

**Press release, 4 March 2008**

## **Notice of Annual General Meeting in Orexo AB**

The shareholders in Orexo AB (publ), Reg. No. 556500-0600, are hereby summoned to the annual general meeting (the "Meeting"), to be held on Thursday 3 April 2007, at 5.00 pm at IVA's Konferenscenter, Grev Turegatan 16 in Stockholm, Sweden.

### ***Participation, etc***

Shareholders, who wish to participate in the Meeting, must be recorded in the share register maintained by VPC AB (the Swedish Central Securities Depository) on Friday 28 March 2008, *and* must notify the Company of their intention to participate in the Meeting not later than 4 pm on Monday 31 March 2008 in writing to Orexo AB, P.O. Box 303, SE-751 05 Uppsala, Sweden. Such notification can also be made by telephone +46 (0) 18 780 88 00, by telefax +46 (0) 18 780 88 88, or by e-mail [malena.stenson@orexo.se](mailto:malena.stenson@orexo.se). The notification shall set forth the name, address, telephone number (daytime), personal/corporate identity number, the number of shares held and, when applicable, information about representatives and assistants. Per the day of this notice there are 21,617,395 shares and votes outstanding in the company.

### ***Nominee shares***

Shareholders whose shares have been registered in the name of a nominee through the trust department of a bank or similar institution must temporarily re-register their shares in their own names in the shareholders' register maintained by VPC AB to be entitled to participate in the Meeting. Shareholders must inform their nominee of such re-registration well before Friday 28 March 2008, when such re-registration must have been executed.

### ***Proxy, etc***

Shareholders represented by proxy shall issue a written and dated power of attorney for the proxy. If the power of attorney is issued on behalf of a legal entity, a certified copy of a registration certificate for the legal entity shall be appended. The power of attorney and the registration certificate may not be older than one year. The power of attorney in original and, when applicable, the registration certificate, should be submitted to the company by mail at the address indicated above well before the Meeting. A proxy form is held available at the company's web site, [www.orexo.com](http://www.orexo.com), and will also be sent to shareholders who so request and who inform the company of their postal address.

### ***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. 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.
8. Speech by the managing director.
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 of directors and the managing director.
13. Determination of the number of members and deputy members of the board of directors and the number of auditors.
14. Determination of fees for the members of the board of directors and the auditors.
15. Election of members and chairman of the board of directors and election of auditors.
16. Proposal regarding the adoption of the board member share plan 2008/2015 and the issuance of warrants to subscribe for new shares, and approval of disposal of the warrants issued under the board member share plan.
17. Proposal regarding principles and guidelines for remuneration for the management.
18. Proposal regarding nomination committee.
19. Proposal regarding authorisation for the board of directors to resolve to issue new shares with payment in kind.
20. Proposal regarding the adoption of the employee stock option plan 2008/2018 and the issuance of warrants to subscribe for new shares, and approval of disposal of the warrants issued under the employee stock option plan.
21. Closing of the meeting.

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

The nomination committee of Orexo AB, which consists of Håkan Åström (chairman of the board of directors), Björn Odlander (HealthCap), Annika Andersson (Fjärde AP-fonden), and Bengt Belfrage (Nordea Fonder), together representing approximately 40 per cent of the votes for all shares in the company, proposes:

- that Johan Cederlund from Advokatfirman Vinge is elected chairman of the Meeting (item 2),
- that the board of directors shall consist of 7 board members with no deputy members (item 13),
- that a registered auditing firm should be appointed (item 13),
- that the fees to the board of directors shall amount to SEK 1,850,000 to be allocated as follows: SEK 500,000 to the chairman, SEK 300,000 to Ray Hill, SEK 150,000 to each of the other board members who are not employed by the company, and in total SEK 300,000 to be equally allocated to the members of the remuneration, product development and auditing committee for the work performed in these committees, and that the fees to the auditor shall be paid against approved accounts (item 14),
- that the members of the board of directors Monica Caneman, Johan Christenson, Staffan Lindstrand and Kjell Strandberg are re-elected and that Ray Hill and Bengt Samuelsson are elected as new members (of the board of directors), and that Håkan Åström is re-elected chairman of the board of directors (item 15), and
- that PricewaterhouseCoopers AB is re-elected as the company's auditor with Leonard Daun as the auditor in charge for the time until the end of the annual general meeting 2012 (item 15).

Hans Peter Hasler, Laurent Ganem, Antoine Papiernik and John Sjögren have declined re-election. Ray Hill is a Visiting Professor at Bristol, Imperial and Stathclyde Universities and Director and Trustee of the Babraham Institute, Cambridge and a Director of their commercial subsidiary Babraham BioTechnology. Bengt Samuelsson has been a deputy member of Orexo since 2007. Bengt Samuelsson received the Nobel Prize in Medicine in 1982 for his research on arachidonic acid and is a member of the boards of Biotage AB, Cardoz AB, LTB4 Sweden AB and Nicox SA.

Further, the nomination committee proposes that the annual general meeting resolves to adopt the board member share plan 2008/2015, whereby the board members in the company will receive Board Shares as part of their board fee, as stipulated above. The nomination committee's proposal regarding the adoption of the board member share plan 2008/2015 is described in more detail in item 16 below.

***Allocation of the company's result (item 11)***

The board of directors and the managing director propose that the company's retained profits of SEK 310,568,500 are brought forward.

***Proposal regarding the adoption of the board member share plan 2008/2015 and the issuance of warrants to subscribe for new shares, and approval of disposal of the warrants issued under the board member share plan 2008/2015 (item 16)***

***A. Board member share plan 2008/2015***

The nomination committee proposes that the annual general meeting resolves to adopt Orexo's board member share plan 2008/2015. Board shares with an option to acquire shares in Orexo, may be issued under the board member share plan ("Board Shares"), whereby each Board Share may be exercised to acquire one share in Orexo for payment of an exercise price corresponding to the quota value of the Orexo share.

Board members participating in Orexo's board member share plan will receive 50 per cent of their board fee and their fee for committee work, if any, in cash and will be allocated a number of Board Shares, which value at the time of allocation shall correspond to 50 per cent of the remuneration of the board fee and fee for committee work, if any. Board members that, due to tax reasons or any other particular reasons, cannot receive shares shall be offered cash settlement. Issued Board Shares shall not be considered as securities and shall not be transferable to a third party.

The number of Board Shares that shall be allocated to the board member shall be based on the volume weighted average share price for the shares during the five business days following announcement of Orexo's interim report for the first quarter the year when the board member is elected or re-elected. Allocation of Board Shares will, however, be made with a maximum number that is based on the volume weighted average share price, adjusted down with 10 per cent, for the shares during the trading day that is the day of the annual general meeting the year when the board member is elected or re-elected.

The right to acquire new shares by using the Board Shares is contingent on whether the board member remains as a board member during the whole or only part of the mandate. Vesting is granted with 25 per cent the day after publication of the Orexo's interim report for the first quarter of the year and with 25 per cent after the publication of the interim reports for the second, third and fourth quarter, during the period of mandate the financial year when the board member is elected or re-elected.

The board member's right to call for exercise occurs as from the second year following the general meeting that resolved on the allocation of the Board Shares. Exercise can be made on one or several occasions. The Board Shares have a duration as from the resolution on allocation until 31 December 2015. Upon expiration of the board mandate, the board member shall call for exercise of his Board Shares on the earliest of 31 December 2015 and the date six months after the announcement of the interim report that immediately follows after the expiration of the board mandate, whereafter all Board Shares will be forfeited.

The Board Shares shall be issued free of charge and the holders that fall under Swedish tax regulations will be taxed, as income, for the difference between the market value of the Orexo share at the time of the exercise and the exercise price of the Board Share. The Orexo group shall be responsible for and shall pay social security charges in relation thereto.

In order to secure 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 annual general meeting resolves to issue not more than 27,500 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 obligations to the holders of Board Shares at the time of exercise.

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

The nomination committee proposes that the Company shall issue not more than 27,500 warrants with the right to subscribe for new shares, whereby the company's share capital may increase with not more than SEK 11,000, corresponding to approximately 0.12 per cent of the share capital and votes. The total number of outstanding warrants under the existing incentive programs corresponds to approximately 3.70 per cent of the share capital and votes in Orexo on a fully diluted basis (not including warrants under the proposed employee stock option plan 2008/2018, see item 20 below).

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 2015. The subscription price for the warrants (i.e. the amount payable upon exercise of the warrants) shall be SEK 0.4.

*C. Approval of disposal of the warrants*

The nomination committee proposes that the Meeting approves that Pharmacall AB disposes of the warrants to meet the company's obligations according to the Board Shares issued under the board member share plan.

The reasons for the deviation from the shareholders' preferential rights are that it is considered important to motivate and keep board members in Orexo and to provide the board members with an economic interest in Orexo equivalent to the shareholders'. As the board member share plan is intended to be an incentive for Orexo's board members, 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 thus the resolution requires support of shareholders representing not less than nine tenths of the votes cast as well as the shares represented at the Meeting.

***Proposal regarding principles and guidelines for remuneration for the management (item 17)***

The board of directors proposes that the Meeting resolves to approve the board of director's proposal regarding principles and guidelines for remuneration for the management as set forth below. The proposal is in all material respects in line with earlier applied guidelines for remuneration for the management of the company. "Management" refers to the managing director and the other members of the management group, which in addition to the managing director, consists of four persons. The board of directors has appointed a

remuneration committee to prepare matters regarding remuneration and other terms of employment of the management.

Orexo shall offer a total remuneration in line with the market conditions to enable the company to recruit and retain competent personnel. The remuneration to the management shall consist of fixed salary, variable remuneration, long-term incentive programs, pension and other customary benefits. The remuneration is based on the commitment and performance of the individual in relation to individual objectives and joint objectives for the company, which have been determined in advance. The individual performance is evaluated continuously.

The fixed salary is in general reviewed on a yearly basis and shall be based on the qualitative performance of the individual. The fixed salary of the managing director and the management shall be in line with the market conditions. The variable remuneration shall take into consideration the level of responsibility and influence of the individual. The size of the variable remuneration is based on the percentage of set goals met by the individual. The variable remuneration shall amount to not more than 40 per cent of the fixed salary for the managing director and the first deputy managing director and not more than 20 per cent of the fixed salary for the other members of the management. The board of directors shall in addition have the possibility, when considered appropriate and in its sole discretion, to allocate variable remuneration in the form of bonus to the management.

Orexo has adopted long-term incentive programs intended to promote the company's long-term interest by motivating and rewarding inter alia the management of the company. The long-term incentive programs consist of warrants and employee stock options. The board of directors proposes that the Meeting, in addition to the existing long-term incentive programs, resolves to adopt the employee stock option plan 2008/2018. The board of directors' proposal regarding adoption of the employee stock option plan 2008/2018 is described in more detail in item 20 below.

The managing director and the other members of the management are entitled to benefits under defined contribution pension plans. The pension premiums amount to 21 per cent of the managing director's monthly base salary and the pension premiums for the other members of the management amount to approximately 18 per cent of the fixed yearly salary. The employment agreement of the managing director may be terminated with six months notice. The employment agreements of the other members of the management are subject to termination with a notice period of three to twelve months. The managing director is entitled to a severance payment equivalent to twelve times the monthly base salary including pension but excluding bonus he had at the expiry of his employment if the company terminates the managing director's employment. There are no agreements on severance payment for the management other than as described above.

The board of directors may, in special circumstances and for specific individuals, decide to deviate from the guidelines.

### ***Proposal regarding nomination committee (item 18)***

The board of directors proposes that the annual general 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. 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 VPC per the last banking day in August 2008. 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. 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.

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.

***Proposal regarding authorisation for the board of directors to resolve to issue new shares with payment in kind (item 19)***

The board of directors proposes that the annual general meeting resolves to authorise the board of directors for the time until the end of the next annual general meeting, to resolve to issue, on one or several occasions, new shares with payment in kind, provided however that such issue must not result in the share capital as registered from time to time or the number of shares being increased with more than in total 10 per cent, neither result in the company's share capital exceeding the maximum allowed share capital as set forth in the articles of association as adopted from time to time.

***Proposal regarding the adoption of the employee stock option plan 2008/2018 and the issuance of warrants to subscribe for new shares, and approval of disposal of the warrants issued under the employee stock option plan 2008/2018 (item 20)***

***A. Employee stock option plan 2008/2018***

The board of directors proposes that the Meeting resolves to adopt Orexo's employee stock option plan 2008/2018. Employee stock options (call options) with the right to acquire not more than 470,000 shares in the company may be issued under the plan. Each employee stock option may be exercised to acquire one share in the company for payment of an exercise price corresponding to 110 per cent of the market value of Orexo's shares at the time of allocation.

The employee stock options can be allocated to persons in Sweden or other countries, who at the time of allocation are employed on a permanent basis by companies in the Orexo group, and who at such time have not given or been given notice of termination of the employment. Allocation of employee stock options can also be made to persons who commence such employment after the initial allocation. The board of directors shall resolve upon the allocation of employee stock options and the allocation shall be made within four categories. Category 1 includes the managing director in Orexo with an allocation of not more than 30,000 employee stock options. Category 2 includes persons in the executive committee with an allocation of not more than 20,000 employee stock options per person. Category 3 includes company management with an allocation of not more than 8,000 employee stock options per person. Category 4 includes other employees with an allocation of not more than 3,000 employee stock options per person. The board of directors shall in addition have the possibility to allocate not more than 50,000 additional employee stock options, in the aggregate to newly recruited employees and other employees who have made exceptional contributions. The performance, position within and contribution to the Orexo group of the employee shall be considered when allocating employee stock options. Members of the board appointed by the shareholders' meeting shall not receive any employee stock options. The employee stock options shall not be transferable.

The right to acquire new shares under the employee stock options shall for each employee be exercisable with 1/3 of the employee stock options allocated to such holder as from the date falling one year from the date of the allocation (the "anniversary date"), and an additional 1/3

as from each of the two subsequent anniversary dates, provided that the holder at such dates is still employed within the Orexo group, and has not been given notice of termination for other reasons than redundancy. The board of directors shall have the right, but not the obligation, on an individual basis and for the employee stock options allocated to persons in the executive committee (including the managing director), to resolve that certain performance related conditions have to be fulfilled for the holder of such employee stock options to be entitled to exercise the employee stock options.

The employee stock options shall be issued free of charge and the holders will be taxed, as income from employment, for the difference between the market value of Orexo's share at the time of exercise and the exercise price of the employee stock option. The Orexo group shall be responsible for and shall pay social security charges in relation thereto.

To secure that the company can meet its obligations to the holders of employee stock options at the time of exercise, it is proposed that the Meeting resolves to issue 470,000 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 fulfil its obligations to the holders of employee stock options at the time of exercise.

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

The board of directors proposes that the Company shall issue 470,000 warrants with the right to subscribe for new shares, whereby the company's share capital may increase with not more than SEK 188,000, corresponding to approximately 2.0 per cent of the share capital and votes. The total number of outstanding warrants under the existing incentive programs corresponds to approximately 5.49 per cent of the share capital and votes in Orexo on a fully diluted basis (not including warrants under the proposed board member share plan 2008/2015, see item 16 above).

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 2018. The subscription price for the warrants (i.e. the amount payable upon exercise of the warrants) shall be SEK four (4).

#### *C. Approval of disposal of the warrants*

The board of directors proposes that the Meeting approves that Pharmacall AB disposes of the warrants to meet the company's obligations according to the employee stock options issued under the employee stock option plan.

The reasons for adopting Orexo's employee stock option plan 2008/2018, and the reasons for the deviation from the shareholders' preferential rights, are that the board of directors considers it important to be able to keep and recruit qualified employees to the group and that the current and future employees of the group are given the opportunity to become owners of the company. 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. As the employee stock option plan 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 thus the resolution requires support of

shareholders representing not less than nine tenths of the votes cast as well as the shares represented at the Meeting.

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The annual report and the auditor's report together with all other documents pursuant to Chapter 7 Section 25 of the Companies Act as well as the complete proposals regarding items 16, 17, 18, 19 and 20 above will be held available at the company's office at Virdings allé 32 A, in Uppsala and at the company's web site not later than on 20 March 2008, and will be sent to shareholders who so request and who inform the company of their postal address. Documents relating to the proposals under item 16 and 20 above will be sent automatically and free of charge to shareholders who notify the company of their participation in the Meeting.

Uppsala, February 2008

**Orexo AB**  
*The board of directors*