

**The board of directors' of Orexo AB (Reg. No. 556500-0600) proposal to the annual general meeting on 23 April 2009 regarding adoption of Orexo AB's employee stock option plan 2009/2019 including an issue of warrants with right to subscribe for new shares and approval of disposal of the warrants under the employee stock option plan**

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

Appendix A	<b>The board of directors' of Orexo AB proposal regarding the adoption of Orexo AB's employee stock option plan 2009/2019</b>
Appendix B	<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</b>
Appendix B(i)	<b>Terms and conditions for Orexo AB's warrants 2009/2019</b>
Appendix C	<b>Information on existing incentive programs in Orexo AB</b>
Appendix D	<b>Information on dilution as a consequence of Orexo AB's employee stock option plan 2009/2019 and effects of such dilution on important key ratios</b>
Appendix E	<b>Overview of possible costs as a consequence of Orexo AB's employee stock option plan 2009/2019 and measures that have been taken to secure the employee stock option plan</b>
Appendix F	<b>Brief description of the preparation of the board of directors' proposal regarding Orexo AB's employee stock option plan 2009/2019</b>

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**The board of directors' of Orexo AB proposal regarding the adoption of Orexo AB's employee stock option plan 2009/2019**

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The board of directors' of Orexo AB (Reg. No. 556500-0600) ("Orexo") proposes that the annual general meeting resolves to adopt Orexo AB's employee stock option plan 2009/2019.

***Number of employee stock options and exercise price***

Employee stock options (call options), with the right to acquire not more than 470,000 shares in Orexo, may be issued under the plan. Each employee stock option may be exercised to acquire one share in Orexo for payment of an exercise price corresponding to 110 per cent of the market value of Orexo's shares at the time of allocation. If Orexo's share is listed at the time of allocation, the market value shall correspond to the volume weighted average price during the five trading days immediately prior to the allocation. The exercise price, determined as set out above, shall be rounded off to the nearest Swedish krona, whereby SEK 0.50 shall be rounded off downwards.

***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. As regards employees in other countries it is thereby presupposed that the allocation is in compliance with law and that the allocation, according to the board of directors' opinion, can be made at reasonable administrative and financial contributions. 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 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 of directors appointed by the shareholders' meeting shall not receive any employee stock options.

***Restrictions regarding the right to transfer and exercise the employee stock options***

Issued employee stock options shall not be considered as securities and shall not be transferable to a third party.

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 exercise period shall be 30 days as from the termination of employment after

which period all employee stock options shall become void. 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.

### ***Payment, value etc.***

The employee stock options 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 employee stock option. The Orexo group shall be responsible for and shall pay social security charges in relation thereto.

There is no market value for the employee stock options. A value may, however, be calculated in accordance with an established model for options. When calculating the value, the restrictions in the right to transfer and exercise the employee stock options or the fact that the employee stock options may be forfeited if the employment of the holder is terminated have not been considered. The option value of the employee stock options under the employee stock option plan is, based on a valuation made by the company, SEK 11.66 per employee stock option, assuming an exercise price of approximately SEK 54.50 per share. When valuating the options, the company has used Black & Scholes model for valuating options, assuming a risk free interest of 2.31 per cent and a volatility of 30 per cent and that no dividends will be distributed.

### ***Securing of the employee stock option plan***

In order to secure that Orexo can meet its obligations to the employee stock option holders at the time of exercise of the employee stock options, it is also proposed that the annual general meeting resolves to issue 470,000 warrants with the right to subscribe for new shares to the wholly-owned subsidiary Pharmacall AB. These 470,000 warrants shall be used to secure that the company can fulfill its obligation to the holders of employee stock options at the time of exercise.

### ***Reasons***

The reasons for adopting Orexo's employee stock option plan 2009/2019 are that the board of directors finds it important to keep and recruit qualified employees to the group and that the current and future employees 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 employee stock options presupposes that the holder is still employed by the group. As the employee stock option plan 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.

### ***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 annual general meeting.

**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 AB (Reg. No. 556500-0600) ("Orexo") proposes that the annual general meeting resolves that the company shall issue 470,000 warrants with the right to subscribe for new shares, whereby the company's share capital may be increased with SEK 188,000. 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 30 September 2009.
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 annual general meeting approves that Pharmacall AB disposes of the warrants to meet the obligations associated with the employee stock options issued under Orexo's employee stock option plan 2009/2019.

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 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 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 requires support of shareholders representing not less than nine tenth of the submitted votes as well as of the shares represented at the annual general meeting.

## **Terms and conditions for Orexo AB's warrants 2009/2019**

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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 470,000.

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 four (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, 2019, 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:

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

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

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 authorisation 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:

recalculated subscription price	=	the previous subscription price X the share’s average stock exchange price during the subscription period set forth in the resolution regarding the <u>issue (the average price of the share)</u> the average price of the shares increased by the theoretical value of the subscription right calculated on the basis thereof
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 shares increased by the theoretical <u>value of the subscription right calculated on the basis thereof</u> ) the average price of the share

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 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:

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

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.



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.

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

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

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 are 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:

$$\frac{\text{the previous subscription price X}}{\text{the average price of the share}}$$

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the recalculated subscription price	=	the average stock exchange price of the share during the application period set forth in the offer <u>(the average price of the share)</u> 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 <u>value of the purchase right</u> ) 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 are 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 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:

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

$$\begin{array}{lcl} \text{the recalculated number} & & \text{the previous number of shares which each warrant} \\ \text{of shares that each} & = & \text{entitles to subscription for X} \\ & & \text{(the average price of the share increased by} \end{array}$$

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warrant entitles	<u>the extraordinary dividend paid per share)</u>
to subscription for	the average price of the share

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
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

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

the actual amount repaid per redeemed share  
reduced by the average stock exchange price of the share for

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the recalculated repayment amount = per share	a period of 25 exchange days immediately prior to the date upon which the share was listed without a right to participate <u>in the reduction (the average price of the share)</u> the number of shares in the Company upon which the redemption of a share is based, decreased by one (1).
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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.
- 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 (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.

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 Specific obligations of the company**

The Company undertakes not to effect any measures as specified in § 7 above which would result in a recalculation of the subscription price to an amount lower than the quota value of the share.

## **§ 9 Broker**

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

## **§ 10 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.

## **§ 11 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.

## **§ 12 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.

## **§ 13 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.

## **§ 14 Applicable law**

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



N.B. The English text is an in-house translation

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**Information on existing incentive programs in Orexo AB**

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For a description of the company's long-term incentive programs, reference is made to the company's annual report for 2008, note 16, and the company's website, [www.orexo.com](http://www.orexo.com).

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**Information on dilution as a consequence of Orexo AB's employee stock option plan 2009/2019 and effects of the dilution on important key ratios**

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***Dilution of existing shares and votes***

In order to secure the employee stock options allocated under the proposed employee stock option plan it is proposed that 470,000 warrants shall be issued. As set forth in the annual report for 2008 the existing incentive programs include warrants with right to subscribe for a total of 1,186,672 new shares. In addition hereto, there are 926,000 warrants outstanding which have been issued in connection with Orexo's acquisition of Biolipox AB, as part of the consideration in the acquisition.

Based on the existing number of shares and votes and all outstanding warrants, the dilution, as a consequence of the proposed employee stock option plan, assuming that all warrants are exercised for subscription of new shares, will not be more than:

- Approximately 1.88 per cent of the shares and votes:  $470,000 / (22,461,387 + 926,000 + 1,186,672 + 470,000)$

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 employee stock option plan, assuming that all warrants are exercised for subscription of new shares, will not be more than:

- Approximately 6.62 per cent of the shares and votes:  $(470,000 + 1,186,672) / (22,461,387 + 926,000 + 1,186,672 + 470,000)$

***The effects of the dilution on important key ratios***

On the basis of Orexo's results for the financial year 2008, the existing, and the existing and the proposed warrants, respectively, entail the following effects for the key ratios below. According to IAS 33, potential common shares do not cause any dilution effects when the conversion of such shares into common shares results in an improvement of the result per share. This would be the case when the outstanding warrants in Orexo are converted as the result for 2008 is negative. Furthermore, IAS 33 is based on the so called Treasury Stock Method that is used to calculate how many shares that may be acquired in the market to a price corresponding to the exercise price, where the difference between estimated acquired number of shares and the number of potential shares is the dilution effect. This means that when warrants with an exercise price corresponding to 110 per cent of the market value at the time of allocation are issued, no dilution effect arises at the time of allocation. In accordance with IAS 33 no dilution effect arises at the time of allocation for Orexo's proposed plan. Thus what is set out below shall *not* be considered as a calculation of the dilution effect in accordance with IAS 33, but a theoretical calculation, following full exercise of outstanding warrants, of result and equity per share where the result per share has been adjusted as if the employee stock options had been allocated with an exercise price of SEK 0. Further, the calculation has been based on the existing number of shares at year end and not the year average. The calculation of the equity on a fully diluted basis below includes the proceeds from the issue.

Result per share, SEK

- Based on existing number of shares (21,617,395): SEK - 4.77
- Based on existing number of shares and existing and proposed warrants (21,617,395 + 926,000 + 1,186,672 + 470,000): SEK - 4.26

N.B. The English text is an in-house translation

Equity per share, SEK

- Based on existing number of shares (22,461,387): SEK 25.37
  - Based on existing number of shares and existing and proposed warrants and assuming an exercise price of SEK 54.50 (22,461,387 + 926,000 + 1,186,672 + 470,000): SEK 25.25
-

**Overview of possible costs as a consequence of Orexo AB's employee stock option plan 2009/2019 and measures that have been taken to secure the employee stock option plan**

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According to the accounting rules IFRS, employee stock option plans shall be accounted for at their actual value which result (for accounting purposes) in increased personnel costs and a corresponding increase of the non-restricted reserves. As a consequence, the total value of the employee stock options under the employee stock option plan 2009/2019, based on a valuation made by the company and without considering the non transferability of the employee stock options, is estimated to MSEK 5.5 (corresponding to a value of SEK 11.66 per employee stock option, assuming an exercise price of approximately SEK 54.50 per share). This cost is allocated over the period during which each option is vested by the employee with the right to exercise the option for subscription of shares. An example: during the first 12 months 1/3 of the options is vested, and the total cost of such options is accounted for over the twelve-month period. In the same manner 1/3 of the options is vested during 24 months and the cost of such options is accounted for over 24 months. As a consequence, 12/24 of the cost for these options is accounted for during the first 12 months. Correspondingly, the costs for the final 1/3 is accounted for over the last third of 36 months. The number of options that is not expected to be vested is also considered, for example options not vested due to the termination of the employment of the holder, whereby the employee stock options are forfeited.

Upon exercise of an employee stock option, the difference between the market value of the share at that time and the exercise price for the employee stock option is taxed as income. The company shall pay social security charges based on this difference. Provision for calculated social security charges are accounted for during the vesting-period. In addition to social security charges, certain costs of mainly administrative character may also arise, such as charges, fees and other costs in connection with registrations.

In order to secure that the company can fulfill its obligations towards the holders of employee stock options upon exercise of the employee stock options, the board of directors has proposed that 470,000 warrants with right to subscribe for new shares shall be issued to the wholly-owned subsidiary Pharmacall AB. The purpose of the warrants is that they shall be utilized for subscription of shares in order to deliver shares to employees that exercise their employee stock options.

The company's obligation to account for and to pay the above described social security charges arise upon exercise of the employee stock options. To illustrate possible costs the following assumptions are made:

- 470,000 employee stock options are allocated to the employees.
- The exercise price of the employee stock options amounts to approximately SEK 54.50.
- Social security charges amount to approximately 33 per cent of the wages.

N.B. The English text is an in-house translation

The effect on the cash flow is, if the market price at the time of exercise amounts to:

SEK 45:  $(54.50 * 470,000) - (470,000 * 0 * 0.33) = \text{SEK } 0$

SEK 80:  $(54.50 * 470,000) - (470,000 * 25.50 * 0.33) = \text{SEK } 21,659,959$

SEK 100:  $(54.50 * 470,000) - (470,000 * 45.50 * 0.33) = \text{SEK } 18,557,950$

SEK 220:  $(54.50 * 470,000) - (470,000 * 165.50 * 0.33) = \text{SEK } - 54,050$

As set forth in the example above, the effect on the cash flow upon exercise of the employee stock options, assuming an exercise price of SEK 54.50 per share, is negative only if the market price at the time of exercise exceeds approximately SEK 220. Accordingly, the board of directors has resolved not to issue any warrants as hedge for the effect on the cash flow of the employee stock option plan 2009/2019.

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**Brief description of the preparation of the board of directors' proposal regarding Orexo AB's employee stock option plan 2009/2019**

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The board of directors of Orexo AB (Reg. No. 556500-0600) has appointed a remuneration committee for administration of, inter alia, incentive programs. The remuneration committee consists of Håkan Åström, Johan Christenson and Ray Hill.

The remuneration committee has, after consultations with the largest shareholders, prepared guide lines for the proposed employee stock option plan. These guide lines have been adopted by the board of directors.

In preparing necessary documentation for the formal proposal, the remuneration committee instructed the Chief Financial Officer of the company, Claes Wentzel, to coordinate comments and requests from the remuneration committee in contacts with external consultants.

The formal proposal was adopted by the board of directors on 23 March 2009.

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