Orexo AB (publ.)
Year-end Report, January to December 2010

Orexo AB, P.O. Box 303, SE-751 05 Uppsala
Tel: +46 (0)18-780 88 00, Fax: +46 (0)18-780 88 88, E-mail: info@orexo.com
Internet: www.orexo.com
Corp. Reg. No. 556500-0600

Uppsala, February 16, 2011

Orexo AB (publ) – Year-end Report, January – December 2010

- **Abstral continues to grow strongly and is now also approved in the USA.**
- **OX-MPI has made significant progress towards clinical trials and has received its first milestone payment.**
- **The three new programs OX219, OX51 and OX27 announced in August 2010 have now all entered the clinical phase.**

Key events during the period

- The loss after tax for the year excluding exceptional items was MSEK –54.9 (-98.1). [1)] Including these items, the loss after tax for the year was MSEK -89.2 (-98.1).
- Royalty income from Abstral®, Orexo's leading sublingual fentanyl product for breakthrough pain in cancer patients, increased to MSEK 42.2 (16.2). Product sales amounted to MSEK 183.
- Orexo and its partner Boehringer Ingelheim reported a significant step forward in their cooperation aimed at development of drugs to treat pain and inflammation. The first milestone payment amounted to MSEK 57.6 and was paid in January 2011. Additional amounts will be payable when certain other milestones are achieved, as well as royalties on sales of commercial products.
- In June, Orexo signed a collaboration and licensing agreement for new drugs for respiratory diseases with Ortho-McNeil-Janssen Pharmaceuticals, Inc. and Janssen Pharmaceutica NV ("OMJ"). The agreement provides Orexo with research funding of up to MSEK 167 during the first three years, including an advance payment of MSEK 77.8. In addition, Orexo will be entitled to milestone payments of up to MSEK 4,390 if certain other stages are achieved, plus additional sales milestones and royalties in each program.
- Orexo reported positive Phase I clinical data for OX219, a new sublingual tablet formulation for the treatment of opioid dependence.
- Net revenues amounted to MSEK 210.5 (236.1).
- Cashflow from operating activities was MSEK -43.0 (-133.9).
- The loss after tax per share was SEK -3.81 (-4.32).
- Cash and cash equivalents amounted to MSEK 135.8 compared to MSEK 87.4 at the beginning of the period.
- Orexo financial and strategic position was strengthened earlier in the year when Novo Growth Equity invested in a convertible debt instrument.

Fourth Quarter

- Net revenues amounted to MSEK 109.1 (27.9).
- Cashflow from operating activities was MSEK -29.2 (-16.2).
- Profit after tax for the quarter excluding exceptional items was MSEK 28.0 (-58.0), and including exceptional items the profit for the quarter after tax was MSEK 2.1 (-58.0).

- Earnings per share amounted to SEK 1.20 (-2.48) excluding exceptional items and SEK 0.09 (-2.48) including exceptional items.
- The exceptional items for the period were the costs in respect of recruitment costs of MSEK 1.8 and the write-down of the costs of the OX914 program of MSEK 24.1 in the fourth quarter.

1) Unless otherwise stated in this report, all figures refer to the Orexo Group. Figures in brackets indicate the results for the corresponding period in 2009.

KEY EVENTS AFTER THE PERIOD

- **Abstral® (sublingual fentanyl) approved for sale by the FDA in the USA**
  ProStrakan has indicated it plans to launch Abstral in the USA during the first quarter of 2011. Abstral is the first product approved in the USA under the FDA's risk evaluation and management system (REMS) for immediate release fentanyl products. The REMS program for Abstral allows prescription through outpatient pharmacies and hospitals.

- **Appointment of New CEO**
  Anders Lundström was appointed as the new CEO to drive Orexo's future commercial development. Anders' solid international background and strong commercial experience, is ideal for the company's increased focus on developing, marketing and sale of its own pharmaceutical products. Anders joins Orexo from Biogen Idec in the USA, one of the world's leading biotechnology companies.

- **Extraordinary General Meeting on February 16, 2011**
  On January 11, 2011, the company published notice of an extraordinary general meeting to be held on Wednesday, February 16, 2011, at 16:00 at the Summit Hitech building on Sveavägen 9-11 in Stockholm. This EGM has been convened to decide on the adoption of a performance-based incentive program for 2011/2021. For more detailed information on the proposed incentive program refer to the notice and the full proposal, which are available on the Orexo website, www.orexo.com.

Operations

"For the full year 2010, we saw strong sales of Abstral, providing an increase of approximately 320%. Sales of Edluar also grew, particularly in the fourth quarter.

On January 10, 2011 Abstral was approved by the FDA for sale in the United States. As a result of the approval and the new distribution agreements signed with Newbridge for the Middle East and Africa and Invida for the remaining key markets in Asia and Australia, Abstral is now a global product.

In August Orexo launched their new strategy "Orexo 2015". It is based on developing and commercializing products in-house in the future. In the first program, OX-219 (for the treatment of opioid dependence) has already completed a positive Phase I trial. Clinical phase I trials have been initiated in the other two new programs, OX27 and OX51.

Orexo's arachidonic acid research made significant progress during the year. The company entered an alliance and license agreement with Ortho-McNeil-Janssen Pharmaceuticals and Janssen Pharmaceutica on its program OX-CLI for the treatment of respiratory diseases. Orexo also achieved its first milestone for OX-MPI in the research collaboration with Boehringer Ingelheim, "says Anders Lundström, President and CEO.

The period in figures

Summary of Consolidated Income Statement

MSEK	3 months 2010 Oct-Dec	3 months 2009 Oct-Dec	12 months 2010 Jan-Dec	12 months 2009 Jan-Dec
Net revenue	**109.1**	**27.9**	**210.5**	**236.1**
Costs of goods sold	-7.4	-6.3	-26.3	-23.6
Gross Profit	**101.7**	**21.6**	**184.2**	**212.5**
Selling expenses	-12.4	-14.0	-35.2	-39.3
Administrative expenses	-10.1	-14.0	-46.8	-46.3
Research & development costs	-75.8	-51.9	-186.9	-224.2
Other operating income & expenses	-0.6	0.4	3.0	-1.8
Operating profit*	**2.8**	**-57.9**	**-81.7**	**-99.1**
Net financial items	-0.6	-0.1	-7.5	2.1
Profit after financial items	**2.2**	**-58,0**	**-89.2**	**-96.9**
Tax	-	-	-	-1.1
Net Profit for the period	**2.2**	**-58.0**	**-89.2**	**-98.1**

** includes the costs of employee stock options in the amount of MSEK 3.3 for the period January to December 2010 (MSEK 8.2 January to December 2009).*

Revenues

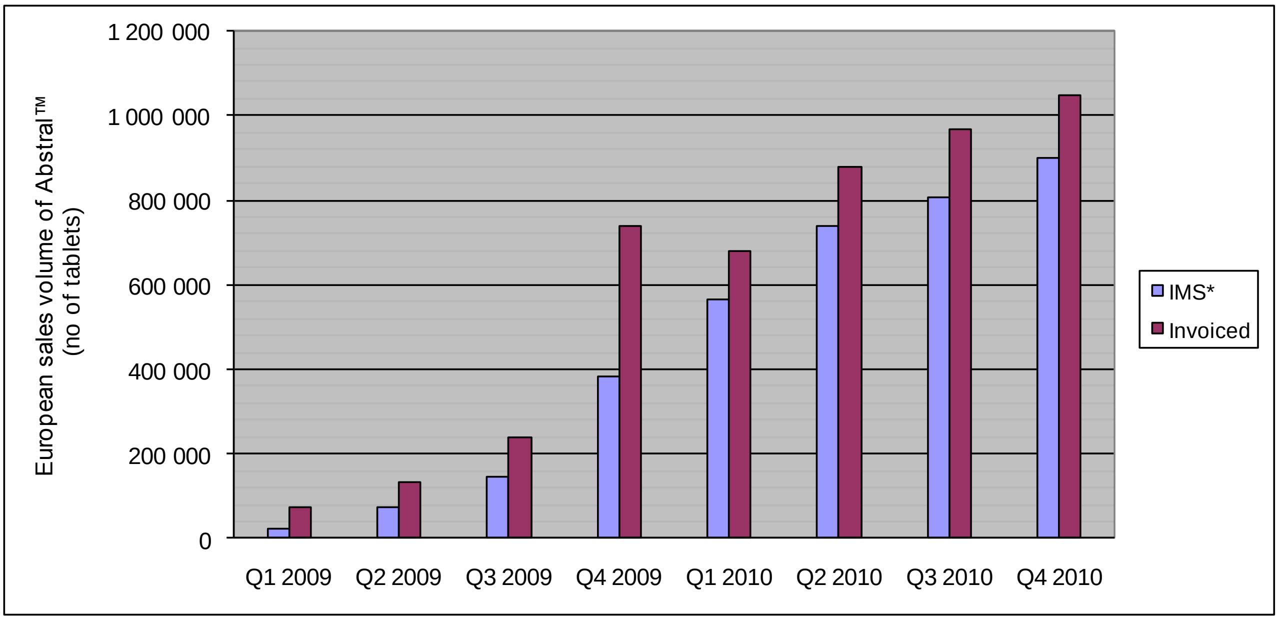
Net revenue

Net sales for January-December 2010 amounted to MSEK 210.5 (236.1). The decrease is attributable to lower licensing revenues and transfers of costs and related research funding from the partner, but these are partially offset by sharply higher royalty revenues.

During the period October-December 2010, net revenues were MSEK 109.1 (27.9). The higher net revenue for the quarter is primarily attributable to the first milestone payment of MSEK 57.6 from the agreement with Boehringer Ingelheim.

During the second quarter Orexo began its collaboration and license agreement with Ortho-McNeil-Janssen Pharmaceuticals Inc. The agreement runs initially for three years. The initial payment of MSEK 77.8 which was received when the contract was made, is accounted for evenly over the three year period. In addition, Orexo has begun receiving reimbursement payments of collaborative research costs from this period onward.

Revenues from Abstral sales increased by over 320 percent compared with the same period in 2009



IMS refers to IMS audited sales data, which are statistical estimates of actual in-market sales of the product to pharmacies and hospitals. Invoiced refers to sales invoiced by ProStrakan Group plc to wholesalers.

Royalty revenues from Abstral during the year January – December 2010 amounted to MSEK 42.2, compared with MSEK 16.2 for 2009. Royalty revenues for the period October - December 2010 amounted to MSEK 11.9 (9.9).

Sales for Kibion during the year January – December 2010 amounted to MSEK 39.9 (40.7) after a strong recovery in the fourth quarter. Volume growth in the number of urea breath tests was around 10%. The small decrease in sales should be read in the context of a marked weakening of the euro in 2010 (responsible for around MSEK -1.7 m).

ProStrakan AB's sales have increased to MSEK 24.5 (21.6), of the reported 50% of Orexo turnover. Abstral sales through ProStrakan AB increased to MSEK 12.3 (10.8).

Revenue from new and existing license deals amounted to MSEK 81.1 (119.5). Revenues mainly comprise the milestone payment from Boehringer Ingelheim of MSEK 57.6 and the accounting release during the year of the upfront payment received from Ortho-McNeil-Janssen Pharmaceuticals, Inc. Last year's license revenue consisted primarily of milestones from the out-licensing of the insomnia therapy Edluar ™ to Meda AB and consideration for approval of Edluar ™ in the United States.

Royalty revenues for Edluar for the period January-December amounted to MSEK 1.3.

Net revenues were distributed as follows:

MSEK	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
Abstral® - royalty	11.9	9.9	42.2	16.2
Edluar™ - royalty	0.8	0.1	1.3	2.3
ProStrakan AB J/V 50 %	3.7	2.7	12.3	10.8
Kibion AB	12.1	10.3	39.9	40.7
Total revenue from launched products	***28.5***	***23.0***	***95.7***	***70.0***
Partner-funded R&D costs	15.9	4.7	33.8	46.4
License revenues	64.9	0.2	81.1	119.5
Other	-0.2	-	-0.1	0.2
Total	**109.1**	**27.9**	**210.5**	**236.1**

Expenses and earnings

Selling expenses
Selling expenses for the period January-December 2010 amounted to MSEK 35.2 (39.3) and for the period October-December 2010 to MSEK 12.4 (14.0). The selling expenses include the costs of business development associated with licensing of Orexo projects, the costs of Phase IV trials, selling activity in Kibion AB and the joint venture company ProStrakan AB.

Administrative expenses
Administrative expenses for the period January-December 2010 amounted to MSEK 46.8(46.3). These costs include provision for costs related to replacement of the CEO and CFO. For the period from October-December 2010 administrative expenses amounted to MSEK 10.2 (14.0).

Research and development costs
Research and development costs for the period January-December 2010 amounted to MSEK 186.9 (224.2). MSEK 33.8 (46.4) of this cost is covered by Orexo's collaboration partners, and such reimbursements are included in net revenues. The lower costs are primarily related to the development of our proprietary product portfolio and therefore lower external research activities, but also to the cost reductions made in 2009 which have now been given full effect from January 1, 2010.

For the period October-December 2010, research and development costs amounted to MSEK 75.8 (51.9). During this period an impairment write-down of MSEK 24.1 for the OX914 project were charged to research and development costs.

Exceptional costs
The exceptional items for the period were the costs in respect of the replacement and recruitment of the new CEO and CFO of MSEK 8.4 in the third quarter, the recruitment costs of MSEK 1.8 and the write-down of the costs of the OX914 program of MSEK 24.1 in the fourth quarter.

Expenses for the company's employee stock options program
The company's costs for the employee stock option plan for the period January-December 2010 amounted to MSEK 3.3, compared with a cost of MSEK 8.2 during the same period last year.

Other income and expenses
Other income and expenses, primarily consisting of exchange rate gains and losses, for the period January-December 2010 amounted to MSEK 3.0 (-1.8) and for the period October - December 2010 to MSEK -0.6 (0.4).

The total operating costs for Orexo in 2010 were just under MSEK 220 as indicated early in the year. This does not include additional research and development expenses in the collaboration with OMJ to the extent that these are covered by research funding from OMJ, the impairment write-down of OX914 or the costs of placement of the convertible loan with Novo A/S.

Depreciation
Depreciation for the period January-December 2010 amounted to MSEK 9.6 (10.5), and for the period October-December 2010 to MSEK 3.7 (1.9).

Net financial income
Net financial income for the period January-December 2010 amounted to MSEK -7.5 (2.1). Net interest income included interest expense of MSEK 8.7 in respect of the convertible debentures held by Novo A/S. The financial items also include reported unrealized foreign exchange losses and other credit charges.

Earnings
The operating loss for January-December 2010 amounted to MSEK -81.8 (-99.1). The loss after financial items was MSEK -89.3 (-96.9) and loss after taxes was MSEK -89.2 (-98.1).

For the period October-December 2010, operating profit amounted to MSEK 2.8 (-57.9). Profit after financial items was MSEK 2.2 (-58.0) and profit after tax was MSEK 2.2 (-58.0).

Financial Position
Cash and cash equivalents at 31 December 2010 were MSEK 135.8 (87.4). The milestone payment from Boehringer Ingelheim of MSEK 57.6 was paid only in January 2011 and has therefore not affected cash flow in 2010.

The convertible bond issue which took place on April 7 has been reported as a liability and an equity-related component based on the fair value of the liability. The division between these two components has been made based on an estimated market interest rate which is 10.5%. Attributable transaction costs are allocated proportionally on these two components relative to how the proceeds are distributed. The convertible bonds have a conversion price of SEK 47.50 per share representing a premium of approximately 25% over the closing price on March 12, 2010 of SEK 37.90 per share, and are associated with an option that gives Orexo the right to convert the loan when the stock price exceeds the conversion price by 50% in a given period. The convertible loan carries an actual annual interest rate of 8%. In the event the loan is not convertible into shares, it will be repayable by March 31, 2015.

Cash flow from operations for the period January-December 2010 amounted to SEK -43.0 (-133.9). Cash flow after financing amounted to MSEK 48.8 (-95.7).

Cash flow from operations for the period October-December 2010 amounted to MSEK -29.2 (-16.2) and cash flow after financing was MSEK -30.4 (-16.9).

Shareholders' equity at December 31, 2010 amounted to MSEK 468.2 (548.7). The equity ratio was 66 (85) percent.

Current funding is sufficient to run all the projects described below through clinical Phase I, and also to advance at least one of these projects to the approval stage without the need for further milestone payments from out-licensed research and development projects.

Investments

Gross investment in fixed assets for the period January-December 2010 was MSEK 3.4 (2.6) and for the period October-December 2010 MSEK 1.1 (1.5).

Product Portfolio

Three new development programs

A phase I clinical study for OX219 was successful and continued development of the program will be determined following a meeting with the U.S. Food and Drug Administration, FDA in the first quarter of 2011. OX219 is a revised version of the program that originally was acquired through the acquisition of PharmaKodex. The product will compete in the market for treatment of opioid dependence. This market is estimated to represent a value of about $1.4 billion globally. It is currently dominated by Suboxone® (Reckitt Benckiser plc). The successful outcome of this program is an important step in building Orexo's own product portfolio.

Clinical trials have begun for the two other development programs announced in 2010, OX51 and OX27. Both programs are designed for various pain indications and study results will be reported in the second quarter of 2011. Additional information on the results from the OX219-study is presented in a separate press release available on www.orexo.com.

Parent Company

Most of the Group's operations are conducted in the parent company Orexo. Net sales for the period January-December 2010 amounted to MSEK 113.0 (208.2) and the loss after financial items was MSEK -118.6 (-41.3). Investments amounted to MSEK 3.4 (3.2). Cash in the parent company at 31 December 2010 amounted to MSEK 101.4 (12.8) and short-term investments amounted to MSEK 0.0 (0.0).

Significant risks and uncertainties

Significant risks and uncertainties are detailed in the Annual Report for 2009. Since the annual report was issued, significant changes have occurred as described below.

Financial Risks

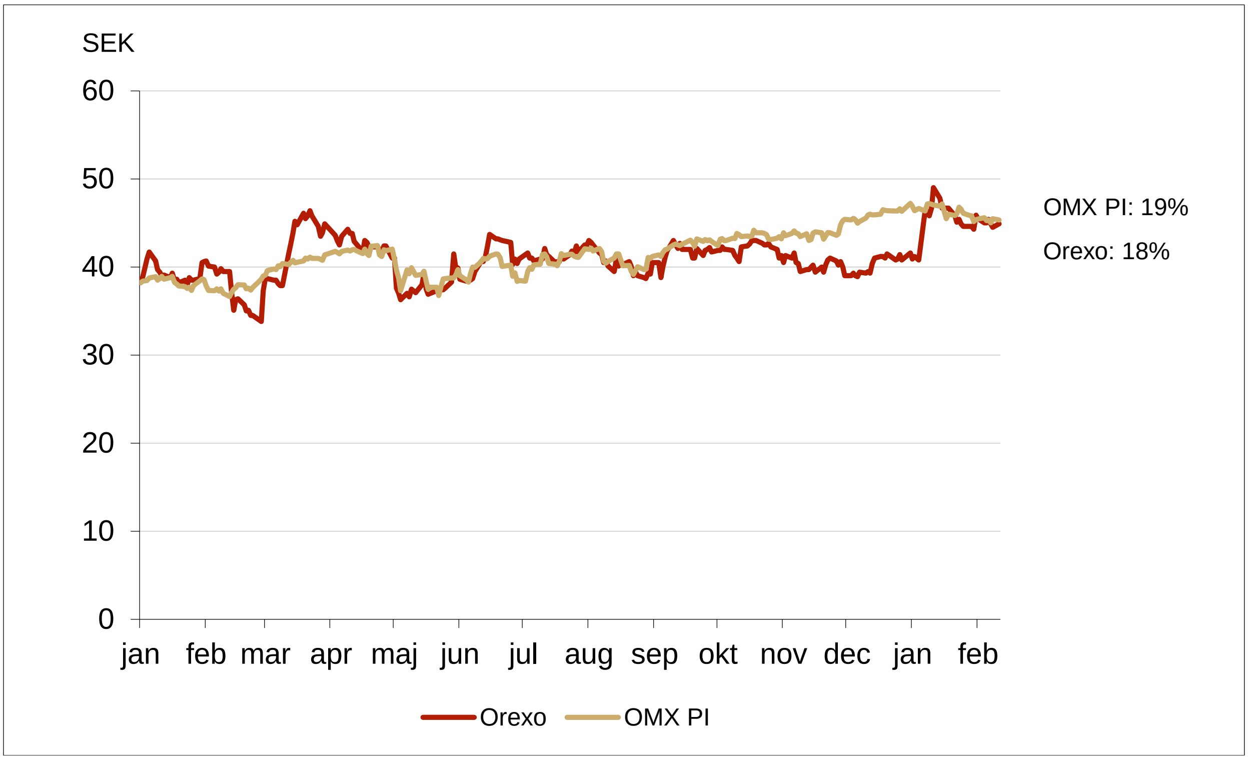
Through the issue of convertible debt, which raised MSEK 111 before expenses, revenue related to the out-licensing of the project OX-CLI to Ortho-McNeil-Janssen Pharmaceuticals, Inc. and milestone payments from Boehringer Ingelheim for projects MPI, Orexo's financial risks have declined significantly.

Dividend

The Board does not intend to propose a dividend for the financial year 2010.

Equity and market

Orexo shares were traded on February 14, 2011 at SEK 44.90 per share. The company's market value based on the number of outstanding shares at February 14, 2011 amounted to MSEK 1,027.



Analysts monitoring Orexo

ABG Sundal Collier	Erik Hultgård
Carnegie	Camilla Oxhamre
Handelsbanken Markets	*New analyst being appointed*
Nordea	Patrik Ling
Pharmium Securities	Frédéric Gomez
Redeye	Klas Palin and Peter Östling
Rodman & Renshaw	Michael Higgins
SEB Enskilda	Gustaf Vahlne

Future reporting dates

Extraordinary General Meeting	February 16, 2011
Annual General Meeting 2011	April 7, 2011
Interim report, January-March 2011	May 4, 2011
Interim report, January-June 2011	August 10, 2011
Interim report, January-September 2011	November 9, 2011

Interim reports will be covered in a conference call on the date of the publication. Details on the calls will be given in each report.

Extraordinary General Meeting 2011

An Extraordinary General Meeting for Orexo will be held on Wednesday, February 16, 2011, at 4:00pm at Summit Hitech building on Sveavägen 9-11 in Stockholm.
Notice of this meeting was published on January 11, 2011.

Annual General Meeting 2011
The Annual General Meeting for Orexo AB will be held on April 7, 2011 at 3.00pm at the IVA Conference Centre, Grev Turegatan 16, in Stockholm.
Notice of the meeting will be published not later than March 10, 2011.

Annual Report 2010
Orexo AB's annual report and financial statements will presented on the company website no later than March 17, 2011, and can be sent to shareholders upon request.

Uppsala, February 16, 2011

Orexo AB (publ)

Anders Lundström
President and Chief Executive Officer

For further information, please contact:
Anders Lundström, President and CEO, Tel: +46 (0)18-780 88 12, e-mail: anders.lundstrom@orexo.com
Robin Wright, EVP / CFO, Tel: 0044-7720 30 00 25, e-mail: robin.wright@orexo.com

AUDITORS 'REPORT

We have reviewed the attached report for the period January 1 to December 31, 2010 for Orexo AB (publ).. Orexo's management is responsible for the preparation and presentation of this interim report in accordance with the Annual Accounts Act and IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2410: Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by FAR. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures and completing other review procedures. A review has a different focus and is substantially smaller in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and auditing practices. The procedures performed in a review do not enable us to obtain an assurance that we are aware of all significant matters that might be identified in an audit. The conclusion based on a review does not give the same assurance as a conclusion based on an audit.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim report has not been compiled for the Group in accordance with the Annual Accounts Act and IAS 34 and for the Parent Company in accordance with the Annual Accounts Act.

Uppsala, February 16, 2011
PricewaterhouseCoopers AB

Leonard Daun
Authorised Public Accountant

CONSOLIDATED STATEMENT OF OPERATIONS

KSEK	**Notes**	**3 months 2010 Oct-Dec**	**3 months 2009 Oct-Dec**	**12 months 2010 Jan-Dec**	**12 months 2009 Jan-Dec**
Net revenues		109,137	27,857	210,499	236,104
Cost of goods sold	2	-7,463	-6,299	-26,321	-23,650
Gross profit		**101,674**	**21,558**	**184,178**	**212,454**
Selling expenses	2	-12,399	-13,984	-35,223	-39,261
Administrative expenses	2	-10,152	-14,047	-46,819	-46,308
Research & development costs	2	-75,825	-51,913	-186,914	-224,216
Other operating income		1,301	1,738	7,746	8,239
Other operating expenses	2	-1,857	-1,310	-4,741	-9,991
Operating profit		**2,742**	**-57,958**	**-81,773**	**-99,083**
Financial income		1,192	45	1,456	4,868
Financial expense		-1,803	-120	-8,942	-2,726
Financial items - net		**-611**	**-75**	**-7,486**	**2,142**
Pre-tax profit		**2,131**	**-58,033**	**-89,259**	**-96,941**
Income tax		-1	5	13	-1,138
Net Profit for the period		**2,130**	**-58,028**	**-89,246**	**-98,079**
Profit for the period attributable to:					
Parent Company shareholders		2,130	-58,028	-89,246	-98,079
Minority interests		-	-	-	-
Profit for the period attributable to Parent Company shareholders during the period during the period (SEK per share)**:**					
Profit per share, before dilution		0.09	-2.48	-3.81	-4.32
Profit per share, after dilution		0.08	-2.48	-3.81	-4.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	3 months 2010 Oct-Dec	3 months 2009 Oct-Dec	12 months 2010 Jan-Dec	12 months 2009 Jan-Dec
Profit for the period	**2,130**	**-58,028**	**-89,246**	**-98,079**
Other comprehensive income				
Hedging of net investments	-	-	-	2,329
Exchange-rate differences	-552	1,957	-3,524	-7,574
Other comprehensive income for the period, after tax	**-552**	**1,957**	**-3,524**	**-5,245**
Total comprehensive income for the period	**1,578**	**-56,071**	**-92,770**	**-103,324**
Total comprehensive income attributable to:				
Parent company shareholders	1,578	-56,071	-92,770	-103,324

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY
Attributable to the Parent Company Shareholders [1)]

KSEK	Share Capital	Other capital contributed	Accumulated loss	Translation differences	Total	Total shareholders' equity
Opening balance at 1 January, 2010	**8,647**	**1,012,964**	**-451,828**	**-**	**569,783**	**569,783**
Total comprehensive income	-	-	-98,079	-5,245	-193,324	-103,324
Employee stock options, vested amount	-	7,756	-	-	7,756	7,756
New share issues	713	73,733	-	-	74,446	74,446
Closing balance at 31 December 2009	**9,360**	**1,094,453**	**-549,907**	**-5,245**	**548,661**	**548,661**
Opening balance at 1 January, 2010	**9,360**	**1,094,453**	**-549,907**	**-5,245**	**548,661**	**548,661**
Total comprehensive income	-	-	-89,246	-3,524	-92,770	92,770
Employee stock options, vested amount	-	2,297	-	-	2,297	2,297
Convertible bonds - shareholder's equity	-	10,005	-	-	10,005	10,005
New share issues	1	43	-	-	44	44
Closing balance at 31 December 2009	**9,361**	**1,106,798**	**-639,153**	**-8,769**	**468,237**	**468,237**

1) *There are no minority interests.*

CONSOLIDATED BALANCE SHEET

KSEK		**2010**	**2009**
	Notes	**31 Dec**	**31 Dec**
Assets			
Fixed assets			
Tangible fixed assets		41,666	45,814
Goodwill		17,679	17,987
Acquired R&D	3	388,487	427,030
Other intangible fixed assets		1,251	1,982
Total fixed assets		**449,083**	**492,813**
Current assets			
Inventories		7,965	8,440
Accounts receivables and other receivables		119,845	60,667
Cash and cash equivalents		135,798	87,414
Total current assets		**263,608**	**156,521**
Total assets		**712,691**	**649,334**
SHAREHOLDERS' EQUITY & LIABILITIES	4		
Share capital		9,361	9,360
Capital contributions		1,106,798	1,094,453
Accumulated losses		-639,153	-549,907
Translation differences		-8,769	-5,245
Total shareholders equity		**468,237**	**548,661**
Long-term liabilities			
Provisions		1,112	11,114
Long-term liabilities, interest-bearing		94,421	12,800
Deferred tax liability		8,911	9,791
Total long-term liabilities		**104,444**	**33,705**
Current liabilities			
Current liabilities, interest-bearing		130,531	63,768
Current liabilities, non-interest-bearing		9,479	3,200
Total liabilities		**244,454**	**100,673**
Total shareholders' equity and liabilities		**712,691**	**649,334**

** Includes the unrecognized portion of the OX-CLI deal upfront funding of MSEK 62.6.*

CONSOLIDATED CASHFLOW STATEMENTS

KSEK	Notes	3 months 2010 Oct-Dec	3 months 2009 Oct-Dec	12 months 2010 Jan-Dec	12 months 2009 Jan-Dec
Operations					
Operating loss before interest expense and interest income		2,742	-57,958	-81,773	-99,083
Interest received		286	45	550	759
Interest paid		-2,912	-120	-8,942	-397
Tax paid		-	-	-	-1,389
Other financial expenses		2,015	-	906	-
Adjustment for non-cash items	5	29,935	6,726	39,825	20,834
Cashflow from operations before changes in working capital		**32,066**	**-51,307**	**-49,434**	**-79,276**
Changes in working capital					
Accounts receivable		-70,213	14,003	-67,453	-2,963
Other current receivables		-762	3,048	8,275	6,143
Inventories		1,612	732	475	5,542
Current liabilities		7,560	17,304	65,751	-64,487
Provisions		615	267	299	1,114
Long-term provisions		-125	-295	-880	-
Cash flow from operations		**-29,247**	**-16,248**	**-42,967**	**-133,927**
Investing activities					
Acquisition of machinery and equipment		-1,152	-1,467	-3,438	-2,588
Divestment of machinery and equipment		-	-	-	2
Acquisition of subsidiaries		-	-	-	24,695
Cashflow after investments		**-30,399**	**-17,715**	**-46,405**	**-111,818**
Change in financing					
New share issues		-	800	44	90
Proceeds from issue of convertible bonds		-	-	111,150	-
Loans received		-	-	-	16,000
Amortization of loans		-	-	-16,000	-
Cashflow after financing		**-30,399**	**-16,915**	**48,789**	**-95,728**

KSEK	Notes	3 months 2010 Oct-Dec	3 months 2009 Oct-Dec	12 months 2010 Jan-Dec	12 months 2009 Jan-Dec
Cashflow for the year					
Cash and cash equivalents, beginning of period		165,645	107,061	87,414	188,220
Exchange rate differences in cash and cash equivalents		552	-2,732	-405	-5,078
Changes in cash and cash equivalents		-30,399	-16,915	48,789	-95,728
Cash and cash equivalents, close of period		**135,798**	**87,414**	**135,798**	**87,414**

Key Figures

	3 months 2010 Oct-Dec	3 months 2009 Oct-Dec	12 months 2010 Jan-Dec	12 months 2009 Jan-Dec
Operating margin %	3	-207	-39	-42
Profit margin %	2	-207	-42	-41
Return on total capital, %	1	-9	-12	-14
Return on equity, %	0	-10	-18	-17
Return on capital employed, %	0	-10	-14	-16
Debt/equity ratio, multiple	22	0		0
Equity/assets ratio, %	66	85	66	85
Current ratio, %	188	234	188	234
Acid ratio, %	183	221	183	221
Average number of shares, before dilution	23,403,752	23,401,252	23,402,502	22,714,784
Average number of shares, after dilution	25,943,366	23,487,957	25,500,884	23,801,489
Number of shares, after full dilution	26,609,081	25,328,048	26,609,081	25,326,775
Number of shares, before dilution	23,403, 752	23,401,252	23,403,752	23,401,252
Number of shares, after dilution	25,943,070	24,487,957	25,943,070	24,487,957
Earnings/loss per share, before dilution, SEK	0.09	-2.48	-3.81	-4.32
Earnings/loss per share, after dilution, SEK	0.08	-2.48	-3.81	-4.32
Shareholders' equity per share, before dilution, SEK	20.01	23.45	20.01	23.45
Shareholders' equity per share, after dilution, SEK	18.05	22.41	18.05	22.41
Number of employees at end of period	105	108	105	108
Average number of employees	106	119	105	124
Shareholders' equity	468,237	548,661	468,237	548,661
Capital employed	572,137	564,661	572,137	564,661

DEFINITIONS

Please refer to the Annual Report for 2009

PARENT COMPANY STATEMENT OF OPERATIONS

KSEK	Notes	3 months 2010 Oct-Dec	3 months 2009 Oct-Dec	12 months 2010 Jan-Dec	12 months 2009 Jan-Dec
Net revenues		51,443	49,018	112,951	208,183
Cost of goods sold		-	-	-	-
Gross profit		**51,443**	**49,018**	**112,951**	**208,183**
Selling expenses		-5,146	-6,102	-16,533	-16,588
Administrative expenses		-16,701	-13,685	-61,605	-42,260
Research & development costs		-47,995	-46,233	-147,046	-192,463
Other operating income		922	1,007	4,136	3,574
Other operating expenses		-427	-543	-1,347	-6,203
Operating profit		**-17,904**	**-16,538**	**-109,444**	**-45,757**
Earnings from financial investments					
Financial income		282	7	506	230
Financial expense		-3,236	-123	-9,399	-2,543
Other financial income		-	-	-	6,269
Other financial expense		-	-	-295	-
Loss after financial items		**-20,858**	**-16,654**	**-118,632**	**-41,801**
Tax		-	-1	-	-1,390
Loss for the period		**-20,858**	**-16,655**	**-118,632**	**-43,191**

PARENT COMPANY BALANCE SHEET

KSEK	Notes	2010 31-dec	2009 31-dec
ASSETS			
Fixed assets			
Tangible fixed assets		41,566	45,523
Intangible fixed assets		218	363
Shares in subsidiaries/joint ventures		604,763	606,414
Total fixed assets		**646,547**	**652,300**
Current assets			
Inventories		2,529	1,385
Accounts receivable and other receivables		133,986	77,457
Cash and bank balances		101,400	12,790
Total current assets		**237,915**	**91,632**
Total assets		**884,462**	**743,932**
SHAREHOLDERS' EQUITY, PROVISIONS & LIABILITIES	6		
Restricted equity		300,112	300,111
Non-restricted equity		240,414	347,029
Total shareholders' equity		**540,526**	**647,140**
Long-term liabilities			
Provisions		1,135	813
Borrowings		94,421	12,800
Total long-term liabilities		**95,556**	**13,613**
Current liabilities, interest-bearing		238,901	79,979
Current liabilities, non-interest-bearing		9,479	3,200
Total liabilities		**343,936**	**83,179**
Total shareholders' equity and liabilities		**884,462**	**743,932**
Pledged assets		44,000	16,000
Contingent liabilities		6,050	6,050

Notes

1. Accounting policies

This interim report was prepared pursuant to IAS 34. Orexo applies IFRS as approved by the EU.

The accounting policies stated below are identical to those applied in the preparation of the 2009 Annual Report.

During the period, Orexo issued a convertible bond. This compound financial instrument is initially recognized in the following manner: the liability share is measured at fair value and the equity share as the difference between the fair value of the entire convertible bond less the portion recognized as a liability. Transaction expenses have been allocated to the liability share and equity share in proportion to the value initially recognized.

The Parent Company's financial statements were prepared in accordance with RFR 2.2 (Swedish Financial Accounting Standards Council's recommendation) and Chapter 9 of the Swedish Annual Accounts Act.

New and amended accounting policies as of 2010

No new or revised International Financial Reporting Standards have come into effect that are expected to have any significant impact on the Group.

2. Costs distributed by type of cost

KSEK	**2010 Oct-Dec**	**2009 Oct-Dec**	**2010 Jan-Dec**	**2009 Jan-Dec**
Raw materials and supplies	9,562	8,822	35,306	41,503
Other external costs	43,177	42,466	114,821	162,469
Personnel costs	28,697	34,341	116,126	128,619
Depreciation and impairment	26,260	1,929	33, 764	10,838
TOTAL	**107,696**	**87,558**	**300,017**	**343,429**

Research and development costs encompass costs for personnel, employee stock options, premises, external costs for clinical trials, pharmaceutical registration and laboratory services, the depreciation/amortization of equipment, and the acquisition of patents and other intangible assets. All development costs recognized in the balance sheet pertain to assets that were acquired through business combinations.

3. Acquired research and development

In the fourth quarter it was necessary to write down the value of the OX914 project, which has added MSEK 24.1 to the operating cost.

Opening balance 1 January 2010	427,030
Impairment	-25,794
Revaluation additional consideration	-9,100
Translation differences	-3,649
Closing balance 31 December 2010	388,487

4. Shareholders' equity

Shares outstanding

The number of shares outstanding at December 31, 2010, was 23,403,752, all of which were common shares. All shares carry entitlement to one vote each.

Options

At December 31, 2010, a total of 1,517,941 options were outstanding that carry rights to new subscription of 1,338,486 shares in Orexo and to be exchanged for 179,455 options for shares in Orexo. Each option issued by Biolipox AB provides entitlement to the exchange of one share in Orexo AB, and a corresponding number of shares are held by the independent company Pyrinox AB.

The list below shows the change in the number of options during the period January 1, 2010 to December 31, 2010 distributed by category.

	Opening Jan 1, 2010	Change	Closing Sept 30, 2010
Employee-related options			
Of which:			
Decided and allocated employee stock options	876,316		876,316
Expired		-154,250	-154,250
Exercised		-2,500	-2,500
Total			**719,566**
Decided and allotted Board options	35,207		35,207
Allotted		25,713	25,713
Total			**60,920**
Decided and allotted warrants	10,000		10,000
Total			**10,000**
Decided but not allotted employee stock options 2009			
Opening balance, as approved by the 2009 AGM	470,000		470,000
Total			**470,000**
Warrants held by subsidiaries as cash-flow hedging for social security fees	78,000		78,000
Total			**78,000**
Total options to employees	**1,469,523**	**-131,037**	**1,338,486**
Employee stock options utilized from Biolipox AB (no dilution effect, included in newly issued shares in conjunction with acquisition of Biolipox)	196,107		196,107
Expired		-9,454	-9,454
Exercised		-69,071	-69,071
Warrants utilized from Biolipox AB for cash-flow hedging of social security fees (no dilution effect)	80,323	-18,450	61,873
Total options from Biolipox	**276,430**	**-96,975**	**179,455**
Total options to employees	**1,745,953**	**-228,012**	**1,517,941**
Other options			
Warrants related to supplemental payment in conjunction with acquisition of Biolipox AB	926,000	-926,000	-
Total options outstanding	**2,671,953**	**-1,154,012**	**1,517,941**

[1] All information regarding options issued by Orexo AB has been restated to take into account the 1:250 share split conducted in November 2005. The 2005 Annual Report states that older option certificates provide entitlement to subscribe for 250 shares after the split. The reported data regarding options issued by Orexo AB refer to the number of shares to which each option provides entitlement to subscribe for shares following the share split. All data regarding options issued by Biolipox AB are restated using a factor of 0.45854, which corresponds to the computed value of the options related to the share price for the Orexo share on the acquisition date. The reported data regarding the options issued by Biolipox refer to the number of shares for which each option may be exchanged after recalculation.

During the period January-September 2010, a total of 2,500 employee stock options from Orexo's options program were exercised, all during the period October - December. During the period January- December 2010, 69,071 of Biolipox' employee stock options were exercised, entailing that holders exercised their options in exchange for 69,071 shares held by the independent company Pyrinox AB. Of these employee stock options, 12,610 were exercised in the period October - December 2010. This exercise did not entail the issue of any new shares by Orexo.

On January 1, 2010, the 926,000 warrants pertaining to the additional purchase consideration for the Biolipox acquisition expired. They could have been exercised had certain events occurred before December 31, 2009, but since these events never occurred, the warrants expired.

Costs for the program pertain to the expected cost of the value of employee earnings during the period, as measured at market value on the date of distribution, and to the portion of estimated social security expenses related to the increase in value that was vested during the period. The company will have to pay social security expenses on gains that may arise in connection with the exercise of employee stock options, calculated as the difference between the redemption price of the employee stock options and the market value of the share. All things being equal, this means that a rise in the share price during the quarter increases the costs of the estimated social security fees.

The social security fees that could arise due to the employee stock option have been hedged financially and thus also in terms of cash flow through the issuance of warrants to a subsidiary of Orexo. This hedging does not qualify for hedge accounting in accordance with IFRS.

Allotment of Board member options in May 2010
In May 2010, a total of 25,713 Board member options were allotted that provide entitlement to subscribe for a total of 25,713 shares in Orexo. These Board member options have been allotted free of charge to the Board members elected at the 2010 AGM. Vesting of the Board member options takes the form of 25 percent after the date for the publication of Orexo's interim report for the first quarter and 25 percent after the publication of the interim reports for quarters two to four during the mandate period for the 2010 financial year. The right of Board members to request exercise arises two years after the 2010 AGM. The final exercise date for Board member options is December 31, 2017 and the strike price is SEK 0.40 per share. The market value, calculated using the Black & Scholes method, was SEK 37.86 on the allotment date.

5. Cashflow

Adjustment for non-cash items

KSEK	**2010 Oct-Dec**	**2009 Oct-Dec**	**2010 Jan-Dec**	**2009 Jan-Dec**
Depreciation/amortization and impairment	26,260	1,929	33,764	10,503
Estimated costs for employee stock options program	765	2,669	3,309	8,203
Other		2,128		2,128
Financial expenses, convertible bond	2,910	-	2,752	-
Total	**29,935**	**6,726**	**39,825**	**20,834**

6. Shareholders' Equity

Change in the Parent Company's shareholders' equity

KSEK	2010 Oct-Dec	2009 Oct-Dec	2010 Jan-Dec	2009 Jan-Dec
Opening shareholders' equity, balance sheet	**560,990**	**660,699**	**647,140**	**609,194**
Net loss for the period	-20,858	-16,655	-118,632	-43,191
Subscription for shares through the exercise of warrants	-	-	44	-
New share issues	-	-	-	90
New warrant issues	-	-	-	74,356
Employee stock options, vested value for employees	394	3,096	1,969	6,691
Convertible bond – equity share	-	-	10,005	-
Closing amount	**540,526**	**647,140**	**540,526**	**647,140**

6. Pledged assets and contingent liabilities

In the acquisition of Inflazyme in November 2007, a supplemental payment was agreed contingent on certain goals being met. This supplemental payment was recognized partly as a provision and as a contingent liability, since the latter is not assessed as a probable payment based on pharmaceutical development statistics. During the quarter, the Inflazyme project was closed and the supplemental payment was entirely reclassified as a contingent liability of MSEK 45.7.

As cash-flow hedging for social security fees pertaining to the employee stock options issued by Biolipox, warrants were issued to Pyrinox AB. Orexo has pledged to handle any deficits exceeding the cover provided by the warrants during their lifetime through December 31, 2016.

Orexo acquired the British drug company PharmaKodex in February 2009. This corporate acquisition includes conditional payments based on license revenues from the current PharmaKodex program and technologies, as well as on payments for certain milestones that are not recognized as a liability.

The overdraft facility of MSEK 35 that was secured from Nordea during the period led to a rise in chattel mortgages to MSEK 44 and pledging of all shares of Kibion AB.

Note
Orexo AB publ. discloses the information provided herein pursuant to the Securities Markets Act. The information was provided for public release on February 16, 2011, at 8:00 a.m. CET. This report has been prepared in both Swedish and English. In the event of any discrepancy in the content of the two versions, the Swedish version shall take precedence.