

Minutes kept at the annual general meeting of **Orexo AB (publ)**, reg. no. 556500-0600, on April 6, 2017 in Uppsala.

## § 1

The annual general meeting was declared open by lawyer Erik Sjöman from the lawfirm Vinge.

## § 2

Erik Sjöman was elected chairman of the meeting. It was noted that Henrik Juuel had been instructed to keep the minutes at the meeting.

## § 3

The attached list, Appendix 1, was approved to serve as the voting list at the meeting.

## § 4

The agenda presented in the notice convening the meeting was approved to serve as the agenda for the meeting.

## § 5

It was resolved that the minutes of the meeting should be approved, together with the chairman, by Jenny Hildén, representing a number of shareholders listed in the voting list, and Amelie Hjelmstedt, representing the Swedish Shareholders' Association.

## § 6

It was established that the meeting had been duly convened.

## § 7

The managing director, Nikolaj Sørensen, held a speech including an account of the company's business during the business year 2016.

## § 8

The annual report and the auditor's report as well as the consolidated financial statements and the consolidated auditor's report for the financial year 2016 were presented. The company's auditor in charge, Björn Ohlsson, presented the audit report and reported on the audit for the past financial year.

## § 9

Staffan Lindstrand presented the work of the board of directors during the business year 2016 and the work of the remuneration and audit committees.

## **§ 10**

The income statement and the balance sheet as well as the consolidated income statement and the consolidated balance sheet in the annual report were adopted.

## **§ 11**

It was resolved, in accordance with the proposal of the board of directors, that there shall be no dividend for 2016 and that the company's result shall be carried forward.

## **§ 12**

The members of the board of directors and the managing director were discharged from liability in respect of their management of the company's business during the financial year 2016.

It was noted that each person concerned, if registered in the voting list, did not participate in the resolution regarding themselves.

## **§ 13**

It was resolved, in accordance with the nomination committee's proposal that the board of directors, until the end of the next annual general meeting, shall consist of seven board members with no deputy members and that the company shall appoint one auditor without deputy auditor.

## **§ 14**

It was resolved, in accordance with the nomination committee's proposal, that remuneration to the board of directors shall, until the end of the next annual general meeting, amount to in total SEK 2,100,000, to be allocated as follows: SEK 600,000 to the chairman, and SEK 200,000 to each of the other board members, and in total SEK 300,000 to be allocated to the members of the audit committee so that the chairman of the committee receives SEK 200,000 and SEK 100,000 is divided up between the other members of the committee, and that fees to the board members may, if agreed with Orexo, be invoiced by a company, in which case the invoiced fee shall be determined so that it is cost neutral for Orexo.

It was resolved, in accordance with the nomination committee's proposal, that fees to the auditor shall be paid against approved accounts.

## **§ 15**

It was resolved, in accordance with the nomination committee's proposal, to re-elect Raymond Hill, Staffan Lindstrand, Martin Nicklasson, Kristina Schauman, Michael Shalmi David Colpman and Kirsten Detrick as members of the board of directors, until the end of the next annual general meeting, and to re-elect Martin Nicklasson as chairman of the board.

It was resolved, in accordance with the nomination committee's proposal to re-elect Ernst & Young Aktiebolag as auditor for the period up until the end of the next annual general meeting.

## § 16

It was resolved, regarding guidelines for remuneration to the management, in accordance with the proposal in the management report in the annual report.

## § 17

The nomination committee's proposal as regards resolution regarding the nomination committee was presented, [Appendix 2](#).

It was resolved in accordance with the nomination committee's proposal.

It was noted that the Swedish Shareholders' Association considered that the principles for the nomination committee should be supplemented with an explicit wording that the task of the nomination committee last until a new nomination committee has been established.

## § 18

The board of directors' proposal regarding authorization for the board of directors to resolve to issue new shares were presented, [Appendix 3](#).

It was unanimously resolved in accordance with the board of directors' proposal.

## § 19

The board of directors' proposal to repurchase and transfer of the company's own shares were presented, [Appendix 4](#).

It was resolved in accordance with the board of directors' proposal. It was noted that the proposal was passed with the support of shareholders holding not less than two-thirds of both the shares voted for and of the shares represented at the general meeting.

## § 20

The board of directors' proposal regarding the adoption of a new long term incentive programme were presented together with other proposals relating to the incentive programme regarding authorisation for the board of directors to resolve to issue Class C shares, authorisation for the board of directors to resolve to repurchase Class C shares and the transfer of own ordinary shares, [Appendix 5](#).

It was resolved in accordance with the board of directors' proposal. It was noted that the proposal was passed with the support of shareholders holding not less than nine-tenths of both the shares voted for and of the shares represented at the general meeting.

It was noted that the Swedish Shareholders' Association, Torbjörn Rösth and the shareholders represented by Jenny Hildén voted against the proposal but the proposal was supported by all other shareholders present at the general meeting.

**§ 21**

The annual general meeting was declared closed.

In fidem:

Henrik Juuel

Approved:

Erik Sjöman  
Chairman

Jenny Hildén

Amelie Hjelmstedt

*[The voting list has intentionally been left out]*

**Resolution regarding nomination committee**

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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 three largest shareholders, based on the number of votes held, together with the chairman of the board. If any of the three largest shareholders declines to appoint a member to the nomination committee, additional shareholders are, by order of size, to be offered appointment until three members are appointed. The names of the members of the nomination committee and the names of the shareholders they represent shall be made public not later than six months before the annual general meeting and be based on shareholding statistics provided by Euroclear Sweden AB per the last banking day in August 2017. Unless the members of the nomination committee agree otherwise, the member representing the largest shareholder, based on the number of votes held, shall be appointed chairman of the nomination committee. If a shareholder representative no longer represents the owner or leaves the nomination committee before its work is completed, the shareholder shall be entitled to appoint a new member of the nomination committee. A shareholder who has appointed a member of the nomination committee has the right to remove such member and appoint a new member of the nomination committee. In the event a shareholder that has appointed a member is no longer one of the three largest shareholders, based on the number of votes held, the appointed member shall resign and be replaced by a new member in accordance with the above procedure. Unless special circumstances apply, no changes should be made in the composition of the nomination committee as a result of minor changes in voting rights or changes in voting rights which occur later than two months before the annual general meeting. Changes in the composition of the nomination committee shall be made public as soon as possible.

The nomination committee shall prepare and submit proposals to the general meeting on: chairman of the meeting, board members, chairman of the board, board fees to each of the board members and the chairman as well as remuneration for committee work, if any, fees to the company's auditor, and, when applicable, proposal regarding election of new auditor. Further, the nomination committee shall prepare and propose principles for the composition of the nomination committee to the general meeting 2018. The nomination committee shall be entitled to charge the company with costs for consultants and other expenses necessary for the nomination committee to carry out its duties.

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**Resolution regarding authorization for the board of directors to resolve to issue new shares**

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The board of directors proposes that the meeting authorizes the board of directors to resolve to issue of new shares on one or several occasions until the next annual general meeting, with or without preferential rights for the shareholders, against cash payment or against payment through set-off or in kind, or otherwise on special conditions. However, such issue of shares must never result in the company's issued share capital or the number of shares in the company at any time, being increased by more than a total of 10 per cent. The purpose of the authorization is to enable the board to make corporate acquisitions, product acquisitions or to enter into collaboration agreements, or to raise working capital or broaden the shareholder base.

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## **Proposal regarding authorization to repurchase and transfer the company's own shares**

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The board of directors proposes that the annual general meeting authorizes the board of directors to resolve upon repurchases of own shares, on one or several occasions prior to the annual general meeting 2018, in accordance with the following.

1. Repurchase shall maximum comprise so many shares that the company's holding does not at any time exceed 10 per cent of the total number of shares in the company.
2. Repurchase may only take place on Nasdaq Stockholm and only at a price within the price range applicable at any given time, i.e. the range between the highest purchase price and the lowest selling price.

The purpose of the authorization to repurchase own shares is to promote efficient capital usage in the company and to provide flexibility as regards the company's possibilities to distribute capital to its shareholders.

Furthermore, the board of directors proposes that the annual general meeting authorizes the board of directors to resolve upon transfer of the company's own shares, on one or several occasions prior to the annual general meeting 2018, in accordance with the following.

1. Transfer of shares shall take place on Nasdaq Stockholm.
2. Transfers may also be made in other ways, with or without preferential rights for the shareholders, against cash payment or against payment through set-off or in kind, or otherwise on special conditions.
3. The maximum number of shares to be transferred may not exceed the number of shares held by the company at the time of the Board of Director's resolution.
4. Transfer of shares on Nasdaq Stockholm may only be carried out at a price within the price range registered at any given time, i.e. the range between the highest bid price and the lowest offer price.
5. Upon transfers carried out in other ways than on Nasdaq Stockholm, the price shall be established so that it is not below market terms. However, a discount to the stock market price may apply, in line with market practice.

The purpose of the authorization to transfer own shares is to enable the board to make corporate acquisitions, product acquisitions or enter into collaboration agreements, or to raise working capital or broaden the shareholder base or for use in the context of the company's incentive plans.

The board of directors' statements pursuant to Chapter 19, Section 22 of the Swedish Companies Act have been made available together with the proposal.

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## **Resolution regarding adoption of new long term incentive programme (item 20)**

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The board of directors proposes that the annual general meeting resolves to implement a new performance based long term incentive program for senior executives and key employees within the Orexo group (“LTIP 2017”) in accordance with items 20 (a) – 20 (d) below. The resolutions under items 20 (a) – 20 (d) below are proposed to be conditional upon each other and for that reason it is proposed that all resolutions are to be passed as one resolution. LTIP 2017 is proposed to include up to approximately 60-70 senior executives and key employees within the Orexo group.

LTIP 2017 is a three-year performance-based program similar to the programs adopted on the annual general meetings 2015 and 2016. Under LTIP 2017, the participants will be granted, free of charge, performance-based share awards (“Share Awards”) that provide entitlement to a maximum of 330,000 shares in Orexo, in accordance with the terms stipulated below.

### ***Proposal to adopt a performance based long-term incentive program (item 20 (a))***

#### **The rationale for the proposal**

LTIP 2017 substantially corresponds with the performance based long-term incentive programs adopted on the annual general meetings 2015 and 2016 and LTIP 2017 is intended for certain senior executives and key employees within the Orexo Group. The board of directors of Orexo believes that an equity incentive program is an important part of a competitive remuneration package to be able to attract, retain and motivate qualified employees to the Orexo group and the board of directors confirm its intend to make annual grants of performance-based share awards. With reference thereto, the board of directors has decided to propose that a program corresponding to the programs adopted on the annual general meetings 2015 and 2016 shall be adopted on the annual general meeting 2017. LTIP 2017 is based on performance-based share awards and adapted to the current needs of the Orexo group and also in line with market practice for companies in the same phase and industry.

The purpose of LTIP 2017 is to attract, retain and motivate employees of the Orexo group, provide competitive remuneration packages and to align the interests of the senior executives and key employees with the interests of the shareholders. 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. In light of the above, the board of directors believes that implementation of LTIP 2017 will have a positive effect on the development of the Orexo group and consequently that LTIP 2017 is beneficial to both the shareholders and the company.

#### **Conditions for Share Awards**

The following conditions shall apply for the awards.

- The Share Awards shall be granted free of charge to the participants as soon as possible following the annual general meeting 2017 and no later than on 30 June 2017.
- Each Share Award entitles the holder to receive one share in the company, free of charge, three years after granting of the Share Award (the vesting period), provided that the holder, with some exceptions, still is employed by the Orexo group.

- A prerequisite for entitlement to receive shares on the basis of Share Awards is that the performance conditions for LTIP 2017 have been satisfied pursuant to the terms and conditions specified below.
- The number of Share Awards encompassed by LTIP 2017 is to be re-calculated in the event that changes occur in Orexo's equity capital structure, such as a bonus issue, merger or consolidation of shares, new issue, reduction of the share capital or similar measures.
- To make the participants' interest equal with the shareholders', Orexo will compensate the participants for distributed dividends, if any, during the vesting period by increasing the number of shares that each Share Award is entitled to after the vesting period.
- The Share Awards are non-transferable and may not be pledged.
- The Share Awards can be granted by the parent company and any other company within the Orexo group.

### **Performance Conditions**

The Share Awards are to be divided according to two different performance conditions encompassed by LTIP 2017. The performance conditions focus on Orexo's financial and operational targets for 2017 ("Performance Target 1") and on the share-price development for the three year vesting period ("Performance Target 2"). Of each participant's granted Share Awards, 50 percent will pertain to Performance Target 1 and 50 percent will pertain to Performance Target 2. The allotment of shares that each participant later may receive depends on achievement of the established performance targets as described below.

**Performance Target 1:** This target pertains to the fulfilment of the financial and operational targets for the financial year 2017 as established by the board of directors and relates to Orexo's key KPIs as for example revenue, profitability and achieved milestones, etc. Performance achievement of individual targets is weighted into an overall average performance achievement. The outcome will be measured linearly, meaning that from zero to 100 percent of the Share Awards will vest depending on the overall average rate of performance of the financial and operational targets. All Share Awards will vest and entitle to one share each if 100 percent of the overall average performance is achieved. When calculating the overall performance achievement, individual targets may account for a maximum of 120 percent achievement, but the overall average performance is capped at 100 percent. If performance achievement falls below 80 percent for an individual target then this individual target accounts for zero in the calculation of the overall average achieved..

The board of directors will present the rate of achievement of Performance Target 1 in the Annual Report for 2017.

**Performance Target 2:** This target pertains to the development of the Orexo share price over the period from the date of the annual general meeting 2017 up to and including April 5, 2020. The share price will be measured as the volume weighted average share price 60 trading days prior to measurement date. Measurement dates are date defined as date of the annual general meeting 2017 and April 5, 2020. Should the Orexo share price increase by 60 percent, then 100 percent will be allotted, 66 percent will be allotted should the Orexo share price increase by 40 percent and 33 percent will be allotted should the Orexo share price increase by 20 percent. In between these figures, allotment of shares on the basis of the Share Awards will occur linearly. These categories correspond to a three-year average annual increase of approximately 17 percent, 12 percent and 7 percent per annum. In addition to satisfaction of

the Performance Target 2 set out above, for any vesting to occur, the development of the Orexo share price shall have outperformed the Nasdaq Stockholm Pharmaceuticals & Biotechnology PI during the measurement period from the date of the annual general meeting 2017 up to and including April 5, 2020.

### **Allocation**

The participants are divided into three allocation categories: (i) CEO; (ii) other members of Group Management; (iii) other key personnel. The maximum number of share awards that a participant may be granted in LTIP 2017 depends on the category to which the participant belongs.

The limits for each category is defined as the maximum granting value as a percent of annual base salary and will be maximum 75 percent of annual base salary for the CEO, maximum 50 percent of annual base salary for other members of the Group Management and finally maximum 33 percent of the annual base salary for other key personnel.

The board of directors shall resolve upon the final allocation of the Share Awards as soon as possible after the annual general meeting. Several factors will be considered to secure recruitment, retention and motivation when deciding upon individual allocations including position within Orexo, individual performance and total value of current remuneration package. Individual allocation cannot exceed the above mentioned limit for the category that the individual belongs to.

The share price that is to form the basis for calculating the number of share awards is to correspond to the average last price paid during a given period of trading. This period comprises the first ten days of trading immediately following the date of the 2017 annual general meeting. The share price is then divided by the individual granting value in order to arrive at the total number of Share Awards granted per participant.

### **Preparation and administration**

The board of directors shall be responsible for preparing the detailed terms and conditions of LTIP 2017, in accordance with the mentioned terms and guidelines. To this end, the board of directors shall be entitled to make adjustments to meet foreign regulations or market conditions. The board of directors may also make other adjustments if significant changes in the Orexo group, or its operating environment, would result in a situation where the decided terms and conditions for LTIP 2017 no longer are appropriate. Prior to finally determining allotment of shares on the basis of Share Awards, the board of directors will assess whether the outcome of LTIP 2017 is reasonable. This assessment will be conducted in relation to the company's financial earnings and position, conditions in the stock market and other circumstances. Should the board of directors not consider the outcome to be reasonable, the number of shares to be allotted will be reduced.

### **Preparation of the proposal**

LTIP 2017 has been initiated by the board of directors of Orexo, and has been structured in consultation with external advisers based on an evaluation of prior incentive programs and best market practices. LTIP 2017 is similar to LTIP 2016 and LTIP 2015 and has been prepared by the Remuneration Committee and reviewed at meetings of the board of directors.

### **Scope and costs of the program**

LTIP 2017 will be accounted for in accordance with “IFRS 2 – Share-based payments”. IFRS 2 stipulates that the Share Awards should be expensed as personnel costs over the vesting period and will be accounted for directly against equity. Personnel costs in accordance with IFRS 2 do not affect the company’s cash flow. Social security costs will be expensed in the income statement according to UFR 7 during the vesting period.

Assuming a share price at the time of implementation of SEK 35, that Performance Target 1 is achieved at 80 percent and that Performance Target 2 is achieved at 50 percent, including a share price increase of 30 percent during the vesting period, the annual cost for LTIP 2017, including social security costs, is estimated to approximately SEK 3.1 million before tax. The corresponding annual cost with full achievement of Performance Target 1 and Performance Target 2, including a share price increase of 60 percent during the vesting period, is estimated to approximately SEK 3.8 million before tax.

The effects of LTIP 2017 on Orexo’s key ratios had, provided that the programme was implemented in 2016 with full achievement of both Performance Target 1 and Performance Target 2 and that the company had incurred costs in accordance with the example above, resulted in a decrease in earnings per share for the financial year 2016 by SEK 0.08 to SEK 0.76 and a decrease in equity per share for the financial year 2016 by SEK 0.02 to SEK 8.87.

LTIP 2017 will comprise maximum 330,000 shares in total, which corresponds to approximately 0.9 percent of the total outstanding shares and votes in the company. If all outstanding long-term incentive programs in Orexo are included in the calculation, then the corresponding maximum level of dilution amounts to approximately 5.8 percent.

Information on Orexo’s existing incentive programs can be found in the Annual Report 2016, Note 11 and 25, and on the company’s website, [www.orexo.com](http://www.orexo.com).

### **Delivery of shares under LTIP 2017**

To ensure the delivery of shares under LTIP 2017, the board of directors proposes to issue Class C shares. The Class C shares are not listed, they are redeemable and may, upon the decision by the board of directors, be reclassified into ordinary listed shares. The Class C shares do not provide entitlement to dividend payment. The board of directors proposes that the general meeting authorises the board of directors to resolve on a directed issue of Class C shares to Danske Bank in accordance with item 20 (b), and an authorisation for the board of directors to subsequently resolve to repurchase the Class C shares from Danske Bank in accordance with item 20 (c). The Class C shares will then be held by Orexo as treasury shares during the vesting period, whereafter the appropriate number of Class C shares will be reclassified into ordinary shares and subsequently delivered to participants in LTIP 2017.

### ***Proposal regarding authorisation to resolve to issue Class C shares (item 20 (b))***

The board of directors proposes that the annual general meeting resolves to authorise the board, during the period until the next annual general meeting, to increase the company’s share capital by not more than SEK 92,000 by the issue of not more than 230,000 Class C shares, each with a quota value of SEK 0.40. With disapplication of the shareholders’ preferential rights, Danske Bank shall be entitled to subscribe for the new Class C shares at a subscription price corresponding to the quota value of the shares. Such issues must not lead to

the company's share capital exceeding the maximum share capital pursuant to the company's at any given time adopted articles of association. The purpose of the authorisation is to ensure delivery of ordinary shares to participants under LTIP 2017 and to secure for future cash flow effects due to payments of social security costs connected with LTIP 2017.

***Proposal regarding authorisation to resolve to repurchase Class C shares (item 20 (c))***

The board of directors proposes that the annual general meeting authorises the board of directors to decide on the repurchase of up to 230,000 of the company's own Class C shares in accordance with the following terms and conditions:

1. The board of directors shall have the right to repurchase all issued Class C shares through an offer directed to all holders of Class C shares.
2. The repurchase may be exercised on one or several occasions until the next annual general meeting.
3. The number of repurchased shares may not exceed ten (10) per cent of all issued shares in the company at any given time.
4. The repurchase shall be made in cash at a price of SEK 0.40, corresponding to the share's quota value.

The reason for the proposed possibility to repurchase own shares is that the company shall be able to fulfill its obligations under LTIP 2017.

***Proposal regarding transfer of ordinary shares (item 20 (d))***

The board of directors proposes that the annual general meeting resolves that 230,000 Class C shares, having been purchased by the company by virtue of the authorisation to repurchase its own shares in accordance with item 20 (c) above, following conversion to ordinary shares, may be transferred to participants in accordance with the terms of LTIP 2017.

The board of directors' statements pursuant to Chapter 19, Section 22 of the Swedish Companies Act have been made available together with the proposal.

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