

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

Proposal to implement a new performance based long-term incentive programme (item 20)

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 2019”) 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 2019 is proposed to include up to approximately 120 senior executives and key employees within the Orexo group.

LTIP 2019 is a three-year performance-based program similar to the programs adopted on the annual general meetings 2016, 2017 and 2018. Under LTIP 2019, the participants will be granted, free of charge, performance-based share awards (“Share Awards”) that entitle to a maximum of 230,000 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 2019 substantially corresponds with the performance based long-term incentive programs adopted at the annual general meetings 2016, 2017 and 2018 and LTIP 2019 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 confirms its intent 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 2016, 2017 and 2018 shall be adopted on the annual general meeting 2019. LTIP 2019 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 2019 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 2019 will have a positive effect on the development of the Orexo group and consequently that LTIP 2019 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 2019 and no later than on 30 June 2019.
- Each Share Award entitles the holder to receive one share in the company, free of charge, except for the appropriate taxes, 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.

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- A prerequisite for entitlement to receive shares on the basis of Share Awards is that the performance conditions for LTIP 2019 have been satisfied pursuant to the terms and conditions specified below.
- The number of Share Awards encompassed by LTIP 2019 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 entitles 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 2019, in addition to the condition that the holder still is employed by the Orexo group ("Performance Target 1"). The performance conditions focus on Orexo's financial and operational targets for 2019 ("Performance Target 2") and on the share-price development for the three-year vesting period ("Performance Target 3"). Of each participant's granted Share Awards, 20 percent will pertain to Performance Target 1, up to 40 percent will pertain to Performance Target 2 and up to 40 percent will pertain to Performance Target 3. The allotment of shares that each participant later may receive depends on achievement of the established performance targets as described below.

Performance Target 2: This target pertains to the fulfilment of the financial and operational targets for the financial year 2019 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 lineally; 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 2 in the Annual Report for 2019.

Performance Target 3: This target pertains to the development of the Orexo share price over the period from the date of the annual general meeting 2019 up to and including April 11, 2022. The Orexo share price shall have outperformed the Nasdaq Stockholm Midcap GI Index during the measurement period from the date of the annual general meeting 2019 up to and including April 11, 2022 for all the Share Awards to vest. If not, no Share Awards from Performance Target 3 will vest.

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Allocation

The participants are divided into two allocation categories: (i) CEO and other members of Group Management; (ii) other key personnel. The maximum number of share awards that a participant may be granted in LTIP 2019 depends on the category to which the participant belongs.

To ensure that the value of the share-based remuneration does not reach an unintended level in relation to other remuneration, the value of the warrants granted to the CEO and Group Management must not, at the time of the grant, exceed a value equal to the person's current annual base salary. For other key personnel the value must not exceed 33 percent of the annual base salary.

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 in order 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 2019 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 2019, 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 2019 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 2019 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 2019 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 2019 is similar to LTIP 2016, LTIP 2017 and LTIP 2018 and has been prepared by the Remuneration Committee and reviewed at meetings of the board of directors.

Scope and costs of the program

LTIP 2019 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

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according to UFR 7 during the vesting period.

Assuming a share price at the time of implementation of SEK 70, that Performance Target 2 is achieved at 50 percent and that Performance Target 3 is achieved, including a share price increase of 30 percent during the vesting period, the annual cost for LTIP 2019, including social security costs, is estimated to approximately SEK 4.5 million before tax. The corresponding annual cost with full achievement of Performance Target 2 and Performance Target 3, including a share price increase of 60 percent during the vesting period, is estimated to approximately SEK 6.2 million before tax.

The effects of LTIP 2019 on Orexo's key ratios had, provided that the programme was implemented in 2018 with full achievement of both Performance Target 2 and Performance Target 3 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 2018 by SEK 0.14 to SEK 3.85 and a decrease in equity per share for the financial year 2018 by SEK 0.04 to SEK 13.74.

LTIP 2019 will comprise maximum 230,000 shares in total, which corresponds to approximately 0.6 percent of the total outstanding shares and 0.7 percent of the total outstanding 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 5.0 percent.

Information on Orexo's existing incentive programs can be found in the Annual Report 2018, note 12 and 24, and on the company's website, www.orexo.com.

Delivery of shares under LTIP 2019

To ensure the delivery of shares under LTIP 2019, 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 entitle to dividend payment. The board of directors proposes that the general meeting authorizes 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 2019.

Proposal regarding authorization 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 2019 and to secure for future cash flow effects due to payments of social

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security costs connected with LTIP 2019.

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

The board of directors proposes that the annual general meeting authorizes 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 2019.

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 authorization 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 2019.

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