orexo

# Interim report January-June 2011

## STRONG SALES INCREASE FOR ABSTRAL®

*References made in this interim report relate to the Group unless otherwise stated. Figures in parentheses relate to the corresponding period in 2010.*

**For the period**

- Royalty revenues from Abstral® sales in Europe rose to MSEK 30.4 (19.5).
- Introduction of Abstral in the US and Canada.
- Subsequent study of OX219 initiated, with the results expected during the third quarter of 2011.
- Positive data from the first clinical study for OX27 for the treatment of breakthrough pain in cancer patients.
- Successful completion of a new share issue of approximately MSEK 245 (before transaction costs).
- Net revenues totaled MSEK 96.7 (65.5).
- Loss after tax was MSEK 65.1 (loss: 62.9).
- Cash flow from operating activities amounted to MSEK -31.2 (11.2).
- Loss per share was SEK 2.66 (2.69).
- Cash and cash equivalents totaled MSEK 242.5 at the end of the period (excluding final proceeds from the new share issue that amounted to MSEK 102, received after the period) compared with MSEK 135.8 at year-end.

**After the close of the period**

- The insomnia tablet Sublinox (Edluar) licensed to Meda, received marketing approval in Canada.
- Via its subsidiary Kibion AB, Orexo acquired Wagner Analysen Technik GmbH in Germany.

**Second quarter**

- Net revenues totaled MSEK 55.2 (29.1).
- Cash flow from operating activities was MSEK -47.5 (27.7)
- Loss after tax was MSEK 26.0 (35.3).
- Loss per share was MSEK 1.02 (1.51).

**Key figures**

| MSEK | 3 months 2011 Apr-June | 3 months 2010 Apr-June | 6 months 2011 Jan-June | 6 months 2010 Jan-June | 12 months 2010 Jan-Dec |
|---|---|---|---|---|---|
| Net revenues | 55.2 | 29.1 | 96.7 | 65.5 | 210.5 |
| Operating loss | -23.6 | -32.0 | -60.2 | -58.7 | -81.7 |
| Net loss for the period | -26.0 | -35.3 | -65.1 | -62.9 | -89.2 |
| Earnings/loss per share, SEK | -1.02 | -1.51 | -2.66 | -2.69 | -3.81 |
| Cash flow from operating activities | -47.5 | 27.7 | -31.2 | 11.2 | -43.0 |
| Cash and cash equivalents | 242.5 | 190.9 | 242.5 | 190.9 | 135.8 |

**Audiocast**
CEO Anders Lundström will present the report at an audiocast today at 10:00 am CET. The audiocast with presentation slides can be followed through www.orexo.com and http://www.financialhearings.nu/110810/orexo/ and by telephone **+46 (0)8 5352 6439** or **+44 (0)20 7136 2051** (confirmation code: 3060498).

## CEO's comments

"Sales of Abstral® in Europe continued to rise sharply during the second quarter of the year. The product showed a 66 percent sales increase in the first six months of 2011 compared to the corresponding period in 2010, mainly based on a continued increase in market share in most European markets.

The second quarter marked the introduction of Abstral in two key markets, the US (April) and Canada (June). In the US, the implementation of Abstral's Risk Evaluation and Mitigation Strategy (REMS) is currently proceeding. We do not expect a fully effective in-market launch of Abstral until the REMS situation is leveled across all rapid onset fentanyl products. Consequently it is today difficult to forecast near term sales trends for Abstral in the US. We anticipate a common REMS program to be in place during the Q1 of 2012. With the program in place, Abstral will be able to compete on equal terms, as it has so successfully done in Europe.

In late June, our new share issue with gross proceeds of approximately MSEK 245 was completed and fully subscribed. The new share issue offers us the potential to continue the development of all three key programs without having to wait for milestone payments from business partners. Our three proprietary programs continued to progress according to plan. The next study for the OX219 program commenced in June, with the results expected during the third quarter of 2011.

The proprietary programs are pivotal for the development of Orexo into a specialty pharmacy company based on its own products. This will enable us to retain a larger share of the products' value generation in the company.

In connection with the new share issue we noted considerable interest, shown most clearly by the fact that we received cost-free underwriting covering almost 90 percent of the share issue. Novo A/S increased its shareholding to 24.1 percent from its previous 16.6 percent. We also gained two strong institutional shareholders in Abingworth and Arbejdsmarkedets Tillaegspension, ATP.

We are eagerly looking forward to the second half of 2011 when we expect to see additional sales success for Abstral and the results from the next clinical study for OX27 and OX219. Moreover, we will also complete the planning for the initial patient study for OX51."

Anders Lundström
President and CEO

## Key events for the period

- **Abstral®**
  - **Continued strong sales growth in Europe**
    Abstral shows strong volume growth in Europe and continues to increase its market shares. Today, Abstral is the leading modern rapid-acting fentanyl product in the five largest European markets.
  - **US introduction in April**
    In early April, Orexo's partner, ProStrakan, made Abstral available for sale in the US and commenced stocking the product in pharmacies approved in accordance with the Abstral Risk Evaluation and Mitigation Strategy (REMS). Implementation of Abstral´s REMS by ProStrakan is proceeding in the US with wholesalers, pharmacies and physicians being trained and brought on to the system. We do not expect a fully effective in-market launch of Abstral in US to occur until the REMS situation is leveled across all rapid onset fentanyl products. It was announced as late as July 21 this year that the market leading rapid onset fentanyl products will be under a REMS system that is to be in place during the Q1 of 2012. With the REMS system in place, Abstral will be able to compete on equal terms, as it has so successfully done in Europe.
  - **Canada introduction in June**
    Abstral was approved in February 2011 by the Canadian Department of National Health and Welfare and ProStrakan's partner Paladin Labs launched the product in June on the Canadian market, one of the ten largest pharmaceutical markets worldwide.
- **Initiation of new studies of OX219**
  June marked the start of the next study of OX219 in the US. The program is being developed for the treatment of opioid dependence. Results from the study are expected during the third quarter of 2011, which will lay the basis for our formulation selection.
- **Positive clinical data for OX27**
  In June, positive results were reported from the first pharmacokinetic study for the OX27 project, which is aimed at developing the treatment of breakthrough pain among cancer patients.
- **Completion of new share issue**
  The new share issue providing approximately MSEK 245, excluding transaction costs MSEK 13.1, was completed in June 2011.The share issue was fully subscribed by existing shareholders and new investors, with new institutional investors accounting for 41 percent. As a result of the new share issue, the number of shares and voting rights in the company rose by 6,438,188 to 29,850,940, with the share capital increasing by SEK 2,575,275.20 to SEK 11,940,376.
- **Kyowa Hakko Kirin acquired ProStrakan**
  As a result of the acquisition by Kyowa Hakko Kirin of ProStrakan Group plc., Orexo gained a very solid partner for the sale of Abstral.

## Key events after the close of the period

- **Via its subsidiary, Kibion AB, Orexo acquired Wagner Analysen Technik GmbH (WAT)**
  The acquisition strengthens Kibion's operations and creates considerable potential for future growth and thus a stronger independent unit. The purchase price was MEUR 1.4 and was financed entirely by bank loans. If well-defined sales targets are attained, a supplementary purchase price will be paid. The acquisition is expected to provide a positive contribution to Orexo's earnings already within 12 months.

- **The insomnia tablet Sublinox (Edluar) approved in Canada**
  Meda and its partner Valeant expects to launch the product in the fourth quarter 2011. Orexo, who has developed the drug, is entitled to royalties on sales.

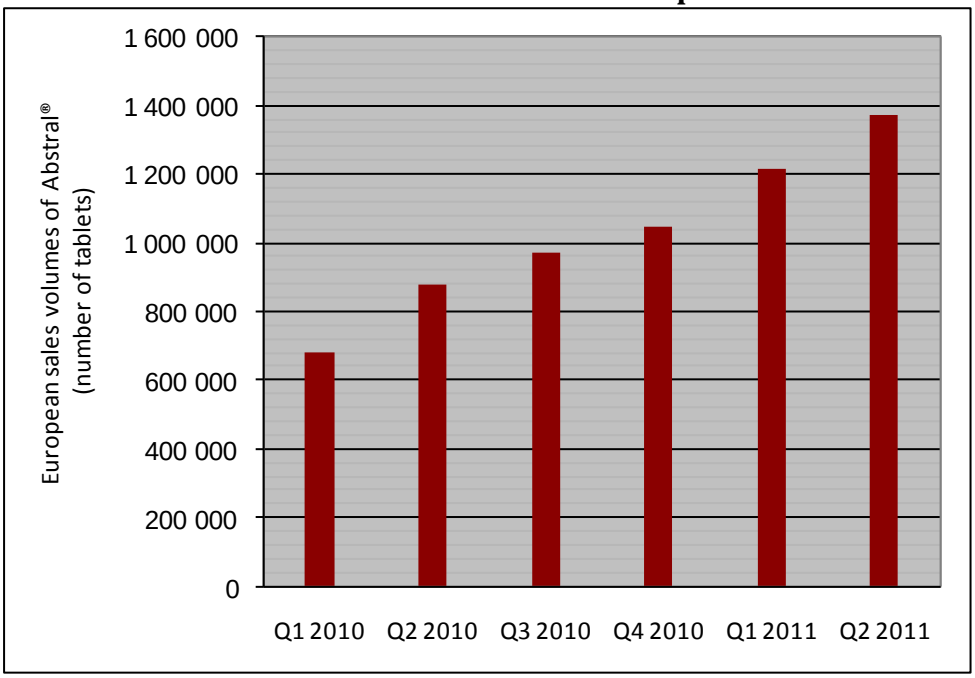
## Operations

### Products launched

Revenues from product sales rose 37 percent during the first half of 2011 to MSEK 61.8 (45.1). Royalty revenues from Abstral® increased during the first half by 72 percent to MSEK 33.6, compared with the year-earlier period.

Sales volumes of Abstral in Europe rose 66 percent between the first half of 2010 and first half of 2011. The increase was primarily attributable to continued progress in most European markets and the continued rise in market shares.

### Abstral sales volumes increased more than 66 percent




*The bars refer to invoiced sales from our partner ProStrakan Group plc to wholesalers.*

Royalty revenues from Edluar™ amounted to MSEK 1.3 for the period.

In the U.S., there is a second so-called paragraph IV process ongoing, where patent protection for Edluar is challenged by Mylan Pharmaceuticals Inc. Orexo has filed a lawsuit claiming patent infringement and intends to defend the IP-protection for Edluar.

Sales of Diabact® UBT and Heliprobe® System totaled MSEK 19.3 (19.7) during the period. The currency effect is negative with about MSEK 0.5.
In the first half of 2011, Diabact was registered in Mexico and Heliprobe System in Nigeria, Jordan and South Korea. The sales impact of new registrations is expected to occur in fourth quarter 2011.

In total, ProStrakan AB's sales during the first half of 2011 increased by 28 percent. Orexo's share amounted to MSEK 7.6 (5.9). Sales of Abstral via ProStrakan AB rose 69 percent to MSEK 6.1 (3.6) during the same period.

## Collaboration projects

Revenues from new and existing licensing agreements amounted during the interim period to MSEK 18.3 (8.4). These comprise mainly a recognized portion of the nonrecurring payment made by Ortho-McNeil-Janssen Pharmaceuticals, Inc. and Janssen Pharmaceutica NV (OMJ).

Refer to page 7 for information on partner-financed R&D costs in respect of collaborative projects.

## Proprietary development programs

During the second quarter, approval was received from the FDA to initiate the next clinical study of OX219. The results from the study are expected during the third quarter of the year and will lay the basis for our formulation selection. This clinical study, which will be conducted in the US, is the next stage in the development process for final approval. OX219 is planned to compete in the market for the treatment of opiate dependence, which is valued globally at about USD 1.4 billion, of which the US market represents about USD 1 billion. Suboxone (Reckitt Benckiser) currently dominates the market.

Positive clinical data was reported in March for OX51, a new sublingual formulation of an existing treatment for acute intensive pain episodes in conjunction with care-related, diagnostic or therapeutic surgery among patients who today do not receive sufficient pain-alleviation drugs. Planning of the initial patient study for the program was completed during the second half of the year. The project has the potential to address a market with an estimated 130 million pain episodes annually in the US and EU.

In June, positive results were reported from the initial pharmacokinetic study of the OX27 project. The program involves a fast-acting sublingual formulation for an existing drug and is designed for optimal treatment of breakthrough pain episodes than can affect cancer patients. The subsequent clinical study was initiated in June and the results are expected during the second half of 2011.

## The period in figures

### Condensed consolidated income statement

| MSEK | 3 months 2011 Apr-June | 3 months 2010 Apr-June | 6 months 2011 Jan-June | 6 months 2010 Jan-June | 12 months 2010 Jan-Dec |
|---|---|---|---|---|---|
| **Net revenues** | **55.2** | **29.1** | **96.7** | **65.5** | **210.5** |
| Cost of goods sold | -6.9 | -6.9 | -13.3 | -13.3 | -26.3 |
| **Gross profit** | **48.3** | **22.2** | **83.3** | **52.2** | **184.2** |
| Selling expenses | -11.4 | -8.8 | -23.6 | -16.2 | -35.2 |
| Administrative expenses | -13.7 | -10.5 | -25.9 | -19.3 | -46.8 |
| Research and development costs | -48.0 | -36.3 | -95.4 | -78.1 | -186.9 |
| Other operating income and expenses | 1.2 | 1.4 | 1.4 | 2.7 | 3.0 |
| **Operating loss*** | **-23.6** | **-32.0** | **-60.2** | **-58.7** | **-81.7** |
| Net financial items | -2.4 | -3.3 | -5.0 | -4.2 | -7.5 |
| **Loss after financial items** | **-26.0** | **-35.3** | **-65.2** | **-62.9** | **-89.2** |
| Tax | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net loss for the period** | **-26.0** | **-35.3** | **-65.2** | **-62.9** | **-89.2** |

** Includes costs of MSEK 1.4 for employee stock options for the period January-June 2011 (MSEK 1.8 January to June 2010).*

## Revenues

*Net revenues*
Net revenues for January–June 2011 totaled MSEK 96.7 (65.5). The increase was attributable primarily to higher royalty revenues from Abstral® and higher license revenues from collaboration projects.

During the period April–June 2011, net revenues totaled MSEK 55.2 (29.1).

## Net revenues were distributed as follows:

| *MSEK* | Apr–June 2011 | Apr–June 2010 | Jan–June 2011 | Jan–June 2010 | Jan–Dec 2010 |
|---|---|---|---|---|---|
| Abstral - royalty | 19.6 | 11.0 | 33.6 | 19.5 | 42.2 |
| Edluar - royalty | 0.6 | 0.0 | 1.3 | 0.0 | 1.3 |
| ProStrakan AB J/V 50 % | 4.0 | 3.0 | 7.6 | 5.9 | 12.3 |
| Diabact® UBT / Heliprobe® System | 10.6 | 9.8 | 19.3 | 19.7 | 39.9 |
| ***Total revenues from products launched*** | ***34.8*** | ***23.8*** | ***61.8*** | ***45.1*** | ***95.7*** |
| Partner-financed R&D costs | 9.4 | 3.1 | 16.6 | 11.9 | 33.8 |
| License revenues for development projects | 10.9 | 2.1 | 18.3 | 8.4 | 81.1 |
| Other | 0.1 | 0.1 | 0.0 | 0.1 | -0.1 |
| **Total** | **55.2** | **29.1** | **96.7** | **65.5** | **210.5** |

## Expenses and earnings

*Selling expenses*
Selling expenses during January–June 2011 totaled MSEK 23.6 (16.2) and amounted to MSEK 11.4 (8.8) for the period April–June 2011. The increase was due mainly to higher costs for ongoing Phase IV studies for Abstral, market-support activities for Orexo's project portfolio and higher selling expenses in the subsidiary Kibion AB and the joint venture, ProStrakan AB.

*Administrative expenses*
Administrative expenses for January–June 2011 totaled MSEK 25.9 (19.3). The increase was primarily due to the recruitment of new senior executives, implementation of long-term incentive programs for the period 2011/2021 and legal costs relating to the company's patent portfolio. For the period April–June, administrative expenses totaled MSEK 13.7 (10.5).

*Research and development costs*
Research and development costs for January–June 2011 totaled MSEK 95.4 (78.1), of which MSEK 16.6 (11.9) was covered mainly by the business partner Ortho-McNeil-Janssen Pharmaceuticals, Inc. and Janssen Pharmaceutica NV (OMJ). The increase pertained primarily to activities relating to Phase I studies for proprietary programs. For the period April–June 2011, research and developments costs amounted to MSEK 48.0 (36.3).

*Expenses for long-term incentive program*
The Group's expenses for its employee stock options program for the period January–June 2011 totaled MSEK 1.4, excluding implementation costs, compared with MSEK 1.8 for the corresponding period a year earlier. The declining share price during the quarter resulted in a reduction in the provision for social security expenses.

*Other revenues and expenses*
Other revenues and expenses consist primarily of exchange rate gains/losses, which totaled MSEK 1.4 (2.7) for the period and MSEK 1.2 (1.4) for the period April–June 2011.

*Depreciation/amortization*
Depreciation/amortization amounted to MSEK 3.9 (4.0) for period January–June 2011 and to MSEK 2.0 (2.0) for April–June 2011.

*Net financial items*
Net financial items for the period January–June 2011 amounted to an expense of MSEK 5.0 (expense: 4.2). Net financial items consist primarily of interest expenses of MSEK 5.9 in respect of the convertible loan.

*Earnings*
The operating loss for the period January–June 2011 totaled MSEK 60.2 (loss: 58.7).

## Financial position

As of 30 June 2011, cash and cash equivalents totaled MSEK 242.5 (190.9). During the second quarter, the proceeds of MSEK 143 from the rights issue were received. The remaining final amount of the proceeds, totaling MSEK 102 was received in July, and have thus not affected cash flow for the period. Approximately MSEK 11.5 of the transaction costs for the issue totaling of approximately MSEK 13 will be paid in the third quarter.

Cash flow from operating activities for the period January–June 2011 was a negative MSEK 31.2 (11.2). Cash flow for the period was positively affected by a nonrecurring payment of MSEK 56.3 from Boehringer Ingelheim, where revenue was recognized in 2010 but paid in 2011.

At June 30, shareholders' equity totaled MSEK 634.8 (498.8). The equity/assets ratio was 73 (65) percent.

Following the completion of the share issue, the company has the potential to pursue all projects in its proprietary development portfolio through launch, even without additional milestone payments from already out-licensed research and development projects.

## Investments

Gross investments in tangible fixed assets amounted to MSEK 3.6 (2.1) for the period January–June 2011 and MSEK 1.8 (0.8) for April–June 2011.

## Seasonal variations

Orexo's operations are not affected by seasonal variations. However, sales of pharmaceuticals in new markets can be affected by stockpiling, particularly in the launch phase.

## Parent Company

Most of the Group's business is carried out in the Parent Company, Orexo AB. Net revenue for the period January–June 2011 totaled MSEK 57.8 (39.9), and the loss after financial items was MSEK 87.8 (loss: 59.5). Investments totaled MSEK 3.6 (2.1). At June 30, 2011, cash and cash equivalents in the Parent Company amounted to MSEK 220.0 (161.0).

## Significant risks and uncertainties

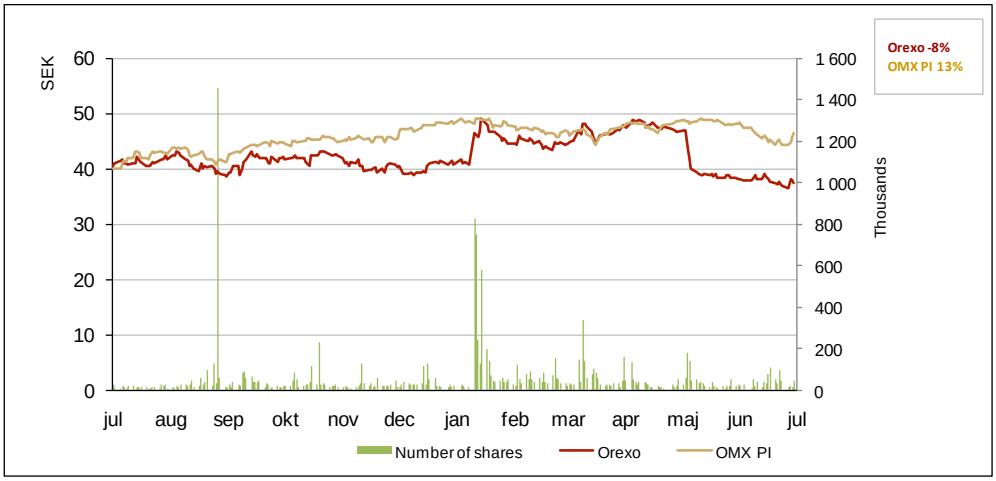
Significant risks and uncertainties are disclosed in the Annual Report for 2010. No significant changes in terms of business risks and uncertainties have occurred since the publication of Annual Report.

*Financial risks*

The successful completion of the rights issued has reduced Orexo's financial risks.

## Share and market value

Orexo's share traded at SEK 36.40 on June 30, 2011. The company's market capitalization, based on the number of shares outstanding on June 30, 2011, was MSEK 852. Market capitalization does not include the shares registered in July.



## Analysts covering Orexo

| | |
|---|---|
| ABG Sundal Collier | Erik Hultgård |
| Carnegie | Camilla Oxhamre |
| Nordea | Olle Sjölin |
| Pharmium Securities | Frédéric Gomez |
| Redeye | Klas Palin and Peter Östling |
| Rodman & Renshaw | Michael Higgins |
| SEB Enskilda | Gustaf Vahlne |

## Future reporting dates

| | |
|---|---|
| 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.

*For further information, please contact:*
Anders Lundström, President and CEO, Tel: +46 (0)706 67 22 66, e-mail: anders.lundstrom@orexo.com

## About Orexo

Orexo has four products on the market, several significant partnerships and three proprietary development projects. Orexo's launched pharmaceuticals are Abstral™, for the treatment of breakthrough pain in cancer patients which is sold by Kyowa Hakko Kirin/ ProStrakan Group plc. in Europe and the US, insomnia tablet Edluar™ which is sold by Meda in the US, and two products, Diabact® UBT/Heliprobe® System, for diagnosing the gastric ulcer bacterium, Helicobacter pylori, through its subsidiary Kibion AB.

*Objective, business concept and strategy*
Orexo's objective is to build a portfolio of proprietary products, which are to be marketed and sold through the company's own organization in Europe or in the US. Orexo will become a fully integrated profitable specialist pharmaceutical company.

In the proprietary development projects, all in the clinical phase, Orexo focuses not only on pain relief and anti-inflammatory pharmaceuticals, but also on the treatment of opiate addiction. The company combines well-known substances with innovative drug-delivery technologies to create new patented pharmaceuticals that provide improved or new treatments. These pharmaceuticals can often be developed at lower risk and in shorter time spans than new drug molecules. Orexo also has partnerships in this area.

Existing partnerships are key strategic assets, from both a financial and competence perspective. Three of the out-licensed projects are based on Orexo's knowledge in the arachidonic acid cascade. The aim is to develop completely new drugs for the treatment of major diseases, including inflammatory pain and respiratory diseases such as asthma and COPD. Orexo's partners in this area are Boehringer Ingelheim, Ortho-McNeil-Janssen Pharmaceuticals, Inc. and Janssen Pharmaceutica NV (OMJ).

## Orexo product and project portfolio

| Product/project | Indication |
|---|---|
| Abstral® | Breakthrough pain in cancer patients |
| Edluar™ | Sleeping disorders |
| Diabact® UBT | Exhalation test, Helicobacter pylori |
| Heliprobe® System | Test, Helicobacter pylori |
| OX17 | GERD (gastroesophageal reflux) |
| OX27 | Breakthrough pain in cancer patients |
| OX51 | Acute intense pain episodes |
| OX219 | Opiate addiction |
| OX-NLA | Rhinitis |
| OX-MPI | Inflammatory pain |
| OX-CLI | Asthma/COPD |

# Assurance by the Board of Directors

The Board of Directors and President give their assurance that the six-month report provides a fair and accurate view of the company's and the Group's operations, financial position and earnings and describes the significant risks and uncertainties facing the company and the companies included in the Group.

Uppsala, August 10, 2011

Orexo AB (publ)

| | | |
|---|---|---|
| Håkan Åström<br>Chairman of the Board | Raymond Hill<br>Board member | Staffan Lindstrand<br>Board member |
| Bengt Samuelsson<br>Board member | Michael Shalmi<br>Board member | Kjell Strandberg<br>Board member |

Anders Lundström
President and CEO

# Review report

We have reviewed this report for the period January 1 to June 30, 2011 for Orexo AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Uppsala, August 10, 2011

PricewaterhouseCoopers

Leonard Daun
Authorized Public Accountant

## Consolidated statement of operations

| KSEK | Notes | 3 months 2011 Apr-June | 3months 2010 Apr-June | 6 months 2011 Jan-June | 6 months 2010 Jan-June | 12 months 2010 Jan-Dec |
|---|---|---|---|---|---|---|
| Net revenues | | 55,202 | 29,071 | 96,663 | 65,508 | 210,499 |
| Cost of goods sold | 2 | -6,884 | -6,881 | -13,335 | -13,281 | -26,321 |
| **Gross profit** | | **48,318** | **22,190** | **83,328** | **52,227** | **184,178** |
| Selling expenses | 2 | -11,361 | -8,778 | -23,596 | -16,217 | -35,223 |
| Administrative expenses | 2 | -13,702 | -10,488 | -25,935 | -19,273 | -46,819 |
| Research and development costs | 2 | -47,963 | -36,330 | -95,382 | -78,170 | -186,914 |
| Other operating income | | 1,630 | 1,876 | 3,393 | 3,924 | 7,746 |
| Other operating expenses | 2 | -509 | -487 | -1,996 | -1,196 | -4,741 |
| **Operating loss** | | **-23,587** | **-32,017** | **-60,188** | **-58,705** | **-81,773** |
| Financial income | | 420 | 42 | 950 | 64 | 1,456 |
| Financial expense | | -2,861 | -3,333 | -5,942 | -4,237 | -8,942 |
| **Financial items – net** | | **-2,441** | **-3,291** | **-4,992** | **-4,173** | **-7,486** |
| **Pre-tax loss** | | **-26,028** | **-35,308** | **-65,180** | **-62,878** | **-89,259** |
| Income tax | | 41 | - | 32 | 5 | 13 |
| **Net loss for the period** | | **-25,987** | **-35,308** | **-65,148** | **-62,873** | **-89,246** |
| **Loss for the period attributable to:** | | | | | | |
| Parent Company shareholders | | -25,987 | -35,308 | -65,148 | -62,873 | -89,246 |
| Non-controlling interests | | - | - | - | - | - |
| **Loss per share, attributable to Parent Company shareholders during the period** (SEK per share)**:** | | | | | | |
| Loss per share, before dilution, SEK | | -1.02 | -1.51 | -2.66 | -2.69 | -3.81 |
| Loss per share, after dilution, SEK | | -1.06 | -1.51 | -2.66 | -2.69 | -3.81 |

## Consolidated statement of comprehensive income

| KSEK | 3 months 2011 Apr-June | 3 months 2010 Apr-June | 6 months 2011 Jan-June | 6 months 2010 Jan-June | 12 months 2010 Jan-Dec |
|---|---|---|---|---|---|
| **Net loss for the period** | **-25,987** | **-35,308** | **-65,148** | **-62,873** | **-89,246** |
| **Other comprehensive income** | | | | | |
| Exchange-rate differences | -136 | 4,333 | -1,794 | 1,774 | -3,524 |
| **Other comprehensive income for the period, net after tax** | **-136** | **4,333** | **-1,794** | **1,774** | **-3,524** |
| **Total comprehensive income for the period** | **-26,123** | **-30,975** | **-66,942** | **-61,099** | **-92,770** |
| **Total comprehensive income attributable to:** | | | | | |
| Parent Company's shareholders | -26,123 | -30,975 | -66,942 | -61,099 | -92,770 |

**CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY**

Attributable to the Parent Company's shareholders [1)]

| KSEK | Share capital | Other contributed capital | Accumulated loss | Translation differences | Total | Total shareholders' equity |
|---|---|---|---|---|---|---|
| **Opening balance, January 1, 2010** | **9,360** | **1,094,453** | **-549,907** | **-5,245** | **548,661** | **548,661** |
| Total comprehensive income for the period | - | - | -62,873 | 1,774 | -61,099 | -61,099 |
| Employee stock options, vested amount | - | 1,230 | - | - | 1,230 | 1,230 |
| Debenture loan – equity portion | **-** | 10,005 | - | - | 10,005 | 10,005 |
| **Closing balance, June 30, 2010** | **9,360** | **1,105,688** | **-612,780** | **-3,741** | **498,797** | **498,797** |
| | | | | | | |
| **Opening balance, January 1, 2011** | **9,361** | **1,106,798** | **-639,153** | **-8,769** | **468,237** | **468,237** |
| Total comprehensive income for the period | - | - | -65,148 | -1,794 | -66,942 | -66,942 |
| Employee stock options, vested amount | | 1,781 | - | - | 1,781 | 1,781 |
| New issues | 2,579* | 229,176 | - | - | 231,755 | 231,755 |
| **Closing balance, June 30, 2011** | **11,940** | **1,337,755** | **-704,301** | **-10,563** | **634,831** | **634,831** |

*1) There are no non-controlling interests.*

** This is an ongoing new issue and its shares had not yet been registered on June 30, 2011.*

## Consolidated balance sheet

| KSEK | Notes | 2011 June 30 | 2010 June 30 | 2010 Dec 31 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| New issue subscribed but not paid in | | 102,042 | - | - |
| | | | | |
| **Fixed assets** | | | | |
| Tangible fixed assets | | 41,661 | 44,296 | 41,666 |
| Goodwill | | 17,681 | 17,682 | 17,679 |
| Acquired R&D | | 386,611 | 428,690 | 388,487 |
| Other intangible fixed assets | | 931 | 1,680 | 1,251 |
| **Total fixed assets** | | **446,884** | **492,348** | **449,083** |
| | | | | |
| **Current assets** | | | | |
| Inventories | | 11,865 | 7,527 | 7,965 |
| Accounts receivable and other receivables | | 66,807 | 74,777 | 119,845 |
| Cash and cash equivalents | | 242,497 | 190,853 | 135,798 |
| **Total current assets** | | **321,169** | **273,157** | **236,608** |
| | | | | |
| **Total assets** | | **870,095** | **765,505** | **712,691** |
| | | | | |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | 3 | | | |
| | | | | |
| Share capital | | 11,940 | 9,360 | 9,361 |
| Other capital contributions | | 1,337,755 | 1,105,688 | 1,106,798 |
| Accumulated losses | | -704,301 | -612,780 | -639,153 |
| Translation differences | | -10,563 | -3,471 | -8,769 |
| **Total shareholders' equity** | | **634,831** | **498,797** | **468,237** |
| | | | | |
| **Long-term liabilities** | | | | |
| Provisions | | 605 | 12,086 | 1,112 |
| Long-term liabilities, interest-bearing | | 93,930 | 88,599 | 94,421 |
| Deferred tax liability | | 8,586 | 9,917 | 8,911 |
| **Total long-term liabilities** | | **103,121** | **110,602** | **104,444** |
| | | | | |
| **Current liabilities** | | | | |
| Current liabilities, non-interest-bearing * | | 123,251 | 146,627 | 130,531 |
| Current liabilities, interest-bearing | | 8,892 | 9,479 | 9,479 |
| | | | | |
| **Total liabilities** | | **235,264** | **266,708** | **244,454** |
| | | | | |
| **Total shareholders' equity and liabilities** | | **870,095** | **765,505** | **712,691** |

** Including advance payment of MSEK 49.7 from the OX-CLI cooperation.*

## Consolidated cash-flow statements

| KSEK | Notes | 2011 Apr-June | 2010 Apr-June | 2011 Jan-June | 2010 Jan-June | 2010 Jan-Dec |
|---|---|---|---|---|---|---|
| **Operating activities** | | | | | | |
| Operating loss before interest expense and interest income | | -23,587 | -32,017 | -60,188 | -58,705 | -81,773 |
| Interest income | | 420 | 42 | 950 | 64 | 550 |
| Interest expense | | -2,230 | -2,930 | -4,623 | -3,128 | -8,942 |
| Other financial expenses | | - | -403 | - | -1,109 | 906 |
| Adjustment for non-cash items | 4 | 1,299 | -898 | 3,942 | 2,734 | 39,825 |
| **Cash flow from operating activities before changes in working capital** | | **-24,098** | **-36,206** | **-59,919** | **-60,144** | **-49,434** |
| **Changes in working capital** | | | | | | |
| Accounts receivables | | -10,076 | -7,961 | 56,599 | -3,701 | -67,453 |
| Other current receivables | | -2,553 | -17,782 | -3,562 | -10,409 | 8,275 |
| Inventories | | 544 | 1,254 | -3,900 | 913 | 475 |
| Current liabilities | | -13,733 | 87,919 | -19,108 | 83,475 | 65,751 |
| Provisions | | -538 | -101 | -507 | 972 | 299 |
| Long-term provisions | | 2,960 | 583 | -816 | 126 | -880 |
| **Cash flow from operating activities** | | **-47,494** | **27,706** | **-31,213** | **11,232** | **-42,967** |
| **Investing activities** | | | | | | |
| Acquisition of machinery and equipment | | -1,757 | -785 | -3,630 | -2,116 | -3,438 |
| **Cash flow after investments** | | **-49,251** | **26,921** | **-34,843** | **9,116** | **-46,405** |
| **Change in financing** | | | | | | |
| New issue | | 142,760 | - | 142,767 | - | 44 |
| Issue expenses | | -1,464 | - | -1,464 | - | - |
| Proceeds from the issue of convertible debentures | | - | 111,150 | - | 111,150 | 111,150 |
| Amortization of loans | | - | - | - | -16,000 | -16,000 |
| **Cash flow after financing activities** | | **92,045** | **138,071** | **106,460** | **104,266** | **48,789** |
| **Cash flow for the year** | | | | | | |
| Cash and cash equivalents at the beginning of the period | | 150,320 | 50,432 | 135,798 | 87,414 | 87,414 |
| Exchange-rate differences in cash and cash equivalents | | 132 | 2,350 | 239 | -827 | -405 |
| Changes in cash and cash equivalents | | 92,045 | 138,071 | 106,460 | 104,266 | 48,789 |
| **Cash and cash equivalents at the end of the period** | | **242,497** | **190,853** | **242,497** | **190,853** | **135,798** |

# Key figures

| | 3 months 2011 Apr-June | 3 months 2010 Apr-June | 6 months 2011 Jan-June | 6 months 2010 Jan-June | 12 months 2010 Jan-Dec |
|---|---|---|---|---|---|
| Operating margin, % | -42 | -1 | -62 | -90 | -39 |
| Profit margin, % | -47 | -1 | -67 | -96 | -42 |
| Return on total capital, % | -3 | -5 | -8 | -9 | -12 |
| Return on equity, % | -5 | -7 | -14 | -12 | -18 |
| Return on capital employed, % | -4 | -5 | -10 | -10 | -14 |
| Debt/equity ratio, % | 16 | 20 | 16 | 20 | 22 |
| Equity/assets ratio, % | 73 | 65 | 73 | 65 | 66 |
| Current ratio, % | 320 | 175 | 320 | 175 | 188 |
| Acid ratio, % | 311 | 170 | 311 | 170 | 183 |
| Average number of shares, before dilution | 25,553,315 | 23,401,252 | 24,478,658 | 23,401,252 | 23,402,502 |
| Average number of shares, after dilution | 28,105,702 | 25,931,333 | 27,037,577 | 25,058,878 | 25,500,884 |
| Number of shares, after full dilution | 33,666,834 | 26,707,433 | 33,666,834 | 26,707,433 | 26,609,081 |
| Number of shares, before dilution | 29,850,940 | 23,401,252 | 29,850,940 | 23,401,252 | 23,403,752 |
| Number of shares, after dilution | 32,392,148 | 25,939,748 | 32,392,148 | 25,939,748 | 25,943,070 |
| Loss per share, before dilution, SEK | -1.02 | -1.51 | -2.66 | -2.69 | -3.81 |
| Loss per share, after dilution, SEK | -1.02 | -1.51 | -2.66 | -2.69 | -3.81 |
| Shareholders' equity per share, before dilution, SEK | 21.27 | 21.31 | 21.27 | 21.31 | 20.01 |
| Shareholders' equity per share, after dilution, SEK | 19.60 | 19.12 | 19.60 | 19.12 | 18.05 |
| Number of employees at the end of the period | 107 | 100 | 107 | 100 | 105 |
| Average number of employees | 105 | 99 | 105 | 102 | 105 |
| Shareholders' equity, KSEK | 634,831 | 498,797 | 634,831 | 498,797 | 468,237 |
| Capital employed, KSEK | 737,653 | 596,875 | 737,653 | 596,875 | 572,137 |

*Definitions of key figures are presented on the final page of this report.*

*Share-related key figures have been calculated retroactively based on the so-called bond issue element in the implemented preferential issue in June 2011.*

## Parent Company statement of operations

| KSEK | Notes | 3 months 2011 Apr-June | 3 months 2010 Apr-June | 6 months 2011 Jan-June | 6 months 2010 Jan-June | 12 months 2010 Jan-Dec |
|---|---|---|---|---|---|---|
| Net revenues | | 35,259 | 15,199 | 57,815 | 39,871 | 112,951 |
| Cost of goods sold | | - | - | - | - | - |
| **Gross profit** | | **35,259** | **15,199** | **57,815** | **39,871** | **112,951** |
| Selling expenses | | -5,080 | -3,767 | -11,597 | -7,614 | -16,533 |
| Administrative expenses | | -20,349 | -12,605 | -39,035 | -20,901 | -61,605 |
| Research and development costs | | -45,678 | -32,135 | -89,456 | -69,166 | -147,046 |
| Other operating income | | 788 | 1,345 | 1,686 | 2,326 | 4,136 |
| Other operating expenses | | -203 | -263 | -517 | -550 | -1,347 |
| **Operating loss** | | **-35,263** | **-32,226** | **-81,104** | **-56,034** | **-109,444** |
| **Earnings from financial investments** | | | | | | |
| Interest income | | 161 | 23 | 467 | 32 | 506 |
| Interest expense | | -3,415 | -2,983 | -7,105 | -3,180 | -9,399 |
| Other financial costs | | - | - | - | -295 | -295 |
| **Loss after financial items** | | **-38,517** | **-35,186** | **-87,742** | **-59,477** | **-118,632** |
| Tax | | - | - | - | - | - |
| **Loss for the period** | | **-38,517** | **-35,186** | **-87,742** | **-59,477** | **-118,632** |

# Parent company balance sheet

| KSEK | Notes | 2011 June 30 | 2010 June 30 | 2010 Dec 31 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| New issue subscribed but not paid in | | 102,042 | - | - |
| **Fixed assets** | | | | |
| Tangible fixed assets | | 41,594 | 44,102 | 41,566 |
| Intangible fixed assets | | 145 | 291 | 218 |
| Shares in subsidiaries/joint ventures | | 604,763 | 606,414 | 604,763 |
| **Total fixed assets** | | **646,502** | **650,807** | **646,547** |
| **Current assets** | | | | |
| Inventories | | 4,248 | 1,755 | 2,529 |
| Accounts receivable and other receivables | | 108,104 | 141,355 | 133,986 |
| Cash and bank balances | | 219,777 | 160,989 | 101,400 |
| **Total current assets** | | **332,129** | **304,099** | **237,915** |
| **Total assets** | | **1,080,673** | **954,906** | **884,462** |
| **SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES** | 5 | | | |
| Restricted equity | | 302,691 | 300,111 | 300,112 |
| Non-restricted equity | | 383,628 | 298,621 | 240,414 |
| **Total shareholders' equity** | | **686,319** | **598,732** | **540,526** |
| **Long-term liabilities** | | | | |
| Provisions | | 627 | 971 | 1,135 |
| Loans | | 93,930 | 88,599 | 94,421 |
| **Total long-term liabilities** | | **94,557** | **89,570** | **95,556** |
| Current liabilities, non-interest-bearing | | 290,905 | 257,125 | 238,901 |
| Current liabilities, interest-bearing | | 8,892 | 9,479 | 9,479 |
| **Total current liabilities** | | **299,797** | **266,604** | **248,380** |
| **Total liabilities** | | **394,354** | **356,174** | **343,936** |
| **Total shareholders' equity and liabilities** | | **1,080,673** | **954,906** | **884,462** |
| **Pledged assets** | | 44,000 | 44,000 | 44,000 |
| **Contingent liabilities** | | 1,000 | 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 2010 Annual Report.
- The Parent Company's financial statements were prepared in accordance with RFR 2, (Swedish Financial Accounting Standards Council's recommendation) and Chapter 9 of the Swedish Annual Accounts Act.

**New and amended accounting policies as of 2011**

- No new or amended 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*

| | 2011 Apr-June | 2010 Apr-June | 2011 Jan-June | 2010 Jan-June | 2010 Jan-Dec |
|---|---|---|---|---|---|
| Raw materials and supplies | 10,471 | 8,563 | 19,252 | 17,174 | 35,306 |
| Other external costs | 38,842 | 22,838 | 80,723 | 50,113 | 114,821 |
| Personnel costs | 29,123 | 29,559 | 56,342 | 56,895 | 116,126 |
| Depreciation and impairment | 1,983 | 2,006 | 3,928 | 3,956 | 33,764 |
| **TOTAL** | **80,419** | **62,966** | **160,245** | **128,138** | **300,017** |

Research and development costs encompass costs for personnel, 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. Shareholders' equity*

*Shares outstanding*
The number of shares outstanding at June 30, 2011 was 29,850,940, all of which were common shares. All shares carry entitlement to one vote each. The new issue was registered at the Swedish Companies Registration Office on July 7, 2011.

The number of shares outstanding increased through the new issue; refer to the table below. At June 30, 2011, these shares had not been registered at Euroclear.

| | |
|---|---|
| Number of shares outstanding at January 1, 2011 | 23,403,752 |
| Subscription of shares through exercise of employee stock options | 9,000 |
| New issue | 6,438,188 |
| Number of shares outstanding at June 30, 2011 | 29,850,940 |

*Options*
At June 30, 2011, a total of 2,911,398 options were outstanding that carry rights to new subscription of 2,744,052 shares in Orexo and to be exchanged for 167,346 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, 2011 to June 30, 2011, distributed by category.**

*The terms and conditions of the options, such as the number of shares to which each option provides entitlement and the exercise price, will be converted due to the rights issue implemented in June 2011.*

| Employee-related options | Opening Jan 1, 2011 | Change | Closing June 30, 2011 |
|---|---|---|---|
| Of which: | | | |
| Decided and allocated employee stock options | 719,566 | | 719,566 |
| Expired | | -140,075 | -140,075 |
| Exercised | | -9,000 | -9,000 |
| Allotted | | 745,000 | 745,000 |
| *Total* | | | **1,315,491** |
| Decided and allotted Board options | 60,920 | 14,641 | 75,561 |
| *Total* | | | **75,561** |
| Decided and allotted warrants | 10,000 | | 10,000 |
| *Total* | | | **10,000** |
| Decided but not allotted employee stock options | | | |
| Opening balance, as approved by the 2009 AGM | 470,000 | | 470,000 |
| Resolved at the Extraordinary General Meeting in 2011 | | 795,000 | 795,000 |
| *Total* | | | **1,265,000** |
| Warrants held by subsidiaries as cash-flow hedging for social security fees | 78,000 | | 78,000 |
| *Total* | | | **78,000** |
| **Total options to employees** | **1,338,486** | **1,405,566** | **2,744,052** |
| Employee stock options from Biolipox AB (no dilution effect, including in newly issued shares in conjunction with acquisition of Biolipox) | 117,582 | | 117,582 |
| Expired | | -3,267 | -3,267 |
| Exercised | | -4,642 | -4,642 |
| Warrants assumed from Biolipox AB for cash-flow hedging of social security fees (no dilution effect) | 61,873 | -4,200 | 57,673 |
| **Total options from Biolipox** | **179,455** | **-12,109** | **167,346** |
| **Total options outstanding** | **1,517,941** | **1,393,457** | **2,911,398** |

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 to 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 or 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 refers to the number of shares for which each option may be exchanged after recalculation.

During the January–June 2011 period, a total of 9,000 employee stock options from Orexo's options program were exercised, of which 8,250 were exercised during the April–June period. During the period January–June 2011, a total of 4,642 of Biolipox' employee stock options were exercised, entailing that holders exercised their options in exchange for 4,642 shares held by the independent company Pyrinox AB, of which 2,752 were exercised during the April–June period. This exercise did not entail the issue of any new shares by Orexo.

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 drop in the share price during the quarter decreases 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 in March and April*
During 2011, Orexo introduced a performance-based, long-term incentive program that prior to exercise comprises performance shares that provide entitlement to subscription of a total of 1,540,000 Orexo shares. A condition for entitlement to acquire new shares through the exercise of performance shares is that each employee fulfills certain vesting conditions. Of the total number of performance shares allotted, 50 percent are vested on the basis of time and internal operational goals ("time-based performance shares") and 50 percent is based on the share-price trend and the relative share performance ("share-price based performance shares"). Of these performance shares, 500,000 were allotted free of charge to the President on March 7, 2011 and 245,000 performance shares were allotted free of charge to senior executives on April 26. Of these performance shares, 372,500 are time-based and 372,500 are share-price based. The subscription price for the performance shares that were allotted on March 7 has been set at SEK 44.40 and the subscription price for the performance shares that were allotted on April 26 has been set at SEK 47.80. The final date for exercising the options is December 31, 2021.

For the time-based portion of the shares, the market capitalization is calculated according to the Black & Scholes method and for the share-price based portion, the Monte Carlo method is used. The market capitalization of the options allotted on March 7 is SEK 20.25 for the time-based portion and SEK 13.37 for the share-price based portion. For the options allotted on April 26, the market capitalization is SEK 19.19 for the time-based portion and SEK 12.41 for the share-price based portion.

*Allotment of Board options in May 2011*
In May 2011, 14,641 Board options were allotted, which carry the entitlement to subscription of a total of 14,641 shares in Orexo. These Board shares were allotted free of charge to Board members elected at the 2011 AGM. The Board shares will be allotted in a proportion of 25 percent the day after Orexo publishes its interim report for the first quarter and 25 percent after the publishing the interims for quarters two and four during the mandate period for the 2011 fiscal year. Board members' entitlement to redemption will come into effect two years after the 2011 AGM. The final date for exercising Board shares is December 31, 2018 and the share price is SEK 0.40 per share. The market capitalization, which is calculated according to the Black & Scholes method, was SEK 43.70 on the allotment date.

### *4. Cash flow*

**Adjustment for non-cash items**

| KSEK | 2011 Apr-June | 2010 Apr-June | 2011 Jan-June | 2010 Jan-June | 2010 Jan-Dec |
|---|---|---|---|---|---|
| Depreciation/amortization and impairment | 1,983 | 2,006 | 3,928 | 3,956 | 33,764 |
| Estimated costs for employee stock options program | 47 | 164 | 1,433 | 1,846 | 3,309 |
| Financial expenses, convertible bond | -731 | -3,068 | -1,419 | -3,068 | 2,752 |
| **Total** | **1,299** | **-898** | **3,942** | **2,734** | **39,825** |

### *5. Shareholders' equity*

**Change in the Parent Company's shareholders' equity**

| KSEK | 2011 Apr-June | 2010 Apr-June | 2011 Jan-June | 2010 Jan-June | 2010 Jan-Dec |
|---|---|---|---|---|---|
| Opening shareholders' equity, balance sheet | **491,703** | **623,455** | **540,526** | **647,140** | **647,140** |
| Net loss for the period | -38,517 | -35,186 | -87,742 | -59,477 | -118,632 |
| Subscription of shares through the exercise of warrants | 150 | - | 157 | - | 44 |
| Employee stock options, vested value for employees | 1,386 | 458 | 1,781 | 1,064 | 1,969 |
| Convertible bond – equity share | 0 | 10,005 | 0 | 10,005 | 10,005 |
| New issue | 231,597 | - | 231,597 | - | - |
| Closing amount | **686,319** | **598,732** | **686,319** | **598,732** | **540,526** |

### *6. Pledged assets and contingent liabilities*

During 2010, the Inflazyme project was discontinued, which entailed recognition of the entire supplementary purchase consideration, of MSEK 44.3, as a contingent liability.

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 UK drug company PharmaKodex in February 2009. This 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.

### *7. Acquisition of Wagner Analysen Technik GmbH*

The acquisition will not affect Orexo's financial position in the material level, therefore no additional information is provided in this report.

## Glossary

**Arachidonic Acid**
A substance, which, through transformation to prostaglandins and leukotrienes, regulates a number of biological processes in the body.

**Drug delivery**
The process through which a pharmaceutical receives the composition and form that enables the active compound to function in an optimal way.

**Phase I studies**
Studies mainly of the safety of a drug. Performed on healthy human volunteers.

**Phase II studies**
Studies of the safety and efficacy of a drug and appropriate dosages. Performed on a limited number of patients.

**Phase III studies**
Studies of the safety and efficacy of a drug in a real clinical situation. Performed on a large number of patients.

**Fentanyl**
An opioid with similar effects on living organisms as morphine but with less hypnotic activity. Used mainly within anesthesia and analgesia.

**Breakthrough pain**
Short-lived and intense pain that occurs in addition to the otherwise well-controlled, long-term pain that is treated with opioid analgesics.

**Helicobacter pylori**
A bacterium that infects the mucous membrane of the stomach.

**Clinical studies/Clinical testing**
Studies of a drug's effect and safety in humans.

**COPD**
Chronic Obstructive Pulmonary Disease, also known as a "smoker's disease."

**Opioid analgesics**
Pain-killing opioid.

**Preclinical development/preclinical studies**
Studies of a drug's effect and safety before being evaluated in humans. Can be performed on animals or in various cell systems.

**Sublingual**
Under the tongue.

**Transmucosal**
Administered above the mucous membrane.

## Definitions of key figures

Key figures and certain other operating information per share are defined as follows:

| | |
|---|---|
| Acid test ratio, % | Current assets excluding inventories as a percentage of current liabilities. |
| Average number of employees | Average number of full-year employees for the period. |
| Capital turnover rate | Net revenues divided by average operating capital. |
| Capital employed | Interest-bearing liabilities and shareholders' equity. |
| Current ratio | Current assets as a percentage of current liabilities. |
| Debt/equity ratio | Interest-bearing liabilities divided by shareholders' equity. |
| Earnings per share after dilution | Profit/loss for the period after tax divided by the average number of shares outstanding after dilution during the period. |
| Earnings per share before dilution | Profit/loss for the period after tax divided by the average number of shares outstanding before dilution during the period. |
| Equity/assets ratio | Shareholders' equity as a percentage of total assets. |
| Gross margin | Gross profit divided by net revenues. |
| Interest coverage ratio | Profit/loss after net financial items plus interest expenses and similar items, divided by expenses and similar items. |
| Net interest-bearing liabilities | Current and long-term interest-bearing liabilities including pension liabilities, less cash and cash equivalents. |
| Number of shares after dilution | Calculation of dilution from options issued by the company up to and including 2005, carried out in accordance with IAS 33. |
| Number of shares after full dilution | Total number of shares plus the maximum number of shares that can be subscribed through options outstanding. |
| Operating capital | Total assets less interest-free liabilities and provisions less cash and cash equivalents. |
| Operating margin | Operating profit/loss as a percentage of net revenues. |
| Profit margin | Profit/loss after net financial items. |
| Return on capital employed | Operating profit/loss plus financial revenues as a percentage of average capital employed. |
| Return on shareholders' equity | Profit/loss for the year divided by average shareholders' equity. |
| Return on total capital | Operating profit/loss plus financial revenues as a percentage of average total assets. |
| Shareholders' equity per share, after dilution | Shareholders' equity divided by the number of shares outstanding after dilution at the end of the period. |
| Shareholders' equity per share, before dilution | Shareholders' equity divided by the number of shares outstanding before dilution at the end of the period. |
| Working capital, net | Interest-free current assets less interest-free current liabilities. |
| Working capital, net/net revenues | Average working capital, net, divided by net revenues. |

**Note**

Orexo AB publ discloses the information provided herein pursuant to the Securities Markets Act. The information was provided for public release on August 10, 2011, at 8:00 a.m. 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 prevail.