Interim report, January-June 2012

Unless otherwise stated in this report, all data refers to the Group. Figures in parentheses relate to the corresponding period in 2011.

STRONG REVENUE GROWTH AND CASH FLOW. ALL CLINICAL STUDIES FOR KEY PROJECT OX219 COMPLETED AHEAD OF PLAN.

During the period

- Net revenues amounted to MSEK 166.5 (96.7).
- Abstral royalty revenues increased by 66 percent to MSEK 55.8 (33.6).
- Cash flow from operating activities amounted to MSEK 172.4 (-31.2).
- Earnings after tax were MSEK -32.8 (-65.2).
- EBITDA amounted to MSEK -24.7 (-56.3).
- Earnings per share were SEK -1.10 (-2.66).
- Cash and cash equivalents amounted to MSEK 426.1 (242.5).
- Orexo acquired all US rights for Abstral and will receive MSEK 610, whereof MSEK 248 was paid in June 2012.
- Positive results from studies supporting registration in the OX219 project.
- Notice of Extraordinary Shareholders Meeting on July 13, 2012.

Teleconference
CEO Anders Lundström and CFO Carl-Johan Blomberg will present the report at a teleconference today at 10:00 a.m. CET. Presentation slides are available via the link and on the website. Internet: http://livecast.wehay.com/stockontv/120712/orexo/
Telephone: **+44 (0) 20 3003 2666 - Standard International Access; 020 089 6377 - Stockholm Toll Free; 0808 109 0700 - UK Toll Free; 1 866 966 5335 - USA Toll Free**

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CEO's comments

We have had a successful second quarter and the development is completely in line with the directions presented at our Capital Markets Day on May 3 this year, where we presented that we want to develop and commercialize our own products in the US.

The main events during the quarter were the positive results in the registration studies for OX219 and the new Abstral agreement with ProStrakan.

Our two pivotal studies for OX219 were completed faster than planned and we are very pleased with the results. This gives us an opportunity to be the first company to launch a reformulated product against opioid dependence on the US market, today worth over USD 1.3 billion with a growth of 18 percent 2011 over 2010.

The new agreement with ProStrakan gives us the US rights for Abstral and generates fixed royalty and other payments of MGBP 55 (approximately MSEK 610) in total for the product rights in the EU and in addition future royalty revenues from both the EU and other markets. These payments increase our financial stability, flexibility and generate a strong cash flow in 2012.

Our strengthened financial position makes it possible for us to propose a share buyback program, to be voted on at the Extraordinary General Meeting on July 13.

The US rights for Abstral, together with the positive study results for OX219 and improved financial position, provide us with opportunities to look for a commercial solution in the US in order to fully exploit the potential of both Abstral and subsequently OX219 in this market.

Anders Lundström
President and CEO

Key events during the period

- **Great progress in the OX219 project**
  The two studies supporting registration of OX219, a product for treatment of opioid dependence, were completed during the second quarter. All pivotal clinical results have now been generated and analyzed. The first study performed was a dose proportionality study, which displayed the expected bioavailability of buprenorphine and naloxone with increasing doses of OX219. The second was a comparative bioavailability study, where it was tested against the market-leading product Suboxone®. The study results demonstrated comparative bioavailability for the two active substances in each product and are completely in line with formal regulatory requirements. The study also showed that test subjects preferred OX219 for three reasons: dissolve time and taste of the tablet and the overall mouth feel. The program is proceeding towards the goal of submitting a registration application during the first quarter of 2013. Orexo estimates that the product has an annual sales potential of up to MUSD 500 million.

- **Orexo acquires the US rights for Abstral**
  Orexo and the ProStrakan Group plc re-negotiated the conditions for the commercial collaboration with regard to Abstral in various markets globally. In accordance with the agreement, ProStrakan will return Abstral in the US to Orexo, buy Orexo's share in the Nordic JV and several changes of the royalties in Europe and other territories were agreed upon. Orexo will receive approximately MSEK 610 in net fixed payments, which strengthens Orexo's financial position and enables the establishment of a commercial infrastructure in the USA. The agreement regarding the USA is effective as of January 1, 2013 and in the EU as from June 1, 2012 (for further details see page 4).

- **Abstral® - sales development in the EU**
  During the period January-May, sales of Abstral in Europe grew with approximately 47 percent, compared to the same period previous year. The accumulated sales since Abstral was launched in the EU reached MEUR 65 during the second quarter, which generated a milestone payment of MEUR 3.3 from ProStrakan.

- **Proposal for buyback program of company's own shares**
  Orexo's Board has proposed a share buyback program, to be adopted at an Extraordinary General Meeting of shareholders on July 13, 2012, whereby the meeting of the shareholders will resolve to authorize the Board to be able to buy back up to a maximum of ten percent of outstanding shares.

- **Edluar approved for registration in Europe**
  On June 18 Orexo announced that Edluar, the sublingual tablet for the treatment of insomnia, has been approved in Europe. Just like Abstral, Edluar is based on Orexo's patented sublingual formulation technology, which is characterized by faster onset of effect, faster tablet disintegration and more reliable absorption. The product has been licensed to Meda and has previously been approved in the USA. No further milestone payments are related to the approval, but Orexo is entitled to double digit royalties on European sales and similar royalty levels upon expansion into new markets.

Operations

Launched products

Total revenues from Orexo's launched products increased in the period January - June 2012 by 87 percent to MSEK 115.7 (61.8).

New agreement with ProStrakan with regard to Abstral® in the EU, USA and the rest of the world
Orexo and the ProStrakan Group plc ("ProStrakan") reached an agreement on June 1 whereby Orexo acquired all rights for Abstral in the USA and restructured the royalty conditions for the EU and the rest of the world ("ROW"), excluding Japan.
Orexo will receive MGBP 55 (approximately MSEK 610) in fixed net payments and future royalty and milestone payments for markets outside the USA. The agreement for the EU and ROW came into effect on June 1, 2012, while the agreement for the USA will come into effect on January 1, 2013, which coincides with the time when Orexo plans to launch Abstral in the USA.

The financial conditions are summarized as follows:

- A fixed net payment of MGBP 53.7 in total, to be paid during the coming 24 months (2012 MGBP 21.2, 2013 MGBP 20.0 and 2014 MGBP 12.5). The payment will be reported as revenue in equal monthly amounts over the 12-month period subsequent to when it is received.

- MGBP 1.3 payment for Orexo's interest (50 percent) in the Nordic joint venture company, ProStrakan AB.

- 15 percent royalties on annual sales exceeding MEUR 42.5 and 20 percent royalties on annual sales exceeding MEUR 60 (EU).

- Milestone payments of up to MGBP 10, when certain annual sales volumes have been achieved (EU).

- In ROW, Orexo receives 15 percent royalties on net sales, which will increase to 20 percent when sales exceed MEUR 12.5 per year. In addition, Orexo retains all present rights for milestone payments with regard to development and sales.

- In the USA, Orexo acquires not only all rights for Abstral but also royalties in accordance with the present level up until December 31, 2012.

Abstral royalty revenues increased during January-May 2012 by 37 percent to MSEK 36.1 (26.3). Orexo does not anticipate receiving royalties with regard to Europe during the remaining months of 2012, apart from fixed royalties, in accordance with the new agreement with ProStrakan.

In the US market, Abstral can now compete on equal terms with other fast-acting fentanyl products, but no significant change in sales has yet been noted. ProStrakan continues to market Abstral up until the end of the year, when Orexo acquires the rights for the product. During 2012 Orexo is developing a commercial plan for the planned launch of Abstral in the USA in January 2013.

Royalty revenues from Edluar™ during the period amounted to MSEK 2.4 (1.3).

Kibion's sales during the period were MSEK 20.2 (19.3). The Middle East and Europe continue to be the strongest regions for Kibion. At the same time we see an increase in sales in Asia. The integration of WAT is proceeding according to plan and the combination of IRIS® and Diabact®UBT is expected to lead to synergies on the sales side. Total sales for 2012 are estimated to be around MSEK 60.

Orexo's Nordic joint venture company ProStrakan AB, which was divested as of May 31, increased its total sales during the period by 5 percent during January-May. Orexo's reported interest amounted to MSEK 8.0 (7.6) MSEK. Sales of Abstral® via ProStrakan AB increased by 50 percent to MSEK 7.2 (4.8) MSEK during the same period.

Collaborative projects

Licensing revenues from new and existing agreements amounted to MSEK 36.7 (18.3) during the interim period. These consist in total of the portion of the milestone payment received in 2010, which has now been recognized in its entirety as revenue, from the former collaboration partner Janssen Pharmaceuticals, Inc., formerly Ortho-McNeil-Janssen Pharmaceuticals, Inc. and Janssen Pharmaceutica NV ("Janssen").

Regarding the partner-funded R&D costs related to collaboration projects - see page 7.

Orexo's proprietary development programs

OX219

The project's objective is to develop an improved product based on Orexo's proprietary sublingual formulation technology for the treatment of opioid dependence. The two studies supporting registration of OX219 were completed during the second quarter. One study was a dose proportionality study which was designed to document the bioavailability of buprenorphine and naloxone with increasing doses of OX219. The study results were completely in line with FDA requirements and comparable with results from studies with other buprenorphine products. The other was a comparative bioavailability study, where the two active substances in OX219 were compared with the market-leading product Suboxone®. The results demonstrated comparable bioavailability for each product. All pivotal clinical data have now been produced in accordance with discussions with the US Food and Drug Administration, FDA. Other parts of the program, involving the submission of an application for regulatory approval in the first quarter of 2013, are proceeding according to plan. During the third quarter 2012, Orexo will have a pre-NDA (New Drug Application) meeting with the FDA to discuss its planned submission of a US marketing authorization application. The US market for products for the treatment of opioid dependence currently amounts to USD 1.3 billion and is expected to continue growing in the years ahead, as only approximately half of the patients today are treated.

OX51

OX51 is a proprietary sublingual formulation of alfentanil, the first oral alfentanil product for the treatment of acute intensive pain episodes in connection with diagnostic and therapeutic procedures. A clinical study has been performed during the first half of the year where the results confirm the final formulation for the coming phase II study in prostate biopsies. The study is planned to be performed during the second half of 2012. It is estimated that each year 130 million painful procedures are carried out in the US and EU.

OX27

The aim of the project is to develop a product for the treatment of breakthrough pain among cancer patients. Clinical studies confirm that OX27 can be dosed more flexibly than fentanyl-based products, which enables increased opportunities for customized pain relief. OX27 is based on a proprietary sublingual formulation of an existing pharmaceutical preparation.

The period in figures

Consolidated statement of financial operations in brief

MSEK	3 months 2012 Apr-Jun	3 months 2011 Apr-Jun	6 months 2012 Jan-Jun	6 months 2011 Jan-Jun	12 months 2011 Jan-Dec
Net revenues	**82.9**	**55.2**	**166.5**	**96.7**	**199.6**
Cost of goods sold	-6.8	-6.9	-13.7	-13.3	-29.0
Gross profit	**76.1**	**48.3**	**152.8**	**83.3**	**170.6**
Selling expenses	-13.4	-11.4	-26.4	-23.6	-50.1
Administrative expenses	-23.4	-13.7	-37.0	-25.9	-49.6
Research & development costs	-53.9	-48.0	-110.1	-95.4	-194.4
Other operating income & expenses**	0.2	1.2	-7.7	1.4	-268.0
Operating earnings	**-14.4**	**-23.6**	**-28.4**	**-60.2**	**-391.5**
Net financial items	-2.2	-2.4	-4.4	-5.0	-7.9
Earnings after financial items	**-16.6**	**-26.0**	**-32.8**	**-65.2**	**-399.4**
Tax	-	0.0	-	0.0	7.4
Net earnings for the period	**-16.6**	**-26.0**	**-32.8**	**-65.2**	**-392.0**
EBITDA	**-12.6**	**-21.6**	**-24.7**	**-56.3**	**-112.4**

** *Includes full-year 2011 impairment of previously acquired technology of MSEK 271.2.*

Revenues

Net revenues

Net revenues for January-June 2012 amounted to MSEK 166.5 (96.7). The increase compared with the corresponding period in 2011 is primarily due to increased royalty revenues and a milestone payment for Abstral®. The earlier portion recognized as liability of the milestone payment from Janssen has during the period been recognized in its entirety, as a result of the termination of the CLI project.
Net revenues during the period April-June 2012 were MSEK 82.9 (55.2).

Net revenues were distributed as follows:

MSEK	Apr-Jun 2012	Apr-Jun 2011	Jan-Jun 2012	Jan-Jun 2011	Jan–Dec 2011
Abstral royalties – old agreement*	16.7	19.6	36.1	33.6	70.5
Abstral royalties – new agreement	19.7	-	19.7	-	-
Milestone payment Abstral	29.3	-	29.3	-	-
Edluar™ royalties	1.2	0.6	2.4	1.3	2.4
ProStrakan AB J/V 50%	3.3	4.0	8.0	7.6	15.6
Kibion (including WAT)	9.7	10.6	20.2	19.3	43.9
Total revenue from launched products	***79.9***	***34.8***	***115.7***	***61.8***	***132.4***
Partner-financed R&D costs	1.8	9.4	13.4	16.6	35.1
Licensing revenue for development projects	-	10.9	36.7	18.3	33.0
Other	1.2	0.1	0.7	0.0	-0.9
Total	**82.9**	**55.2**	**166.5**	**96.7**	**199.6**

** Up to May 31, 2012*

Costs and earnings

Selling expenses

Selling expenses amounted to MSEK 26.4 (23.6) for the period January-June 2012 and to MSEK 13.4 (11.4) for the period April-June 2012. Expenses relate primarily to marketing activities for Orexo's project portfolio, sales expenses in the subsidiary Kibion AB and previous the joint venture company ProStrakan AB.

Administrative expenses

Administrative expenses for the period January-June 2012 amounted to MSEK 37.0 (25.9). The increase was mainly attributable to legal expenses related to the company's patent litigation regarding Edluar in the US. The renegotiation of the Abstral agreement and the reclassification of expenses in the subsidiary Kibion are also part of the increased costs. The increase in legal expenses is primarily attributable to the period April-June. For the period April-June administrative expenses amounted to MSEK 23.4 (13.7).

Research and development costs

For the period January-June 2012, research and development costs amounted to MSEK 110.1 (95.4), of which MSEK 13.4 (16.6) has been covered by collaboration partners, primarily the former collaboration partner Janssen. The increase compared with the corresponding period the previous year is mainly attributable to activities related to clinical studies primarily in the OX219 program, which is proceeding according to plan. For the period April-June 2012 research and development costs amounted to MSEK 53.9 (48.0).

Other income and expenses

Other income and expenses amounted to MSEK -7.7 (1.4) during the period January-June and to MSEK 0.2 (1.2) during the period April-June 2012. Other expenses include expenses of MSEK 8.8 attributable to the workforce reduction that has now been carried out. The remainder of other income and expenses comprises exchange-rate gains/losses.

Depreciation and amortization

Depreciation and amortization amounted to MSEK 3.7 (3.9) for the period January -June and MSEK 1.8 (2.0) for the period April-June.

Net financial items

Net financial items for the period January-June amounted to MSEK-4.4 (-5.0). Net financial items include interest expenses of MSEK 6.0 for convertible debentures.

Earnings

Operating earnings for the period January-June were SEK -28.4 (-60.2).

Financial position

At June 30, 2012, cash and cash equivalents amounted to MSEK 426.1 (242.5) and interest bearing liabilities to MSEK 116.0 (102.8). Herein is a convertible bond amounting to MSEK 111, which has a conversion price of 47.50 SEK, maturing March 31, 2015.

Cash flow from operating activities for the period January – June 2012 was MSEK 172.4 (-31.2).
During the period April-June a milestone payment related to Abstral was received amounting to MEUR 3.3, as well as payment in accordance with the new agreement with ProStrakan regarding Abstral amounting to MGBP 22.5.

Shareholders' equity at June 30, 2012 was MSEK 284.2 (634.8). The equity/assets ratio was 41 (73) percent. The royalty payment in accordance with the Abstral agreement, which has been received but not yet recognized as revenue, has affected the equity/assets ratio negatively by 19 percentage units.

Investments

Gross investments in tangible fixed assets amounted to MSEK 3.3 (3.6) for the period January - June and to MSEK 2.2 (1.8) for the period April - June.

Seasonal variations

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

Parent Company

Most of the Group's business is carried out in the Parent Company, Orexo AB. Net revenues for the period January-June 2012 amounted to MSEK 128.0 (57.8) and earnings after financial items were MSEK-80.7 (-87.8). Investments amounted MSEK 3.3 (3.6). As of June 30, 2012, cash and cash equivalents in the Parent Company amounted to MSEK 415.8 (219.8).

Significant risks and uncertainties

Significant risks and uncertainties are disclosed in the 2011 Annual Report. Since the Annual Report was published, the financial risk has been reduced by the agreement with ProStrakan regarding Abstral. No other material changes have occurred.

Future reporting dates

Interim report, January – September 2012	October 25, 2012
Year-end report for the 2012 fiscal year	January 31, 2013

Interim reports are covered in a conference call on the date of the publication. Details on how to access the calls are provided in each report and on Orexo's website.

Assurance by the Board of Directors

The Board of Directors and the 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, July 12, 2012

Orexo AB (publ)

Martin Nicklasson Chairman of the Board	Raymond Hill Board member	Staffan Lindstrand Board member
Scott Myers Board member	Kristina Schauman Board member	Michael Shalmi Board member

Anders Lundström
President and CEO

Review report

We have reviewed the appended report for the period January 1 to June 30, 2012 for Orexo AB (publ). The Board of Directors is responsible for the preparation and fair presentation of this interim report in accordance with the Annual Accounts Act and IAS 34. Our responsibility is to express an opinion on this interim report based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information 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 has a different direction and is substantially more restricted in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

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

Uppsala, July 12, 2012

PricewaterhouseCoopers AB

Lars Kylberg
Authorized Public Accountant

Consolidated statement of operations

MSEK	Notes	3 months 2012 Apr-Jun	3 months 2011 Apr-Jun	6 months 2012 Jan-Jun	6 months 2011 Jan-Jun	12 months 2011 Jan-Dec
Net revenues		82.9	55.2	166.5	96.7	199.6
Cost of goods sold	2	-6.8	-6.9	-13.7	-13.3	-29.0
Gross profit		**76.1**	**48.3**	**152.8**	**83.3**	**170.6**
Selling expenses	2	-13.4	-11.4	-26.4	-23.6	-50.1
Administrative expenses	2	-23.4	-13.7	-37.0	-25.9	-49.6
Research and development costs	2	-53.9	-48.0	-110.1	-95.4	-194.4
Other operating income and expenses	2	0.2	1.2	-7.7	1.4	-268.0
Operating earnings		**-14.4**	**-23.6**	**-28.4**	**-60.2**	**-391.5**
Financial items – net		-2.2	-2.4	-4.4	-5.0	-7.9
Earnings before tax		**-16.6**	**-26.0**	**-32.8**	**-65.2**	**-399.4**
Income tax		-	0.0	-	0.0	7.4
Net earnings for the period[1)]		**-16.6**	**-26.0**	**-32.8**	**-65.2**	**-392.0**

Consolidated statement of comprehensive income

MSEK	3 months 2012 Apr-Jun	3 months 2011 Apr-Jun	6 months 2012 Jan-Jun	6 months 2011 Jan-Jun	12 months 2011 Jan-Dec
Earnings for the period	**-16.6**	**-26.0**	**-32.8**	**-65.2**	**-392.0**
Other comprehensive income					
Cash flow hedge	3.0	-	3.0	-	-
Exchange-rate differences	0.2	-0.1	0.2	-1.8	-0.7
Other comprehensive earnings for the period, net after tax	**3.2**	**-0.1**	**3.2**	**-1.8**	**-0.7**
Total comprehensive earnings for the period [1)]	**-13.4**	**-26.1**	**-29.6**	**-67.0**	**-392.7**
Earnings per share, before dilution, SEK	-0.56	-1.02	-1.10	-2.66	-14.43
Earnings per share, after dilution, SEK	-0.56	-1.02	-1.10	-2.66	-14.43

[1)] *All equity and earnings for the respective period are attributable to the Parent Company's shareholders. There are no non-controlling interests.*

Consolidated balance sheet

MSEK	Notes	2012 Jun 30	2011 Jun 30	2011 Dec 31
ASSETS				
Subscribed new issue unpaid		-	102.0	-
Fixed assets				
Tangible fixed assets		37.7	41.7	39.2
Goodwill		26.1	17.7	33.5
Acquired research and development		116.8	386.6	116.6
Other intangible fixed assets		2.1	0.9	0.8
Financial assets		4.1	-	-
Total fixed assets		**186.8**	**446.9**	**190.1**
Current assets				
Inventories		25.7	11.9	26.7
Accounts receivable and other receivables		49.7	66.8	82.4
Cash and cash equivalents		426.1	242.5	246.9
Total current assets		**501.5**	**321.2**	**356.0**
Total assets		**688.3**	**870.1**	**546.1**
SHAREHOLDERS' EQUITY AND LIABILITIES	3			
Total shareholders' equity		**284.2**	**634.8**	**311.1**
Long-term liabilities				
Provisions		1.2	0.6	0.6
Long-term liabilities, non-interest bearing		4.2	-	4.2
Long-term liabilities, interest bearing		104.8	93.9	110.3
Deferred tax liability		2.9	8.6	1.8
Total long-term liabilities		**113.1**	**103.1**	**116.9**
Current liabilities				
Current liabilities, non-interest bearing		279.8	123.3	107.5
Current liabilities, interest bearing		11.2	8.9	10.6
Total current liabilities		**291.0**	**132.2**	**118.1**
Total liabilities		**404.1**	**235.3**	**235.0**
Total shareholders' equity and liabilities		**688.3**	**870.1**	**546.1**

Consolidated changes in shareholders' equity

MSEK	2012 30 Jun	2011 30 Jun	2011 31 Dec
Opening balance, shareholders' equity	**311.1**	**468.2**	**468.2**
Total comprehensive earnings for the period	-29.6	-66.9	-392.7
Employee stock options, vested amount	2.7	1.8	4.1
New share issues	0.0	231.7	231.5
Closing balance, shareholders' equity	**284.2**	**634.8**	**311.1**

Consolidated cash-flow statements

MSEK	Notes	2012 Apr-Jun	2011 Apr-Jun	2012 Jan-Jun	2011 Jan-Jun	2011 Jan-Dec
Operating activities		-14.4	-23.6	-28.4	-60.2	-391.5
Financial income and expenses		-1.5	-1.8	-2.9	-3.6	-5.0
Adjustment for non-cash items	4	3.0	1.3	5.8	3.9	279.3
Cash flow from operating activities before changes in working capital		**-12.9**	**-24.1**	**-25.5**	**-59.9**	**-117.2**
Changes in working capital		**218.2**	**-23.4**	**197.9**	**28.7**	**0.0**
Cash flow from operating activities		**205.3**	**-47.5**	**172.4**	**-31.2**	**-117.2**
Acquisition of machinery and equipment		-2.2	-1.8	-3.3	-3.6	-4.7
Acquisition of subsidiaries		-	-	-	-	-10.3
Sale of JV		12.1	-	12.1	-	-
Cash flow from investing activities		**9.9**	**-1.8**	**8.8**	**-3.6**	**-15.0**
New issue		0.0	141.3	0.0	141.3	232.0
Amortization of loans		-1.1	-	-1.1	-	11.7
Cash flow from financing activities		**-1.1**	**141.3**	**-1.1**	**141.3**	**243.7**
Cash flow for the year						
Cash and cash equivalents at the beginning of the period		212.4	150.3	246.9	135.8	135.8
Exchange-rate difference in cash and cash equivalents		-0.4	0.1	-0.8	0.2	-0.4
Changes in cash and cash equivalents		214.1	92.1	180.1	106.5	111.5
Cash and cash equivalents at the end of the period		**426.1**	**242.5**	**426.1**	**242.5**	**246.9**

Key figures

	3 months 2012 Apr-Jun	3 months 2011 Apr-Jun	6 months 2012 Jan-Jun	6 months 2011 Jan-Jun	12 months 2011 Jan-Dec
Operating margin, %	-17	-42	-17	-62	-196
Profit margin, %	-20	-47	-20	-67	-200
Return on total capital, %	-2	-3	-5	-8	-53
Return on equity, %	-6	-5	-11	-14	-78
Return on capital employed, %	-3	-4	-6	-10	-63
Debt/equity ratio, %	41	16	41	16	39
Equity/assets ratio, %	41	73	41	73	57
Current ratio, %	172	320	172	320	301
Acid ratio, %	164	311	164	311	279
Average number of shares, before dilution	29,888,494	25,553,315	29,876,994	24,478,658	27,167,225
Average number of shares, after dilution	32,408,516	28,105,702	32,386,203	27,037,577	29,706,229
Number of shares, before dilution	29,899,993	29,850,940	29,899,993	29,850,940	29,865,495
Number of shares, after dilution	32,472,760	32,392,148	32,472,760	33,392,148	32,370,704
Earnings per share, before dilution, SEK	-0.56	-1.02	-1.10	-2.66	-14.43
Earnings per share, after dilution, SEK	-0.56	-1.02	-1.10	-2.66	-14.43
Shareholders' equity per share, before dilution, SEK	9.50	21.27	9.50	21.27	10.42
Shareholders' equity per share, after dilution, SEK	8.75	19.60	8.75	19.60	9.61
Number of employees at the end of the period	97	107	97	107	118
Shareholders' equity, KSEK	284,182	634,831	284,182	634,831	311,101
Capital employed, KSEK	400,189	737,653	400,189	737,653	611,329

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

Parent Company statement of operations

MSEK	Notes	3 months 2012 Apr-Jun	3 months 2011 Apr-Jun	6 months 2012 Jan-Jun	6 months 2011 Jan-Jun	12 months 2011 Jan-Dec
Net revenues		68.3	35.3	128.0	57.8	140.8
Cost of goods sold		-	-	-	-	-
Gross profit		**68.3**	**35.3**	**128.0**	**57.8**	**140.8**
Selling expenses		-9.3	-5.1	-16.5	-11.6	-22.7
Administrative expenses		-21.6	-20.3	-71.1	-39.0	-76.3
Research and development costs		-50.7	-45.7	-103.6	-89.5	-182.5
Other operating income and expenses		-0.5	0.6	-8.8	1.2	-36.7
Operating earnings		**-13.8**	**-35.2**	**-72.0**	**-81.1**	**-177.4**
Interest income and expenses		-2.5	-3.3	-4.8	-6.6	-10.5
Impairment of shares in subsidiaries		-	-	-	-	-255.9
Sale of JV		-3.9	-	-3.9	-	-
Financial items - net		**-6.4**	**-3.3**	**-8.7**	**-6.6**	**-266.4**
Earnings before tax		**-20.2**	**-38.5**	**-80.7**	**-87.7**	**-443.8**
Tax		-	-	-	-	-
Earnings for the period		**-20.2**	**-38.5**	**-80.7**	**-87.7**	**-443.8**

Parent Company balance sheet

MSEK	Notes	2012 30 Jun	2011 30 Jun	2011 31 Dec
ASSETS				
Subscribed new issue unpaid		-	102.0	-
Fixed assets				
Tangible and intangible fixed assets		39.0	41.7	39.1
Shares in subsidiaries/joint ventures		211.8	604.8	230.1
Total fixed assets		**250.8**	**646.5**	**269.2**
Current assets				
Inventories		15.3	4.2	15.6
Accounts receivable and other receivables		57.6	108.1	120.8
Cash and bank balances		415.8	219.8	227.9
Total current assets		**488.7**	**332.1**	**364.3**
Total assets		**739.5**	**1,080.7**	**633.5**
SHAREHOLDERS' EQUITY; PROVISIONS AND LIABILITIES				
Shareholders' equity		**254.3**	**686.3**	**332.3**
Long-term liabilities		**98.5**	**94.6**	**100.4**
Current liabilities		**386.7**	**299.8**	**200.8**
Total liabilities		**485.2**	**394.4**	**301.2**

	Note			
Total shareholders' equity and liabilities		**739.5**	**1,080.7**	**633.5**
Pledged assets		**46.4**	**44.0**	**44.0**
Contingent liabilities	5	**11.3**	**1.0**	**11.3**

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 2011 Annual Report.
- The Parent Company's financial statements were prepared in accordance with RFR 2, (Swedish Financial Reporting Board's recommendation) and Chapter 9 of the Swedish Annual Accounts Act.

New and amended accounting policies as of 2012

- 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

	2012 Apr-Jun	2011 Apr-Jun	2012 Jan-Jun	2011 Jan-Jun	2011 Jan-Dec
Raw materials and supplies	10.5	10.5	20.0	19.3	43.1
Other external costs	52.8	38.8	96.2	80.7	160.0
Personnel costs	33.6	29.1	78.3	56.3	117.6
Depreciation/amortization and impairment	1.8	2.0	3.7	3.9	279.1
Total	**98.7**	**80.4**	**198.2**	**160.2**	**599.8**

Research and development costs encompass costs for personnel, premises, external costs for clinical trials, pharmaceutical registration and laboratory services, and the depreciation/amortization of equipment, acquired 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 as of June 30, 2012 was 29,899,993, all of which were common shares. All shares carry entitlement to one vote each.

Number of shares outstanding at January 1, 2012	29,865,495
Subscription for shares through exercise of employee stock options	34,498
Shares outstanding at June 30, 2012	29,899,993

Options

As of June 30, 2012, a total of 2,133,524 options were outstanding that carry rights to new subscription of 2,019,049 shares in Orexo and the exchange of 114,475 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 distributed by category.

Options to employees and Board members	**Opening, Jan 1, 2012**	**Change**	**Closing, June 30, 2012**
Of which:			
Approved and allocated employee stock options	1,541 359		
Expired		-126,989	-126,989
Exercised		-4,527	-4,527
Allotted		235,000	235,000
Total			**1,644,843**
Approved and allotted Board options	61,006		61,006
Exercised		-34 498	-34,498
Total			**26,508**
Approved and allotted warrants	10,000		10,000
Total			**10,000**
Approved but not yet allotted employee stock options			
Opening balance as approved by the 2011 AGM	565,000	-235,000	330,000
Total			**330,000**
Warrants held by subsidiaries as cash-flow hedging for social security fees	122,173		122,173
Total			**122,173**
Total number of options outstanding	**2,299,538**	**-166,014**	**2,133,524**

During the period January-June, a total of 39,025 employee stock options from Orexo's options program were exercised.

Allotment

During 2011, Orexo introduced a performance-based, long-term incentive program that prior to exercise comprises performance shares that provide entitlement to subscription for 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 fulfils 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 are based on the share-price trend and the relative share performance ("share-price based performance shares").

Of these performance shares, 165,000 were allotted free of charge in February 2012 and 70,000 performance shares were allotted free of charge in March. Of these performance shares, 117,500 are time-based and

117,500 are share-price based performance shares. The exercise price for the performance shares that were allotted in February was set at SEK 25.60 and the exercise price for the performance shares that were allotted in March was set at SEK 26.40. The final date for exercising the options is December 31, 2021.

4. Cash flow

Adjustment for non-cash items

MSEK	2012 Apr-Jun	2011 Apr-Jun	2012 Jan-Jun	2011 Jan-Jun	2011 Jan-Dec
Depreciation/amortization and impairment	1.8	2.0	3.7	3.9	279.0
Estimated costs for employee stock options program	2.0	-	3.6	1.4	3.1
Financial expenses, convertible bond	-0.8	-0.7	-1.5	-1.4	-2.9
Bad debt losses	-	-	-	-	0.1
Total	**3.0**	**1.3**	**5.8**	**3.9**	**279.3**

5. Pledged assets and contingent liabilities

During 2010, the Inflazyme project was discontinued, which entailed recognition of the entire supplementary purchase consideration of MSEK 46.4 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. These are not recognized as a liability since it is not probable that any payment will be made.

Definitions of key figures

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

Number of shares after full dilution	Total number of shares plus the maximum number of shares that can be subscribed through options outstanding.
Number of shares after dilution	Shares at year end adjusted for the dilutive effect of potential shares.
Return on total capital	Operating earnings plus financial revenues as a percentage of average total assets.
Return on shareholders’ equity	Net earnings for the period divided by average shareholders’ equity.
Return on capital employed	Operating earnings plus financial revenues as a percentage of average capital employed.
Current ratio	Current assets as a percentage of current liabilities.
Gross margin	Gross profit divided by net revenues.
EBITDA	Earnings before interest, taxes, depreciation, and amortization.
Shareholders’ equity per share, before dilution	Shareholders’ equity divided by the number of shares outstanding before dilution at the end of the period.
Shareholders’ equity per share, after dilution	Shareholders’ equity divided by the number of shares outstanding after dilution at the end of the period.
Average number of employees	Average number of full-year employees for the period.
Acid test ratio	Current assets excluding inventories as a percentage of current liabilities.
Capital turnover rate	Net revenues divided by average operating capital.
Net debt	Current and long-term interest-bearing liabilities including pension liabilities, less cash and cash equivalents.
Operating capital	Total assets less interest-free liabilities and provisions less cash and cash equivalents.
Earnings per share, before dilution	Net earnings for the period after tax divided by the average number of shares outstanding before dilution during the period.
Earnings per share, after dilution	Net earnings for the period after tax divided by the average number of shares outstanding after dilution during the period.
Annual return on shareholders’ equity	Net earnings for the period after tax divided by the average number of shares outstanding before dilution during the period.
Interest-coverage ratio	Net earnings after net financial items plus interest expenses and similar items, divided by expenses and similar items.
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.
Operating margin	Operating earnings as a percentage of net revenues.
Debt/equity ratio	Interest-bearing liabilities divided by shareholders’ equity.
Equity/assets ratio	Shareholders’ equity as a percentage of total assets.
Capital employed	Interest-bearing liabilities and shareholders’ equity.
Profit margin	Net earnings after net financial items as a percentage of 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 July 12, 2012, 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.