Orexo AB (publ.)
– Year-end Report January-December 2007

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This text is an unofficial translation of the Year End Report prepared in Swedish. In the event of any discrepancy between the English translation and the official Swedish version, the Swedish version shall prevail.

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Orexo AB (publ) –
Year End Report January–December 2007

The year in brief

- Net revenues decreased to MSEK 76.8 (132.0)
- The loss after tax was MSEK 172.6 (loss 33.0)
- Earnings per share amounted to a loss of SEK 11.42 (loss 2.46)
- Orexo reported positive results in completed comparative Phase III profile of the Sublinox™ (OX22) study
- Orexo signed a distribution agreement with Hospira in Asia for pain product Rapinyl™
- Orexo acquired Biolipox AB in November, forming an innovative specialty pharma company
- The acquisition of Inflazymes research and development assets for treatment of COPD, Chronic Obstructive Pulmonary Disease, and asthma was completed
- Torbjörn Bjerke new President and CEO of Orexo AB as of November 23
- Endo announced favorable results from the interim analysis of the Rapinyl ™ phase III clinical trial

Fourth quarter 2007

- Net revenues increased to MSEK 55.1 (51.7)
- The loss after tax was MSEK 44,1 (loss 12.4)
- Earnings per share amounted to a loss of SEK 2.47 (loss: 0.91)

Key events after year-end

- Orexo is reducing operating expenses, partly through capitalizing on cost synergies in conjunction with the acquisition of Biolipox and partly through optimizing the product portfolio by focusing on commercialization of prioritized projects.
- A so-called pre-NDA meeting with the US Food and Drug Administration (FDA) for Sublinox™ (OX22) was carried out. The meeting affirmed Orexo's registration strategy. Preparations for filing a registration application in the first quarter of 2008 are proceeding according to plan.
- A pharmacokinetic study on OX19, involving healthy test subjects was completed. Analysis of the data is under way. The results are to provide a basis for outlicensing.
- For OX17, a pharmacodynamic study involving patients with reflux disease, was finalized. Analysis of the data is under way.
- For OX-NLA, a tolerability study of a final formulation in patients with rhinitis (hay fever) was completed. Analysis of the data is under way.

Condensed statement of operations [1]

MSEK	3 months 2007 Oct–Dec	3 months 2007 Oct–Dec	12 months 2007 Jan–Dec	12 months 2006 Jan–Dec
Net revenues	**55.1**	**51.7**	**76.8**	**132.0**
Loss after tax	**(44.0)**	**(12.4)**	**(172.6)**	**(33.0)**
Earnings per share before dilution (SEK)	**(2.47)**	**(0.91)**	**(11.42)**	**(2.46)**
Earnings per share after dilution (SEK)[2]	**(2.47)**	**(0.91)**	**(11.42)**	**(2.46)**

[1]) Refers to the Group, unless stated otherwise in this report. Figures in parentheses are for the corresponding period of the preceding year. Biolipox is consolidated in the Group as of November 23, 2007.
[2]) Since earnings are negative, the same earnings per share are reported after dilution as before dilution.

Orexo is a specialty pharmaceutical company that focuses on developing patented new drugs by combining well-documented substances with innovative technologies, and developing new treatments for respiratory and inflammatory diseases.

To date, Orexo has outlicensed the distribution rights for Rapinyl™ for the US, the EU and Japan markets, and signed a research collaboration agreement with Boehringer Ingelheim to develop a new class of drugs to treat pain and inflammation. Orexo has also established a Nordic sales force, by entering into a joint venture with ProStrakan Ltd.

Torbjörn Bjerke, President and CEO, comments:

In 2007, Orexo took some important steps toward commercial success. Having completed clinical Phase III trials, Sublinox™ (OX22), Orexo's product for the treatment of sleep disturbances, is about to be submitted for registration in the US. During the year, Orexo's combinatory concept for the treatment of gastroesophageal reflux disease (GERD) received a European patent. In February 2008, a Phase II trial concerning pharmacodynamics in patients with reflux disease was completed. Data analysis is under way.

Rapinyl™, Orexo's product for the treatment of cancer breakthrough pain, was brought closer to the market, particularly through a new collaboration with ProStrakan on marketing of the products of both of the companies in the Nordic region, and through an agreement with Hospira on sales and marketing, particularly in Asia. Orexo's partner, Endo, was able to publish favorable results from the interim analysis of Phase II trial of Rapinyl™, supporting the contention that the product can be an effective treatment for breakthrough pain in cancer patients. Processing of the registration application for Rapinyl™ is currently under way for the European market.

However, the key step was Orexo's acquisition of Biolipox, which was completed on November 23, 2007. As a result of the acquisition, the combined companies form a larger and stronger entity. The strong product portfolio created by the merger has improved the outlook for the enterprise to enter into strategic partnerships with international pharmaceutical companies, and consequently the outlook for Orexo to achieve profitability.

In 2008, Orexo's primary objective will be to promote its existing collaborations and sign new license and development agreements. Accordingly, Orexo is optimizing its combined project portfolio and prioritizing projects deemed to have the best commercial potential.

In 2008, Orexo will focus on the following projects:

- Rapinyl™, for the treatment of acute pain – currently in the registration phase and outlicensed to Endo Pharmaceuticals, ProStrakan and Kyowa Hakko
- Sublinox™ (OX22), for the treatment of sleep disturbances – in the registration phase
- OX17, for the treatment of GERD – in Clinical Phase II
- OX-NLA, for the treatment of rhinitis – in Clinical Phase II
- OX914, for the treatment of COPD/asthma – in Clinical Phase II
- OX2477, for the treatment of asthma – in the Preclinical Phase
- OX-MPI, for the treatment of pain/inflammation – in the Preclinical phase and outlicensed to Boehringer Ingelheim
- OX-CLI, for the treatment of asthma - in the Preclinical phase

As a result of portfolio optimization, Orexo will sharply reduce operating expenses, and taking into account solely our agreed revenues from Endo Pharmaceuticals and Boehringer Ingelheim of about MSEK 57 and fully excluding milestone payments or new outlicensing revenues, operating results for the full fiscal year will be negative between MSEK 200 to 210. At December 31, 2007, the Group's cash and cash equivalents amount to MSEK 291.

The actions we are now taking strengthen the company's financial sustainability and conditions to achieve commercial successes through entering into license and development agreements.

The following pro forma statement of operations refers to Orexo AB including Biolipox AB, if the acquisitions had been carried out on January 1, 2007. The figures do not include the jointly owned ProStrakan AB, nor costs related to employee stock options.

Pro forma consolidated statement of operations

	Pro forma 2007 Jan-Dec
Net revenues	103.1
Cost of goods sold	(13.7)
Gross profit	**89.4**
Selling costs	(7.7)
Administrative expenses	(100.2)
Research and development costs	(255.5)
Other operating income	0.6
Operating loss	**(273.4)**

2007 in brief

Patent for OX17 approved in Europe
The European patent authority granted Orexo a patent for a combinatory concept for the treatment of GERD. The patent protects combinations of all H_2 receptor blockers and proton-pump inhibitors (PPI). The patent has already been granted in China, Australia and New Zealand. A patent application was filed for the North American market as well.

Distribution companies in the Nordic countries
Orexo invested through a targeted new issue of MGBP 1.3 (MSEK 17.9) in ProStrakan plc's distribution company in the Nordic countries, forming a joint venture owned in equal parts by ProStrakan and Orexo. The new company holds the Nordic sales rights for both Orexo's and ProStrakan's products, including both future products and products already brought to market, namely Tostrex®, Rectogesic® and Droperidol®. Rapinyl™ and Sancuso®, both of which are proceeding through the European registration phase, will complement the product portfolio. ProStrakan holds distribution rights in Europe for Rapinyl™. Sancuso® is ProStrakan's product for the prevention of chemotherapy-induced nausea and vomiting.

EU registration process of Rapinyl™ referred to EMEA's Committee for Medicinal Products for Human Use
ProStrakan Group plc, Orexo AB's European licensing partner for cancer breakthrough pain product Rapinyl™ on the European market, announced in September that Rapinyl™ will be reviewed by EMEA's Committee for Medicinal Products for Human Use (CHMP).

Due to a lack of consensus among the member countries during the EU regulatory approval process, the Decentralized Procedure (DCP), the product will now be transferred for review by the EMEA's Committee for Medicinal Products for Human Use (CHMP), where a majority decision is required to gain approval. A decision regarding the registration approval is expected to be made in the first half of 2008.

Orexo reported favorable results in comparative clinical Phase II trials for Sublinox™ (OX22)
In October, Orexo completed the clinical Phase III program for Sublinox™ (OX22) by means of effect and local tolerance and safety trials conducted among patients with sleep disturbances, and obtained favorable results. The effect trials showed that Sublinox™ (OX22) acts as a 30 percent faster sleep aid than Ambien® for patients suffering from sleep disturbances. The study also showed that patients remain asleep throughout the night. The study strengthens existing documentation that Sublinox™ (OX22) is a safe and effective treatment for temporary insomnia.

Orexo signed an agreement with Hospira in Asia for distribution of Rapinyl™
Orexo AB and specialty pharma company Hospira signed a distribution agreement giving Hospira exclusive rights to market and sell Rapinyl™, Orexo's patented product for the treatment of cancer breakthrough pain, in southeast Asia, including Australia and New Zealand. The market rights have already been outlicensed in the US, the EU and Japan, and a distribution agreement has been signed for the CIS (Russia and other countries of the former Soviet Union), Bulgaria and Romania.

Orexo acquired Biolipox
In October, Orexo AB and the main shareholders in Biolipox AB reached an agreement whereby Orexo would acquire Biolipox, an innovative Swedish research-based pharmaceutical company that develops new treatments for inflammation diseases including pain and respiratory-tract diseases such as asthma and chronic obstructive pulmonary disease (COPD).

Through this acquisition, Orexo gained:

- a broad-based, innovative and prioritized common product portfolio
- new technology platform
- a global partnership with significant financial potential
- significant new business opportunities/partnerships
- enhanced opportunities for a favorable communications flow
- coordination advantages
- a stronger financial position and wherewithall
- a broadened international ownership base

The transaction entailed Orexo's acquisition of the shares and warrants in Biolipox through a cash issue consisting of 7,630,895 shares in Orexo and 926,000 warrants to subscribe for the corresponding number of shares in Orexo. The warrants issued may only be exercised by prior Biolipox shareholders if outlicensing agreements have been signed for one or more of the projects OX-NLA, OX-CLI or OX2477, or partial compensation is received for the OX-MPI project. If none of these events occurs before December 31, 2009, the warrants will expire.

Extraordinary General Meeting on November 13, 2007
An Extraordinary General Meeting held on November 13, 2007 authorized the Board, in conjunction with the acquisition of Biolipox AB and without preferential rights to the shareholders, on one or more occasions, to decide on the issue of a maximum of 8,560,000 new shares and the issue of warrants. It was decided that payment for the newly issued shares would be capital issued in kind comprising shares and options in Biolipox AB. In addition, the General Meeting appointed Laurent Ganem and Antoine Papiernik as new members of the Board. Zsolt Lavotha resigned from the Board in conjunction with the Extraordinary General Meeting.

Biolipox completed an acquisition of Inflazyme's research and development assets pertaining to COPD and asthma
Prior to its acquisition by Orexo, Biolipox completed the previously announced acquisition of most of the research and development assets of the Canadian biopharma company, Inflazyme.

New Group management –Torbjörn Bjerke appointed new President
After completing its acquisition of Biolipox, Orexo decided to modify its Group management. The new Group management team consists of Torbjörn Bjerke (President and CEO), Claes Wenthzel (Vice President and CFO), Thomas Lundqvist (Vice President and Executive Advisor), Göran Smedgård (Senior Vice President – Business Development) and Göran Tornling (Senior Vice President – R&D).

Endo published favorable results from the interim analysis of the Phase III trial for Rapinyl™
Orexo's license partner, Endo Pharmaceuticals, published favorable results from a previously announced projected statistical interim analysis of an ongoing Phase II, placebo-controlled, double-blind trial for Rapinyl™. The results show that Rapinyl™ can provide an effective treatment of breakthrough pain in cancer patients. Data from the interim analysis involving 61 patients showed that Rapinyl® has achieved its primary endpoints – pain relief within 0–30 minutes of administration of the medicine (SPID 0–30) – and that the results were statistically significant (p=0.0004). All secondary endpoints were also achieved. A statistically significant effect, compared with placebo, was observed only 10 minutes after administration.

Key events after the close of the period

Orexo optimizes its project portfolio, focusing on the commercialization of prioritized projects
Orexo's primary objective for 2008 is to promote its existing collaborations and sign new license and development agreements. Accordingly, Orexo prioritizes the projects offering the best commercial possibilities.

Orexo is focusing on the following projects:

- Rapinyl™, for the treatment of acute pain – is proceeding through the registration phase in partnership with Endo Pharmaceuticals, ProStrakan and Kyowa Hakko
- Sublinox™ (OX22), for the treatment of sleep disturbances – proceeding through the registration phase
- OX17, for the treatment of GERD – in Clinical Phase II
- OX-NLA, for the treatment of rhinitis – in Clinical Phase II
- OX914, for the treatment of COPD/asthma – in Clinical Phase II
- OX2477, for the treatment of asthma – in the latter Preclinical Phase
- OX-MPI, for the treatment of pain/inflammation – in the Preclinical phase, in partnership with Boehringer Ingelheim
- OX-CLI, for the treatment of asthma - in the Preclinical phase

The portfolio optimization will allow Orexo to reduce its operating costs.

Phase I trials for OX19
A pharmacokinetic study involving healthy trial subjects has been completed. Analysis of the data is under way. The results are to provide the basis for outlicensing.

Registration application for Sublinox™ (OX22)
A preparatory meeting was held of January 15 with the FDA regarding the registration application for Sublinox™ (OX22) in the US. The meeting confirmed Orexo's registration strategy and work with submission of the registration application in the first quarter of 2008 is progressing as planned.

Phase II-trials for OX-NLA
For OX-NLA, a tolerability study of a final formulation in patients with rhinitis (hay fever) was completed. Analysis of the data is under way.

Phase II – studies for OX17
A Phase II study for OX17 regarding the pharmacological dynamic was concluded in patients with GERD. Data analysis is under way.

Orexo´s product portfolio

Commercialized products

Diabact® UBT/Heliprobe™ System– Diabact® UBT s Orexo's first commercialized product. Like the Heliprobe™ System, Diabact® UBT is a breath test used to diagnose the presence of *Helicobacter pylori*, the bacteria that cause gastric ulcers. Breath tests are recommended by expert groups for *Helicobacter pylori* in Europe as the primary choice and the most reliable non-invasive test to diagnose active infection. Its advantages include the fact that it prevents the patient having to undergo a gastroscopy examination, which many consider unpleasant. The societal benefits are, for example, that the examination is fast, easy and less expensive than gastroscopy.

Distribution and marketing agreements for Diabact® UBT have been signed for Austria, Finland, Germany, Hong Kong, Ireland, Serbia, Sweden and the UK. In Japan, a licensing agreement was signed with Kyowa Hakko Kogyo Co. Ltd. The Heliprobe™ System has distribution and marketing agreements in approximately twenty countries in the Middle East, Asia and Eastern Europe.

Prioritized projects in which licensing agreements have been signed

Rapinyl® – for the treatment of acute pain is in Phase III in the US and in the registration phase in Europe. Rapinyl™ was developed for the treatment of cancer-related breakthrough pain as its primary indication. Orexo's principal technology, the sublingual dosage method, whereby a fast-dissolving tablet is placed under the tongue, enables a quicker onset of action and more predictable effects – on-demand features. Licensing agreements for Rapinyl™ have been signed with Endo Pharmaceuticals for the North American market, ProStrakan Group plc for the European market and Kyowa Hakko Kogyo Ltd for the Japanese market. Distribution agreements for CIS (Russia and other former members of the Soviet Union), Bulgaria and Romania have been signed with Gedeon Richter Ltd and with Hospira in Asia Pacific markets including Australia and New Zealand.

In December 2005, Endo Pharmaceuticals launched Phase III studies on Rapinyl™. Endo Pharmaceuticals announced positive results from an interim analysis of the Phase III studies in December 2007. Endo previously has announced that it intends to submit a registration application for the North American market during the first half of 2008. Rapinyl™ is undergoing registration in the European market. The registration process was transferred to EMEA's Committee for Medicinal Products for Human Use (CHMP), a decision regarding the registration approval is expected to be made in the first half of 2008.

OX-MPI – Selective prostaglandin-inhibitor for pain, inflammation and rheumatism. The project is aimed at developing a new, effective pharmaceutical for pain, inflammation and fever with fewer side-effects than existing drugs such as the classic NSAID preparation (for example Magnecyl) and the more recently developed COX-2 inhibitors (for example Vioxx and Celebrex). The mechanism is based on the discovery of a specific enzyme, prostagland (PG) E2 synthesis (mPGES), a bodily substance that plays a central role in many inflammatory processes. Many molecules develop in parallel to develop the best properties for a drug and a patent portfolio with potential pharmaceutical candidates has been prepared. The project has been under way since 2005 in cooperation with Boehringer Ingelheim GmbH, Germany, which has acquired the global sales rights.

Prioritized projects in which licensing agreement discussions have begun

Sublinox™ (OX22) – for the treatment of sleep disturbances, is in Phase III development. Sublinox™ (OX22) is based on Orexo's sublingual tablet technology. In 2006, the US insomnia market amounted to SEK 3.3 billion (according to IMS sales data).

During October, Orexo completed the Phase III program by conducting the effect, local tolerance and safety study trials among patients using Sublinox™ (OX22) - for the treatment pf temporary insomnia with positive results. The effect trials confirm that Sublinox™ (OX22) acts as a 30 percent faster sleep aid than what Ambien® does for patients suffering from sleep disturbances. The study also shows that patients remain asleep throughout the night. The study strengthens existing documentation that Sublinox™ (OX22) is a safe and effective treatment for temporary insomnia.

A preparatory meeting was held of January 15 with the FDA regarding the registration application for Sublinox™ (OX22) in the US. The meeting confirmed Orexo's registration strategy and work with submission of the registration application in the first quarter of 2008 is progressing as planned.

OX17 **-** for the treatment of GERD (gastro esophageal reflux disease), a disorder that gives the patient recurrent heartburn, involving acidic regurgitation linked to stomachache, discomfort and sharp pains in the esophagus. OX17 is a patent-pending fixed combination of two well-proven active substances that each inhibits acid secretion in the stomach; an H2-receptor blocker and a proton pump inhibitor (PPI). To date, patents have been granted in Europe, China, Australia and New Zealand.

The clinical trial program confirms that effective inhibition of acid secretion is rapidly achieved after taking the first dose. Effective acid inhibition can be maintained as long as the symptoms persist. This is a favorable and unique clinical profile for a drug intended for the treatment of GERD. The clinical results were presented at the "Digestive Disease Week" conference in Los Angeles, California, in the US on May 21, 2006. A pharmacological dynamic study was concluded in patients with GERD. Data analysis is under way.

OX914 – for the treatment of COPD and asthma. The aim of this project is to develop an orally active product that blocks the PDE4 enzyme that exists in many inflammatory cells. In clinical studies with various substances to inhibit PDE4, several companies have demonstrated positive treatment effect in COPD and asthma. However, no substance has reached the market, mainly due to side-effects, primarily nausea. OX914 has shown favorable effects in preclinical models of COPD and asthma and clinical studies have not shown increased frequency of nausea compared with the placebo.

OX2477 – an entirely new class of pharmaceutical against asthma and COPD. Orexo has discovered a new group of mediators, eoxines, that are formed primarily in cells in respiratory passages and which have shown powerful anti-inflammatory effects. Release of the eoxines in the lungs can, therefore, provide an important contribution to the inflammation that is seen in, for example, COPD and asthma. The project aims to develop an entirely new class of pharmaceutical against asthma, COPD and other inflammatory diseases.

OX-CLI – a new generation of pharmaceuticals to treat asthma, COPD and rhinitis. Orexo is developing an orally administered, double-acting drug with both trachea widening and anti-

inflammation effects. Studies in animals that lack the actual target protein have shown significantly reduced inflammatorical responses in various asthma and COPD models. Orexo has identified own molecules that show favorable effects in different pharmacological models. A patent portfolio with potential pharmaceutical candidates has been prepared.

OX-NLA – quick-acting effect for treatment of allergic and non-allergic rhinitis.
NLA nasal spray for treatment of allergic and non-allergic rhinitis contains an active component cetirizin. Orexo has developed a unique formulation that reduces cetirizin's local irritating properties. Clinical Phase II studies have shown both good and fast-acting effects, which makes NLA suitable for treatment "as needed." Local treatment in the nose also reduces the risk for systematic side-effects, such as drowsiness. A final formulation has been selected and is currently being tested in a clinical Phase II study that was concluded in December 2007. Analysis of the data is under way.

Other projects with future potential for further development

OX-LSAID – for the treatment of moderate to heavy asthma. The LSAID-program contains non-steroid anti-inflammatory substances that have shown favorable effects in preclinical asthma models. Clinical studies have shown effects on certain parameters in patients with asthma.

OX19 – for the treatment of daytime and nocturnal urinary incontinence (nocturia). In addition to the treatment of nocturia, OX19 also focuses on the short-term, on-demand treatment of urinary incontinence in women suffering from an overactive bladder. A pharmacological study in healthy persons has been concluded. Data analysis is under way. The results will be the basis of outlicensing.

OX40 – for the acute treatment of moderate and severe migraine. Orexo's ambition is to formulate OX40 to provide a fast and predictable onset of effect, which is an essential characteristic for effective on-demand medication.

OX30 – slow and controlled release of opioids for the treatment of chronic pain and has also potential to reduce the abuse risk.

OX23 – for the treatment of acute pain. Based on Orexo's sublingual technology – the sublingual dosage form, in which a promptly dissolved tablet is placed under the tongue – which combines rapid dissolving, prompt onset of effect and predictable effects – typical "on demand" properties.

The period in figures; January 1 - December 31, 2007

Condensed statement of operations

MSEK	3 months 2007 Oct-Dec	3 months 2006 Oct-Dec	12 months 2007 Jan-Dec	12 months 2006 Jan-Dec
Net revenues	**55.1**	**51.7**	**76.8**	**132.0**
Cost of goods sold	(4.2)	(5.2)	(14.4)	(11.1)
Gross profit	**50.9**	**46.5**	**62.4**	**120.8**
Selling costs	(5.2)	(2.6)	(11.7)	(7.8)
General and administrative expenses	(25.4)	(19.8)	(74.2)	(57.5)
Research and development costs	(65.3)	(37.5)	(156.0)	(94.5)
Other operating income and expenses	(1.1)	(1.2)	(1.1)	(1.6)
Operating loss	**(46.1)**	**(14.6)**	**(180.6)**	**(40.6)**
Net financial items	2.0	2.1	7.8	7.6
Profit/loss after financial items	**(44.1)**	**(12.5)**	**(172.8)**	**(33.0)**
Tax	0.1	0.0	0.2	0.0
Net result of the period	**(44.0)**	**(12.4)**	**(172.6)**	**(33.0)**

Revenues

Net revenues

Net revenues for 2007 amounted to MSEK 76.8 (132.0). The decrease from the year-earlier period is attributable to licensing revenues received during 2006 from ProStrakan Group plc. The decline was partly offset by the sale of Kibions Heliprobe™ System, a product that the Group acquired in conjunction with the acquisition of Noster System AB in June 2006, and from August 1, 2007 by the sale of the company (Prostakan AB) jointly owned with ProStrakan Group plc.

Revenues were distributed as follows:

MSEK	Oct-Dec 2007	Oct-Dec 2006	Jan-Dec 2007	Jan-Dec 2006
Diabact® UBT	1.5	3.5	5.2	7.7
Heliprobe™ System	5.1	4.7	19.7	9.6
ProStrakan AB J/V 50%	2.0	-	2.7	-
License revenue Rapinyl®	34.0	40.0	34.0	106.5
Other revenues	12.5	3.5	15.2	8.2
Total	55.1	51.7	76.8	132.0

During the period October December 2007, net revenues were MSEK 55.1 (51.7). The fourth quarter of 2007 includes revenues from the acquisition of Biolipox AB and from Prostrakan AB, which was not the case in the year-earlier period. Revenues from Biolipox AB pertain to payments for research work from Boehringer Ingelheim and are reported under other revenues. Biolipox is consolidated in the Group as of November 23, 2007.

Expenses and earnings

Selling expenses

Consolidated selling expenses for the full year amounted to MSEK 11.7 (7.8), and to MSEK 5.2 (2.6) for the period October-December 2007. The increase in expenses is attributable to Orexo's efforts in its operations

for exhaling tests in Kibion AB, covering the products Diabact®UBT and Heliprobe™ System, and to ProStrakan AB.

Administrative expenses
Administrative expenses for 2007 amounted to MSEK 74.2 (57.4) and to MSEK 25.4 (19.8) for the period October-December 2007. Compared with 2006, MSEK 1.3 of the expenses increase is due to Biolipox AB and MSEK 7.0 to non-recurring restructuring costs.

Expenses for the company's employee stock options program
The company's share price declined during the period October-December, which resulted in a decline in the allocation for estimated social fees. This resulted in a positive effect on earnings for the company's employee stock options program of MSEK 1.9 (loss 3.6).

For the full year, the earnings effect of the employee stock options program totaled to a loss of MSEK 1.4 (loss 7.4), of which MSEK 0.2 (loss 4.5) is attributable to administrative personnel and to a loss of MSEK 1.6 (loss 2.9) to R&D personnel.

Program expenses refer to both the estimated cost of the value of the employees' service during the period and the portion of the estimated social security fees during the period. The company will need to pay social security fees on the gain that may result from the exercise of the employee stock options, estimated as the difference between the strike price of the employee stock option and the market value of the shares.

The social security fees that may arise due to the employee stock option program have been largely hedged – financially and therefore in cash-flow terms – through the issue of warrants to one of Orexo's subsidiaries. This hedging does not qualify for hedge accounting according to IFRS.

Research and development expenses
Research and development expenses for full-year 2007 totaled MSEK 156.0 (94.5), with MSEK 65.3 (37.5) for the period October-December 2007.

The increase from the year-earlier period is attributable to a keener focus on the company's product development projects, partly in the from of a larger workforce but especially through increased resources for Phase III studies for Sublinox™ (OX22) and the Phase III program for OX17, as well as more employees and expenses in Biolipox AB after the acquisition.

Research and development expenses include expenses for employees, employee stock options, premises, external costs for clinical trials, drug registration and laboratory services, as well as depreciation of equipment and amortization of acquired patents and other intangible assets. Orexo has no capitalized research and development costs. The company has several development projects in advanced phases, and/or in which discussions have been initiated regarding outlicensing. These including Rapinyl™ for the treatment of acute pain, Sublinox™ (OX22) for the treatment of insomnia, OX17 for GERD, OX-NLA for treatment of allergic and non-allergic rhinitis, OX2477 that is an entirely new class of drugs to treat asthma and COPD and OX-CLI that is a new generation of pharmaceutical to treat asthma, COPD and rhinitis.

Research and development expenses for the full year included MSEK 3.3 in royalty costs. Orexo's total royalty costs attributable to Rapinyl™ can amount to a maximum of 10 percent of total license revenues for the product, or at most MSEK 30.0, of which MSEK 28.9 was paid as of December 31, 2007.

Depreciation/amortization
Depreciation for the period January-December 2007 totaled MSEK 5.9 (3.4).

Tax
Tax assets (deferred tax) for the period January-December 2007 amounted to MSEK 0.2 (0.0).

Net result
The operating loss for the year amounted to MSEK 180.6 (loss: 40.6). The loss after net financial items totaled MSEK 172.8 (loss: 33.0), with the after-tax loss totaling MSEK 172.6 (loss: 33.0).

The operating loss for the period October-December was MSEK 46.1 (loss: 14.6). The loss after net financial items was MSEK 44.0 (loss: 12.4).

Financial position
Group cash and cash equivalents plus current investments amounted to MSEK 291.6 (332.5) at December 31, 2007.

Cash flow from operating activities for the full year was MSEK 165.4 (neg: 21.7). Cash flow after financing was positive at MSEK 15.2 (15.9). The acquisition of Biolipox AB generated cash and cash equivalents for the Group of MSEK 167.4.

During the period, short-term investments were made in accordance with the company's finance policy. According to the finance policy, liquidity is defined as the cash and cash equivalents required for the company's commercial obligations. All other liquidity is classed as surplus liquidity. At December 31, 2007, the Group's surplus liquidity was invested in banking and real estate (minimum rating A-), and corporate and institutional (minimum rating BBB), with maturities of up to February 2008.

Shareholders' equity at December 31, 2007 totaled MSEK 671.3 (324.3). The equity/assets ratio was 84 percent (85).

Investments
Gross investments in tangible fixed assets during the year totaled MSEK 49.3 (4.6). These investments primarily involve the remodeling of new premises and to some extent investments in production and research equipment.

Parent Company
The majority of the Group's business is carried out in the Parent Company, Orexo AB. Net revenues for 2007 amounted to MSEK 48.4 (118.2), with the loss after financial items totaling MSEK 159.9 (loss: 44.6). Investments totaled MSEK 49.3 (4.5). Cash and cash equivalents plus current investments in the Parent Company at December 31, 2007 amounted to SEK 109.5 (329.1).

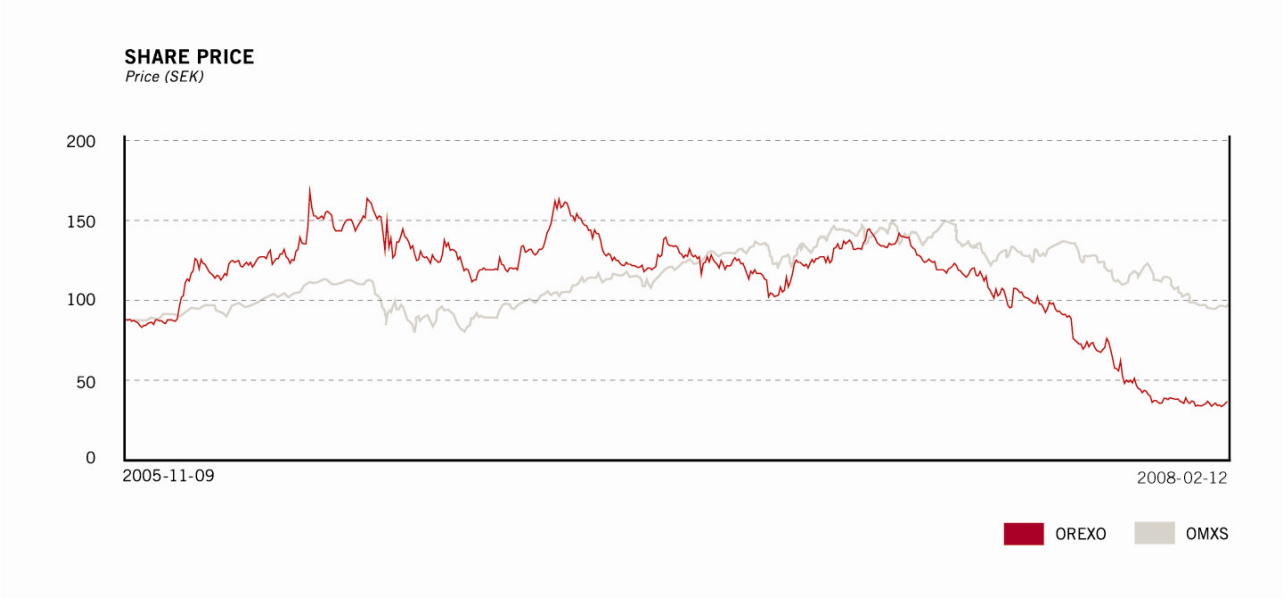
Pledged assets and contingent liabilities
In the acquisition of Inflazyme (see page 7), a supplemental payment was agreed contingent on certain goals being met. Part of the supplemental payment was reported as long-term liabilities and MSEK 36.3 was recognized as contingent liabilities since the later is not assessed as a probable payment based on pharmaceutical development statistics. As security for currency futures, MSEK 12 is blocked in a bank account and the amount is reported among pledged assets. At December 31, all currency futures had expired. As cash-flow hedging for social fees pertaining to the employee stock options issued by Biolipox, warrants were issued to Pyrinox AB. Orexo is committed to cover any deficit greater that the cover provided by the warrants. In addition, the acquisition of Noster System AB involved an agreement on a supplemental purchase price of not more than MSEK 7.2, which would become payable if the growth of Heliprobe™ System achieves pre-determined sales targets over the next few years. The amount was reported under contingent liabilities, since Orexo has not assessed it as probable. Otherwise, no significant changes in contingent liabilities or pledged assets occurred during the period.

Dividend

The Board does not intend to propose a dividend for the 2007 fiscal year.

Share and market value

Orexo's share was traded at SEK 47 on December 28, 2007. The company's market capitalization, based on the number of shares outstanding on December 31, 2007, amounted to MSEK 1,016. At December 31, 2006, the company's market value amounted to MSEK 1,725.



Analysts who monitor Orexo

ABG Sundal Collier	Alexander Lindström
Carnegie AB	Kristofer Liljeberg-Svensson and Camilla Oxhamre
Handelsbanken Markets	Erik Hultgård
Kaupthing Bank	Benjamin Nordin
Redeye	Björn Andersson
Remium Securities	Johan Isaksson

Annual Report

Orexo AB's Annual Report will be presented on the company's website not later than March 20, 2008 and will be sent to the shareholders who so requested.

Annual General Meeting

The Annual General Meeting will be held in Stockholm, Thursday, April 3, 2008 at 5:00 p.m. The notice will be released not later than March 6, 2008.

Future reporting dates

Interim report, January-March 2008	May 7
Interim report, April-June 2008	August 14
Interim report, July-September 2008	November 10
Year-end Report 2008	at latest February 28, 2009

Uppsala, February 15, 2008

Orexo AB (publ)

Torbjörn Bjerke, President and CEO

For further information, please contact:
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Review report

We have reviewed the appended report for the period January 1 to December 31, 2007. The Board of Directors is responsible for the preparation and fair presentation of this interim report in accordance with the Annual Accounts Act. 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, issued by FAR. 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 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 year-end 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, February 15, 2008
Öhrlings PricewaterhouseCoopers

Leonard Daun
Authorized Public Accountant

CONSOLIDATED BALANCE SHEET

SEK 000's	Notes	2007 Dec 31	2006 Dec 31
ASSETS			
Fixed assets			
Tangible fixed assets		57,790	6,392
Goodwill		16,030	8,988
Intangible fixed assets	6	377,335	1,974
Total fixed assets		**451,155**	**17,354**
Current assets			
Inventories		13,294	9,234
Accounts receivable		45,826	20,810
Current investments			56,126
Cash and bank balances		291,598	276,408
Total current assets		**350,718**	**362,578**
Total assets		**801,873**	**379,932**
SHAREHOLDERS' EQUITY AND LIABILITIES	3		
Share capital		8,647	5,554
Capital contributions		872,646	351,633
Accumulated losses		(210,041)	(32,837)
Total shareholders' equity		**671,252**	**324,350**
Long-term liabilities			
Provisions		162	4,819
Long-term liabilities		9,595	
Deferred tax liability		877	356
Total long-term liabilities		**10,634**	**5,175**
Current liabilities			
Current liabilities, non-interest-bearing		119,987	50,407
Total liabilities		**130,621**	**55,582**
Total shareholders' equity and liabilities		**801,873**	**379,932**
Pledged assets		14,500	3,500
Contingent liabilities		43,550	7,250

CONSOLIDATED STATEMENT OF OPERATIONS

SEK 000´s	Notes	3 months 2007 Oct-Dec	3 months 2006 Oct-Dec	12 months 2007 Jan-Dec	12 months 2006 Jan-Dec
Net revenues		55,079	51,665	76,757	131,956
Cost of goods sold	2	(4,195)	(5,201)	(14,384)	(11,151)
Gross profit		**50,884**	**46,464**	**62,373**	**120,805**
Selling expenses	2	(5,220)	(2,622)	(11,690)	(7,849)
General and administrative expenses	2	(25,397)	(19,780)	(74,224)	(57,437)
Research and development costs	2	(65,320)	(37,527)	(155,972)	(94,512)
Other operating income		183	214	9,958	678
Other operating expenses	2	(1,199)	(1,355)	(11,014)	(2,275)
Operating profit/loss		**(46,069)**	**(14,606)**	**(180,569)**	**(40,590)**
Earnings from financial investments					
Interest income		2,433	2,145	8,231	7,516
Interest expenses		(1)	(1)	(23)	(24)
Other financial expenses		(473)	-	(473)	115
Total earnings after financial items		**(44,110)**	**(12,462)**	**(172,834)**	**(32,983)**
Tax on the year's income		114	40	237	40
Net loss for the period		**(43,996)**	**(12,422)**	**(172,597)**	**(32,943)**
Loss per share, before dilution, SEK		(2.47)	(0.91)	(11.42)	(2.46)
Earnings per share after dilution, SEK		(2.47)	(0.91)	(11.42)	(2.46)
Average number of shares, before dilution		17,783,010	13,683,000	15,108,176	13,390,854
Average number of shares, after dilution		18,858,697	13,897,550	16,183,863	13,605,404
Number of shares, before dilution		21,617,395	13,884,750	21,617,395	13,884,750
Number of shares, after dilution		22,693,082	14,099,300	22,693,082	14,099,300

CONSOLIDATED CASH-FLOW STATEMENTS

SEK 000's

	Notes	3 months 2007 Oct-Dec	3 months 2006 Oct-Dec	12 months 2007 Jan-Dec	12 months 2006 Jan-Dec
Continuing operations					
Loss before interest expense and interest income		(46,069)	(14,606)	(180,569)	(40,590)
Interest income		(1)	(1)	(23)	(24)
Interest expenses		2,433	2,145	8,231	7,516
Other financial expenses		(473)		(473)	
Adjustment for items not included in cash flow	4	694	(2,559)	7,461	11,335
Cash flow from continuing operations before changes in working capital		**(43,416)**	**(15,021)**	**(165,373)**	**(21,763)**
Change in working capital					
Accounts receivable		(444)	12,895	2,537	(10,282)
Other current receivables		(7,896)	(134)	(18,266)	(369)
Inventories		(2,366)	(2,167)	(4,060)	(6,206)
Current liabilities		34,903	20,704	37,069	29,428
Provisions		(1,746)	(3,632)	(4,657)	(8,608)
Cash flow from continuing operations		**(20,965)**	**12,645**	**(152,750)**	**(17,800)**
Investing activities					
Acquisition of machinery and equipment		(7,569)	(778)	(49,318)	(4,562)
Divestment of current investments		9,951	18,456	56,126	33,505
Acquisition of subsidiaries/joint venture		167,936	-	158,151	(8,195)
Cash flow after investments		**148,813**	**30,323**	**12,209**	**2,948**
Change in financing					
Proceeds from new share issue		255	12,609	2,981	12,971
Cash flow after financing activities		**149,068**	**42,932**	**15,190**	**15,919**
Cash flow for the year					
Cash and cash equivalents, at the beginning of period		142,530	233,476	276,408	260,489
Changes in cash and cash equivalents		149,068	42,932	15,190	15,919
Cash and cash equivalents, at the close of period		**291,598**	**276,408**	**291,598**	**276,408**

KEY FIGURES

	3 months 2007 Oct-Dec	3 months 2006 Oct-Dec	12 months 2007 Jan-Dec	12 months 2006 Jan-Dec
Operating margin, %	(84)	(28)	(235)	(31)
Profit margin, %	(80)	(24)	(225)	(25)
Return on total capital, %	(8)	(3)	(45)	(9)
Return on equity, %	(10)	(4)	(53)	(10)
Return on capital employed, %	(10)	(4)	(53)	(10)
Debt/equity ratio, multiple	0	0	0	0
Equity/assets ratio, %	84	85	84	85
Current ratio, %	292	719	292	719
Acid ratio, %	281	701	281	701
Average number of shares, before dilution	17,783,010	13,683,000	15,108,176	13,390,854
Average number of shares, after dilution	18,858,697	13,897,550	16,183,863	13,605,404
Number of shares, after full dilution	23,010,220	14,319,750	23,010,220	14,319,750
Number of shares, before dilution	21,617,395	13,884,750	21,617,395	13,884,750
Number of shares, after dilution	22,693,082	14,099,300	22,693,082	14,099,300
Loss per share before dilution, SEK	(2.47)	(0.91)	(11.42)	(2.46)
Earnings per share after dilution, SEK	(2.47)	(0.91)	(11.42)	(2.46)
Shareholders' equity, before dilution, SEK	31.05	23.36	31.05	23.36
Shareholders' equity per share, after dilution, SEK	29.58	23.00	29.58	23.00
Number of employees at close of period	129	61	129	61
Average number of employees	102	58	80	50
Shareholders' equity	671,252	324,350	671,252	324,350
Capital employed	671,252	324,350	671,252	324,350

DEFINITIONS

Operating margin: Operating profit/loss as a percentage of net revenues.

Profit margin: Profit/loss after financial items as a percentage of net revenues.

Return on total capital: Operating profit/loss plus financial income as a percentage of average balance sheet total.

Return on shareholders' equity: Profit/loss of the period as a percentage of average shareholders' equity.

Return on capital employed: Operating profit/loss plus financial income as a percentage of average capital employed.

Capital employed: Interest-bearing liabilities and shareholders' equity.

Debt/equity ratio: Interest-bearing liabilities divided by shareholders' equity.

Equity/assets ratio: Shareholders' equity in relation to total assets.

Current ratio: Current assets as a percentage of current liabilities.

Acid ratio: Current assets excluding e inventories as a percentage of current liabilities.

Number of shares after full dilution: Total number of shares plus the maximum number of shares that can be subscribed for through options outstanding.

Number of shares after dilution: Calculation of the dilution from options issued by the company up to 2005 has been carried out in accordance with IAS 33.

Earnings per share before dilution: Profit/loss divided by average number of shares outstanding before dilution.

Earnings per share after dilution: Profit/loss divided by average number of shares outstanding after dilution.

Shareholders' equity per shares before dilution: Shareholders' equity divided by the number of shares before dilution at the close of the period.

Shareholders' equity per share after dilution: Shareholders' equity divided by the number of shares after dilution at the close of the period.

PARENT COMPANY BALANCE SHEET

SEK 000's	Notes	2007 Dec 31	2006 Dec 31
ASSETS			
Fixed assets			
Tangible fixed assets		50,903	6,316
Intangible fixed assets		566	633
Shares in subsidiaries/Joint Ventures		523,842	100
Total fixed assets		**575,311**	**7,049**
Current assets			
Inventories		4,362	4,982
Accounts receivable		40	4,263
Current receivables		53,030	32,141
Current investments		-	56,126
Cash and bank balances		109,511	273,021
Total current assets		**166,943**	**370,533**
Total assets		**742,254**	**377,582**
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	8		
Restricted equity		858,995	340,870
Accumulated losses		(193,062)	(12,464)
Total shareholders' equity		**665,932**	**328,406**
Long-term liabilities			
Provisions		162	4,820
Total long-term liabilities		**162**	**4,820**
Current liabilities, non-interest-bearing,		76,160	44,356
Total liabilities		**76,322**	**49,176**
Total shareholders' equity and liabilities		**742,254**	**377,582**
Pledged assets		2,500	2,500
Contingent liabilities		11,050	11,050

PARENT COMPANY STATEMENT OF OPERATIONS

SEK 000´s	Notes	3 months 2007 Oct-Dec	3 months 2006 Oct-Dec	12 months 2007 Jan-Dec	12 months 2006 Jan-Dec
Net revenues		42,506	44,309	48,389	118,217
Cost of goods sold	7	-	(393)	(2,409)	(1,660)
Gross profit		**42,506**	**43,916**	**45,980**	**116,557**
Selling expenses	7	(641)	(1,149)	(641)	(1,149)
General and administrative expenses	7	(20,911)	(19,785)	(69,094)	(57,442)
Research and development costs	7	(52,114)	(36,842)	(143,225)	(95,300)
Other operating income		71	199	9,674	298
Other operating expenses	7	(777)	(1,064)	(10,413)	(1,636)
Operating profit/loss		**(31,866)**	**(14,725)**	**(167,719)**	**(38,672)**
Earnings from financial investments					
Impairment of shares in subsidiaries		-	(14,000)	-	(14,000)
Interest income		1,228	2,386	7,832	8,000
Interest expenses		(1)	(1)	(11)	(9)
Other financial expenses		-	-	-	115
Total earnings after financial items		**(30,639)**	**(26,340)**	**(159,898)**	**(44,566)**
Net profit/loss for the period		**(30,639)**	**(26,340)**	**(159,898)**	**(44,566)**

Notes

1. Accounting principles

This Year-End Report was prepared pursuant to IAS 34, Interim Financial Reporting, which complies with the requirements of the Swedish Financial Accounting Standards Council's recommendation RR 31, Interim Financial Reporting for Groups. As of 2005, Orexo applies IFRS as approved by the EU. The accounting principles and calculation methods comply with those applied in preparing the 2006 Annual Report.

The Parent Company's accounting was prepared in accordance with RR32.

In other respects, the accounting principles applied in this interim report are described in greater detail in the notes to the 2006 Annual Report.

The amounts below are in SEK thousands, unless otherwise indicated.

2. Group costs distributed by type of cost

	2007 Oct-Dec	**2006 Oct-Dec**	**2007 Jan-Dec**	**2006 Jan-Dec**
Raw materials and supplies	13,326	5,737	26,835	13,982
Other external costs	51,181	39,626	132,307	86,110
Personnel costs	34,456	20,109	92,967	69,687
Depreciation and impairment	2,368	1,013	5,875	3,445
Re-invoicing, rebuilding materials	-	-	9,300	-
TOTAL	**101,331**	**66,485**	**267,284**	**173,224**

3. Shareholders' equity

Changes in consolidated shareholders' equity

	2007 Oct-Dec	**2006 Oct-Dec**	**2007 Jan-Dec**	**2006 Jan-Dec**
Shareholders' equity brought forward	**202,553**	**323,200**	**324,350**	**338,909**
Loss for the period	(43,996)	(12,422)	(172,597)	(32,943)
Exercised hedge options	-	4,607	-	4,607
Subscription for shares through the exercise of warrants	255	8,002	2,981	8,364
New issue of shares	438,775	-	438,775	-
New issue of warrants	52,875		52,875	
Employee stock options, value of employees' service	1,911	963	5,989	5,052
Acquired value employee stock options	18,879		18,879	
Recovered VAT on issuance expenses	-	-	-	361
Amount at close of period	**671,252**	**324,350**	**671,252**	**324,350**

Share outstanding

The number of shares outstanding at December 31, 2007 amounted to 21,617,395, of which all were common shares. All shares carry entitlement to one vote each. The number of shares outstanding increased as a result of the exercise of stock employee options and warrants in the amount of 101,750 since December 31, 2006 and 7,630,895 through new issue.

Outstanding shares at January 1, 2007	**13,884,750**
Share subscription through exercise of employee stock options	+42,500
Share subscription through exercise of warrants	+59,250
New issue of shares at acquisition of Biolipox AB	+7,630,895
Number of share outstanding at December 31, 2007	**21,617,395**

Options

At December 31 there were a total of 2,299,316 options outstanding carry rights corresponding to 1,764,775 shares in Orexo and exercise of 534,541 options for shares in Orexo[2]. The acquisition of Biolipox increased the number of options by 534,541 after adjustment of which 408,436 are employee stock options and 126,105 warrants intended for cash flow hedging of social fees. Each option issued by Biolipox AB carries the right to exchange for one share in Orexo AB and the corresponding number of shares is received by the independent company Pyrinox AB.

The list below shows the change in the number of options during the period January 1, 2007 to December 31, 2007 distributed in each category.

	Opening 1/1 2007	**-**	**+**	**Closing 31/12 2007**
Personnel-related options				
Of which: Decided and allotted employee stock options	329,800	(113,250)	156,975	373,525
Decided and allotted warrants	74,500	(59,250)	-	15,250
Decided but not allotted employee stock options 2005, 2006 and 2007	195,000	(156,975)	333,975	372,000
Warrants held by subsidiary for cash-flow hedging of social security fees	78,000	-	-	78,000
Total decided options	**677,300**	**(329,475)**	**490,950**	**838,775**
Employee stock options taken over from Biolipox AB (no dilution effect, included in newly issued shares in conjunction with acquisition of Biolipox)	-	-	408,436	408,436
Warrants taken over from Biolipox AB subsidiary for cash-flow hedging of social security fees (no dilution effect)	-	-	126,105	126,105
Total options from Biolipox	**-**	**-**	**534,541**	**534,541**
Total options to employees	**677,300**	**(329,475)**	**1,025,491**	**1,373,316**
Other options				
Warrants related to supplemental payment in acquisition of Biolipox AB	-	-	926,000	926,000
Total options outstanding	**677,300**	**(329,475)**	**1,951,491**	**2,299,316**

[2] *All data is adjusted for the 1:250 share split carried out in November 2005. As shown in the 2005 Annual Report, each old option carries rights to subscribe for 250 shares after the split. The above information pertains in all respects to the number of shares for which each option provides subscription entitlement. All of the details pertaining to options issued by Biolipox AB are recalculated by a factor of 0.45854, corresponding to the estimated value of the options related to the price of the Orexo share on date of acquisition. The figures reported for the options issued by Biolipox AB pertain to the number of shares to which each option can be exchanged following recalculation.*

During the period October-December, 25,250 new shares were subscribed through exercise of options, of which 4,000 related to Orexo's employee stock options and 21,250 to warrants.

In February 2007, options were allotted that in total carry subscription rights to 156,975 shares, distributed among 76,000 shares for company officers and 80,975 shares to other employees. The President was not allotted any options under this program. The subscription price was SEK 119 per share and the term of options extends through December 31, 2016. One third of the total employee options are earned on each of the three annual dates immediately following February 2, 2007. The market value, as calculated using the Black & Scholes method, amounted to SEK 35.53 per option.

At Orexo's Annual General Meeting on April 23, 2007, it was resolved to adopt a new employee stock option plan including the issuance of subscription warrants and approval of disposition of subscription warrants within the framework of the employee stock option plan. The employee stock option plan consists of 372,000 employee stock options. Each employee stock option may be exercised to acquire one share in Orexo in exchange for payment of an exercise price established as the market value of the Orexo share on the date of allocation. A total of 333,975 subscription warrants were issued to the wholly owned subsidiary Pharmacall AB as a hedge for the program. Full exercise of the warrants will result in a dilution of about 1.5%.

In conjunction with the acquisition of Biolipox AB four employee stock option program outstanding were taken over (programs 2003/2010, 2005/2014, 2005/2015 and 2006/2016) with unchanged terms except that the employee stock options carry rights to shares in Orexo instead of Biolipox. Each original employee stock option after the acquisition carries rights to 0.45854 shares in Orexo. The employee stock option comprises options carrying rights to a total of 408,436 shares in Orexo. Orexo has issued the corresponding number of shares to Pyrinox AB, owned by the former majority owners in Biolipox, to secure the delivery of the shares in the employee stock option programs. The employee stock options have been allotted at no cost to Biolipox employees and vesting occurs annually after allotment by one fourth of the total number of allotted options per program. The employee stock options may be exercised at the earliest on November 23, 2008, with the limitation as stated above, and the subscription price is SEK 0.25 per share. The final date for exercising the employee stock options is December 31 of the various programs' expiration year.

In conjunction with the acquisition of Biolipox AB the terms for the Biolipox warrants intended to hedge social fees. Each warrant carries rights to acquire 0.45854 shares in Orexo instead of one share in Biolipox. The warrants carry rights to a total of 126,105 shares in Orexo. Orexo has issued the corresponding number of shares to Pyrinox AB to secure the delivery of the shares to the warrants and the subscription price is SEK 0.25.

It was decided at Orexo's Extraordinary General Meeting on November 13, 2007 to issue 926,000 warrants as supplemental payment for the acquisition of Biolipox AB. Each warrant can be used to acquire one share in Orexo, on the condition that one of the value-creating events (see page 7) that call for payment of the supplemental consideration occurs not later than December 31, 2009. The subscription price is SEK 500 per share until that time that one of the value-creating events that call for payment of the supplemental consideration occurs and thereafter SEK 0.40 per share. Last exercise date for the warrants is December 31, 2009.

4. Cash flow

Adjustment for items not included in cash flow

	2007 Oct-Dec	2006 Oct-Dec	2007 Jan-Dec	2006 Jan-Dec
Depreciation/amortization and impairment	2,368	1,012	5,875	3,444
Calculated costs for employee stock option program	(1,885)	(3,611)	1,381	7,413
Bad debt	-	-	-	193
Recovered VAT on issuance expenses	-	-	-	361
Miscellaneous	211	40	205	(76)
Total	**694**	**(2,559)**	**7,461**	**11,335**

5. Joint Venture with ProStrakan Group plc

On August 1 Orexo AB and ProStrakan Group plc entered an agreement to acquire 50 percent of its sales company for the Nordic market, ProStrakan AB, for a private placement for cash.
If the acquisition had occurred on January 1, 2007, consolidated net revenues would have been MSEK 2.9 higher at net loss MSEK 0.4 higher.

6. Acquisition of Biolipox AB

On November 23, Orexo AB gained controlling influence and thereby control of the acquired company Biolipox AB. The company is consolidated in Orexo from the same date.

The acquired company contributed MSEK 4.0 in net revenues and a net loss of MSEK 11.8 for the period November 23 to December 31, 2007. If the acquisition had occurred on January 1, 2007 the Group's net revenues would have been MSEK 29.1 higher and the periods' net loss MSEK 96.8 higher.

The acquisition was financed through the new issue of 7,630,895 shares in Orexo AB valued at SEK 57.5 per share and the issue of 926,000 warrants valued at SEK 57.1 each and a conditional supplemental payment. For the supplemental payment to be paid, four value-creating events must occur before the close of 2009, which the company views as probable.

The acquisition value amounts to MSEK 524.3. The calculation of the acquisition value is based on the estimated value of the newly issued shares and the warrants, acquired employee stock options and the expenses involved in the acquisition.

Acquired net assets and goodwill (MSEK)**:**

Newly issued shares	438.7
Issued warrants	52.9
Direct expenses in conjunction with the acquisition	13.8
Acquisition value of employee stock options	18.9
Total purchase price	**524.3**
Fair value of acquired net assets	(524.3)
Goodwill	**0.0**

The assets and liabilities included were (MSEK):

	Fair value	Acquired carrying value
Intangible assets		
- Patented technology	338.4	-
- Product rights	35.2	35.2
Tangible fixed assets	7.1	7.1

Current receivables	9.1	9.1
Cash and cash equivalents	181.2	181.2
Current liabilities	(37.1)	(37.1)
Long-term liabilities	(9.6)	(9.6)
Acquired net assets	**524.3**	**185.9**

Expenses in conjunction with the acquisition (MSEK):

Expenses for the acquisition	(13.8)
Cash and cash equivalents in the acquired company	181.2
Change in Group cash and cash equivalents	**167.4**

7. Parent Company's costs distributed by type.

	2007 Oct-Dec	**2006 Oct-Dec**	**2007 Jan-Dec**	**2006 Jan-Dec**
Raw materials and consumables	3,435	1,067	9,162	4,909
Other external expenses	45,546	38,341	125,146	82,919
Personnel costs	23,932	18,896	77,603	66,081
Depreciation/amortization and impairment	1,530	929	4,571	3,278
Re-invoicing, rebuilding materials.	-	-	9,300	-
TOTAL	**74,443**	**59,233**	**225,782**	**157,187**

8. Shareholders' equity

Changes in the Parent Company's shareholders' equity

	2007 Oct-Dec	**2006 Oct-Dec**	**2007 Jan-Dec**	**2006 Jan-Dec**
Shareholders' equity brought forward, according to the balance sheet	**205,951**	**327,174**	**328,406**	**340,633**
Profit/loss for the period	(30,639)	(26,340)	(159,898)	(44,566)
Exercised hedge options	-	4,607	-	4,607
Share subscription through exercise of warrants	255	8,002	2,981	8,319
New issue of shares	438,776	-	438,776	-
New issue of warrants	52,875	-	52,875	-
Employee stock options, value of employees' services	1,314	963	5,392	5,052
Recovered VAT on issuance expenses	-	-	-	361
Group contribution received	(2,600)	14,000	(2,600)	14,000
Amount at close of period	**665,932**	**328,406**	**665,932**	**32,406**