

**(B) Share Price-vested Performance Shares**

The Share Price-vested Performance Shares shall, for each employee, be exercisable depending on (i) the fulfillment of both of the performance criteria as set forth below (the “**Performance Criteria**”) and provided that (ii) the holder at such date is still employed within the Orexo group or that the employment has expired in circumstances where the holder is a Good Leaver. However, if the employment is terminated (irrespective of which party that terminates the employment) in circumstances where the holder is not a Good Leaver, no Performance Shares shall be exercisable by the employee, whether or not previously vested, and any and all Performance Shares held by such employee shall immediately become void upon notice of termination. In the event of termination (irrespective of which party that terminates the employment) in circumstances where the holder is a Good Leaver, the exercise period shall (except in connection with subparagraphs (b) and (c) above in the definition of Good Leaver) be 30 days as from the expiry of the employment, after which period all Performance Shares shall become void unless exercised during such 30-day period.

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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.

<b>Increase in Share Price</b>	<b>Vesting percentage of Share Price-vested Performance Shares (also conditional upon the fulfillment of Performance Criterion 2 below)</b>
> 60 per cent (or Share Price of SEK 64 *)	33 per cent
> 100 per cent (or Share Price of SEK 80*)	66 per cent
> 150 per cent (or Share Price of SEK 100*)	100 per cent

These categories correspond to a five year average return performance of approximately 10 per cent per annum, 15 per cent annum and 20 per cent per annum respectively.

\* Example based on a starting Share Price of SEK 40.9, which corresponds to the closing share price for the Orexo share on NASDAQ OMX Stockholm on 4 January 2011.

**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.

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

Issued Performance Shares 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 holders 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.

**Hedge of the Share Program and dilution**

In order to secure that Orexo can meet its obligations to the participants in the Share Program at the

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time of exercise of the Performance Shares, it is proposed that the shareholders' meeting resolves to issue not more than 1,540,000 warrants with the right to subscribe for new shares to the wholly-owned subsidiary Pharmacall AB. These warrants shall be used to secure that the company can fulfill its obligation to the participants in the Share Program at the time of exercise.

As set forth on Orexo's website the existing incentive programs comprise options with the right to subscribe for 1,531,801 new shares in total.

Based on the existing number of shares and votes and all outstanding warrants, the dilution, as a consequence of the proposed Share Program, assuming that all warrants are exercised for subscription of new shares, will not be more than 5.8 per cent of the shares and votes.

Based on the existing number of shares and votes and all outstanding warrants, the dilution, as a consequence of outstanding warrants under the existing incentive programs and the proposed Share Program, assuming that all warrants are exercised for subscription of new shares, will not be more than approximately 11.6 per cent of the shares and votes.

### ***Costs for the Share Program and value***

The costs for the Share Program 2011/2021, which are charged in the profit and loss account, are based on the accounting standard IFRS 2 and distributed on a straight line basis over the vesting period. The board of directors has allowed for a preliminary calculation of the theoretical value of the possibility to receive allocations of Time-vested Performance Shares in Orexo based on the fulfillment of the vesting criteria set out above. The Time-vested Performance Shares has graded vesting with 1/5 of the shares vesting annually. The calculation has been made based on the following assumptions: (i) a market price of SEK 40.9<sup>1</sup> and (ii) an assessment of future volatility in respect of the company's share established by the board of directors. Based on these assumptions, the value has been calculated to SEK 15.3-18.0 (37.4-44.0 per cent of SEK 40.9) dependent on the expected duration. The board of directors has allowed for a preliminary calculation of the theoretical value of the possibility to receive allocations of Share Price-vested Performance Shares in Orexo based on the fulfillment of the performance vesting criteria set out above. The calculation has been made based on the following assumptions: (i) a market price of SEK 40.9 (ii) an assessment of future volatility in respect of the company's share established by the board of directors (iii) the correlation between the company's share and the NASDAQ OMX Stockholm Biotechnology PI Index and (iv) the volatility of the NASDAQ OMX Stockholm Biotechnology PI Index. Based on these assumptions, the value has been calculated to SEK 13.1 (32.0 per cent of SEK 40.9).

In total, this can lead to maximum costs for the Share Program 2011/2021 of approximately SEK 20.7 million, excluding social security charges. The costs for social security charges are calculated to approximately SEK 6.7 million assuming a share price upon final allocation of SEK 70 and an exercise based on the fulfillment of the vesting criteria of 50 per cent of maximum allocation. In addition to what is set forth in the above section, the maximum costs for the Share Program 2011/2021 have been based on historical employee turnover for the group of 5 per cent.

### ***Reasons and existing incentive programs***

The reasons for adopting Orexo's performance-based, long-term incentive program 2011/2021 are that the board of directors finds it important to attract, incentivize and retain qualified employees to

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<sup>1</sup> Corresponding to the closing share price for the Orexo share on NASDAQ OMX Stockholm on 4 January 2011.

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the group and that the current and future senior executives are given the opportunity to become owners of Orexo. 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, particularly as the exercise of the Performance Shares presupposes that the holder is still employed by the group. As the Share Program is intended to be an incentive for the employees in the Orexo group, it is assessed to positively influence the future development of the group and thereby be valuable for the shareholders.

For a description of the company's existing long-term incentive programs please see the company's annual report for 2009, note 15, and the company's website, [www.orexo.com](http://www.orexo.com).

### ***Majority requirements***

According to the Swedish Securities Council's ruling 2002:1, the majority requirements set out in Chapter 16 regarding certain directed issues etc. of the Swedish Companies Act shall apply to a resolution in accordance with the board of directors' proposal. Thus the resolution requires support of shareholders representing not less than nine tenths of the submitted votes as well as of the shares represented at shareholders' meeting.

### ***Other***

The board of directors of Orexo has appointed a remuneration committee for administration of, inter alia, incentive programs. The remuneration committee consists of Håkan Åström, Michael Shalmi and Ray Hill. The remuneration committee has, after consultations with the largest shareholders, prepared guidelines for the proposed Share Program. These guidelines have been formally adopted by the board of directors on 10 January 2011.

Certain deviations in or adjustments of the terms and conditions for the Share Program may be made for participants outside Sweden based on local rules and regulations as well as applicable market practice. The board shall have the possibility to decide that Performance Shares shall be deemed not having vested to the extent vesting has occurred on the basis of manifestly misstated information.

The board of directors shall be responsible for the preparation and management of the Share Program, within the framework of the aforementioned terms and conditions, including customary provisions on acceleration of vesting in case of a takeover and recalculation in connection with certain corporate actions such as rights issues, etc.

**The board of directors' of Orexo AB proposal regarding issue of warrants with the right to subscribe for new shares and approval of disposal of the warrants**

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***Issue of warrants with right to subscribe for new shares***

The board of directors of Orexo proposes that the shareholders' meeting resolves that the company shall issue no more than 1,540,000 warrants with the right to subscribe for new shares, whereby the company's share capital may be increased with no more than SEK 616,000. For the issue of warrants, the following conditions shall apply.

1. Only the wholly-owned subsidiary Pharmacall AB (Reg. No. 556569-1739) shall have the right to subscribe for the warrants.
2. The warrants shall be issued free of charge.
3. Subscription of the warrants shall be made not later than 31 December 2011.
4. Other terms and conditions for the warrants are set forth in Appendix B(i).
5. The chairman of the board of directors or the person that the chairman appoints shall have the authority to make such minor adjustments of this resolution as may be required in connection with the registration with the Swedish Companies Registration Office or Euroclear Sweden AB.

***Approval of disposal of the warrants***

The board of directors proposes that the shareholders' meeting approves that Pharmacall AB disposes of the warrants to meet the obligations associated with the Performance Shares issued under Orexo's performance-based, long-term incentive program 2011/2021.

The reasons for the deviation from the shareholders' preferential rights are that the board of directors considers it important to be able to attract, incentivize and retain qualified employees to the group and that the current and future senior executives of the group are given the opportunity to become owners of Orexo. The board of directors is of the opinion that this strengthens the interest for Orexo's business and also stimulates company loyalty for the years to come. As the Share Program is intended to be an incentive for the employees in the Orexo group, it is expected to have a positive effect on the future development of the group and thereby be valuable for the shareholders.

Chapter 16 regarding certain directed issues etc. of the Swedish Companies Act applies to the resolution in accordance with the proposal and requires support of shareholders representing not less than nine tenth of the submitted votes as well as of the shares represented at the shareholders' meeting.

## **Terms and conditions for Orexo AB's warrants 2011/2021**

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### **§ 1 Definitions**

In these terms and conditions the following terms shall have the meanings set forth below:

“banking day”	Day in Sweden which is not a Sunday or any other public holiday;
“Bank”	The bank or account operator that the company appoints to handle certain issues in relation to this plan;
“Company”	Orexo AB, Reg. No. 556500-0600;
“holder”	Holder of warrants;
“subscription”	Such subscription of new shares in the Company through the exercise of a warrant in accordance with Chapter 14 of the Swedish Companies Act;
“subscription price”	The price to be paid upon subscription of new shares;
“warrant”	The right to subscribe for a share in the Company with payment in cash in accordance with these terms and conditions;
“Euroclear”	Euroclear Sweden AB.

### **§ 2 Warrants**

The number of warrants amounts to not more than 1,540,000.

The warrants shall be registered by Euroclear in a securities depository register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479) and, as a consequence, no physical securities will be issued.

The warrants are registered on behalf of the holder at an account in the Company's securities depository register. Registration of the warrants as a consequence of measures according to §§ 5, 6, 7 and 9 below shall be made by the Bank. Other registration measures with respect to the account shall be made by the Bank or other account operator.

### **§ 3 The right to subscribe for new shares**

The holder shall for each warrant have the right to subscribe for one new share in the Company.

The subscription price shall amount to SEK 0.4 per share. Re-calculation of the subscription price as well as the number of new shares, which each warrant entitles to subscription for, can be made in the cases set forth in § 7 below. Subscription can only be made for the entire number of shares, to which the aggregate number of warrants, that each holders wishes to exercise at the same time, entitle.

### **§ 4 Application for subscription and payment**

Application for subscription of shares can occur during the period from the registration of the issue of warrants with the Swedish Companies Registration Office up to and including 31 December 2021, or from and including and up to and including such earlier day as set forth in § 7, subsection



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K, L, M and N below.

Upon such application, a completed application form, in accordance with a pre-established form, shall be filed with the Bank or other account operator that shall forward the application form to the Bank. The application for subscription is binding and cannot be revoked by the subscriber.

At the application of subscription, payment in cash shall immediately be made for the number of shares to which the application for subscription refers.

## **§ 5 Registration in the share register etc**

Following the allocation, the subscription is effected by registration of the new shares in Company's share register as interim shares. When the Swedish Companies Registration Office has registered the new shares, the registration of the new shares at the VP-account becomes final. As set out in §§ 6 and 7 below such final registration may under certain circumstances be delayed.

## **§ 6 Dividend on new shares**

Application for subscription made at such time that it can not be effected no later than on the tenth calendar day before the record day for dividend as resolved by or proposed to the shareholders' meeting, is effected after the record day for the dividend. Shares issued as a consequence of subscription that has been effected after the record day for the dividend, are registered as interim shares at the VP-account, and thus are not entitled to any dividend.

## **§ 7 Recalculation of the subscription price etc**

- A. In the event the Company carries out a bonus issue – where application for subscription is made at such time that the subscription cannot be effected on or before the tenth calendar day prior to the shareholders' meeting regarding the bonus issue – such subscription shall be effected only after a resolution with respect to the bonus issue has been passed by the shareholders' meeting. Shares allotted as a consequence of a subscription effected after the resolution to carry out the issue are temporarily registered at the VP-account and do not entitle the holders to participate in the bonus issue. The final registration at the VP-account will occur first after the record day for the bonus issue.

In connection with subscriptions effected after the resolution regarding the bonus issue, the subscription price as well as the number of shares to which each warrant entitles the holders to subscribe for, shall be recalculated. The recalculations shall be carried out by the Company in accordance with the following formulas:

$$\begin{array}{l} \text{the recalculated} \\ \text{subscription price} \end{array} = \frac{\text{the previous subscription price } X}{\frac{\text{the number of shares prior to the bonus issue}}{\text{the number of shares following the bonus issue}}}$$

$$\begin{array}{l} \text{the recalculated number} \\ \text{of shares that each warrant} \\ \text{entitles to} \end{array} = \frac{\text{the previous number of shares that each warrant entitles to } X}{\frac{\text{the number of shares following the bonus issue}}{\text{the number of shares prior to the bonus issue}}}$$

Shares held by the Company shall not be considered in connection with the recalculation in accordance with the formulas above. The subscription price as well as the number of

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shares, recalculated in accordance with the above, shall be determined by the Company as soon as possible following the resolution of the shareholders' meeting regarding the bonus issue but shall not be applied prior to the record day for the issue.

B. In the event the Company carries out a reverse share split or a share split, subsection A above shall apply, whereby the record day shall be the day when the reverse share split or share split, respectively, is registered with Euroclear, upon the request of the Company.

C. In the event the Company carries out a new issue of shares with payment in cash or by way of set off, with preferential rights for the shareholders, the following shall apply with respect to the right to participate in the share issue as regards shares allocated as a consequence of exercise of warrants:

1. Should the board of directors resolve to issue shares subject to the approval of the shareholders' meeting, or in accordance with an authorization of the shareholders' meeting, the resolution to issue shares shall set forth the last date upon which the subscription shall be effected in order for the shares, allocated as a consequence of exercise of warrants, to entitle the holders to participate in the issue of new shares. Such date may not be earlier than the tenth calendar day following the resolution.
2. Should the shareholders' meeting resolve to issue new shares, applications for subscription that is made at such time that it cannot be effected on or before the tenth calendar day prior to the shareholders' meeting regarding the issue of new shares shall be effected only after the Company has made the recalculation in accordance with this subsection C, penultimate paragraph. Shares allotted in accordance with such subscription are temporarily registered at the VP-account and do not entitle the holders to participate in the issue.

A recalculated subscription price, as well as a recalculated number of shares to which each warrant entitles to, is applied to subscriptions which are effected at such times that a right to participate in new issues of shares does not arise. The recalculations shall be carried out by the Company in accordance with the following formulas:

$$\begin{array}{l} \text{recalculated} \\ \text{subscription price} \end{array} = \frac{\begin{array}{l} \text{the previous subscription price X} \\ \text{the share's average stock exchange price during the} \\ \text{subscription period set forth in the resolution regarding the} \\ \text{issue (the average price of the share)} \\ \text{the average price of the shares increased by the theoretical} \\ \text{value of the subscription right calculated on the basis thereof} \end{array}}{\begin{array}{l} \text{the previous number of shares which each warrant entitles} \\ \text{to subscription for X} \\ \text{(the average price of the shares increased by the theoretical} \\ \text{value of the subscription right calculated on the basis thereof)} \\ \text{the average price of the share} \end{array}}$$

The average price of the share shall be deemed to correspond to the average of the highest and lowest stock exchange prices according to the Stockholm Stock

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Exchange's official price list or in accordance with another comparable market quotation for each exchange day during the subscription period. In the event that no transaction price is quoted, the bid price that is quoted as the closing price shall instead form the basis of the calculation. Days for which there are neither a transaction price nor a bid price, shall not be included in the calculation.

The theoretical value of the subscription right shall be calculated in accordance with the following formula:

$$\text{the value of the subscription right} = \frac{\text{the maximum number of new shares that may be issued pursuant to the resolution X} \times (\text{the average price of the share} - \text{the subscription price for the new share})}{\text{the number of shares prior to the resolution regarding the issue of new shares}}$$

Shares held by the Company shall not be considered in connection with the recalculation in accordance with the formula above. In the event of a negative value, the theoretical value of the subscription right shall be determined to be zero.

The recalculated subscription price and the recalculated number of shares set forth above shall be determined by the Company two banking days following the expiration of the subscription period and shall apply to subscriptions effected thereafter.

Subscriptions shall only be effected on a preliminary basis during the period up to the date upon which the recalculated subscription price and the recalculated number of shares to which each warrant entitles to are determined, whereby the number of shares that each warrant entitles to, before recalculation, will be temporarily registered at the VP-account. It is further noted that each warrant, following recalculation, may entitle to additional shares and/or a cash amount according to § 3 above. Final registration will be made when the recalculations have been determined.

- D. In the event the Company carries out an issue in accordance with Chapters 14 or 15 of the Swedish Companies Act with payment in cash or by way of set off, with preferential rights for the shareholders, the provisions contained in subsection C, first paragraph, subsections 1 and 2 shall apply with respect to the right to participate in the issue for shares which were allotted as a consequence of subscription through exercise of warrants.

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In connection with subscriptions effected at such times that the right to participate in new issues of shares does not arise, a recalculated subscription price as well as a recalculated number of shares to which each warrant entitles to subscription for shall be applied. The recalculations shall be made by the Company in accordance with the following formula.

$$\begin{array}{l} \text{the recalculated subscription price} = \\ \text{the recalculated number of shares that each warrant} \\ \text{entitles to subscription for} \end{array} \begin{array}{l} = \\ \\ = \end{array} \begin{array}{l} \text{the previous subscription price X} \\ \text{the share's average stock exchange price during the} \\ \text{subscription period set forth in the resolution} \\ \text{regarding the issue (the average price of the share)} \\ \text{(the average price of the share increased by the value of the} \\ \text{subscription right)} \\ \\ \text{the previous number of shares which each warrant} \\ \text{entitled the holder to subscribe for X} \\ \text{(the average price of the share as increased by value of the} \\ \text{subscription right)} \\ \text{the average price of the share} \end{array}$$

The average price of the share shall be calculated in accordance with the provisions set forth in subsection C, above.

The value of the subscription right shall be deemed to correspond to the average of the highest and lowest transaction prices of each date, as stated in the Stockholm Stock Exchange's official price list or in accordance with a comparable market quotation, for each exchange day during the subscription period. In the event no transaction price is quoted, the bid price which is quoted as the closing price shall form the basis of the calculation. Days for which there is neither a transaction price nor a bid price shall not be included in the calculation.

The recalculated subscription price and the recalculated number of shares as set forth above shall be determined by the Company two banking days following the expiration of the subscription period and shall apply to subscriptions effected thereafter.

To a subscription effected during the period prior to the determination of the recalculated subscription price and the recalculated number of shares, the provisions in subsection C, final paragraph above, shall apply.

- E. In the event the Company, under circumstances other than those set forth in subsections A through D above, directs an offer to the shareholders, with preferential right pursuant to Chapter 13 § 1 of the Swedish Companies Act, to purchase securities or rights of any type from the Company, or where the Company resolves, pursuant to the principles set forth above, to distribute to its shareholders such securities or rights free of charge (the "offer"), a recalculated subscription price as well as a recalculated number of shares that each warrant entitles to subscription for, shall apply to subscription for shares made at such time that shares allocated as a consequence of such subscription do not entitle the holders to participate in the offer. The recalculation shall be made by the Company in accordance with the following formula:

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the recalculated subscription price = the previous subscription price X  
the average stock exchange price of the share  
during the application period set forth in the offer  
(the average price of the share)  
the average price of the share as increased by the  
value of the right to participate in the offer

the recalculated number of shares that each warrant entitles to subscription for = the previous number of shares which each warrant entitles to subscription for X  
(the average price of the share increased by the  
value of the purchase right)  
the average price of the share

The average price of the share shall be calculated in accordance with the provisions set forth in subsection C above.

In the event the shareholders have received purchase rights, and trading with these rights has occurred, the value of the right to participate in the offer shall be deemed to be equal to the value of the purchase right. The value of the purchase right shall be deemed to correspond to the average of the highest and lowest transaction prices according to the Stockholm Stock Exchange's official price list or a comparable market quotation for each exchange day during the subscription period. In the event no transaction price is quoted, the bid price which is quoted as the closing price shall form the basis of the calculation. Days for which there is neither a transaction price nor a bid price shall not be included in the calculation.

In the event that the shareholders have not received purchase rights, or if trade in the purchase rights as referred to in the preceding paragraph has not taken place, a recalculation of the subscription price and the number of shares shall be made, to the extent possible, in accordance with the principles set forth in this subsection E, whereby the following shall apply. Where the securities or rights which are offered to the shareholders are listed on a stock exchange, the value of the right to participate in the offer shall be deemed to correspond to the average of the highest and lowest transaction prices for these securities or rights on the Stockholm Stock Exchange or any other relevant market quotation for each exchange day during a period of twenty-five (25) exchange days commencing on the first day of the listing, where applicable, decreased by the consideration paid for such securities in connection with the offer. In the event no transaction price is quoted, the bid price which is quoted as the closing price shall form the basis of the calculation. Days for which neither a transaction price nor a bid price is quoted shall not be included for the purposes of the calculation. Upon recalculation of the subscription price and the number of shares in accordance with this paragraph, the application period as set forth in the offer shall be deemed to correspond to the above mentioned period of twenty-five (25) exchange days. In the event a listing of the securities or rights which are offered to the shareholders does not take place, the value of the right to participate in the offer shall, to the extent possible, be established based upon the change in the market value of the Company's shares which may be deemed to have arisen as a consequence of the offer.

The subscription price and the number of shares, as recalculated in accordance with the above, shall be determined by the Company as soon as possible after the expiration of the

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application period and shall apply to subscription for shares effected thereafter.

To a subscription effected during the period prior to the determination of the recalculated subscription price and the recalculated number of shares, the provisions in subsection C, final paragraph above, shall apply.

- F. In the event the Company carries out an issue of new shares or an issue pursuant to Chapters 14 or 15 of the Swedish Companies Act with payment in cash or by way of set off, with preferential right for the shareholder, the Company may grant all holders the same preferential right which, according to the resolution, the shareholders have. In such a situation, each holder, irrespective of whether subscription has been effected, shall be deemed to be the owner of such number of shares which the holder would have received had subscription of such number of shares that each warrant entitled to been effected at the time of the resolution regarding the issue. The fact that the holder could have received a cash amount in accordance with § 3 above shall not result in any right with respect to the issue.

Should the Company resolve to direct such an offer, as specified in subsection E above to the shareholders, the provisions set forth in the preceding paragraph shall apply. However, the number of shares which the holders shall be deemed to hold in such case shall be determined on the basis of the subscription price applicable at the time of the resolution regarding the offer.

In the event the Company resolves to grant the holders preferential right in accordance with the provisions set forth in this subsection F, no recalculation shall take place in accordance to subsections C, D or E above.

- G. In the event the Company resolves to pay a cash dividend to the shareholders which, together with other dividends paid during the same financial year, exceeds fifteen per cent (15%) of the share's average price during a period of twenty-five (25) exchange days immediately prior to the date upon which the board of directors of the Company announces its intention to propose that the shareholders' meeting resolves upon such dividend, shall a recalculated subscription price and a recalculated number of shares apply to application of subscription made at such time that the shares received do not entitle the shareholder to receive such dividend. The recalculation shall be based on the portion of the total dividend exceeding fifteen per cent (15%) of the share's average price during the abovementioned period (the "extraordinary dividend"). The recalculations shall be carried out in accordance with the following formulas:

$$\begin{array}{l} \text{the recalculated} \\ \text{subscription price} \end{array} = \frac{\begin{array}{l} \text{the previous subscription price X} \\ \text{the share's average stock exchange price during a period of 25} \\ \text{stock exchange days commencing on the day the share} \\ \text{was listed without a right to an extraordinary dividend} \\ \text{(the average price of the share)} \end{array}}{\begin{array}{l} \text{the average price of the share increased by the} \\ \text{value of the extraordinary dividend paid per share} \end{array}}$$

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the recalculated number of shares that each warrant entitles to subscription for	=	the previous number of shares which each warrant entitles to subscription for X (the average price of the share increased by <u>the extraordinary dividend paid per share</u> ) the average price of the share
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The average price of the share shall be deemed to be equivalent to the average of the highest and lowest transaction prices quoted on the Stockholm Stock Exchange's official price list or in accordance to a comparable market quotation for each exchange day during the aforementioned twenty-five (25) day period. In the event no transaction price is quoted, the bid price which is quoted as the closing price shall instead form the basis of the calculation. Days for which neither a transaction price nor a bid price is quoted shall not be included for the purposes of the calculation.

The recalculated subscription price and number of shares in accordance to above shall be determined by the Company two banking days after the expiration of the aforementioned period of twenty-five (25) exchange days, and shall apply to subscriptions effected thereafter.

If an application for subscription has taken place but due to the provisions in § 6 above, final registration at the VP-account has not taken place, it shall be noted that each warrant following recalculations may entitle to additional shares and/or a cash amount in accordance with § 3 above. Final registration at the VP-account takes place after the recalculation made by the Company, however, not earlier than at the point of time set forth in § 6 above.

H. If the Company's share capital is reduced together with a distribution to the shareholders, and such reduction is compulsory, a recalculated subscription price and a recalculated number of shares that each warrant entitles to subscription for shall apply. The recalculations shall be made by the Company in accordance with the following formulas:

the recalculated subscription price	=	the previous subscription price X the share's average stock exchange price during a period of 25 stock exchange days commencing on the day the share was listed without a right to repayment <u>(the average price of the share)</u> the average price of the share increased by the amount distributed per share
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the recalculated number of shares that each warrant entitles to subscription for	=	the previous number of shares which each warrant entitled the holder to subscribe for X (the average price of the share as increased by the <u>amount distributed per share</u> ) the average price of the share
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The average price of the share shall be calculated in accordance with the provisions set forth in subsection C above.

In connection with recalculation in accordance with above, and if the reduction in the share capital is effected through redemption of shares, a recalculated amount of repayment

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shall be used in lieu of the actual amount per share that is repaid, in accordance with the following:

$$\begin{array}{l} \text{the recalculated} \\ \text{repayment amount} = \\ \text{per share} \end{array} = \frac{\begin{array}{l} \text{the actual amount repaid per redeemed share} \\ \text{reduced by the average stock exchange price of the share for} \\ \text{a period of 25 exchange days immediately prior to the date} \\ \text{upon which the share was listed without a right to participate} \\ \text{in the reduction (the average price of the share)} \end{array}}{\begin{array}{l} \text{the number of shares in the Company upon which the redemption of} \\ \text{a share is based, decreased by one (1)}. \end{array}}$$

The average price of the share shall be calculated in accordance with the provisions set forth in subsection C 1 above.

The recalculated subscription price and number of shares set forth above shall be determined by the Company two banking days after the expiration of the aforementioned period of twenty-five (25) exchange days and shall apply to subscriptions effected thereafter.

Subscription is not effected during the time from the resolution regarding the reduction up to and including the day when the recalculation of the subscription price and the number of shares is determined as set out above.

In the event the Company's share capital is reduced through a redemption of shares with repayment to the shareholders and the reduction is not mandatory, or if the Company, without a reduction of the share capital, should carry out a re-purchase of the Company's shares, and when in the opinion of the Company, considering the technical structure and the financial effects of such measure, it can be viewed as a mandatory reduction, recalculation of the subscription price and the number of shares that each warrant entitles to subscription for shall take place by application, to the extent possible, of the principles specifically set forth above in this subsection H.

- I. In the event the Company carries out any measure as set forth above in subsections A-E, G or H above and it is the opinion of the Company, considering the technical structure of the measure, or due to any other reason, that the application of the intended recalculation formula may not be used, or would lead to an unreasonable financial return for the holders of the warrants compared to that of the shareholders, the Company shall, providing that the Company's board of directors gives its written consent thereto, carry out a recalculation of the subscription price and the number of shares that each warrant entitles to subscription for, for the purpose of ensuring that such recalculation leads to a fair result.

In case the Company carries out a measure as set forth in this § 7 which would result in a recalculation of the subscription price to an amount lower than the quota value of the share, such recalculation shall not be carried out. A recalculation shall in such case instead be made in a way which leads to a fair result without having as an effect that the subscription price is lower than the quota value of the share.

- J. In connection with recalculations in accordance with the above, the subscription price shall be rounded off to the nearest ten öre of a Swedish krona (SEK 0.10), whereby five öre



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(SEK 0.05) shall be rounded upwards and number of shares be rounded off to two decimals.

- K. In the event it is resolved that the Company shall enter into liquidation in accordance with Chapter 25 of the Swedish Companies Act, irrespective of the grounds for such liquidation, subscription may not be effected thereafter. The right to apply for subscription shall expire upon the resolution to liquidate the Company irrespective of whether such resolution has entered into effect.

Notice in accordance with § 10 below with respect to the intended liquidation shall be given to all known holders at a date not later than two months prior to the date of the shareholders' meeting regarding the voluntary liquidation of the Company pursuant to Chapter 25 Section 1 of the Swedish Companies Act. The notice shall state that applications for subscriptions may not be made following the resolution by the shareholders to liquidate the Company.

In the event the Company gives notice of the intended liquidation in accordance with above, each holder, regardless of what is stated in § 4 regarding the earliest date upon which to apply for subscription, shall be entitled to apply for subscription from the date upon which the notice is given, provided that it is possible to effect such a subscription no later than on the tenth calendar day prior to the shareholders' meeting at which the liquidation shall be resolved upon.

- L. In the event the shareholders' meeting approves a merger plan pursuant to Chapter 23 Section 15 of the Swedish Companies Act, whereby the Company is to be merged into another company, application for subscription may not be effected after such date.

Notice in accordance with § 10 below with respect to the intended merger shall be given to all known holders at a date not later than two months prior to the date of the shareholders' meeting regarding the merger. The notice shall set forth the substantial content of the intended merger plan and remind the holders that applications for subscriptions may not be made following the adoption of the final resolution regarding the merger by the shareholders.

In the event the Company gives notice of the intended merger in accordance with above, each holder, regardless of what is stated in § 4 regarding the earliest date upon which to apply for subscription, shall be entitled to apply for subscription from the date upon which the notice regarding the intended merger is given, provided that it is possible to effect the subscription no later than on the tenth calendar day prior to the shareholders' meeting at which the merger plan, whereby the Company shall be merged into another company, shall be approved.

- M. In the event the Company's board of directors prepares a merger plan in accordance with Chapter 23 Section 28 of the Swedish Companies Act pursuant to which the Company shall be merged into another company, or if the Company's shares become subject to a compulsory purchase procedure pursuant to Chapter 22 of the same act, the following shall apply.

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In the event a Swedish limited liability company owns all the shares in the Company, and where the Company's board of directors announces its intention to prepare a merger plan in accordance with the provisions specified in the preceding paragraph, the Company shall establish a new final day for application for subscriptions ("expiration date") in the event the final day for share subscription pursuant to § 4 above falls on a day after the announcement. The new expiration date shall be set at a date within sixty (60) days after the announcement.

Where announcement has been made in accordance with the provisions set forth above in this subsection M, the holders shall be entitled to apply for subscription until the expiration date, regardless of the provisions stated in § 4 above with respect to the earliest date upon which the subscription can be effected. The Company shall provide written notice in accordance with § 10 to the known holders not later than four weeks prior to the expiration date with respect to this right and the fact that the holder may not apply for subscription after the expiration date.

- N. In the event the shareholders' meeting approves a de-merger plan in accordance with Chapter 24 Section 17 of the Swedish Companies Act, whereby the Company is divided by all of its assets and liabilities being transferred to two or several other companies, application for subscription may not be made after such date.

Written notice with respect to the intended de-merger shall be given to all known holders at a date not later than two months prior to the date of the shareholders' meeting regarding the de-merger. The notice shall include a description of the main provisions of the intended de-merger plan and remind the holders that applications for subscriptions may not be made following the final resolution regarding the de-merger.

In the event the Company gives notice of the intended de-merger in accordance with above, each holder, regardless of what is stated in § 4 regarding the earliest date upon which to apply for subscription, shall be entitled to apply for subscription from the date upon which the notice is given, provided that it is possible to effect the subscription no later than on the tenth calendar day prior to the shareholders' meeting at which the de-merger shall be resolved upon.

- O. Notwithstanding what is set forth in subsections K, L, M and N above regarding that subscription may not take place following a resolution to liquidate the Company, the approval of a merger plan, after the new expiration date in connection with a merger, or approval of a de-merger plan, the right to apply for subscription shall apply in the event the liquidation is terminated or the merger or de-merger is not carried out.
- P. In the event the Company is placed into bankruptcy, application for subscription may not thereafter be made. In the event, however, that the order placing the Company into bankruptcy is annulled by a court of higher instance, subscription may again take place.

## **§ 8 Broker**

For warrants that are registered in the name of a bank trust department or with a private securities

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broker according to the Swedish Financial Instrument Accounts Act, the trust department or the private securities broker shall be considered as the holder under these terms and conditions.

## **§ 9 Notices**

Notices regarding the warrants shall be made to each registered holder and other person holding a right that is registered at a VP-account in the Company's securities depository register. If the warrants are listed at the Stockholm Stock Exchange, the Stockholm Stock Exchange and Tidningarnas Telegrambyrå shall also be notified.

## **§ 10 Amendment of terms and conditions**

The Bank may, on behalf of the holders, enter into agreements with the Company regarding amendments of these terms and conditions if required by the law, court decisions or decisions by authorities or if it otherwise – according to the Bank's opinion – is appropriate or necessary due to practical reasons and the holders' rights are not materially deteriorated.

## **§ 11 Confidentiality**

The Company, the Bank or Euroclear may not unauthorised disclose information to a third party regarding the holders.

The Company has the right to get the following information from Euroclear regarding the holder's account with Euroclear in the Company's securities depository register.

1. the holder's name, social security number or any other identification number and the postal address, and
2. the number of warrants.

## **§ 12 Limitations regarding the responsibility of the bank and Euroclear**

For the measures that shall be taken by the Bank or Euroclear – regarding Euroclear with respect to the provisions in the Swedish Financial Instrument Accounts Act – the Bank and Euroclear is not liable for damages as a consequence of Swedish or other countries' legislative amendments, the actions of governmental agencies in Sweden or other countries, acts of war, strikes, blockades, boycotts, lockouts or similar measures. The reservation with respect to strikes, blockades, boycotts and lockouts is applicable even where the Bank or Euroclear has taken or is the object of such measures.

Furthermore, the Bank or Euroclear are not liable to compensate for damages arising in situations in which the Bank and Euroclear have exercised a normal standard of care. The Bank is not under any circumstances liable to pay compensation for indirect damages.

In the event the Bank or Euroclear is not able to make a payment or take any other measure due to circumstances set forth in the first paragraph, the payment or the measures may be postponed until such a time that the impediment has been removed.

## **§ 13 Applicable law**

These terms and conditions for the warrants and all legal issues related hereto shall be governed by

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Swedish law. Any dispute arising out of, or in connection with, these terms and conditions shall be finally settled by arbitration in accordance with the Rules of Arbitration of the Stockholm Chamber of Commerce. The place of arbitration shall be Stockholm. The language to be used in the arbitral proceedings shall be Swedish. Arbitral proceedings conducted with reference to this arbitration clause shall be kept strictly confidential. This confidentiality undertaking shall cover all information disclosed in the course of such arbitral proceedings, as well as any decision or award that is made or declared during the proceedings. Information covered by this confidentiality undertaking may not, in any form, be disclosed to a third party. In case warrants are assigned or transferred to a third party, such third party shall automatically be bound by the provisions of this arbitration clause.

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