

Notice of Annual General Meeting of Orexo

The shareholders in Orexo AB (publ) are summoned to the annual general meeting, to be held on Thursday 7 April 2011, at 3.00 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 Euroclear Sweden AB on Friday 1 April 2011, *and* notify Orexo of their intention to participate in the meeting not later than on Friday 1 April 2011 in writing to Orexo AB, P.O. Box 303, SE-751 05 Uppsala, Sweden, or by telephone +46 (0) 18 780 88 00, or by telefax +46 (0) 18 780 88 88, or by e-mail beata.augenblick@orexo.com. The notification shall set forth the name, address, telephone number (daytime), personal/corporate identity number, the number of shares held and, where applicable, information about representatives and assistants.

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 Euroclear Sweden AB to be entitled to participate in the meeting. Shareholders must inform their nominee of such re-registration well before Friday 1 April 2011, by when such re-registration must have been executed.

There are 23,403,752 shares and votes outstanding in Orexo. The company holds no treasury shares.

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, or similar, evidencing the authority to issue the power of attorney, must be appended. The power of attorney may not be valid for a longer period than one year from its issuance; however the power of attorney may be valid for up to five years from the issue thereof if explicitly stated. The power of attorney in original and, when applicable, the registration certificate copy, should be submitted to the company by post at the address indicated above well before the meeting. A proxy form is available at the company's website www.orexo.com and will be sent to shareholders who so request.

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 chief executive officer.
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 chief executive officer.
13. Determination of the number of members and deputy members of the board of directors.
14. Determination of fees for the members of the board of directors and the auditors.
15. Election of board members and chairman of the board of directors.

16. The nomination committee's proposal regarding the adoption of the board member share plan 2011/2018 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. The board of directors' proposal regarding principles and guidelines for remuneration for the management.
18. Resolution regarding nomination committee.
19. Resolutions regarding amendment to the terms and conditions of former President and chief executive officer Torbjörn Bjerke's employee stock options, and extension of the latest time for making an offer to participate in the company's performance-based, long-term incentive program 2011/2021.
20. Closing of the meeting.

Proposal regarding chairman of the meeting, the number of board members and deputy members of the board of directors, 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 (items 2, 13, 14 and 15)

The nomination committee of Orexo, which consists of Håkan Åström (chairman of the board), Björn Odlander (HealthCap and chairman of the nomination committee), Ulrica Slåne (Tredje AP-fonden) and Ulrik Spork (Novo A/S), proposes:

- that Erik Sjöman from Advokatfirman Vinge is elected chairman of the meeting (item 2),
- that the board of directors shall consist of 6 board members with no deputy members (item 13),
- that the fees to the board of directors shall amount to SEK 1,700,000 to be allocated as follows: SEK 500,000 to the chairman, SEK 300,000 to Raymond Hill, SEK 150,000 to each of the other board members, and in total SEK 300,000 to be equally allocated to the members of the remuneration, product development and audit committees for the work performed in these committees, and that fees to the auditor shall be paid against approved accounts (item 14), and
- that the board members Raymond Hill, Staffan Lindstrand, Bengt Samuelsson, Michael Shalmi, Kjell Strandberg and Håkan Åström are re-elected and that Håkan Åström is re-elected as chairman of the board (item 15).

Monica Caneman and Peter Lindborg have declined to be proposed for re-election.

Further, the nomination committee proposes that the meeting resolves to adopt the board member share plan 2011/2018, whereby the board members of the company will receive so called 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 2011/2018 is described in more detail in item 16 below.

Allocation of the company's result (item 11)

The board of directors and the chief executive officer propose that there shall be no dividend for 2010.

The nomination committee's proposal regarding the adoption of the board member share plan 2011/2018 and the issuance of warrants to subscribe for new shares, and approval of disposal of the warrants issued under the board member share plan 2011/2018 (item 16)

A. Board member share plan 2011/2018

The nomination committee proposes that the meeting resolves to adopt Orexo's board member share plan 2011/2018. 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 quotient value of the Orexo share.

Board members participating in Orexo's board member share plan will receive 50 per cent of each 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. 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 a price per share calculated as 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 2018. Upon expiration of the board mandate, the board member shall call for exercise of his Board Shares on the earlier of 31 December 2018 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 24,000 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 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 24,000 warrants with the right to subscribe for new shares, whereby the company's share capital may increase with not more than SEK 9,600, corresponding to approximately 0.10 per cent of the share capital and votes on a fully diluted basis. The total number of outstanding warrants under the existing incentive programs, including warrants under the proposed board member share plan, corresponds to approximately 6.18 per cent of the share capital and votes in Orexo on a fully diluted basis.

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 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 parallel 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 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.

The board of directors' 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 directors' 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 chief executive officer and the other members of the management group, which in addition to the chief executive officer, consists of five 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 chief executive officer and 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 chief executive officer 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 chief executive officer 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 to the management.

Orexo has adopted share based 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 chief executive officer and the other members of the management are entitled to benefits under defined contribution pension plans. The pension premiums amount to 20 per cent of the chief executive officer's monthly base salary and the pension premiums for the other members of the management amount to approximately 20 per cent of the fixed yearly salary. The employment agreement of the chief executive officer may be terminated by six months' notice. The employment agreements of the other members of the management are subject to a notice period of three to six

months. The chief executive officer is entitled to a severance payment equivalent to twelve times his respective monthly base salary (including the salary paid during the notice period) including pension but excluding bonus accrued at the expiry of the employment if the company terminates the 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.

Resolution regarding nomination committee (item 18)

The board of directors proposes that the meeting resolves that the company shall have a nomination committee consisting of a representative of each of the four largest shareholders, based on the number of votes held, together with the chairman of the board. The names of the members of the nomination committee and the names of the shareholders they represent shall be made public not later than six months before the annual general meeting and be based on shareholding statistics provided by Euroclear Sweden AB per the last banking day in August 2011. 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. Further, the nomination committee shall prepare and propose principles for the composition of the nomination committee to the general meeting 2012.

Resolutions regarding amendment to the terms and conditions of former President and chief executive officer Torbjörn Bjerke's employee stock options, and extension of the latest time for making an offer to participate in the company's performance-based, long-term incentive program 2011/2021 (item 19)

The board of directors proposes that the terms and conditions of former President and chief executive officer Torbjörn Bjerke's employee stock options are amended in accordance with the following. No vesting requirements concerning continued employment and no provisions to the effect that the employee stock options will lapse unless exercised within a certain period of time following termination of employment shall apply to employee stock options held by Torbjörn Bjerke (whether already vested or not). In the termination agreement concluded in connection with Mr Bjerke leaving Orexo, the parties agreed that, subject to shareholder approval, Mr Bjerke's stock options would continue to vest, according to their terms, notwithstanding that Mr Bjerke is no longer an employee of Orexo.

The board further proposes that the latest time for making an offer to participate in the company's new performance-based, long-term incentive program 2011/2021 (allocation) is extended to 31 December 2012. The purpose of the extension is to give the board sufficient time to allocate and to re-allocate, as applicable, options (Performance Shares) to eligible employees, including new recruitments, in an orderly fashion as envisaged in the original resolution of 16 February 2011.

The shareholders are reminded of their right to request information in accordance with Chapter 7 Section 32 of the Swedish Companies Act.

The annual report and the auditor's report together with all other documents pursuant to Chapter 7 Section 25 of the Companies Act, the complete proposals regarding items 16, 17, 18 and 19 above, the nomination committees' motivated statement regarding the proposed board members as well as the auditor's report pursuant to Chapter 8 Section 54 of the Companies Act, will be available at the company's office at Virdings allé 32 A, in Uppsala and at the company's website not later than 17 March 2011, and will be sent to shareholders who so request and who inform the company of their postal address. Documents relating to the proposal under item 16 above will be sent automatically and free of charge to shareholders who notify the company of their participation in the meeting. This notice is a translation of a Swedish notice and in case of any deviations between the both language versions, the Swedish version shall prevail.

Uppsala, March 2011

Orexo AB (publ)

The board of directors