orexo

Annual Report 2014

Zubsolv®– All focus on the commercialization in the US

SwedenBIO Award 2014
SWEDENBIO

The Life Science Leader of the Year
LIFE SCIENCE SWEDEN

Best Investor Relations Award 2014
REGI

Contents

OUR COMPANY

REPORT ON OPERATIONS

FINANCIAL REPORT 2014

CORPORATE GOVERNANCE REPORT

A Snapshot of Orexo

Orexo – an integrated pharmaceutical company

Founded in 1995

Commercial operations in the United States

Research and development in Sweden

Orexo develops improved treatments by focusing on perfecting methods of drug delivery.

- Faster, at a lower risk and cost when based on proven pharmaceutical substances
- Patented proprietary sublingual (under the tongue) technology
- Includes development of new chemical substances

Orexo's share is listed on Nasdaq Stockholm Exchange Mid Cap (STO: ORX) and is available as ADRs on OTCQX in the US under the symbol ORXOY.

Current focus

Maximize the commercial potential of Zubsolv® for maintenance treatment of opioid dependence

+5

MILLION PEOPLE ARE ADDICTED TO OPIOIDS IN THE US

Zubsolv
Zubsolv, Orexo's leading product for treatment of opioid dependence – currently targeting a growing need in the US, where already more than 5 million people are addicted to opioids.

Zubsolv growth
Accelerating the growth of Zubsolv is the current main focus, including developing and launching new dosage strengths, conducting clinical studies and investigating expansion into new markets.

Other products

MSEK
289

ROYALTIES AND MILESTONES LAST YEAR

Abstral® and Edluar®
Abstral and Edluar are two out-licensed Orexo products which both comprise the proprietary sublingual treatment. They generate royalties and milestones to Orexo on a global scale.

Kibion
Kibion has launched IRIS™ Dynamic, a new innovative flexible and reliable 13C breath testing system. Together with Diabact® UBT, IRIS Dynamic is believed to be the method of choice for *Helicobacter pylori* testing.

The Year in Brief

KEY EVENTS DURING THE YEAR

Q1

- Exclusive agreement for Zubsolv® with CVS Caremark, which was entered in 2013, became effective as of January, 2014.
- Exclusive agreement for Zubsolv was entered with UnitedHealth Group and OptumRx, effective as of July 1, 2014.

Q2

- Orexo completed issue and listing of a MSEK 500 unsecured bond.
- inVentiv Health was selected as new partner for the commercialization of Zubsolv in the US.
- Positive results achieved from two phase 3 clinical trials assessing Zubsolv for induction of buprenorphine maintenance therapy and top-line data showing that Zubsolv is as effective as Suboxone® Film in the treatment of opioid dependence.
- Orexo commenced patent infringement litigation against Actavis concerning Zubsolv.
- Orexo share was added to Russell Global Index.

Q3

- Exclusive agreement for Zubsolv was entered with WellCare, effective as of November 1, 2014.
- OX-MPI project was returned to Orexo.
- Orexo enhanced its commercial focus by placing all manufacturing of Zubsolv with partners in the US and streamlining operations in Uppsala.
- Orexo completed its private placement of approx. MSEK 346.5, including all Orexo shares held in treasury by the company in addition to newly issued shares.

Q4

- Orexo submitted application to FDA for expanded label for Zubsolv.
- FDA approved two higher dosage strengths of Zubsolv.
- Orexo received MGBP 5 milestone payment for Abstral® in Europe.

Key figures

	2014	2013	2012	2011	2010
Net revenues, MSEK	**570.3**	429.4	326.3	199.6	210.5
Growth, %	**32.8**	31.6	63.5	–5.2	–10.8
Net earnings for the year, MSEK	**–56.6**	-154.9	–85.9	–392.0	–89.2
Earnings per share, before dilution, SEK	**–1.73**	-5.16	–2.92	–14.43	–3.81
Cash and cash equivalents, including short-term investments, MSEK	**284.5**	105.6	228.1	246.9	135.8
Shareholders' equity, MSEK	**455.0**	161.5	191.1	311.1	468.2
Average number of employees	**111**	106	111	110	105
Number of employees at year-end	**108**	108	97	118	105

CEO's Message

2014 became the year when Orexo accomplished the strategic plan launched in 2011, aiming at becoming an integrated pharmaceutical company. I am proud to note the external appreciation of this strategy in terms of the share price development during the last three years. During these three years, Orexo has focused nearly all its efforts on the Zubsolv® launch and immediate life cycle management initiatives, restructuring royalty streams from Abstral® and launched Zubsolv in the US via our commercial subsidiary.

In 2014, US sales of Zubsolv reached MSEK 228 and we succeeded in growing market share by nearly 5 percentage points to a 6 percent market share at year-end. Looking at the publicly available sales data, i.e. gross sales, this makes Zubsolv the best launch of any opioid approved in the US following the 505b2 registration path since 2011.

Two key elements of the launch strategy have been market access and clinical trials. We have deliberately focused extensively on securing exclusive reimbursement agreements with marquee commercial and public insurance companies in the US to gain market share and Zubsolv traction and scale. Our exclusive agreements with companies such as United Health Group, WellCare and CVS Caremark indicate that this strategy has been successful. The significant investments in clinical trials have been equally important. Convinced about Zubsolv's patient preference benefits, we initiated a head-to-head study, where we compared Zubsolv with the leading competitor. The outcome was completely in line with our expectations: Zubsolv has similar clinical effect, but there is strong patient preference for the advanced sublingual Zubsolv tablet. We are very proud of what we have achieved in the US and our confidence in the future success of Zubsolv remains firm.

What are the next steps in our evolution? There is no doubt that the continued commercialization of Zubsolv is the main priority throughout 2015. We are still in the early phases of Zubsolv's life cycle and are committed to continue the development of the product, increasingly relying on the unique product attributes and improving the profitability of the product franchise. We have several milestones outlined for 2015: launch of the two recently approved dosage strengths, results from our clinical trial OX219-008, expected approval of the expanded indication to include induction during Q3 2015 and continuous improvement of our market access. Our aspiration remains to improve the treatment of opioid addiction and a main lever would be to enable physicians to intervene earlier in patients' vicious circle of dependence. We believe we can accomplish this through a combination of additional clinical studies and pharmaceutical development of the next generation of Zubsolv. Already in 2015 the approval of the induction label would enable Orexo to take a more active role in engaging additional physicians to treat opioid addiction. We are in discussions with the FDA and other stakeholders in the US about the best route forward and I look forward to disclosing these steps when the final decision has been made.

With our firm focus on the US, the significant potential of Zubsolv in other geographies tends to be overlooked. The use of opioids is growing faster in other geographies than the US, and Zubsolv could add significant value for patients and physicians in many more markets. An objective for 2015 is to identify potential partners outside the US and to initiate the regulatory process for these markets potential commercialization. We also intend to find a partner for OX51, for treatment of procedural-induced pain, in order to take this product through phase III and to commercialization.

To conclude, the path forward in 2015 is founded on Orexo's existing products, competences and employees. I believe that it is important for the company to stay focused and to build a solid business foundation, maximizing the value of the assets we control today. I see significant business opportunities in our existing Zubsolv franchise by further investment in our US business, building on the positive momentum we see with Zubsolv.

Our accomplishment is the result of an impressive commitment and effort by all our employees and consultants. This makes me convinced that we can look forward to a very exciting business performance in 2015 and the years to come.

Nikolaj Sørensen

President and CEO

Strategy

Orexo develops improved specialty treatments and treatments for new areas of use – at a lower cost, in a shorter period of time and at a lower risk – by combining known pharmaceutical substances with its patented proprietary sublingual (under the tongue) technologies.

Orexo has the following strategic areas of focus

1

Maximize the commercial potential of Zubsolv®

Zubsolv offers a highly attractive commercial potential in the US. In order to deliver the best commercial value, Orexo has established a commercial subsidiary in the US to manage and execute the marketing and sales of Zubsolv. Furthermore, Orexo has entered into a commercial partnership with inVentiv Health, who will be responsible for the field force in the US.

2

Expand the company's presence in addiction treatment

Zubsolv and its future life cycle management program is a top priority of Orexo. This includes clinical documentation of additional indications, short- and long-term medical and patient outcomes as well as development of new strengths and flavors.

3

Strengthen Orexo's commercial capabilities

Enhance commercial capabilities across the company, with emphasis on the US. Expand and integrate the sales organization into Orexo. Continue to develop the existing and new commercial partnerships.

While creating a sustainable profitable company

Increase cost efficiency across the company aligning expenses and investments to revenues from commercial products: Zubsolv, Abstral® and Edluar®.

Orexo's products

Zubsolv® is a sublingual tablet for maintenance treatment of opioid dependence. It was approved by the U.S. Food and Drug Administration (FDA) on July 3, 2013. The tablet should be used as part of a complete treatment plan, including counseling and psychosocial support.

Abstral® is a product for rapid relief from breakthrough pain in cancer patients. Abstral is marketed by partners – Galena Biopharma Inc (US), Kyowa Hakko Kirin Co., Ltd (Japan) and ProStrakan Group PLC (Europe and the rest of the world).

Edluar® is a product for the treatment of short-term insomnia. Meda AB has the global license for Edluar.

Heliprobe® System, Diabact® UBT and IRIS™ are breath tests and analytical instruments for diagnosis of the gastric ulcer bacterium *Helicobacter pylori*. All are marketed via the Orexo wholly-owned subsidiary Kibion.

Zubsolv®

Opioid dependence

Opioid dependence is a treatable medical condition and a growing public health issue in the United States affecting nearly 5 million people.[1] Prescription painkillers containing opioids are highly addictive, and regular or long-term use can lead to physical dependence.

A growing health issue

In the US, approximately 5 million people are currently misusing opioid prescription drugs, of whom about 2 million are diagnosed as opioid dependent[1]. This means that opioid dependence is more common than abuse of, or dependence on, any other type of prescription medication.

Of the 5 million people misusing opioids, fewer than 20 percent currently receive buprenorphine/naloxone treatment. There are several reasons for this, of which the most important is lack of financial coverage which means that many patients find the treatment too expensive. Furthermore, access to treatment is still limited in many areas of the US, and the significant social stigma attached to opioid dependence makes many people reluctant to seek treatment. The number of patients being treated has increased during 2014 as the Affordable Care Act enabled more patients to gain insurance coverage of treatment. Addiction treatment is included as an "essential benefit" under the Affordable Care Act, and insurance companies are obliged to cover essential healthcare benefits.

Society has a strong incentive to improve treatment

There are strong incentives for society to encourage the successful treatment of opioid dependence as the societal cost of the disease is high. The cost of prescription opioid abuse, dependence and misuse in the US is estimated to exceed USD 56 billion per year, of which 25 billion is healthcare costs, 26 billion productivity loss and 5 billion crime-related.[2] The average healthcare cost per patient with opioid dependence is 8 times higher compared to nondependent patients.

Furthermore, 15,000 people die from opioid pain relievers each year in the US.[3] Deaths from opioid pain relievers even exceed those from drugs and traffic accidents. According to an article in the New England Journal of Medicine[4] the rate of death from overdoses of Rx Opioids more than quadrupled between 1999 and 2010, far exceeding the combined death toll from cocaine and heroin.

During 2014 several initiatives have been taken to improve access to treatment and the discussion on how to address the epidemic of opioid dependence has intensified. In a Senate Forum on June 18, 2014 it was concluded that the current cap on the number of patients each DATA 2000 waivered physician could treat should be lifted or eliminated. If implemented this initiative would immediately improve access to treatment, enable treatment centers to expand and consequently increase the potential market for Zubsolv.

1 Substance Abuse and Mental Health Services Administration, Results from the 2010 National Survey on Drug Use and Health: Summary of National Findings, NSDUH Series H-41, HHS Publication No. (SMA) 11-4658. Rockville, MD: Substance Abuse and Mental Health Services Administration, 2011.

2 Birnbaum HG, White AG, Schiller M, et al. Societal costs of prescription opioid abuse, dependence, and misuse in the United States. Pain Medicine. 2011;12:657-667.

3 Centers for Disease Control and Prevention. Preventing Prescription Painkiller Overdoses. Accessed June 18, 2013. http://www.cdc.gov/injury/pdfs/som_focusarea/NCIPC_FactSheets_PPO_v7.pdf.

4 The New England Journal of Medicine (April 23, 2014).

Who is opioid dependent?

Opioid dependence is a growing public health issue in the US affecting approximately 5 million people. While many are able to continue functioning and maintain employment, people with opioid dependence report that it affects all areas of their life and particularly intimate and family relationships.


+10%
Prescriptions of buprenorphine/naloxone products during 2014

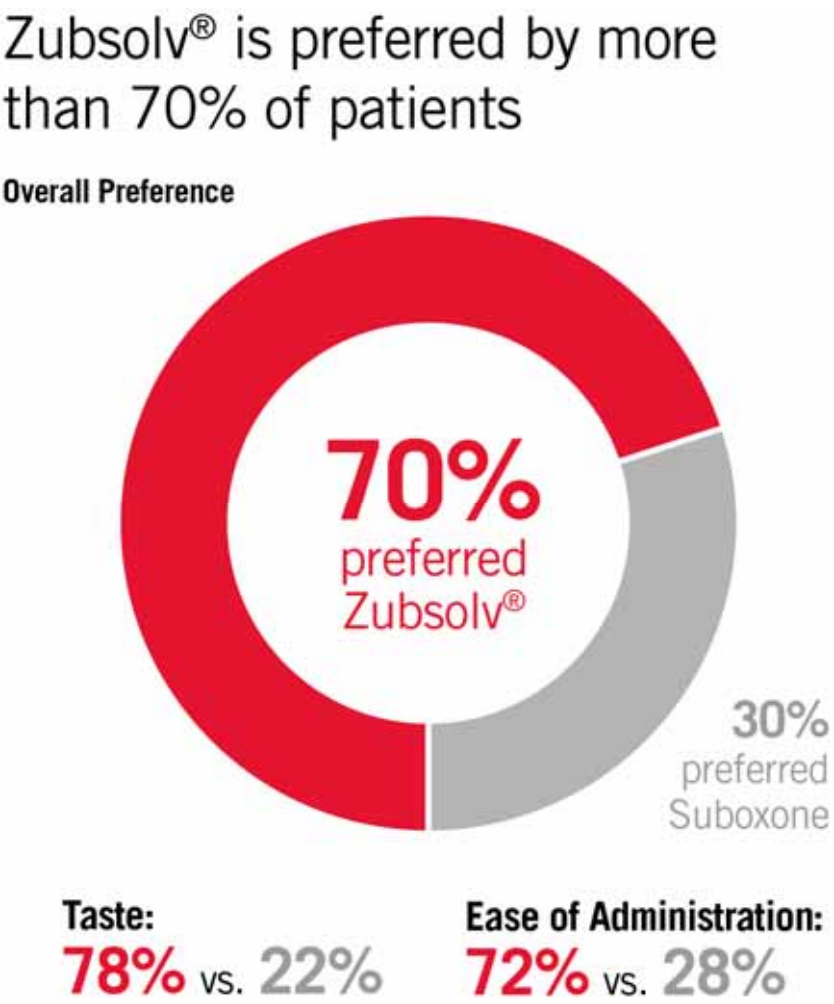
The market for treatment of opioid dependence

During 2014 prescriptions of buprenorphine/naloxone products increased by 10 percent in the US, continuing the double digit growth rates from prior years.

Market development in the year

The increase in prescriptions was most noticeable within the Managed Medicaid programs, which indicates that the improved access to treatment following the affordable care act has been a growth driver. Two other growth drivers during 2014 are the continued increase in the number of DATA 2000 waivered physicians, and a movement towards larger treatment centers with multiple physicians and established treatment guidelines. In parallel, the number of opioid dependent patients is growing and the severity of the disease in the untreated population is increasing. Opioid dependence is classified as a chronic disease and when untreated patients are likely to increase the dosages of their misuse. With 5 million Americans suffering from opioid dependence and only about 500 thousand treated with buprenorphine/naloxone products, this market is likely to continue expanding.

Orexo believes the disease area has not been maximized due to a lack of scientific evidence and the establishment of treatment standards. In Orexo's assessment, the current movement towards larger specialized treatment centers should benefit patients and facilitate legislative changes to improve access to treatment. With the richest clinical data set in the industry, Zubsolv®, healthcare providers and patients suffering from opioid dependence will benefit from a more scientifically based approach to the treatment of opioid dependence.



Zubsolv® performance in the market

Zubsolv ended 2014 with nearly 6 percent market share, which is an improvement of close to 5 percentage points since end of 2013. The main growth driver has been market access and in particular the exclusive contracts in Q1 with CVS Caremark, in Q3 with United Health Group and in Q4 with WellCare.

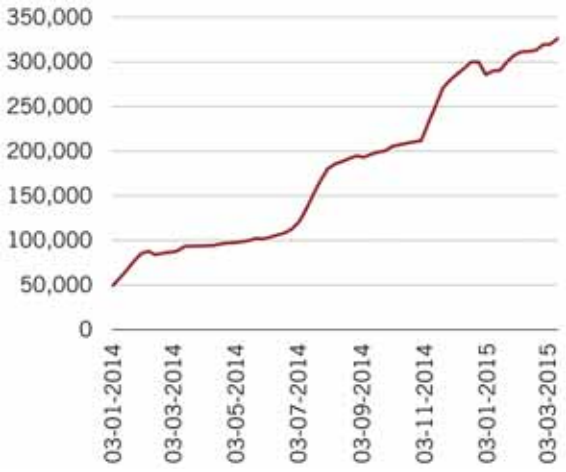
A year with new initiatives

It has been a deliberate strategy to gain traction in the market through contracting with insurance companies. This strategy has resulted in a higher average rebate level, as state financed insurance programs in particular such as Managed Medicaid (WellCare) require substantial rebates for a new product to gain preferred status. To improve long-term profitability it is important for Zubsolv to grow in the non-exclusive part of the market. We are pleased to see that Zubsolv is now outgrowing this market, especially in the latter half of 2014. By way of example, when excluding the effect of the WellCare contract, Zubsolv grew by 19 percent in Q4 compared to Q3, which is significantly higher than the market (3 percent) across all books of business during the quarter.

During the year, several additional initiatives have been implemented to strengthen the commercialization of Zubsolv. The sales force structure has been changed mid-year and Orexo has now internalized the sales management and taken full control of sales force execution. As a result Zubsolv's sales force productivity metrics have improved significantly. Sales force execution and Zubsolv messages are being delivered with better precision and this has strengthened the confidence among our customer base.

The value of the sales force is highly dependent on the quality of the message and the information which can be shared. Thus the investments in clinical trials and further pharmaceutical development of Zubsolv are critical. With the positive results from the iSTART (OX219-006) clinical data, which demonstrates similar clinical efficacy of Zubsolv vs. Suboxone Film coupled with a 70 percent patient preference, the trial data directly reinforces the message Orexo has been communicating since launch.

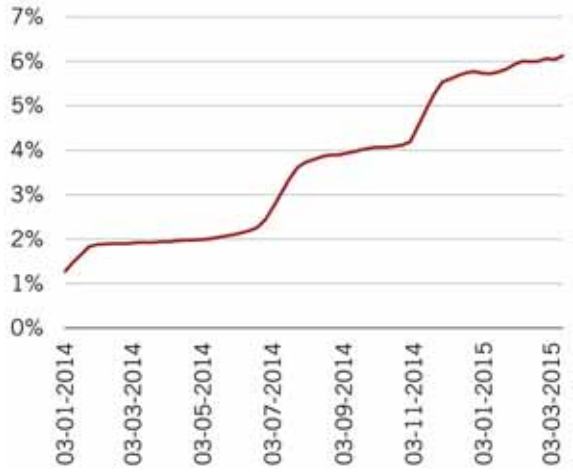
Weekly, rolling 4-week average sales (# of tablets)



More than 60,000 patients have been treated with Zubsolv®.

Note: Weekly script data is based on extrapolation and is associated with uncertainties in the launch phase of new pharmaceuticals
Source: Wolters Kluwer weekly data

Weekly, rolling 4-week market share (tablets, %)



Significant increase in market share during the year.

Note: Weekly script data is based on extrapolation and is associated with uncertainties in the launch phase of new pharmaceuticals
Source: Wolters Kluwer weekly data

Zubsolv® clinical and pharmaceutical development

During 2014 Orexo took several important steps forward in the life cycle management of Zubsolv. Analysis of the ISTART (OX219-006) study was finalized with positive results, application for an expanded label for Zubsolv was submitted based on the induction results of the ISTART (OX219-006) study and OX219-007 study. Furthermore, two new dosage strengths have been approved by the FDA.

ISTART results

On June 23, 2014 Orexo announced the top-line data from a phase III clinical trial demonstrating that Zubsolv is as effective as Suboxone® Film in the treatment of opioid dependence. The results from a randomized, non-inferiority, multicenter, comparative trial (N=758) established that, despite a 29 percent lower dose, Zubsolv provides equivalent efficacy compared to Suboxone film in patients who are opioid dependent. The Induction, STabilization, Adherence and Retention Trial (ISTART) sponsored by Orexo is the largest clinical trial ever conducted with buprenorphine/naloxone.

This study contains data from a large population of patients, where most have been using opioids for more than 10 years. In the ISTART study more than 70 percent of the patients preferred Zubsolv over Suboxone Film after exposure to both products. The strong patient preference to Zubsolv was driven primarily by better taste (77.5 percent preferred Zubsolv) followed by mouth feel and ease of use, both exceeding 70 percent preference. As previously announced, the clinical effect in terms of cravings and withdrawal symptoms was similar between the products as were treatment-related adverse events.

At Day 15 of the study, all patients were forced to switch and patients switching treatments at Day 15 had no significant difference in clinical response. At Day 22 of the study, patients showed similar changes from baseline in Clinical Opiate Withdrawal Scale, COWS, Subjective Opiate Withdrawal Scale, SOWS and total scores for cravings. During the last phase of the study, the retention of the patients who had switched was also studied and less withdrawal from treatment was seen among patients who had switched to Zubsolv compared to those who had switched to Suboxone Film. Patients withdrawing from treatment also favored Zubsolv over Suboxone Film as 8.7 percent of patients who switched from Zubsolv to Suboxone Film and 6.1 percent of patients who switched from Suboxone Film to Zubsolv withdrew from treatment by Day 22.

Submission of application for expanded label to include initiation of treatment

On October 10, 2014 Orexo submitted an application to the FDA for an expanded label for Zubsolv to include initiation of treatment for opioid dependence. Orexo anticipates approval of the expanded label during the third quarter of 2015.

The application for initiation of treatment is supported by the data from the ISTART and OX219-007 studies. In the full data set, Orexo found no difference when comparing Zubsolv and generic buprenorphine monotherapy, when used as treatment for the induction of buprenorphine maintenance therapy.

In a survey performed by Orexo of DATA2000 waivered physicians, who are less active in treating opioid dependent patients, initiation of treatment was cited by more than 40 percent of the respondents as the main challenge when treating patients for opioid dependence. A majority of those physician respondents (58 percent) state that more education on initiation of therapy (induction) would be a key driver for increasing their use of buprenorphine-based treatment. An induction label would allow Orexo to customize the education to meet the specific needs of these physicians to increase their comfort in treating patients suffering from opioid dependence.

Two new higher strengths approved

The FDA announced on December 11, 2014 the approval of two new higher tablet strengths of Zubsolv. The new dosage strengths are 8.6-mg/2.1-mg and 11.4-mg/2.9-mg buprenorphine/naloxone CIII sublingual tablets. The 8.6-g dosage strength will be launched during Q1 2015 and the 11.4-mg later during 2015.

The two new higher dosage strengths complement the existing dosage range of 5.7-mg/1.4-mg and 1.4-mg/0.36-mg tablets and enable patients to receive their optimal dose in just one tablet. The new dosage strengths are manufactured utilizing the same advanced, proprietary sublingual tablet formulation for Zubsolv, providing higher bioavailability, a fast dissolve time, small tablet size, and menthol flavor. With the new expanded dosage offerings, Zubsolv will provide physicians and their patients the broadest therapeutic dosage range in one tablet, from 1.4-mg to 11.4-mg buprenorphine, which would equal to 2 mg to 16 mg of Suboxone. Suboxone Film is currently available from 2 mg to 12 mg dose. The 11.4 mg Zubsolv dosage strength will be unique on the market.

A wider range of dosage strengths now approved

Abstral®

Rapid relief from breakthrough pain in cancer patients

Abstral treats breakthrough cancer pain in patients already being treated with opioids. The product contains the pain-relieving substance fentanyl. Abstral allows doses to be customized according to individual requirements, which is essential for achieving optimal pain relief.

Abstral is a rapidly disintegrating tablet that is placed under the tongue. The advantage is that the active ingredient is absorbed into the body through the mucosa. The effect is thereby fast and predictable. The tablet is easy to dose, store and handle.

The product was approved for sales in Europe in 2008. In January 2011, Abstral was approved by the FDA and was subsequently launched in the US in April 2011 by Orexo's partner ProStrakan. In February 2011, Abstral was also approved in Canada. During 2012 Orexo acquired the US rights back from ProStrakan and subsequently sold these rights to Galena Biopharma in March 2013.

In September 2013, Abstral was approved for sales in Japan, and launched in December 2013 by Kyowa Hakko Kirin. Kyowa Hakko Kirin is well-established within the field of cancer pain and has sold Fentos®Tape, a fentanyl plaster preparation, since 2010.

In 2014, Abstral continued to grow and gain market shares in the EU. Sales in the EU amounted to more than MEUR 65 (MSEK 490), an increase of 25 percent compared with the previous year. Orexo receives a 15 percent royalty on Abstral sales in Europe, for sales exceeding EUR 42.5 million. During 2014, royalty revenues from Abstral sales amounted to MSEK 220 (246.0). The annual sales of Abstral in the EU exceeded MEUR 60 during 2014 which has triggered a milestone payment in December of MGBP 5 (approx. MSEK 60) from the commercial partner in Europe, ProStrakan Group plc.

The US market for fentanyl-based products amounts to approximately USD 390 million (SEK 2.9 billion) and is growing. The competition in the market for fentanyl based products in the US is fierce. However Abstral continues to gain market share and Orexo assesses that the product has the potential to continue and improve the current trajectory. In December 2014, Abstral had reached a market share of 5 percent of prescriptions compared to 6 percent in December 2013.

The Japanese market for treatment of breakthrough cancer pain with rapid-acting fentanyl is still in the early stages and Orexo will follow the launch and progress with high expectations.

Orexo will in the future also receive royalties on Abstral from other markets. The product has been approved in Australia, the United Arab Emirates, Bahrain, Kuwait, Lebanon, Oman, Qatar, Sudan and Malaysia. In 2014, Abstral was launched in Israel, South Korea and Croatia.

Edluar®

Treatment of short-term insomnia

Edluar is based on the active ingredient zolpidem, which has long been used to treat insomnia. The Edluar tablet is placed under the tongue, where it rapidly dissolves and the active ingredient is absorbed through the mucosa.

Meda AB has acquired the global rights for Edluar. The product was approved by the FDA in March 2009 and in July 2011 the product was also approved in Canada. During 2013, Edluar was launched in a number of European countries.

Total sales of Edluar continued to increase in 2014. Royalty revenues amounted to MSEK 10.7 (8.7), an increase of 23 percent compared to 2013. The increase was mainly driven by strong sales in Canada.

Kibion

Test and analytical instruments for diagnosing gastric ulcer

Heliprobe® System, Diabact® UBT and IRIS™ are used in breath tests to diagnose the gastric ulcer bacterium *Helicobacter pylori*. It is estimated that half of the world's population carries the bacterium, which is an important factor in the occurrence of gastric ulcers. Furthermore, infected people run an increased risk of developing stomach cancer.

Heliprobe System, Diabact UBT and IRIS are marketed by Orexo's subsidiary Kibion. The products are sold in more than 60 countries. The Middle East and the EU are Kibion's largest markets.

Heliprobe System and Diabact UBT are based on UBT (Urea Breath Test) technology by collecting a sample of the patient's exhaled breath. The products complement each other and are adapted to different market segments. The most important competitive advantage compared with other UBT tests is the patent-protected technology, which enables shorter preparations before testing, lower dosages and faster and more reliable results.

IRIS is an instrument that is used for analysis of breath tests such as Diabact UBT. The combination of IRIS and Diabact UBT means that customers can be offered complete systems. During 2014, Kibion developed an upgraded generation of IRIS (IRIS DYNAMIC) which will be launched in the first quarter of 2015. IRIS DYNAMIC offers a number of advantages compared to previous generations. It is user friendly and designed to meet or exceed all the requirements of modern healthcare.

Another important step forward was taken with the ISO 13485 certification of the subsidiary in Bremen, Kibion GmbH. The certification is important as it will enable IRIS to access more markets. It also marked the full integration of the German subsidiary into Kibion AB.

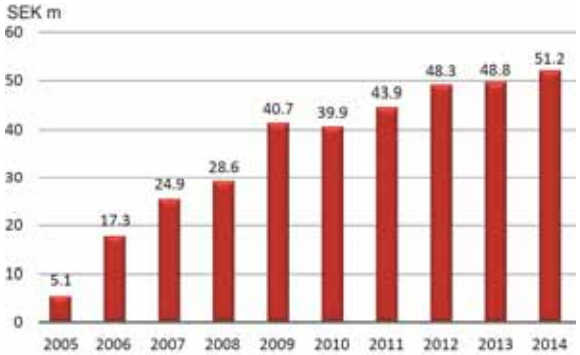
Kibion's sales during 2014 amounted to MSEK 51.2 (48.8). Revenue was boosted by positive sales development in the Middle East, largely due to the efficiency of the new distributor network in the region. This was partly offset by a slowdown in some other areas.

The streamlined distributor network in the Middle East and Northern Africa, a region which has a high prevalence of *Helicobacter pylori* infection, comprises fewer and larger distributors. The new distributor strategy is expected to improve the sustainability of sales across the product line in the region. In 2014, the Middle East distributor partners focused on gaining market access to more countries, and with a broader offering.

Future growth potential is assessed to be good as Heliprobe System will be launched on new markets. In 2014, Kibion's distribution partner obtained all necessary permits in Colombia, and Heliprobe System will be launched on this market in 2015. Preparations are also underway for launches in a number of other markets, such as Egypt with Heliprobe System and South Korea with Diabact UBT and IRIS.

The new improved IRIS device is expected to be an important growth driver for both IRIS and Diabact UBT in existing and new markets.

Sales of Heliprobe® System, Diabact® UBT and IRIS™ in 2014



R&D, development programs and collaboration projects

A key component of Orexo's strategy is to develop new improved products by combining well-known and well-documented compounds with its innovative patented proprietary sublingual tablet technologies. The objective is to develop new and patentable products with unique properties, which improve patient care and convenience.

From its own research and development Orexo has developed several products with significant commercial potential, such as Zubsolv®, Abstral® and Edluar®. Most development resources are currently devoted to Zubsolv clinical programs and pharmaceutical development, however Orexo also has a number of other programs in the pipeline. All development activities are guided by unmet medical needs.

Own development programs:

OX51

Prevention of acute pain during diagnostic and therapeutic procedures

OX51 is a novel sublingual formulation comprising alfentanil. The project has been developed to meet the rapidly growing demand for effective pain relief during short-term surgical and invasive diagnostic procedures.

The quick onset and offset, short duration, minimum of sedation and drowsiness, and convenient administration make OX51 suitable for prevention of pain for a multitude of surgical and diagnostic procedures.

A placebo-controlled dose-finding study in patients undergoing prostate biopsy was completed in 2013. The results supported a continuation of OX51 to the next phase in development towards a new product.

The commercial potential of OX51 is estimated to be substantial and Orexo is presently assessing different alternatives to advance this program.

Collaboration projects:

OX-MPI

PGE2-inhibition – Treatment of inflammatoric pain

The aim with this project is to develop a completely new class of products based on Orexo's prostaglandin research. In August 2014, Orexo's partner, Boehringer Ingelheim, decided to return the project (selective inhibition of prostaglandin E2 synthase) to Orexo.

Boehringer Ingelheim had been responsible for all research and development within the OX-MPI project since 2005. All immaterial property rights and results obtained by Boehringer Ingelheim have been returned to Orexo.

The evaluation of the results from Boehringer Ingelheim has been completed, and Orexo still sees potential in the project due to a unique target, an identified development compound and several granted patents. The process of identifying a new external partner for OX-MPI has been initiated.

OX-CLI
Respiratory tract diseases

Orexo entered into a collaboration agreement with AstraZeneca in January 2013 regarding OX-CLI, a preclinical program for potential new treatment of respiratory tract diseases.

Under the agreement AstraZeneca gained the rights to perform extensive preclinical research and evaluation of compounds in Orexo's OX-CLI program. AstraZeneca has an option to acquire all compounds linked to the program, whereby Orexo will receive milestone payments during the development phase and royalty payments based on future revenues. AstraZeneca is responsible for all development costs for the project.

Employees

Orexo offers a dynamic and innovative place to work. The company fosters an environment where employees respect each other's views, skills and decisions. At Orexo, employees are given substantial responsibility and every person's input is truly significant.

Attractive employer

Orexo endeavors to be an attractive employer which recruits, retains and develops talented employees. At year-end, Orexo Group had 108 employees (108), including 69 at Orexo AB, 11 at Kibion and 28 at Orexo US Inc. In 2014 the recruitment in the US in connection with the launch of Zubsolv® continued. The workforce at the facilities in Uppsala, Sweden was reduced as a result of a restructuring of the Swedish operations.

52 (54) percent of the employees are women. 1 (1) of the 8 (8) individuals in the Global Management Team is a woman. Management has extensive experience of the pharmaceuticals industry and competences for all phases of drug development, including commercial operations and business development.

Competence development

The employees' high level of expertise is a crucial success factor for Orexo. 18 percent hold doctorates and 70 percent hold other levels of academic degrees. Approximately 37 percent of employees were active in research and development during the year.

All employees have individual development plans. Orexo has an active knowledge exchange through international networks and in collaboration with academic institutions such as Uppsala University. During the year, operations were conducted in Uppsala Business Park and in New Jersey, US.

Employee dialog

Orexo conducts an employee survey each year to capture opinions and identify areas for improvement. In 2014, the results from the survey carried out in December 2013 were discussed in workshops across the organization. This lead to initiating a process to improve cooperation between departments.

At Orexo, employees respect each other's skills, views and decisions. Through its drive, the company strives to be dynamic, proactive and innovative.

Work environment
A Business Compliance and Ethics Code, which applies to all employees, ensures that business ethics and sustainability permeate the core values in the day-to-day business operations.

Orexo's health and safety program is coordinated by the company's safety committee and safety delegates appointed by the staff.

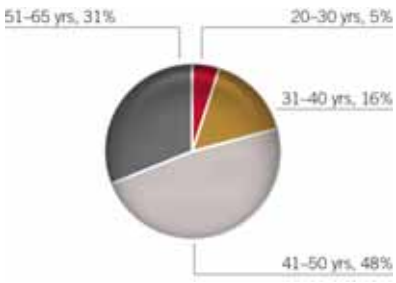
Occupational risk assessments are carried out regularly. Any incidents and accidents are followed up and the appropriate measures are taken. In 2014, equipment protecting against chemical exposure was improved. Occupational health and safety training is conducted throughout the year.

Employee health
All employees are part of a private healthcare and rehabilitation insurance scheme. In addition to quick access to care and rehabilitation, the insurance includes a preventive element which is assessed to have contributed to low levels of sick leave. Orexo also contributes towards fitness activities and preventive ergonomics.

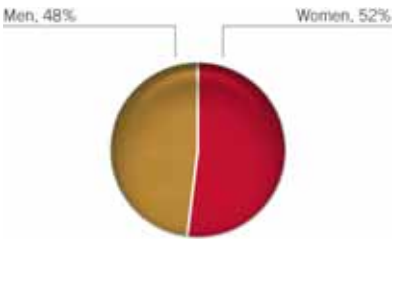
Sick leave at Orexo Site Sweden amounted to 2 percent (1.4) during 2014.

Performance management
Orexo has a systematic performance management process. Each department manager is responsible for identifying objectives that support the overall strategic goals. At the beginning of each fiscal year, managers and employees jointly set individual targets. The individual targets are evaluated in connection with employee performance reviews ahead of salary reviews.

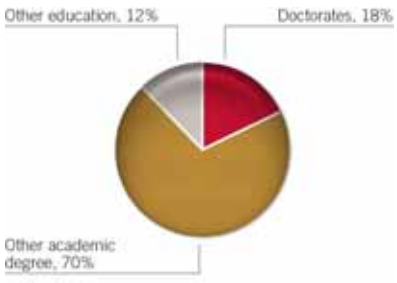
Age distribution



Gender distribution



Level of education



Sustainability

Orexo's sustainability agenda is based on the company's core values of business focus, respect and drive. The company has a Business Compliance and Ethics Code, to ensure that sustainability permeates Orexo's business operations. Orexo's environmental management system is based on ISO 14001.

Environmental work

Orexo's operations have limited environmental impact. However, the company continues to improve its environmental management and performance, for instance by increasing energy efficiency, reducing consumption of disposable materials and improving waste management.

An environmental impact assessment indicates that Orexo should focus its efforts on product development, manufacturing and the handling of chemicals. A survey of all emissions of pharmaceutical substances into water was carried out during the year, and showed that such emissions were low.

In order to ensure that the company follows current environmental laws and requirements and has satisfactory internal control, operations are conducted in line with Orexo's environmental management system. The system is based on ISO 14001, but there are at present no plans to certify the system accordingly. An environmental group consisting of representatives from different parts of the company is responsible for monitoring and improving Orexo's environmental work. The group also provides appropriate environmental training to co-workers.

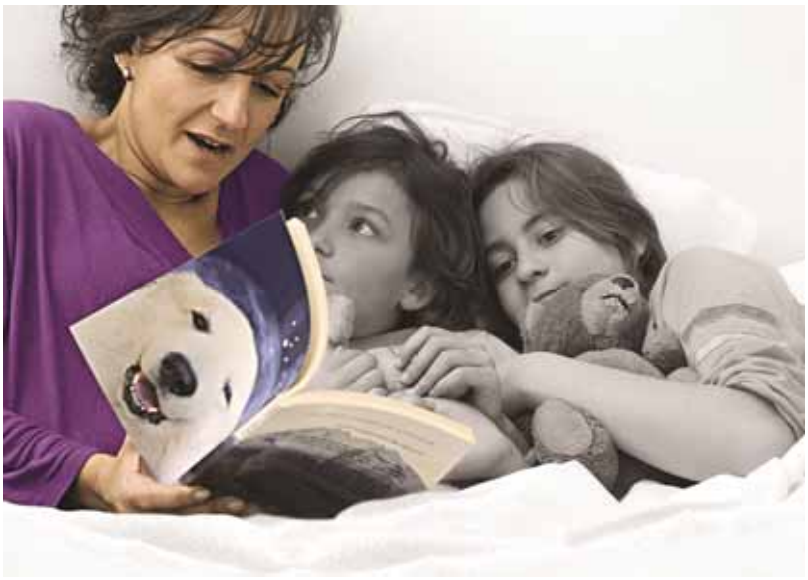
Orexo's objectives for 2015 include initiating a sustainability program aimed at key suppliers

Orexo's commitment to sustainability permeates the entire value chain:

1) Product development

Orexo focuses on developing new products on the basis of its proprietary drug delivery technology. The company has its expertise in pharmaceutical formulation, in particular in the area of sublingual formulations. Evaluation of product risks and safety aspects is an integral part of the product development process. The evaluation covers all phases of the product's lifecycle.

Orexo conducts clinical studies in collaboration with external experts. Studies are designed in consultation with these partners, and risk and benefit assessments are conducted. The studies require regulatory approval, and regulations and ethical issues in the various countries are taken into account. Since the studies are based on well-known compounds, the risk level is generally lower relative to clinical tests of new molecules.



Safety is our top priority

Zubsolv® is the only opioid dependence treatment option available in F1 packaging – the highest level of child-resistant unit-dose.

2) Suppliers
Environmental aspects are taken into account in the procurement of goods and services.

During the year, Orexo began implementing a process for reviewing suppliers' sustainability performance. More precisely, the reviews included environmental management as well as health and safety. A number of major suppliers were reviewed during the year. Going forward, additional suppliers will be reviewed. Should a supplier not meet Orexo's requirements, the company will initiate a dialog to achieve improvements.

3) Manufacturing
Since 2007, Orexo has held an environmental permit for its operations in Uppsala to manufacture products by means of physical processes.

In 2014, Orexo decided to move all manufacturing of Zubsolv® to suppliers in the US and streamline the operations in Uppsala. The facilities in Uppsala will focus on new product development.

4) Transportation
In order to reduce business travel, the company encourages meetings to be held by telephone or on the web.

5) Usage
Ensuring product and patient safety is a top priority throughout the entire value chain. Safety evaluation is an integral part of the product development process. For example, Zubsolv is the only opioid dependence treatment option available in the highest level of child-resistant, unit-dose, F1 packaging, designed to reduce the chance of unintended pediatric exposure.

Zubsolv is used for the treatment of opioid dependence, a large and growing health issue. The costs of opioid dependence to patients, family and society are high; in the US they are estimated to exceed USD 56 billion per year. The successful treatment of opioid dependence is therefore of huge value to society.

The advanced formulation provided by Zubsolv meets the needs expressed by patients, such as improved taste and fast dissolve time. Meeting patient needs may have the potential to improve patient adherence, thus reducing relapse rates and improving successful patient outcomes.

Societal cost of opioid dependance

The successful treatment of opioid dependence is of huge value to society. The costs of opioid dependence to patients, family and society are high; in the US alone they are estimated to exceed USD 56 billion per year.

The Orexo Share

Orexo's share is listed on Nasdaq Stockholm and available as American Depositary Receipts (ADRs) on OTCQX in the US. At year-end, Orexo had a total of 6,979 shareholders and the non-Swedish shareholding in the company amounted to 49 percent.

The Orexo share is listed on Nasdaq Stockholm under the symbol ORX and available as ADRs on OTCQX under the symbol ORXOY. During the year the share price decreased by 20 percent and the last price paid in 2014 was SEK 135,50 (164,00). This corresponds to a market capitalization of MSEK 4,653 (5,392). The highest closing price during the year for the Orexo share was SEK 175.00, quoted on January 13. The lowest quotation was SEK 92.00 on May 22.

Liquidity

In total 31.0 (23.2) million shares in Orexo were traded in 2014, corresponding to a value of approximately MSEK 4,414 (2,578). The daily average trading volume was 124,520 shares, corresponding to a value of MSEK 17.7.

Ownership

At year-end, Orexo had 6,979 (4,881) shareholders, of which 702 were registered as legal entities and 6,277 as private individuals. Of the share capital, 51 percent (49) is held by shareholders registered in Sweden and 49 percent (51) by non-Swedish shareholders. The largest proportion of shareholders registered outside Sweden can be found in Denmark at approximately 35 percent.

The list is by shareholder group, where a number of legal entities may be part of each group above.

Orexo added to Russell Global Index

In June the Company's stock was added to the Russell Global Index. The Russell Global Indexes reflect the performance of over 10,000 securities in 47 countries. Selection for inclusion in these indexes is based upon market capitalization and other market factors relating to a company and its stock.

Completion of private placement of approximately MSEK 346.5, including all Orexo shares held in treasury by the company in addition to newly issued shares.

In the third quarter Orexo completed a private placement of 2,493,046 Orexo shares. The placement included all Orexo shares held in treasury by the company in addition to newly issued shares. The price of SEK 139 per share was determined through a book-building procedure, resulting in total cash proceeds of approximately MSEK 346.5 before transaction costs.

Analysts monitoring Orexo

- ABG, Sten Gustafsson
- Carnegie, Stefan Waldenlind / Kristofer Liljeberg
- Danske Bank, Mattias Häggblom
- Edison Group, Philippa Gardner
- Erik Penser, Johan Löchen
- Guggenheim, Louise Chen
- Nordea, Erik Hultgård
- Pareto Securities, Yilmaz Mahshid
- Redeye, Klas Palin

Shareholders at Dec 31, 2014

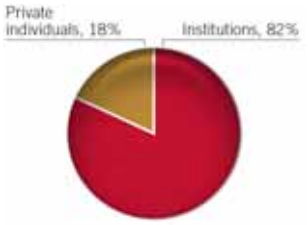
	No. of shares	%
Novo A/S	9,643,184	28.1%
HealthCap	4,006,758	11.7%
Arbejdsmarkedets Tillaegspension (ATP)	1,840,633	5.4%
Handelsbanken Fonder (J.P. Morgan EU)	1,647,035	4.8%
Försäkringsaktiebolaget Avanza pension	1,008,578	2.9%
Brohuvudet AB	1,000,000	2.9%
Second Swedish National Pension Fund/AP2	933,406	2.7%
Länsförsäkringar fondförvaltning	590,846	1.7%
Danske Capital Sverige	510,500	1.5%
Lundqvist, Thomas	495,250	1.4%
Svolder AB	404,065	1.2%
Nordnet Pensionsförsäkring	334,326	1.0%
Rhenman HealthCare L/S Fund	294,000	0.9%
Others	11,633,616	33.9%
Total number of shares	**34,342,197**	**100.0%**

Known shareholders in Orexo, source: Euroclear Sweden AB.

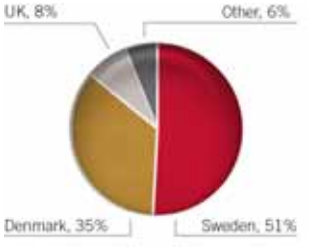
Ownership structure

	No. of shareholders	No. of shares	%
1–500	4,850	806,759	2.3%
501–1,000	977	815,756	2.4%
1,001–5,000	847	1,932,266	5.6%
5,001–10,000	127	949,562	2.8%
10,001–15,000	41	507,752	1.5%
15,001–20,000	34	622,773	1.8%
20,001–	103	28,707,329	83.6%
Total	**6,979**	**34,342,197**	**100%**

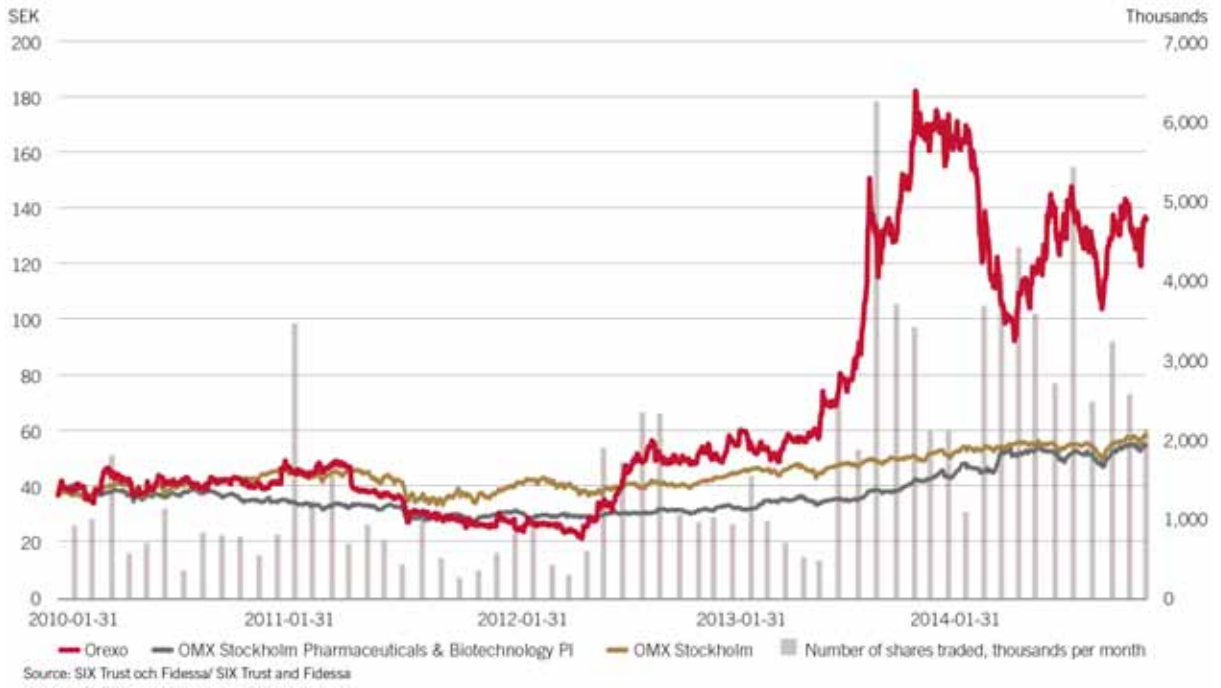
Ownership categories



Ownership dist. per country



Five year performance



Performance in 2014

Board of Directors' Report

The Board of Directors and the President of Orexo AB (publ), corporate registration number 556500-0600, hereby submit the Annual Report and consolidated financial statements for the fiscal year January 1 – December 31, 2014. Orexo's registered office is in Uppsala, Sweden.

Orexo's operations

Orexo is an integrated pharmaceutical company with commercial operations in the United States and R&D in Sweden focusing on the development of improved products using its proprietary sublingual (under the tongue) tablet technology platform. The Company's current focus is maximization of the commercial potential of Zubsolv®, a product for maintenance treatment of opioid dependence. Zubsolv was approved by the U.S. Food and Drug Administration (FDA) on July 3, 2013, and launched on the US market on September 16, 2013. With Zubsolv, Orexo has developed the following proprietary commercial products:

- Zubsolv, for maintenance treatment of opioid dependence, is approved for use and launched in the US.
- Abstral®, for the treatment of breakthrough pain in cancer patients, is approved for use in the EU, the US, Canada and in Japan. The product is sold in the US by Galena Biopharma Inc., in Japan by Kyowa Hakko Kirin Co., Ltd. and in Europe and the rest of the world by ProStrakan Group PLC.
- Edluar®, a sublingual tablet containing zolpidem to treat insomnia, is approved for use in the US, Canada and the EU and sold in these markets by Meda AB.
- Heliprobe® System, Diabact® UBT, and IRIS™, diagnostic products for the gastric ulcer bacterium *Helicobacter pylori*, are marketed by Orexo's subsidiary Kibion AB.

The company focuses on developing and commercializing new, improved pharmaceuticals by combining well-known substances with its innovative sublingual tablet technology. This results in new, patentable products that improve patient care and convenience. Orexo's business model provides the opportunity to develop products with a lower level of development risk, and in a shorter time, compared to the development of new chemical entities.

In order to commercialize previously developed products, Orexo has licensing agreements with Galena Biopharma Inc. (US), Meda (global) and Kyowa Hakko Kirin (global excl. the US).

Since 2013 Orexo also has a collaboration agreement with AstraZeneca regarding OX-CLI, a preclinical program for potential new treatment of respiratory tract diseases.

In August 2014, Orexo's partner Boehringer Ingelheim returned the OX-MPI project (selective inhibition of prostaglandin E2 synthase) to Orexo. Boehringer Ingelheim had been responsible for all research and development within the OX-MPI project since 2005. Orexo still sees potential in the project and the process to identify a new external partner for OX-MPI has been initiated. Orexo's revenues derive from launched products, royalties, licensing agreements, research financing as part of licensing agreements and research collaboration.

Organization

In order to secure the successful development and launch of Zubsolv in the US, the expansion of the company's US commercial presence continued in 2014. The US subsidiary, Orexo US Inc., is responsible for the US commercialization of Zubsolv and effective July 1, 2014 entered a new partnership with inVentiv Health where Orexo US Inc. took over leadership and control of all commercial functions and where inVentiv Health commenced leadership and day-to-day management of field-based promotional activities. The US subsidiary has entered a number of significant patient re-imbursement contracts, including exclusive contracts with CVS Caremark (effective in Q1), with United Health Group (effective in Q3) and with WellCare (effective in Q4).

As a next step to improving operating efficiency, Orexo decided to place all manufacturing of Zubsolv at US partners and streamline operations in Uppsala. Going forward, the organization in Uppsala will focus on new product development, product maintenance and global external sourcing and supply, and continue as Orexo's global headquarters. Additionally, Orexo revisited the operating model within research and development to increase flexibility and agility in development of new products and life cycle activities. The reorganization was completed during Q4 2014.

During the year, Orexo focused development operations on its proprietary development programs around Zubsolv. With the exception of OX51, other development programs are run entirely by external partners and Orexo does not provide them with any development resources.

Orexo has broad-based competence throughout the development chain, with a focus on pharmaceutical formulation, clinical development, registration, pharmaceutical manufacturing and commercialization.

Orexo is working with highly competent external partners for the manufacture of products for commercial use, clinical trials and small-scale production. The product Diabact is still manufactured by Orexo at the Sweden site.

Orexo also collaborates with contract research organizations for certain aspects of drug development, such as clinical studies. Orexo deploys a project-led organization, in which skills are combined based on the specific demands of individual projects.

Orexo had at year-end a total of 108 employees.

Key events in 2014

2014 was the first full year with Zubsolv® on the US market and Zubsolv remained the key focus area for Orexo. Significant progress were made including positive outcome from clinical studies, approval of new dosage strengths, strengthening of the field efforts with a new partner and internalizing of field force management. Tablet market share grew from just above 1 percent to nearly 6 percent during the year.

Zubsolv

Exclusive agreements for Zubsolv

In 2014, Orexo entered a number of significant patient reimbursement contracts, including exclusive contracts with CVS Caremark (effective in Q1), with United Health Group (effective in Q3) and with WellCare (effective in Q4).

FDA approved two higher dosage strengths of Zubsolv

In December, the U.S. Food and Drug Administration (FDA) approved two higher dosage strengths of Zubsolv (buprenorphine/-naloxone CIII sublingual tablet) for maintenance treatment of opioid dependence. The new dosage strengths complement the existing strengths of 5.7 mg/1.4 mg and 1.4 mg/0.36 mg tablets and enable patients to receive their optimal dose in one tablet.

Positive results achieved from two phase 3 clinical trials assessing Zubsolv for induction of buprenorphine maintenance therapy and top-line data showing that Zubsolv is as effective as Suboxone® Film in the treatment of opioid dependence

Orexo announced the results of two clinical trials assessing Zubsolv for induction of buprenorphine maintenance therapy in patients with opioid dependence. Combined data from the Induction, STabilization, Adherence and Retention Trial (ISTART) (Study OX219-006) and Study OX219-007, in 1068 opioid dependent patients, showed that over 90 percent of patients treated with Zubsolv were retained in treatment at Day 3 using a 30 percent lower dose of buprenorphine.

Top-line data from a phase 3 clinical trial demonstrated that Zubsolv is as effective as Suboxone Film in the treatment of opioid dependence. The results from a randomized, non-inferiority, multicenter, comparative trial (N=758) establish that, despite a lower dose, Zubsolv provides equivalent efficacy compared to Suboxone Film in patients who are opioid dependent. The Induction, STabilization, Adherence and Retention Trial (ISTART) (Study OX219-006), sponsored by Orexo, was the largest trial ever conducted with buprenorphine (N=758).

Application for expanded label for Zubsolv submitted to the FDA

In October, Orexo submitted an application to the FDA for an expanded label of Zubsolv to include initiation of treatment for opioid dependence. Orexo anticipates a potential approval of the expanded label during the third quarter 2015.

inVentiv Health selected as new commercial partner for Zubsolv in the US from July 1

In May, an agreement was entered with inVentiv Health for the commercialization of Zubsolv in the US. The new partnership agreement replaced existing contracts and became effective July 1st, 2014 and has a three year term. In the new partnership, Orexo took the leadership and control of all commercial functions to ensure the efficient and agile governance of the commercialization of Zubsolv. Consequently Orexo directly employed the sales managers and took over leadership and day to day management of field-based promotional activities. The new partner inVentiv Health will take responsibility of employing and supporting the individual sales representatives.

Patent infringement litigation against Actavis concerning Zubsolv

In June, Orexo commenced a patent infringement litigation concerning Zubsolv against Actavis Laboratories LLC and its parent company Actavis, Inc.

Abstral®

Orexo received MGBP 5 milestone payment for Abstral in Europe

In December, Orexo announced that annual sales of Abstral in Europe passed million 60 EUR during 2014, which triggered a milestone payment of million 5 GBP (approx. million 60 SEK) to Orexo from the commercial partner in Europe ProStrakan Group plc.

Financials

Completion of issue and listing of a MSEK 500 unsecured bond and private placement of approx. MSEK 346.5, including all Orexo shares held in treasury by the company in addition to newly issued shares

In 2014, Orexo completed two major financing activities. A MSEK 500 four year unsecured corporate bond was issued in May and then a private placement of 2,493,046 Orexo shares, including all Orexo shares held in treasury by the company in addition to newly issued shares, was completed in August. The private placement resulted in total cash proceeds of approximately MSEK 346.5 before transaction costs.

Organisation

Orexo enhanced its commercial focus and operating efficiencies

In August, Orexo took further steps to enhance commercial focus, agility and operating efficiency. The company decided to place all manufacturing of Zubsolv® at US partners and streamline operations in Uppsala. Going forward, the organization in Uppsala will focus on new product development, product maintenance and global external sourcing and supply, and continue as Orexo's global headquarters. Additionally, Orexo revisited the operating model within research and development to increase flexibility and agility in development of new products and life cycle activities. The reorganization was completed during Q4 2014.

OX-MPI

OX-MPI project returned to Orexo

In August, Orexo's partner Boehringer Ingelheim returned the OX-MPI project (selective inhibition of prostaglandin E2 synthase) to Orexo. Boehringer Ingelheim had been responsible for all research and development within the OX-MPI project since 2005. Orexo still sees potential in the project and the process to identify a new external partner for OX-MPI has been initiated.

Key Events After the End of the Fiscal Year

Orexo broadened Zubsolv product range

In February 2015, Orexo initiated the launch of a new higher Zubsolv tablet strength (8.6 mg/2.1 mg buprenorphine/naloxone CIII sublingual tablets).

Orexo announced newly listed granted US patent

In February 2015, a new patent covering Zubsolv was issued in the US. The patent is listed in the Orange Book by U.S. Food and Drug Administration and expires in 2032.

Orexo commenced patent infringement litigation against Actavis concerning Abstral in the US

In February 2015, Orexo filed a patent infringement action concerning Abstral in United States District Court for the District of New Jersey, against Actavis Laboratories FL, Inc., Andrx Corporation, Actavis, Inc. and Actavis Pharma, Inc. The infringement action was a response to a paragraphs IV notice letter received from Actavis, advising of Actavis's filing of an Abbreviated New Drug Application ("ANDA") with the U.S. Food and Drug Administration seeking approval of generic versions of Abstral (fentanyl) sublingual tablets prior to the expiration of Orexo's patents listed in the Orange Book. Galena currently markets Abstral (fentanyl) sublingual tablets and is the owner of the New Drug Application in the United States.

Financial Performance in 2014

Condensed consolidated statement of operations

MSEK	2014 Jan–Dec	2013 Jan–Dec
Net revenues	**570.3**	**429.4**
Cost of goods sold	–107.4	–29.3
Gross profit	**462.9**	**400.1**
Selling expenses	–193.6	–125.1
Administrative expenses	–113.0	–126.4
Research and development costs	–197.8	–238.2
Other operating income and expenses	16.5	–50.1
Operating earnings[1]	**–25.0**	**–139.7**
Net financial items	–27.6	–13.7
Earnings after financial items	**–52.6**	**–153.4**
Income tax	–4.0	–1.5
Net earnings for the period	**–56.6**	**–154.9**

[1] Includes costs for employee stock options of MSEK 5.7 for the period January-December 2014 (MSEK 40.0 January-December 2013).

Revenues

Net revenues

Net revenues for the year amounted to MSEK 570.3 (429.4).

Net revenues were distributed as follows:

Net revenues

MSEK	2014 Jan–Dec	2013 Jan–Dec
Abstral® – royalties	46.6	17.7
Abstral fixed royalty	173.6	228.3
Milestone payment Abstral	58.5	110.8
Total revenues from Abstral	**278.7**	**356.8**
Edluar® – royalty	10.7	8.7
Zubsolv®	228.0	7.3
Kibion AB	51.2	48.8
Total revenues from launched products	**568.6**	**421.6**
Partner-financed R&D costs	–	6.2
License revenues	–	1.6
Other	1.7	–
Total	**570.3**	**429.4**

Launched products

During the year total revenues from Orexo's launched products increased by 35 percent to MSEK 568.6 (421.6), with Zubsolv revenue growth more than off-setting higher Abstral milestone level in 2013.

Since the Q2 2014 report Orexo has recognized Zubsolv revenue based on wholesaler invoicing. Zubsolv revenue in the Orexo P&L is the net revenue derived from gross revenue invoiced to wholesalers less rebates to payers, vouchers and co-pay cards to patients, wholesaler fees and provisions for potential and actual product returns. On a full year basis, the revenue impact of the change in accounting approach was immaterial as sales to wholesalers followed the patient demand rather closely.

During 2014 the Zubsolv tablet market share (4 week rolling average) grew from just above 1 percent to nearly 6 percent. The increased demand was largely driven by market access improvements and in particular the exclusive contracts in Q1 with CVS Caremark, in Q3 with United Health Group and in Q4 with WellCare. However, in particular in Q3 and Q4 the Zubsolv market share increased significantly across all accounts. The increase outside of the exclusive accounts was supported by a more targeted field force equipped with positive results from clinical trials. Continued growth in the non-exclusive segment will improve net revenue relative to gross revenue and thereby also improve the Zubsolv gross margin.

Total Abstral royalties and milestone payments during the year amounted to MSEK 278.7 (356.8). The milestone payment was earned in the fourth quarter when annual sales of Abstral in Europe passed MEUR 60. The period January-December 2013 included a one-time payment related to sales of Abstral in the US and approval of Abstral in Japan amounting to a total of MSEK 110.8. In 2015 Orexo expects to receive royalties for Abstral in Europe from the third quarter, when sales of Abstral is expected to exceed the MEUR 42.5 annual threshold.

Total variable Abstral royalties amounted to MSEK 46.6 (17.7) and the growth was driven by continued growing Abstral sales in all regions.

The fixed and un-conditional Abstral royalties for 2014 were MSEK 173.6 (228.3). This part represents an amortization of the final fixed and unconditional payment related to the 2012 agreement with ProStrakan. The fixed payment amounts will be fully recognized in the P&L by May 2015 and will in 2015 amount to MSEK 34.5 in Q1 and MSEK 23.0 in Q2. As these fixed payments have all been received the recognition in the P&L has no cash impact.

Royalty revenues from Edluar during the year amounted to MSEK 10.7 (8.7).

Kibion's sales for the year amounted to MSEK 51.2 (48.8), corresponding to 5 percent growth for the full year.

There were no revenues related to development projects during the year. In 2013, there were revenues related to approval of Abstral in Japan amounting to MSEK 7.8.

Expenses and earnings

Cost of goods sold

Cost of goods sold amounted to MSEK 107.4 (29.3). The increase was driven by increased Zubsolv revenues.

Selling expenses
Selling expenses amounted to MSEK 193.6 (125.1). The increase was driven by the commercialization of Zubsolv® in the US. The full cost of the US field force was only included from the second quarter 2014.

Administrative expenses
Administrative expenses amounted to MSEK 113.0 (126.4).

Research and development costs
Research and development costs amounted to MSEK 197.8 (238.2). The costs are attributable to clinical studies and other life cycle management activities in the Zubsolv program.
For the year, the R&D spend amounted to MSEK 259.0 (329.7), including MSEK 61.2 (91.5) of capitalized R&D spend.

Expenses for the long-term incentive program
The Group's total costs for employee stock option programs amounted to MSEK 5.7 (40.0). The decreased costs are due to reduced provisions for social security fees due to the development of the Orexo share price during the period.

Table below shows how expenses for the long-term incentive program are distributed:

MSEK	2014 Jan–Dec	2013 Jan–Dec
Administrative expenses	3.9	17.8
Research and development costs	0.4	12.6
Selling expenses	1.4	9.6
Total costs	**5.7**	**40.0**

Other income and expenses
Other income and expenses amounted to MSEK 16.5 (–50.1). Other income and expenses primarily comprised exchange-rate gains/losses. Other expenses include MSEK 4.7 attributable to the announced restructuring of the Uppsala organization. In 2013 an impairment charge of MSEK 43.9 related to the OX-NLA project was included.

Depreciation and amortization
Depreciation and amortization amounted to MSEK 12.5 (6.7). The increase was primarily related to depreciation of production related to equipment.

Net financial items
Net financial items amounted to MSEK –27.6 (–13.7). The increase related to costs for interim bank financing during Q1 and Q2 and interest and expenses related to the MSEK 500 bond issued in May 2014.

Income tax
Income tax for the year of MSEK –4.0 (–1.5) is mainly attributable to Orexo's operations in the US.

Net earnings
Net earnings amounted to MSEK –56.6 (–154.9).

Financial position
On December 31, 2014, cash and cash equivalents amounted to MSEK 284.5 (105.6) and interest-bearing liabilities to MSEK 496.3 (241.1).

Cash flow before financing activities for the year was MSEK -559.0. This amount was impacted by the significant Zubsolv inventory build, the major Zubsolv clinical trials and the expansion of the commercial presence in the US. With the majority of the inventory build and the major studies now completed cash flow from operating activities has improved as of Q4 2014.

In 2014, Orexo completed two major financing activities. A MSEK 500 four year unsecured corporate bond was issued in May and a private placement of 2,493,046 Orexo shares, including all Orexo shares held in treasury by the company in addition to newly issued shares, was completed in August. The private placement resulted in total cash proceeds of approximately MSEK 346.5 before transaction costs.

Shareholders' equity on December 31, 2014 was MSEK 455.0 (161.5). The equity/assets ratio was 37 (21) percent.

Investments
Gross investments in tangible and intangible fixed assets amounted to MSEK 71.7 (107.5). The investments mainly comprise capitalization of selected clinical trials in the amount of MSEK 61.2 (91.5).

Parent Company
Net revenues amounted to MSEK 398.5 (452.3), whereof related party transactions amounted to MSEK 109.0 (79.1). Earnings after financial items were MSEK -65.4 (–44.3). Investments amounted to MSEK 71.3 (13.8). As of December 31, 2014, cash and cash equivalents in the Parent Company amounted to MSEK 247.2 (48.7).

Risks
Significant risks and uncertainties
Significant risks are essentially the same for the Parent Company and the Group. The risks may be classified as financial and operational. The financial risks are described in Note 3 on page 43. A summary description of the operational risks attributable to research and development, production, sales and other risks is presented below.

Market risks
The main market risks for Orexo are price pressure, reimbursement restrictions by payers and the launch of new and competing products.

For Zubsolv to be successful in the US, it is of the utmost importance that Zubsolv has access to patients and reimbursement to the same extent as competitors. This is normally not the case for a newly launched product and it takes time to achieve parity with competition as the US payer structure and reimbursement system is very large and complex. Orexo has established its own team of experienced people whose only task is to work on constantly improving market and reimbursement access for Zubsolv. During 2014 Orexo significantly improved the market access (re-imbursement) for Zubsolv and reached parity or

better position than competition for 50 percent or more of the market.

Orexo's products are sold in a highly competitive market, with competition from both other products and other treatment methods, and the launch of new products by competitors is an inherent market risk. In all markets for Orexo's products there is intensive development of new and improved treatments, which may prove to have a better clinical effect than those of today. Orexo is constantly working to proactively analyze these risks and develop action plans for alternative market scenarios. This is being done together with local external expertise.

R&D does not achieve the expected results

Development of a new product is by nature a complicated and risky process that requires considerable financial resources. Orexo's strategy is to develop improved products at a lower cost, in a shorter period of time and at a lower risk by combining previously known substances with proprietary technologies. The process is controlled by a multidisciplinary organization that handles all critical issues during the development period on the way to an approved product. As Orexo is a relatively small organization, it is necessary to focus on a small number of prioritized projects with high market potential.

The development of these prioritized projects towards an approved product may fail or be delayed due to several factors, such as:

- Unfavorable results in clinical trials.
- Failure to gain the authority approval required for sales of the pharmaceutical product.
- A change in the requirements of the regulatory authorities.

Currently Orexo's R&D focus is primarily directed towards Zubsolv® clinical trials and life cycle management projects. As with other R&D activities, there is a risk that the desired clinical results are not met.

In October 2014 Orexo submitted application to the FDA for an expansion of the Zubsolv label to include initiation of treatment of opioid dependence. Orexo expects a potential approval during Q3 2015. Cost related to clinical trials supporting this application has been capitalized and represents MSEK 152.64. If the application is not approved there is a risk that the capitalized amount will be partly or fully impaired.

In addition to the development of its own products, Orexo has a number of development projects licensed to partners, where the partner in each case has complete responsibility for development. If these projects fail or for some reason are terminated, there are no future one-time payments and royalties.

In August 2014, Orexo's partner Boehringer Ingelheim decided to return the OX-MPI project (selective inhibition of prostaglandin E2 synthase) to Orexo. Since 2005 Boehringer Ingelheim had been responsible for all research and development within the OX-MPI project.

The evaluation of the results from Boehringer Ingelheim has been completed and Orexo still sees potential in the project due to a unique target, an identified development compound and several granted patents. The process to identify a new external partner to OX-MPI has been initiated. The OX-MPI project is associated with an intangible fixed asset of MSEK 62 from the acquisition of Biolipox and this asset will be impaired if a final decision is taken to discontinue the project.

Difficulties in obtaining and protecting patents

Being able to obtain and maintain patents and other intellectual property rights protecting Orexo's technologies and products is an important part of Orexo's ability to create long-term value for its business. Obtaining patents related to pharmaceuticals is a complex process that involves both scientific and legal expertise. Even if a patent has been granted, it may later be challenged legally, declared invalid or by-passed, which may limit Orexo's ability to market its new products.

By December 31, 2014 Orexo had two patent infringement litigations running in the US related to Edluar® and Zubsolv. On February 4, 2015 Orexo commenced a patent infringement litigation in the U.S. related to Abstral®.

Production process

Production and packing of Orexo's products is done by various external partners and at the company's own facility in Uppsala. In August 2014 Orexo took the decision to place all manufacturing of Zubsolv at external partners in the US.

High demands on methods and processes are placed and these must meet "Good Manufacturing Practice" standards (GMP). Orexo constantly evaluates the fulfilment of GMP both internally and by all strategic subsuppliers. Orexo and its subsuppliers may be inspected by different authorities that have the power to grant approval. Orexo's production comprises highly potent controlled substances. There are strict rules and laws for these regarding manufacturing, storage, handling, freight, import and export, and waste management. Access to pharmaceutical ingredients may be uncertain and entail long delivery times. Orexo must therefore ensure that it can gain access to these substances at an early stage.

Before new products are launched, future production volumes must be assessed and production started before final regulatory approval has been received, thus allowing marketing and sales to begin.

To ensure safe supply of products that are vital to patients a significant inventory of Zubsolv must be maintained. Carrying a high inventory level creates a risk of write-offs of expired products. Orexo is constantly working to minimize this risk by managing the inventory according to demand and by working to improve the product lifetime.

Effect of political and regulatory decisions

The pharmaceutical market is greatly affected by political decisions that may affect, for example, reimbursement levels for pharmaceutical expenses and limits for the prescription of products. Especially the market for controlled substances is under tight surveillance and control by authorities who can change the market conditions with new policies and legislation.

Dependence on key persons

Orexo is dependent on a number of key persons within various different areas. The ability to recruit and retain qualified co-workers is of very great importance for ensuring that there is adequate expertise in the company. Orexo has also outsourced a

number of activities critical to the business to external consultants and partners. The best example of this is the commercial partnership that Orexo has entered with inVentiv Health, where the partner is responsible for the execution of certain field-based Zubsolv® activities in the US. Where consultants and partners can not deliver services in time and of the necessary quality, this may have a negative impact on the results of the business.

Remuneration

Incentive programs

Orexo has introduced equity-based incentive programs in the form of employee stock options and warrants with the aim of motivating and rewarding key employees through partial ownership, thereby promoting the Group's long-term interests. For more detailed information, see Long-term incentive programs on page 30.

Principles and guidelines for remuneration to senior executives

The Board of Directors proposes that the Annual General Meeting resolve to approve the Board of Directors' proposal concerning principles and guidelines for the remuneration of the company's management in accordance with what is stated below, to apply until the Annual General Meeting in 2016. The Board's proposal principally conforms to guidelines previously applied to the remuneration of the company's management. "Management" here refers to the Chief Executive Officer and the other members of the management group, which in addition to the Chief Executive Officer comprises six persons. The Board has appointed a Remuneration Committee to draw up proposals regarding remuneration and other terms of employment for the management.

Motives

Orexo shall offer terms of employment that are in line with market rates so that the company can recruit and retain skilled personnel. Remuneration to the management shall comprise a fixed salary, variable remuneration, long-term incentive programs, pensions and other customary benefits. Remuneration is based on the individual's commitment and performance in relation to previously established goals, individual goals and goals for the entire company. Individual performance is continuously evaluated.

Fixed salary

Fixed salary is generally reviewed on an annual basis and shall be based on the qualitative performance of the individual. The fixed salary of the Chief Executive Officer and the management shall be in line with market conditions.

Variable remuneration

Variable remuneration shall take into account the individual's level of responsibility and degree of influence. The size of variable remuneration is based on the percentage of set goals met by the individual. Variable remuneration shall amount to no more than 40 percent of the fixed salary of the Chief Executive Officer and 30 percent of the fixed salary for the other members of the management. Furthermore, the Board of Directors shall have the option of allocating further variable non-recurring remuneration to the management when the Board deems it to be appropriate.

Long-term incentive programs

Orexo has adopted equity-based incentive programs intended to promote the company's long-term interests by motivating and rewarding the management of the company, among others. For a description of the company's long-term incentive programs, please refer to Note 16, and to the company's website, www.orexo.com.

Other remuneration and terms of employment

The Chief Executive Officer and the other members of the management are covered by defined-contribution pension plans. The pension premiums paid by the company amount to not more than 20 percent of the Chief Executive Officer's monthly salary, while premiums for the other members of the management amount to between 20 and 25 percent of fixed annual salary.

The employment agreement with the Chief Executive Officer may be terminated with six months' notice. Employment agreements with the other members of the management may be terminated with notice of between three and 12 months. The Chief Executive Officer is entitled to severance pay equivalent to six months' salary if employment is terminated by the company. The other members of the management are entitled to severance pay equivalent to between zero and 12 months' salary if employment is terminated by the company.

The Board is entitled, if it assesses that this is warranted in an individual case, to assign company work to a Board member over and above the Board assignment, in which case the Board member may be granted reasonable remuneration.

Divergence from guidelines 2015

The Board is entitled to deviate from the above guidelines if the Board determines that there are special reasons in an individual case that warrant such action.

Dividend

The Board of Directors proposes that no dividend is paid for the financial year 2014.

Proposed disposition of earnings

The following earnings are available to the Annual General Meeting for appropriation:

Share premium reserve	1,176,041,817
Retained earnings	–909,860,206
Earnings for the year	–65,950,085
Accumulated deficit	**200,231,526**

The Board proposes that the accumulated deficit be appropriated so that SEK 200,231,526 is carried forward.

Financial Report 2014

Consolidated Statement of Operations

(SEK thousands)

Group	NOTES	2014	2013	2012
Net revenues	6, 24	570,316	429,355	326,278
Cost of goods sold	25	–107,442	–29,345	–27,875
Gross profit		**462,874**	**400,010**	**298,403**
Selling expenses	7, 8, 9, 25, 27	–193,568	–125,097	–61,983
Administrative expenses	7, 8, 9, 25, 26, 29	–113,026	–126,373	–82,589
Research and development costs	7, 8, 9, 25, 29	–197,822	–238,144	–216,174
Other operating income	27	38,560	17,664	8,726
Other operating expenses	25, 27	–22,025	–67,749	–25,793
Operating earnings		**–25,007**	**–139,689**	**–79,410**
Financial income		257	835	4,082
Financial expenses	28	–27,804	–14,547	–12,250
Earnings after financial items	28	**–52,554**	**–153,401**	**–87,578**
Income tax	30	–4,031	–1,535	1,715
Net earnings for the year		**–56,584**	**–154,936**	**–85,863**
Earnings for the year attributable to:				
Parent Company shareholders		–56,584	–154,936	–85,863
Non-controlling interests		–	–	–
Earnings per share during the year attributable to Parent Company shareholders (expressed in SEK)				
– before dilution	32	–1.73	–5.16	–2.92
– after dilution	32	–1.73	–5.16	–2.92

The full loss for each year is attributable to Parent Company shareholders. There are no non-controlling interests.

Consolidated Statement of Comprehensive Income

(SEK thousands)

Group	NOTES	2014	2013	2012
Net earnings for the year		**–56,584**	**–154,936**	**–85,863**
Other comprehensive income				
Items that may subsequently reversed to statement of operations				
Cash flow hedge	18	–2,842	–8,755	14,435
Exchange-rate differences	18	–266	–1,898	–545
Other comprehensive income for the period, net after tax:		**–3,108**	**–10,653**	**13,890**
Total comprehensive income for the period		**–59,692**	**–165,589**	**–71,973**
Total comprehensive income attributable to:				
Parent Company shareholders		–59,692	–165,589	–71,973

The notes on pages 40–69 constitute an integral part of this Annual Report.

Consolidated Balance Sheet

(SEK thousands)

Group	NOTES	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
ASSETS				
Fixed assets				
Tangible fixed assets				
Equipment, renovation of the property of others, machinery and computers	7, 9	29,080	33,255	35,123
Intangible fixed assets				
Patents and intellectual property rights, proprietary intangible asset, acquired R&D and goodwill	8, 9	259,227	194,779	135,086
Financial assets				
Financial assets that can be sold	13	1,158	–	–
Derivative instruments		–	–	18,507
Total fixed assets		**289,465**	**228,034**	**188,716**
Current assets				
Inventories	14	478,144	383,410	28,318
Accounts receivable and other receivables	15	173,797	55,243	36,654
Cash and cash equivalents	16	284,480	105,643	228,067
Total current assets		**936,421**	**544,296**	**293,039**
TOTAL ASSETS		**1,225,886**	**772,330**	**481,755**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity attributable to Parent Company shareholders				
Share capital	17	13,738	13,166	11,983
Other contributed capital	17, 19	1,832,144	1,479,460	1,334,789
Reserves	18	–9,310	–6,202	4,451
Accumulated deficit	17	–1,381,549	–1,324,965	–1,170,029
Total shareholders' equity		**455,023**	**161,459**	**191,194**
Long-term liabilities				
Other provisions	19	9,006	9,645	3,997
Borrowings	20	493,762	104,081	113,572
Deferred tax liability	30	–	–	4,071
Total long-term liabilities		**502,768**	**113,726**	**121,640**
Current liabilities				
Accounts payable and other liabilities	20, 21	268,095	497,145	168,921
Total liabilities		**770,863**	**610,871**	**290,561**
TOTAL SHAREHOLDERS' EQUITY and LIABILITIES		**1,225,886**	**772,330**	**481,755**

Changes in Consolidated Shareholders' Equity

Attributable to Parent Company shareholders[1]
(SEK thousands)

Group	NOTES	Share capital	Other contributed capital	Accumulated deficit	Reserves	Total share-holders' equity
Opening balance at January 1, 2012	7	**11,946**	**1,339,757**	**–1,031,162**	**–9,440**	**311,101**
Comprehensive income						
Net earnings for the year				–85,863		–85,863
Other comprehensive income						
Translation differences					–545	–545
Cash flow hedge	12				18,507	18,507
Deferred tax	12				–4,071	–4,071
Total comprehensive income				**–85,863**	**13,891**	**–71,972**
Transactions with shareholders						
Employee stock options, value of employees' services	17		4,254			4,254
New share issues	17	37	778			815
Buyback of company's own shares	17			–53,004		–53,004
Total transactions with shareholders		**37**	**5,032**	**–53,004**		**–47,935**
Opening balance at January 1, 2013	17	**11,983**	**1,344,789**	**–1,170,029**	**4,451**	**191,194**
Comprehensive income						
Net earnings for the year				–154,936		–154,936
Other comprehensive income						
Translation differences					–1,898	–1,898
Cash flow hedge					–12,826	–12,826
Deferred tax					4,071	4,071
Total comprehensive income				**–154,936**	**–10,653**	**–165,589**
Transactions with shareholders						
Employee stock options, value of employees' services	17		3,547			3,547
New share issues	17	199	19,217			19,416
Conversion of convertible	17	984	111,907			112,891
Total transactions with shareholders		**1,183**	**134,671**			**135,854**
Opening balance at January 1, 2014	17	**13,166**	**1,479,460**	**–1,324,965**	**–6,202**	**161,459**
Comprehensive income						
Net earnings for the year				–56,584		–56,584
Other comprehensive income						
Translation differences					–266	–266
Cash flow hedge					–2,842	–2,842
Total comprehensive income				**–56,584**	**–3,108**	**–59,692**
Transactions with shareholders						
Employee stock options, value of employees' services	17		11,536			11,536
New share issues	17	572	192,911			193,483
Sale of company's own shares	17		155,836			155,836
Issue expenses	17		–7,599			–7,599
Total transactions with shareholders		**572**	**352,684**			**353,256**
Closing balance at December 31, 2014	17	**13,738**	**1,832,144**	**–1,381,549**	**–9,310**	**455,023**

[1] There are no non-controlling interests.

Consolidated Cash Flow Statement

(SEK thousands)

Group	NOTES	2014	2013	2012
Cash flow from operating activities				
Operating earnings		–25,007	–139,689	–79,410
Interest received		257	835	4,073
Interest paid		–19,283	–6,830	–9,179
Other financial items		–8,521	–4,075	–
Tax paid		–4,031	–1,535	–
Adjustment for non-cash items	35	21,045	89,430	23,530
Cash flow from operating activities before change in working capital		**–35,540**	**–61,684**	**–60,986**
Change in working capital				
Accounts receivable		–105,989	–18,597	36,986
Other current receivables		–12,565	8	4,860
Inventories		–94,734	–355,092	–6,063
Current liabilities		–237,833	166,696	50,439
Provisions		–639	5,648	3,432
Cash flow from operating activities		**–487,300**	**–263,201**	**28,668**
Investing activities				
Acquisition of tangible and intangible fixed assets		–71,723	–107,505	–5,767
Divestment of machinery and equipment		24	–	613
Divestment of joint venture		–	–	12,088
Cash flow from investing activities		**–71,699**	**–107,505**	**6,934**
Financing activities				
New share issue		193,483	19,415	815
Issue expenses		–7,599	–	–
Borrowings		500,000	234,661	–
Amortization of loans		–102,355	–3,020	–2,254
Sale of company's own shares	17	155,836	–	–
Buyback of company's own shares	17	–	–	–53,004
Cash flow from financing activities		**739,365**	**251,056**	**–54,443**
Cash flow for the year				
Cash and cash equivalents at beginning of period		105,643	228,067	246,859
Exchange-rate differences in cash and cash equivalents		–1,529	–2,774	49
Change in cash and cash equivalents		180,366	–119,650	–18,841
Cash and cash equivalents at end of period	16	**284,480**	**105,643**	**228,067**

Parent Company Statement of Operations

(SEK thousands)

Parent Company	NOTES	2014	2013	2012
Net revenues	6, 24	398,447	452,321	272,026
Cost of goods sold		–64,168	–91,450	–
Gross profit		**334,279**	**360,871**	**272,026**
Selling expenses	7, 8, 9, 25, 29	–157,507	–45,058	–46,826
Administrative expenses	7, 8, 9, 25, 26, 29	–74,645	–109,962	–114,198
Research and development costs	7, 8, 9, 25, 29	–160,660	–228,260	–206,709
Other operating income	27	38,024	11,247	3,482
Other operating expenses	25, 27	–19,013	–16,677	–22,778
Operating earnings		**–39,522**	**–27,839**	**–115,003**
Earnings from financial investments				
Interest income	28	1,754	1,150	4,274
Interest expenses	28	–19,646	–11,275	–13,288
Other financial expenses	28	–8,003	–6,314	–33,056
Earnings after financial items		**–65,417**	**–44,278**	**–157,073**
Income tax	30	–534	–1,446	–
Net earnings for the year		**–65,951**	**–45,724**	**–157,073**

Parent Company Statement of Comprehensive Income

(SEK thousands)

Parent Company	NOTES	2014	2013	2012
Net earnings for the period		–65,951	–45,724	–157,073
Other comprehensive income for the period, net after tax				
Total comprehensive income for the period		–65,951	–45,724	–157,073
Total comprehensive income attributable to:				
Parent Company shareholders		–65,951	–45,724	–157,073

Parent Company Balance Sheet

(SEK thousands)

Parent Company	NOTES	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
ASSETS				
Fixed assets				
Intangible fixed assets				
Patents and intellectual property rights and proprietary intangible asset	8, 9	169,477	106,001	3,059
Tangible fixed assets				
Equipment, renovation of the property of others, machinery and computers	7, 9	27,169	31,453	34,946
Financial fixed assets				
Shares and participations in subsidiaries	10	208,853	202,178	172,168
Total fixed assets		**405,499**	**339,632**	**210,173**
Current assets				
Inventories	14	378,399	303,292	18,489
Current receivables				
Accounts receivable	15	92,616	98,484	18,058
Tax receivable	15	2,224	3,080	3,080
Other receivables	15	3,117	3,912	3,232
Receivables from Group companies	15	127,197	64,953	23,310
Prepaid expenses and accrued income	15	7,526	9,071	7,962
Total current receivables		**232,680**	**179,500**	**55,642**
Cash and cash equivalents	16	247,162	48,652	216,553
Total current assets		**858,241**	**531,444**	**290,684**
TOTAL ASSETS		**1,263,740**	**871,076**	**500,857**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Restricted shareholders' equity				
Share capital	17	13,738	13,166	11,983
Statutory reserve	17	290,751	290,751	290,751
		304,489	**303,917**	**302,734**
Non-restricted shareholders' equity				
Share premium reserve	17, 19	1,176,042	979,195	844,518
Accumulated deficit	17	–909,859	–1,019,972	–862,899
Net earnings for the year	17	–65,951	–45,724	–157,073
		200,232	**–86,501**	**–175,454**
Total shareholders' equity		**504,721**	**217,416**	**127,280**
Long-term liabilities				
Other provisions	19	9,006	9,645	3,997
Long-term liabilities	20	491,906	100,000	103,324
Total long-term liabilities		**500,912**	**109,645**	**107,321**
Current liabilities				
Accounts payable	21	11,865	127,846	18,908
Other liabilities	20, 21	21,188	163,318	17,627
Liabilities to Group companies	21	101,713	101,241	104,426
Accrued expenses and deferred income	21	123,341	151,610	125,295
Total current liabilities		**258,107**	**544,015**	**266,256**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,263,740**	**871,076**	**500,857**
Pledged assets and contingent liabilities				
Pledged assets	22	138,924	232,249	44,000
Contingent liabilities	23	–	–	8,367

Changes in Parent Company's Shareholders' Equity

(SEK thousands)

Parent Company	NOTES	Share capital	Statutory reserve	Share premium reserve	Accumulated deficit	Total shareholders' equity
Opening shareholders' equity at January 1, 2012		**11,946**	**290,750**	**839,498**	**–809,894**	**332,300**
Net earnings for the year					–157,073	–157 073
Total transactions recognized directly in shareholders' equity						0
Total recognized income and expenses					**–157,073**	**–157,073**
Employee stock options, value of employees' services	17			4,242		4,242
New share issues	17	37		778		815
Buyback of company's own shares	17				–53,004	–53,004
Opening shareholders' equity at January 1, 2013		**11,983**	**290,750**	**844,518**	**–1,019,971**	**127 280**
Net earnings for the year					–45,724	–45,724
Total transactions recognized directly in shareholders' equity						0
Total recognized income and expenses					**–45,724**	**–45,724**
Employee stock options, value of employees' services	17			3,552		3,552
New share issues	17	199		19,217		19,416
Conversion of convertible loan	17	984		111,908		112,892
Opening shareholders' equity at January 1, 2014		**13,166**	**290,750**	**979,195**	**–1,065,695**	**217,416**
Net earnings for the year					–65,951	–65,951
Total transactions recognized directly in shareholders' equity						0
Total recognized income and expenses					**–65,951**	**–65,951**
Employee stock options, value of employees' services	17			11,536		11,536
New share issues	17	572		192,911		193,483
Sale of company's own shares	17				155,836	155,836
Issue expenses	17			–7,599		–7,599
Closing shareholders' equity at December 31, 2014		**13,738**	**290,750**	**1,176,042**	**–975,810**	**504,721**

Parent Company Cash Flow Statement

(SEK thousands)

Parent Company	NOTES	2014	2013	2012
Operating activities				
Operating earnings		–39,522	–27,839	–115,003
Interest received		1,754	1,150	4,274
Interest paid		–19,646	–7,633	–10,217
Other financial items		–8,003	–6,314	–29,136
Tax paid		–534	–1,535	–
Adjustment for items not included in the cash flow	35	17,744	46,922	52,115
Cash flow from operating activities before change in working capital		**–48,207**	**4,751**	**–97,967**
Change in working capital				
Accounts receivable		5,868	–80,426	33,789
Other current receivables		–59,048	–43,432	31,407
Inventories		–75,107	–284,803	–2,934
Current liabilities		–294,821	114,475	63,943
Provisions		–639	5,648	3,432
Cash flow from operating activities		**–471,954**	**–283,787**	**31,670**
Investing activities				
Acquisition of tangible and intangible fixed assets		–71,280	–105,941	–5,767
Divestment of machinery and equipment		24	–	613
Investment in subsidiary		–	–32,249	–
Divestment of joint venture		–	–	14,376
Cash flow from investing activities		**–71,256**	**–138,190**	**9,222**
Financing activities				
New share issue		193,483	19,415	815
Issue expenses		–7,599	–	–
Borrowings		500,000	234,661	–
Amortization of loans		–100,000	–	–
Buyback of company's own shares		–	–	–53,004
Sale of company's own shares		155,836	–	–
Cash flow from financing activities		**741,720**	**254,076**	**–52,189**
Cash flow for the year				
Cash and cash equivalents at beginning of period		48,652	216,553	227,850
Change in cash and cash equivalents		198,510	–167,901	–11,297
Cash and cash equivalents at end of period	16	**247,162**	**48,652**	**216,553**

Notes

(All figures in SEK thousands, unless otherwise stated)

NOTE 1 GENERAL INFORMATION

Orexo AB (publ) 556500-0600, the Parent Company, and its subsidiaries (the Group) are together an integrated pharmaceutical company with commercial operations in the United States and R&D in Sweden. The company develops improved products based on proprietary drug delivery technology. Orexo is responsible for the commercialization of its proprietary product Zubsolv®, for maintenance treatment of opioid dependence, on the US market.

The Parent Company is the limited liability company Orexo AB (publ), with its registered office in Uppsala, Sweden. The address of the company's head office is Virdings allé 32 A, Uppsala, Sweden.

The Parent Company is listed on Nasdaq Stockholm.

The Board of Directors approved these consolidated financial statements for publication on March 20, 2015.

The statement of operations and balance sheet will be presented to the Annual General Meeting on April 15, 2015 for adoption.

NOTE 2 SUMMARY OF IMPORTANT ACCOUNTING POLICIES

The most significant accounting policies applied during the preparation of these consolidated financial statements are specified below. Unless otherwise stated, these policies have been applied consistently for all years presented.

2.1 Basis for preparation of the financial statements

The consolidated financial statements for Orexo were prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, as well as International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU. They have been prepared in accordance with the cost method, with the exception of financial assets and liabilities, which have been valued at fair value via the statement of operations.

The Parent Company applies the same accounting policies as the Group, except in instances as specified in Note 4 "Accounting policies of the Parent Company". Any deviations that occur between the policies of the Parent Company and the Group are due to restrictions in the ability to apply IFRS to the Parent Company pursuant to the Swedish Annual Accounts Act (ÅRL) and the Pension Obligations Vesting Act and, in some instances, for tax purposes.

Going concern principle

The consolidated financial statements for Orexo are prepared on the basis of the going concern principle. Note 3, "Financial risk management", describes Orexo's financial risks and policies.

2.1.1 Amendments to accounting policies and disclosures

(a) New and amended standards applied by the Group

None of the IFRS or IFRIC interpretations that have come into force are expected to have any significant impact on the Group.

(b) New standards, amendments and interpretations of existing standards that have not yet been applied by the Group

- IFRS 15 "Revenue from contracts with customers" deals with revenue recognition. Revenue is recognised when a customer obtains control of a goods or service and thus has the ability to direct the use and obtain the benefits from the goods or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.
- IFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to asses IFRS 9´s full impact.

None of the other IFRS or IFRIC interpretations which have not yet come into force are expected to have any significant impact on the Group.

2.2 Consolidated financial information

Subsidiaries

Subsidiaries are all companies where the Group has a controlling interest. The Group controls a company when it is exposed to or is entitled to a variable return from its holding in the company and is able to impact the return through its interest in the company.

Subsidiaries are included in the consolidated accounts as of the date on which the controlling interest is transferred to the Group. They are excluded from the consolidated accounts as of the date on which the controlling interest ceases to apply.

The purchase method is used to recognize the Group's business combinations. The purchase price for the acquisition of a subsidiary consists of the fair value of transferred assets, liabilities that the Group incurs to the former owners of the acquired company and shares issued by the Group. The purchase price also includes the fair value of all assets or liabilities that are a consequence of an agreement in respect of contingent consideration. Identifiable acquired assets and assumed liabilities in a business combination are initially measured at fair value on the acquisition date. The Group determines on an acquisition by acquisition basis whether all non-controlling interests in the acquired company are recognized at fair value or at the interest's proportional share of the carrying amount of the acquired company's net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is completed in several steps, the previous equity interests in the acquired company are remeasured at fair value on the date of acquisition. Any gain or loss arising from this remeasurement is recognized in earnings.

Each contingent consideration to be transferred by the Group is recognized at fair value on the date of acquisition. Subsequent changes to the fair value of a contingent consideration classed as an asset or liability are recognized in line with IAS 39, either in the statement of operations or in other comprehensive income. Contingent considerations classed as equity are not remeasured and the subsequent settlement is recognized in equity.

Intra-Group transactions, balance-sheet items and non-realized gains and losses resulting from intra-Group transactions are eliminated. Where necessary, the accounting policies for subsidiaries have been adjusted to guarantee consistent application of the Group's policies.

2.3 Segment reporting

Operating segments are recognized in a manner that corresponds to the structure of internal reports submitted to the chief operating decision maker. The chief operating decision maker is responsible for the allocation of resources and assessment of the operating segment's results. For the Group, this function has been identified as Executive Management.

Executive Management assesses the operation in its entirety, i.e. as a segment.

2.4 Translation of foreign currency

(a) Functional currency and reporting currency

Items included in the financial reports of the different units in the Group are valued in the currency used in the economic environment in which each company mainly operates (functional currency). In the consolidated ac-

counts SEK is used, which is the Parent Company's functional currency and reporting currency.

(b) Transactions and balance sheet items

Transactions in foreign currencies are translated to the functional currency using the exchange rates prevailing on the transaction date. Exchange-rate gains and losses arising from the payment of such transactions and in the translation of monetary assets and liabilities in foreign currency at the closing date are recognized in the statement of operations among "Other operating income" and "Other operating expenses".

(c) Group companies

The earnings and financial position of all Group companies (none of which use a high inflation currency as their functional currency) that use a functional currency other than the reporting currency are restated at the Group's reporting currency as follows:

- assets and liabilities for each of the balance sheets are restated at the exchange rate applicable on the closing date;
- income and expenses for each of the statements of operations are translated at an average currency exchange rate, and
- all exchange-rate differences are recognized in other comprehensive income.

Exchange-rate differences arising as a consequence of the translation of net investment in foreign operations and of borrowing and other currency instruments identified as hedges for such investments are recognized in other comprehensive income upon consolidation. When a foreign operation is divested either wholly or in part, the exchange-rate differences recognized in shareholders' equity are transferred to the statement of operations and recognized as part of the capital gain/loss.

Goodwill and adjustments of fair value arising in the event of acquisition of a foreign operation are treated as assets and liabilities for this operation and translated at the exchange rate on the closing date. Exchange-rate differences that arise upon translation of goodwill and fair value in foreign operations are recognized in other comprehensive income.

2.5 Tangible fixed assets

Tangible fixed assets are recognized at cost, less depreciation. Subsequent expenditures are added to the carrying amount of the asset or recognized as a separate asset, depending on which is appropriate, only when it is probable that the future economic benefits related to the asset will accrue to the Group and the cost of the asset can be measured reliably. Expenses incurred in repairs and maintenance are recognized as costs.

Tangible fixed assets are depreciated over the estimated useful life of the asset. When the depreciation amount for assets is determined, the asset's residual value is taken into account where appropriate.

Straight-line depreciation methods are used for all types of tangible fixed assets. The following depreciation periods are applied:

Renovation of the property of others	20 years
Machinery and equipment	5 years
Computers	3 years

In the event that an asset's carrying amount exceeds its estimated recoverable value, the asset is immediately impaired to its recoverable value under "Other operating income" and "Other operating expenses".

The residual value and useful life of assets are tested on every closing date and adjusted where necessary.

Gains and losses from sales are determined by means of a comparison between the sales proceeds and carrying amount and are recognized as "Other operating income" and "Other operating expenses" in the statement of operations.

2.6 Intangible assets

Intangible assets are recognized in the balance sheet when it is probable that the future economic benefits related to the asset will accrue to the Group and the asset's value can be measured reliably. Development expenses are capitalized and recognized in the balance sheet as intangible assets if the criteria for recognition in the balance sheet as stipulated in IAS 38 Intangible Assets are satisfied.

Group intangible fixed assets consist of:

(a) Goodwill

Goodwill consists of the amount by which the cost exceeds the fair value of the Group's share of the acquired subsidiary's identifiable net assets on the acquisition date. Goodwill on acquisitions of subsidiaries is recognized as intangible assets. Goodwill is tested annually in order to identify any impairment requirements and in the event there are indications of a sustained decline in value. Goodwill is recognized at cost less accumulated impairment. Since goodwill recognized in the consolidated financial statements is deemed to have an indeterminate useful life, no amortization is applied.

When goodwill is impairment-tested to determine any impairment requirements, it is distributed among cash-generating units.

Gains or losses arising from the sale of a unit include the remaining carrying amount of the goodwill pertaining to the divested unit.

(b) Acquired research and development

Acquired R&D consists of acquired individual projects and the surplus values arising in conjunction with business combinations. Ongoing R&D projects acquired through business combinations are recognized at cost as "Acquired R&D". Expenses for continuing research in acquired projects are booked as they arise. Following initial recognition, the assets are recognized in line with the cost method, meaning that Acquired R&D is recognized at cost after deductions for any accumulated amortization and impairment. Amortization according to plan commences when the R&D project in question results in a product that can be used. See Note 8 for further information.

(c) Patents and rights

Patents and rights are recognized at cost. Patents and rights have a limited useful life and are recognized at cost less accumulated amortization. Amortization is applied straight-line in an effort to distribute the cost of patents and rights across their estimated useful life. The following amortization periods are applied:

Patents and rights	3-5 years
IT systems	3 years

(d) Proprietary intangible asset

The proprietary intangible asset consists of clinical studies and registration expenses for these that are considered to contribute to future economic advantages for the Group. These studies are linked to products that have already been commercialized. Other clinical studies are carried as an expense.

The assets have a limited useful life and are recognized at cost less accumulated amortization. Amortization is begun when approval has been obtained for the indication and can thus begin to contribute to the company's revenues. Amortization is applied straight-line in an effort to distribute the cost of proprietary intangible assets across their estimated useful life. Amortization has not been initiated.

2.7 Impairment of non-financial assets

Assets with an indeterminate useful life are not depreciated/amortized in consolidation but are instead reviewed annually, or in the event of any indication of a decline in value, to identify any impairment requirement. Assets that are depreciated/amortized are assessed in terms of the value of decline whenever events or conditions indicate that the carrying amount is perhaps no longer recoverable. An impairment loss is recognized in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses and value in use. When reviewed in respect of possible impairment, goodwill is distributed among cash-generating units, while the impairment requirement of acquired research and development is divided between the projects. In the case of assets other than financial assets and goodwill that were previously impaired, a test is conducted on the closing date to determine whether a reversal is warranted.

2.8 Inventories

Inventories are recognized at the lower of cost and net sales value. Cost is determined on the basis of the first in, first out (FIFO) principle. The cost for finished products and work in progress consists of raw materials, direct salaries, other direct costs and attributable indirect manufacturing costs (based on normal manufacturing capacity). Loan expenses are not included. The net sales value is the estimated sales price in current operations, less deductions for applicable variable selling expenses.

2.9 Financial instruments

Financial instruments are recognized in the balance sheet when the Group becomes a party in accordance with the contractual terms of the instrument. Receivables are recognized in the balance sheet once an invoice is submitted and the liability recognized once the counterparty has fulfilled its obligations and a contractual obligation to pay exists.

The purpose for which the financial asset or liability was acquired determines classification. Group financial assets and liabilities are classified in the categories shown below:

- Derivatives used for hedging purposes
- Loan receivables and accounts receivable
- Financial assets that can be sold
- Other financial liabilities

The Group's operations primarily focus on the development, production and sale of the Group's products and services. The Group does not actively trade in financial instruments that are not related to the Group's operations. Because of this, the financial assets and liabilities recognized in the balance sheet are primarily cash and cash equivalents, accounts receivable, accounts payable and borrowing.

During the year, financial instruments consisted of accounts receivable, loan receivables and financial assets that can be sold. Loan receivables and accounts receivable are financial assets that are not derivatives, that have determined or determinable payments and that are not listed on an active market. These are classified as current assets, if they have a due date of up to 12 months after the balance sheet date. If the due date is more than 12 months after the balance sheet date, the asset is classified as a fixed asset. Loan receivables and accounts receivable are recognized initially at their fair value plus transaction costs and, following the acquisition date, at amortized cost using the effective interest method. Financial assets that can be sold are assets that are not derivatives and where it is identified that the assets can be sold. They are included in fixed assets if Executive Management does not intend to divest the asset within 12 months. Refer also to Notes 12, 13, 15 and 16.

2.10 Offset of financial instruments

Financial assets and liabilities are offset and recognized at a net amount in the balance sheet only when there is a legal right to offset the recognized amounts and an intention to settle with a net amount or simultaneously realize the asset and settle the liability.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash, bank balances and other current investments that mature within three months of the date of acquisition and which are exposed only to a minor risk of value fluctuation.

2.12 Accounts receivable

Accounts receivable are initially measured at fair value and subsequently at amortized cost, using the effective interest method, less any provisions for value losses. A provision for value loss in accounts receivable is made when there is objective evidence that the Group will not receive all the amounts due pursuant to the original conditions underlying the receivables. The size of the provision is determined as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted using an effective rate of interest. The provision amount is recognized in the statement of operations.

2.13 Provisions

Provisions are recognized in the balance sheet when the Group has a legal or informal undertaking as a result of an event that has occurred and when it is probable that an outflow of resources will be required to settle the undertaking.

The provision is recognized in the amount expected to be required to settle the undertaking.

2.14 Accounts payable

Accounts payable are obligations to pay for goods or services that were acquired from suppliers in the course of operating activities. Accounts payable are classified as current liabilities if they mature within one year or earlier (or during a normal business cycle if it is longer than one year). Otherwise, accounts payable are recognized as long-term liabilities.

Accounts payable are initially recognized at fair value and subsequently at amortized cost by applying the effective interest method.

2.15 Borrowings

Borrowings are initially recognized at net fair value after transaction costs. Borrowings are subsequently recognized at amortized cost and any difference between the amount received (net after transaction costs) and the repayment amount is recognized in the statement of operations allocated over the borrowing period by applying the effective interest method.

Borrowings are classified as a current liability unless the Group has an unconditional right to defer payment of the liability by at least 12 months.

2.16 Shareholders' equity

Transaction costs that may be directly attributed to the issuance of new shares or options are recognized net after tax in shareholders' equity as a deduction from the issue proceeds.

The following are recognized as "Other contributed capital":

- The difference between the share's quotient value and the redemption price of exercised warrants.
- The difference between the share's quotient value and the calculated value of newly issued shares and warrants (option premium).
- Employee stock options, value of employees' services.
- Profit from shares repurchased by the Parent Company.

2.17 Derivative instruments and hedging measures

Derivative instruments are recognized in the balance sheet on the contract day and at fair value, both initially and upon subsequent revaluations. The method for recognizing the profit or loss that arises upon revaluation depends on whether the derivative is valued as a hedging instrument, and if so, the nature of the item hedged. During the year the Group did not hold any hedging instruments.

When the transaction is entered into, the Group documents the relationship between the hedging instrument and the hedged item, and the Group's risk management objective regarding the hedge. The Group documents its assessment of whether the derivative instrument is effective with regard to counteracting changes in cash flow attributable to the hedged item. This is done both when the hedge is entered into and continuously.

The effective portion of any changes in the fair value of a cash flow hedge that meets the conditions for hedge accounting is recognized in other comprehensive income. The gain or loss that derives from the ineffective portion is recognized immediately in the statement of operations.
Information on the fair value of derivative instruments used for hedging purposes is to be found in note 12.

2.18 Current and deferred income tax

The tax expense for the period includes current and deferred tax. Tax is recognized in the statement of operations, except when the tax refers to items that are recognized directly against shareholders' equity or in other comprehensive income. In these cases, tax is also recognized in shareholders' equity or in other comprehensive income.

The current tax expense is estimated on the basis of the tax regulations on the closing date that are decided, or have essentially been decided, in the countries in which the Parent Company and its subsidiaries are active and generate taxable income.

Deferred tax is recognized in accordance with the balance sheet method on all temporary differences that arise between carrying amounts of assets and liabilities and their value for tax purposes in the consolidated financial statements.

Deferred income tax is calculated using tax rates (and legislation) that have been decided or announced by the closing date and are expected to apply when the deferred tax receivable in question is realized or the deferred tax liability is settled.

Deferred tax receivables are recognized when future surpluses for tax are available.

As Orexo has historically made losses, no value of the loss carry-forwards has been recognized in the balance sheet. Note 31 presents, amongst other things, the estimated accumulated loss carry-forwards for tax purposes in the Group.

2.19 Employee benefits

(a) Pension obligations

A defined-contribution pension plan is a pension plan according to which the Group pays fixed fees to a separate legal entity and for which the Group has no further payment obligations once the fees are paid.

The Group uses only defined-contribution pension plans. The pension plans are financed through payments to an insurance company.

Prepaid fees are recognized as an asset.

(b) Share-based payments

The Group has share-based payment plans in the form of employee and Board member stock options. Settlement is made in shares when the company receives services in return for the Group's equity instruments (stock options). The fair value of the service that provides entitlement to the allotment of options is expensed. The total amount that is expensed is based on the fair value of the allotted options:

- including all market-related conditions,
- excluding any effect of service conditions and non-market-related vesting conditions (for example, the employee remains employed at

the company for a stipulated period of time), and excluding the effect of conditions that are not vesting conditions,
- including internal operational targets approved by the Board.

Non-market-related vesting conditions are taken into account in the assumption of the number of options that are expected to be vested. The total cost is recognized over the entire vesting period, which is the period during which all of the stipulated vesting conditions are to be fulfilled. At the end of each reporting period, the company reviews its assessment of how many shares can be expected to be vested based on the non market-related vesting conditions. Any divergences from the original assessments prompted by the review are recognized in the statement of operations and a corresponding adjustment is made in shareholders' equity.

The company issues new shares when the stock options are exercised. Received payments, after deductions for any directly attributable transaction costs, are credited to share capital (the quotient value) and other contributed capital when the stock options are exercised.
Social security expenses on the benefits that are expected to arise in conjunction with value increases are recognized over the vesting period with due consideration of value changes, in accordance with UFR 7.

(c) Severance payments
Severance payments are made when the Group serves notice to an employee prior to the normal pension date or when an employee voluntarily accepts redundancy in exchange for such remuneration. The Group recognizes severance payments when it is clearly obliged to give notice to an employee according to a detailed formal plan with no possibility of it being revoked, or to provide remuneration in conjunction with termination of employment as a result of an offer made to encourage voluntary redundancy. Benefits due more than 12 months after the closing date are discounted at their present value.

(d) Accounting policies for bonus plans
The Group has a bonus system that covers members of the Executive Management team and key persons. The bonus system is based on achievement of company goals and is paid out in proportion to annual salary. During the fiscal year, the estimated bonuses vested for the year are calculated and expensed. Payment of the vested bonus is made in the subsequent year, normally in June.

2.20 Revenue recognition
Revenues comprise the fair value of goods and services sold, excluding value-added tax, rebates and discounts and after eliminated intra-Group sales. Revenues are recognized as follows:

a) Sale of goods
Revenues from the sale of goods are recognized on the date of delivery to the customer, that is, the date on which ownership rights are transferred to the customer, who thereby assumes the financial risk. The subsidiaries Kibion AB, Kibion GmbH and Orexo US Inc are the companies where there is sale of goods. Pharmaceuticals purchased from Kibion AB and Kibion GmbH may not be returned.

As there was no reliable historical data for the newly launched product Zubsolv® up until the second quarter of 2014, the Group applied common pharmaceutical industry practice, which means that only revenues corresponding to patient prescriptions were recognized. However, as from the second quarter revenue recognition has been changed and revenues are now recognized when they are invoiced to the wholesaler. Goods purchased from Orexo may be returned, and thus provision is made for expected returns.

b) License revenues
Orexo's license agreements usually include one or more of the following types of income:
- A lump-sum payment on the signing of the agreement – normally without repayment obligation. This normally pertains to the right to register, market and sell Orexo's patent-protected products within a particular geographic area, or it may also constitute payment for the transfer of technology or know-how to the business partner. In the event a lump-sum payment covers more than one delivery (for example, the transfer of rights and technology), income is distributed on the basis of the fair value for each part-delivery.
- Payment for research collaboration. These payments are received on an ongoing basis and are recognized over the period to which they pertain and during which the work is conducted. Milestone payments are triggered when a research target or sales target is attained in line with the definitions in each agreement, such as the granting of a patent, termination of clinical testing or approval of registrations. Such payment is recognized when all the terms and conditions pursuant to the agreement have been met.

c) Royalty revenues
Royalties are normally received on a rolling basis when distributors recognize sales and are paid in the same period during which sales were made. When royalties are paid in advance, the revenue is recognized in the periods that payment is for.

d) Interest income
Interest income is recognized over the term using the effective interest method.

2.21 Leasing
Leasing is classified in the consolidated financial statements either as financial or operational leasing, pursuant to IAS 17, Leasing Agreements. Financial leasing is the case when the financial risks and benefits associated with ownership are essentially transferred to the lessee. In other cases, leasing is operational leasing.

In the case of agreements classified as financial leasing, the object is recognized as a fixed asset in the consolidated balance sheet.

2.22 Cost of goods and services sold
The cost of goods sold comprises the materials cost for the products the Group itself sells on the market. The cost of services sold, relating to research collaborations, is recognized as development costs.

NOTE 3 FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a number of risks. These risks can be categorized into operational risks and financial risks. The financial risks are described below.

Financial risks and policies
To efficiently manage financial risks, Orexo has drawn up a series of guidelines and a detailed financial policy in respect of the manner in which such risks are to be managed and mitigated. Orexo's financial policy also establishes the distribution of responsibility and reporting instructions for Executive Management. The main purpose of Orexo's financing operation is to limit negative deviations in the financial results, shareholders' equity and cash flow as the result of fluctuations in interest rates or exchange rates and underlying market conditions.

The President of the Group is responsible for producing, implementing and following up the Group's financial policy, which is subsequently approved by the Board of Directors. The Group's CFO is responsible for the day-to-day financial administration and reports regularly to the Group President.

3.1. Currency risks
Orexo's financial statements are prepared in SEK. The Group sells its products in countries other than Sweden and receives revenues in currencies other than SEK, primarily in dollars, euros and pounds. The company's American subsidiary, Orexo US Inc., has expenses in USD. The company has conducted a number of clinical trials in the US, and Orexo AB pays for these in USD. Revenues and expenses in foreign currency give rise to transaction exposure. The Group has assets (accounts receivable) and liabilities (accounts payable) in foreign currencies, as well as investments in the form of net wealth in foreign subsidiaries. This gives rise to translation exposure.

A substantial share of Orexo's transaction exposure is attributable to the sale of Zubsolv, Diabact® UBT and Heliprobe® System outside Sweden, remuneration for research collaborations and license revenues and royalty income for the Group's products in currencies other than SEK. The license agreements written with counterparties are frequently denominated in some other currency than SEK, primarily USD, EUR or GBP.

The Group has the option of hedging translation exposures. The financial policy permits exchange-rate hedging instruments to be used to eliminate or minimize the currency risks arising in the Group. Currency hedging must always be linked to a confirmed underlying exposure. The permitted hedg-

ing instruments are currency futures, acquired currency options (call and put options), currency accounts and loans in foreign currency.

A substantial share of Orexo's sales is in currencies other than SEK, primarily USD, which leads to a certain amount of currency exposure. During the 2014 fiscal year, sales in USD accounted for 42 percent (29) of net revenues, with sales in EUR accounting for 13 percent (11) and sales in GBP for 35 percent (47). During the same period, 81 percent (57) of total operating expenses were in foreign currency with 93 percent (68) in USD, 5 percent (13) in EUR and 2 percent (4) in GBP.

In currencies in which the Group has flows in the same currency, the flows are to be matched to the greatest extent possible.

A change in value of USD against SEK of 10 percent entails a change in revenues of approximately MSEK 23.9 and in expenses of about MSEK 46.6. The corresponding change in EUR entails a change in revenues of approximately MSEK 7.3 and in expenses of about MSEK 2.4, and in GBP a change in revenues of approximately MSEK 20.1 and in expenses of about MSEK 0.2. The effect of the change in the value of USD on earnings is due to the fact that during 2014 a large part of the Group's expenses were attributable to the commercialization of Zubsolv®, which is primarily carried out at the Group's American subsidiary. Translation exposure arises when the Group's equity is influenced by exchange-rate fluctuations when assets and liabilities for foreign subsidiaries are translated to SEK. This exposure is not hedged at present. A 10 percent movement in EUR entails an impact on equity of approximately MSEK 0.6 and a 10 percent movement in USD entails an impact on equity of approximately MSEK 0.4.

3.2 Interest-rate risk

The primary objective of Orexo's interest-rate risk management is to reduce the negative effects of interest-rate movements on earnings. To reduce the impact of interest-rate movements on earnings, Orexo mainly uses short-term investments and aims for the time to maturity of financial liabilities to correspond as far as possible to the time to maturity of financial assets. At year-end, all of Orexo's cash and cash equivalents were invested in short-term assets.

Orexo's policy is that all financial investments apart from bank balances must be made in financial instruments with high liquidity and low credit risk.

The Group had interest-bearing liabilities totaling MSEK 496.2 on December 31, 2014. MSEK 491.9 is a corporate bond loan. This loan has a variable interest rate, STIBOR + 4 percent. MSEK 4.3 is the subsidiary Kibion AB's bank loan to finance the acquisition of Kibion GmbH. This loan has a variable interest rate which at December 31, 2014 was 2.6 percent.

The impact on earnings of a change in interest rates of 0.5 percentage point would entail an increase/decrease of MSEK 2.5.

3.3 Credit risk and counterparty risk

Credit and counterparty risk is the risk that the counterparty will not fulfill its undertakings to repay a liability or pay interest on such a liability and the risk associated with balances with credit institutions.

For the Group, there are mainly three categories of payment flows in which credit risks could arise: in the subsidiaries Orexo US Inc's, Kibion AB's and Kibion GmbH's sales to distributors, in the payment flows from Orexo's license agreements with other parties and in the investment of surplus liquidity in bank instruments.

With regard to Kibion's and Orexo US Inc's distributors, credit risks are reviewed on an ongoing basis based on the customer's financial position and other factors.

An extensive evaluation of the counterparty is always undertaken prior to the signing of a license agreement.

Accounts receivable are continuously monitored, with checks performed on due customer invoices. Of total accounts receivable at December 31, 2014, the four largest customers accounted for 81 percent. No other single customer accounted for more than 3 percent of total accounts receivable. Note 15 presents the amounts due.

The Group's financial transactions shall only be carried out with banks or financial instruments with an official rating not below A1/P1/K1.

3.4 Financing risk

Liquidity risk is defined as the risk that Orexo will be unable to fulfill its undertakings to repay or refinance its debts on time or at a reasonable cost. Liquidity risk is managed by means of sufficient cash and cash equivalents to ensure continuing operations.

Cash flow forecasts are prepared each month. Executive Management continuously monitors forecasts to ensure that the Group has sufficient cash funds to meet the requirements of continuing business operations.

The table below shows the Group's contractual non-discounted cash flows from financial liabilities, distributed on the basis of the period remaining to maturity on the closing date.

At December 31, 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Accounts payable	28,850	–	–
Accrued costs	24,712	–	–
Borrowings	25,082	46,902	507,500

At December 31, 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Accounts payable	138,009	–	–
Accrued costs	37,169	–	–
Borrowings	141,868	105,375	1,810
Derivative instruments	–	–	–

At December 31, 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Accounts payable	19,790	–	–
Accrued costs	9,355	–	–
Borrowings	11,356	11,298	117,500
Derivative instruments	11,388	7,119	–

3.5 Commercial market risk (Inventory risk)

Orexo's most important market risks are price pressure, limited price subsidies and the launch of new competing products.

To be successful in the US it is of the utmost importance that Zubsolv obtains price subsidies on a par with those of competitors. This is not normally the case for new products, as it takes time to achieve this in the large and complex American insurance system. Orexo has established a group of experienced employees whose sole task is to improve Zubsolv's price subsidies.

During 2014 Orexo significantly improved market access (reimbursement) for Zubsolv and reached parity or a better position than the competition for 50 percent or more of the market.

Orexo's products are sold in a market characterized by tough competition from other products and methods of treatment, and there is always a risk that competitors launch new products. In all of Orexo's markets there is intense development of new and improved treatments that can prove to have a better clinical effect than those that already exist.

Orexo is constantly and proactively working to analyze these risks and develop action plans for different market scenarios. This work is done in collaboration with local external specialists.

To ensure the safe supply of products that are vital to patients a significant inventory of Zubsolv must be maintained. Carrying a high inventory level creates a risk of write-offs of expired products. Orexo is constantly working to minimize this risk by managing the inventory according to demand and by working to improve the product's lifetime.

3.6 Capital structure

The Group's objective for its capital structure is to safeguard the Group's ability to continue its operations so it can generate a return for the shareholders and benefits for other stakeholders, as well as maintain an optimum capital structure to keep capital costs down.

The Group's capital is assessed on the basis of its equity/assets ratio. The equity/assets ratio at December 31, 2014, 2013 and 2012 is presented in the table below:

	2014	2013	2012
Shareholders' equity	455,023	161,459	191,194
Total assets	1,225,886	772,330	481,755
Equity/assets ratio	**37%**	**21%**	**40%**

3.7 Financial instruments valued at fair value

The table below shows financial instruments valued at fair value, on the basis of how they are classified in the fair value hierarchy.

Level 1: Listed prices in derivative markets for identical assets and liabilities.

Level 2: Observable data for assets or liabilities other than listed prices included in level 1.

Level 3: Data for assets or liabilities not based on observable markets.

At December 31, 2013	Level 1	Level 2	Level 3
Financial assets/liabilities that can be sold			
Bank loans	–	241,074	–
Total assets/liabilities	**–**	**–241,074**	**–**

At December 31, 2014	Level 1	Level 2	Level 3
Financial assets/liabilities that can be sold			
Listed securities	1,158	–	–
Bank loans	–	–4,330	–
Bond loans	–	–500,000	–
Total assets/liabilities	**1,158**	**–500,000**	**–**

The fair values of listed securities are based on the current market value of the shares at closing day.
The fair value of the bond loan is established using valuation techniques. When doing this, market information has been used wherever possible when this is available, while company-specific information is used as little as possible.

NOTE 4 ACCOUNTING POLICIES OF THE PARENT COMPANY

4.1 Basis for preparation of the financial statements

Orexo AB, the Parent Company, has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendations RFR 2. RFR 2 stipulates that the Parent Company must apply International Financial Reporting Standards (IFRS) as adopted by the EU, to the extent that this is possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and taking into account the relationship between accounting and taxation. The recommendation specifies the exceptions and additions to be made in relation to IFRS.

Consequently, the Parent Company applies the policies presented in Note 2 of the consolidated financial statements, with the exceptions outlined below. The policies are applied consistently to all years presented, unless otherwise stated.

Preparing financial statements that comply with applicable regulations requires the use of some important estimates for accounting purposes. Furthermore, it is required that Executive Management conducts certain assessments in the application of the company's accounting policies. The areas that involve a high degree of complex assessment or areas in which assumptions and estimates are of material importance for the company's Annual Report are outlined in Note 5.

Presentation forms

The statement of operations and balance sheet comply with the forms set down in the Swedish Annual Accounts Act, meaning that the primary differences compared with the consolidated financial statements primarily pertain to financial income and expenses, provisions and the statement of changes in shareholders' equity.

4.2 Segment reporting

Information is provided only on the distribution of net revenues by geographic markets.

4.3 Shares and participations in subsidiaries

Shares and participations in subsidiaries are recognized at cost with deductions for any impairment. Additional purchase prices are recognized as payment for future services included in the cost. Dividends received are recognized as revenues insofar as they derive from profits earned after the acquisition. Dividends that exceed these profits are regarded as a repayment of investment and reduce the carrying amount of the participation.

When there are indications that shares and participations in subsidiaries have declined in value, an estimate is made of the recoverable amount. If this is lower than the carrying amount, impairment is applied. Impairment losses are recognized in the items "Results from participations in Group companies".

4.4 Financial instruments

Financial assets are classified in a different manner in the Parent Company's balance sheet than in the consolidated balance sheet. The notes on the financial assets show the manner in which the items in the balance sheet relate to the classification used in the consolidated balance sheet and in the consolidated accounting policies. The company applies measurement at fair value in line with the Swedish Annual Accounts Act (ÅRL) 4: 14 a-d and the description of the accounting policies in Note 2 for the Group thus also applies to the Parent Company, except as regards accounting for the effects on earnings.

4.5 Group and shareholders' contributions

Shareholders' contributions granted are recognized as an increase in the value of shares and participations. An assessment is then made as to whether there is a need for impairment of the value of shares and participations in question.

In the recognition of Group contributions, the Group can either apply the main rule or the alternative rule. The rule chosen shall be applied consistently to all Group contributions.

Under the main rule, Group contributions received from subsidiaries are recognized as revenue in the Parent Company's statement of operations and Group contributions granted by the Parent Company are recognized as an increase in participations in affiliated companies. In the subsidiaries both contributions granted and contributions received are recognized as equity.

Under the alternative rule, both contributions received and contributions granted are recognized as appropriations. The Group has not had any Group contributions during the period.

4.6 Deferred income tax

Amounts allocated to untaxed reserves represent taxable temporary differences. Due to the relationship between accounting and taxation, however, in a legal entity deferred tax liabilities on untaxed reserves are recognized as part of untaxed reserves.

4.7 Leasing

All leasing agreements, irrespective of whether they are financial or operational, are recognized as operational leasing (rental agreements).

4.8 Financial guarantees

The Parent Company has issued a financial guarantee for the benefit of the subsidiary Kibion AB. This relates to a bank loan raised in connection with the acquisition of Wagner Analysen Technik GmbH.

NOTE 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events deemed reasonable under prevailing circumstances.

5.1 Critical estimates and assessments for accounting purposes

The Group makes assessments and assumptions about the future. The resulting accounting estimates will, by definition, seldom correspond to the actual results. Estimates and assumptions that entail a significant risk of material adjustment to the recognized amounts of assets and liabilities during the next fiscal year are outlined below.

(a) Impairment testing of goodwill

Regarding goodwill, an assessment is made of the asset's annual value decline or when there is an indication that the carrying amount of goodwill exceeds the recoverable amount. Goodwill, whose value has declined, must be impaired down to the recoverable amount that goodwill is deemed to have on the basis of the information available. The recoverable amount is defined as the higher of the net sales value and the value in use. The value in use is estimated by means of a discounted cash flow method based on future expected incoming and outgoing payments. Material differences in assessments of the future anticipated cash flows and the discounted rate of

interest used could result in different valuations for an asset. For further information, refer to Note 8.

At December 31, 2014, goodwill amounted to 27,412 (26,403).

(b) Impairment testing of acquired research and development

Research and drug development are characterized by significant operative risks. Several factors affect the probability of a drug project resulting in an approved preparation. The risk of not reaching the market diminishes as a project passes through the various phases in the research and development process. At December 31, 2014 the Group had one acquired R&D project in the clinical phase.

The value of acquired R&D is tested annually to ensure that the carrying amount does not exceed the recoverable amount. This impairment testing includes experience-based estimates of the amount of future incoming and outgoing payments. The probability of the occurrence of income-generating events and the probability that the projects will result in products that reach the market are estimated based on available industry statistics. These probabilities vary depending on the phase of development that the R&D projects are in. Future incoming and outgoing payments are adjusted to the level of probability and subsequently discounted by applying a rate that reflects the cost of capital and risk. If an acquired R&D project were to be discontinued, the carrying amount of the project would be immediately written down to zero and the impairment loss would be charged to earnings. For further information, refer to Note 8.

There has not been any impairment of acquired R&D during the year.

At December 31, 2014, acquired R&D amounted to 62,277 (62,277).

(c) Royalty revenues

Royalties may be impacted by external factors, including sales limitations or price regulations initiated by authorities in the countries in which sales are conducted. This is out of the control of the company and information of this nature does not normally reach the company until it is already too late. Because of this, it can be difficult to estimate royalty revenues, which in turn can lead to erroneous allocation to a particular period.

(d) Revenues from sale of goods

Up until the second quarter of 2014 the Group applied common pharmaceutical industry practice for newly launched products where there was no reliable historical data, which means that only revenues corresponding to patient prescriptions were recognized for Zubsolv. However, as from the second quarter Zubsolv® revenue recognition has been changed and revenues are now recognized when they are invoiced to the wholesalers. Zubsolv revenue is now measured as gross revenue invoiced to wholesalers less actual and estimated rebates to payers, provision for potential returns, costs of patient support programs and wholesaler and distribution fees. As not all of the volume invoiced to wholesalers has reached the patient at month-end several of the deductions from gross revenue are partly based on estimates.

(e) Valuation of inventories

To ensure no inability to supply the US market with Zubsolv Orexo has established a significant inventory of raw material and of semi-finished and finished products. The valuation of the inventories and assessment of potential write-off risk are based on continuously updated market forecasts and assumptions concering the shelf-life of the different compounds. Raw materials typically have a relatively long lifetime, whereas the lifetime of semi-finished and finished products relies on documented stability studies. During 2014 the lifetime of Zubsolv semi-finished and finished products was extended, based on positive stability data, and hence the risks of future write-offs were reduced.

5.2 Critical judgments in the application of the company's accounting policies

(a) Assessment as to whether a license agreement entails the divestment or a transfer of rights

Certain license agreements entail that global rights are transferred to a business partner. Since Orexo retains the intellectual property rights, which may be retrieved under certain circumstances, these agreements are not recognized as though the licensing agreement implies a divestment. For Orexo, this means that these assets remain in the balance sheet item "Acquired research and development".

During the year Orexo's collaboration partner Boehringer Ingelheim returned the OX-MPI project. Evaluation of the results from Boehringer Ingelheim's research is now complete and it is Orexo's assessment that the project still has potential. Orexo is investigating the possibilities of identifying a new collaboration partner.

(b) Research and development

Costs attributable to research are expensed as they arise. Costs attributable to development projects are recognized as intangible assets in the balance sheet in cases in which these costs may be expected to generate future financial benefits. Other development costs are expensed as they arise. Development costs that are expensed are not recognized as an asset in subsequent periods. For 2014, these costs amounted to 197,822 (238,144).

As Orexo has now begun to independently conduct and finance development projects through to later phases, it is assessed that some of the Group's development expenditures meet the requirements stated in IAS 38 and may therby be recognized as an asset. During 2014 the Group has recognized two clinical studies as assets amounting to 61,167. These studies are related to the application submitted to FDA for an extension of the Zubsolv label and Executive Management believes that these studies will be a strong tool for the sales organization and that it will add great value to the Zubsolv product.

(c) Revenue recognition

Executive Management assesses the probability of whether future financial value will accrue to the Group on the basis of a number of factors, such as the customer's payment history and credit worthiness. If the Group deems a receivable to be doubtful, a provision is made until it is possible to determine whether or not the Group will receive payment.

During the year, the Group received lump-sum payments from a number of collaboration partners. These payments have been in the form of payments both with and without demands for recompense from the Group. A licensing agreement permits Orexo's partners to register, market and sell the Group's patented products within a certain geographic area for a specified time. Lump-sum payments received and considered remuneration for this exclusivity are recognized directly. Wherever lump-sum payments are considered to be remuneration for future services in return, the revenue is distributed over time based on the implications of such services, e.g. when a lump-sum payment is received and a research collaboration agreement is in place, remuneration is distributed straight-line over the time the research collaboration continues.

A milestone payment is an item of revenue related to achieved goals specified in the agreement with the partner in question. Such goals may include the start of clinical trials or the granting of product registration approval by an authority. Revenues from intermediate milestone payments are recognized once the goal has been achieved and the Group has fulfilled its undertakings.

In 2012 Orexo and ProStrakan Group plc renegotiated the conditions of the commercial collaboration regarding Abstral®, whereby the royalty conditions were restructured. The agreement means amongst other things that Orexo receives payments in the form of royalty revenues for sales of Abstral in ProStrakan's territories. Part of the royalty rate has been replaced by fixed one-time amounts, which are partly received earlier than what would probably have been the case otherwise. The fixed amounts that have been received have been allocated to future periods in order to reflect the financial thrust of the agreement. The agreement also includes variable royalties, which are entered as revenue as and when sales are made.

(d) Deferred tax receivables

Orexo has significant loss carry-forwards as historically the company has made large losses. No value of the loss carry-forwards has been recognized in the balance sheet, as it is difficult to assess when the losses can be set off against surpluses. The loss carry-forwards for tax purposes in the Group amounted to MSEK 1,340 (1,373) at December 31, 2014.

NOTE 6 SEGMENT INFORMATION

The Group has defined its operating segments based on the information used by Executive Management to make strategic decisions and Executive Management assesses the operations as a single unit, meaning that the company has only one segment.

The Group's operations are conducted primarily in the geographic areas below. Sales figures are based on the country in which the customer is located. There are no sales between geographic areas.

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Sales distributed geographically						
Sweden	10,924	10,615	10,798	16,102	12,032	54,494
UK	269,352	247,220	207,409	269,122	243,808	204,472
Other EU countries	9,829	6,684	9,524	–	–	–
East Asia	4,771	23,325	14,549	3,024	20,383	12,233
US	236,260	106,107	48,335	110,199	176,098	827
Other countries	39,180	35,405	35,663	–	–	–
Total	**570,316**	**429,356**	**326,278**	**398,447**	**452,321**	**272,026**

The company's four largest customers combined account for 80 percent (87) of the company's net revenues. They contribute 47 (56) percent, 12 (22) percent, 11 (5) percent and 10 (4) percent, respectively.

Assets and investments outside Sweden amount to MSEK 1.5 (1.3).

NOTE 7 TANGIBLE FIXED ASSETS

Group	Equipment and machinery	Computers	Renovation of others' property	Art and non-depreciable equipment	Financial leasing	Total
Fiscal year 2012						
Opening balance	9,873	579	28,395	394	–	39,241
Purchases	2,840	–	–	–	–	2,840
Disposal	–604	–	–	–	–	–604
Depreciation	–4,306	–236	–1,809	–	–	–6,351
Exchange-rate differences	–3	–	–	–	–	–7
Closing balance	**7,800**	**343**	**26,586**	**394**	**–**	**35,123**
At December 31, 2012						
Cost	31,893	1,564	36,174	394	1,894	71,919
Accumulated depreciation and impairment	–24,093	–1,221	–9,588	–	–1,894	–36,796
Carrying amount	**7,800**	**343**	**26,586**	**394**	**0**	**35,123**
Fiscal year 2013						
Opening balance	7,800	343	26,586	394	0	35,123
Purchases	2,037	616	–	–	–	2,653
Disposal	–	–	–	–	–	–
Depreciation	–2,481	–231	–1,809	–	–	–4,521
Exchange-rate differences	–	–	–	–	–	–
Closing balance	**7,356**	**728**	**24,777**	**394**	**0**	**33,255**
At December 31, 2013						
Cost	33,650	2,099	36,174	394	1,894	74,211
Accumulated depreciation and impairment	–26,294	–1,371	–11,397	–	–1,894	–40,956
Carrying amount	**7,356**	**728**	**24,777**	**394**	**0**	**33,255**
Fiscal year 2014						
Opening balance	7,356	728	24,777	394	0	33,255
Purchases	94	541	–	12	–	647
Disposal	–	–	–126	–	–1,894	–2,020
Accumulared depreciation disposal	–	–	–	–	1,894	1,894
Depreciation	–2,706	–484	–1,807	–	–	–4,997
Exchange-rate differences	301	–	–	–	–	301
Closing balance	**5,045**	**785**	**22,844**	**406**	**0**	**29,080**
At December 31, 2014						
Cost	33,744	2,640	36,174	406	0	72,964
Accumulated depreciation and impairment	–28,699	–1,855	–13,330	–	0	–43,884
Carrying amount	**5,045**	**785**	**22,844**	**406**	**0**	**29,080**

27,169 of the fixed assets are attributable to the Parent Company.

Leasing expenses amounting to 627 (648) (678) for the leasing of equipment, machinery and computers are included in the statement of operations.

NOTE 8 INTANGIBLE FIXED ASSETS

Group	Goodwill	Acquired R&D	Patents and rights	Proprietary intellectual property right	Distribution rights	Other	Total
Fiscal year 2012							
Opening balance	33,448	116,610	737	–	0	72	150,867
Purchases	–	–	–	–	–	3,059	3,059
Disposal	–7,042	–	–	–	–	–	–7,042
Amortization	–	–	–748	–	–	–72	–820
Impairment	–	–10,159	–	–	–	–	–10,159
Exchange-rate differences	–579	–251	11	–	–	–	–819
Closing carrying amount	**25,827**	**106,200**	**0**	**–**	**0**	**3,059**	**135,086**
At December 31, 2012							
Cost	26,406	435,062	13,265	–	2 707	3,788	481,228
Accumulated amortization and impairment	–	–328,862	–13,265	–	–2 707	–729	–345,563
Exchange-rate differences	–579	–	–	–	–	–	–579
Carrying amount	**25,827**	**106,200**	**0**	**–**	**0**	**3,059**	**135,086**
Fiscal year 2013							
Opening balance	25,827	106,200	0	–	0	3,059	135,086
Purchases	–	–	11,940	91,474	–	1,301	104,715
Disposal	–	–	–	–	–	–	–
Amortization	–	–	–1,622	–	–	–53	–1,675
Impairment	–	–43,923	–	–	–	–	–43,923
Exchange-rate differences	576	–	–	–	–	–	576
Closing carrying amount	**26,403**	**62,277**	**10,318**	**91,474**	**–**	**4,307**	**194,779**
At December 31, 2013							
Cost	26,406	435,062	25,205	91,474	–	5,089	583,236
Accumulated amortization and impairment	–	–372,785	–14,887	–	–	–782	–388,454
Exchange-rate differences	–3	–	–	–	–	–	–3
Carrying amount	**26,403**	**62,277**	**10,318**	**91,474**	**–**	**4,307**	**194,779**
Fiscal year 2014							
Opening balance	26,403	62,277	10,318	91,474	–	4,307	194,779
Purchases	–	–	5,791	61,167	–	4,010	70,968
Disposal	–	–	–	–	–	–	–
Amortization	–	–	–6,553	–	–	–976	–7,529
Impairment	–	–	–	–	–	–	–
Exchange-rate differences	1,009	–	–	–	–	–	1,009
Closing carrying amount	**27,412**	**62,277**	**9,556**	**152,641**	**–**	**7,341**	**259,227**
At December 31, 2014							
Cost	26,403	435,062	30,996	152,641	–	9,099	654,201
Accumulated amortization and impairment	–	–372,785	–21,440	–	–	–1,758	–395,983
Exchange-rate differences	1,009	–	–	–	–	–	1,009
Carrying amount	**27,412**	**62,277**	**9,556**	**152,641**	**–**	**7,341**	**259,227**

Goodwill at December 31, 2014

A goodwill item arose following the acquisition of Noster System AB in 2006. It corresponded to a cash-generating unit in Kibion's sale of breath tests for diagnosing the stomach ulcer bacterium *Helicobacter pylori.*

In August 2011, Orexo's subsidiary Kibion AB acquired the German company Kibion GmbH. In connection with acquisition, an additional goodwill item arose. Kibion GmbH is a leading manufacturer of IRIS instruments and substrates for diagnostic breath tests.

Goodwill	2014	2013	2012
Noster System	10,639	10,639	10,639
Kibion GmbH	16,773	15,764	15,188
	27,412	**26,403**	**25,827**

Impairment testing of goodwill

Impairment testing for goodwill is performed annually and when there are indications of an impairment requirement. Recoverable amounts for cash-generating units are determined based on value in use. Impairment testing is applied at the lowest level at which separable cash flows can be identified.

An annual test of the impairment requirement for the goodwill item attributable to the acquisition of Noster System AB has been carried out. Recoverable amounts for the cash-generating operations are calculated based on estimated future cash flows. Cash flow for 2015 is based on budget. Cash flows for the period 2016–2019 are based on Executive Management's forecasts, assessments and market plans. Cash flows beyond this period are extrapolated on the basis of an estimated growth rate of 2.5 percent (2.5), which is based on management's expectations for market development. The assessment of operating margins is based on previously achieved results combined with management's expectations of market trends. Future cash flows were discounted to the present value by applying a rate before tax of 10 percent (10). The estimated value in use exceeds the carrying amount by a comfortable margin.

Impairment testing of the goodwill attributable to the subsidiary acquired during the year, Kibion GmbH, was carried out. Recoverable amounts for

the cash-generating operations are calculated based on estimated future cash flows. Cash flow for 2015 is based on budget. Cash flows for the period 2016–2019 are based on Executive Management's forecasts, assessments and market plans. Cash flows beyond this period are extrapolated on the basis of an estimated growth rate of 2.5 percent, which is based on management's expectations for market development. The assessment of operating margins is based on previously achieved results combined with management's expectations of market trends. Future cash flows were discounted to the present value by applying a rate before tax of 10 percent. The estimated value in use exceeds the carrying amount.

This discount rate is set based on risk-free interest with an additional risk premium for the business area in question.

Proprietary intangible asset at December 31, 2014

A proprietary intangible asset amounting to 152,641 (91,474) is attributable to expenses for clinical studies and a registration expense for these studies. Executive Management assesses that these will give the Group future economic benefits. Amortization is begun when approval of the indication has been obtained and the asset can thereby be considered to begin contributing to company revenue. Approval has not yet been obtained, and thus there has been no amortization.

Impairment testing of Proprietary intangible asset

The value of acquired R&D projects is tested once a year to determine any impairment requirements, and also on other occasions if there are indications that impairment is necessary. The clinical studies have been successful and the Executive Management thus assesses that the studies do not indicate any need for impairment.

Acquired R&D at December 31, 2014

Acquired R&D amounting to 62,277 (62,777) is attributable to the acquisition of Biolipox AB in 2007. Since 2005 Boehringer Ingelheim has been responsible for all research and development in this project. During the year Boehringer Ingelheim returned the project and Orexo is currently evaluating the project's potential.

When an acquired R&D project begins to generate sales revenues or royalties, planned amortization begins over the expected useful life. The acquired R&D projects have not yet begun to generate such revenues and thus no amortization has been applied.

Impairment testing of Acquired R&D

The value of acquired R&D projects is tested once a year to determine any impairment requirements, and also on other occasions if there are indications that impairment is necessary. The Executive Management has evaluated the project and concluded that there is no need for impairment.

Research and drug development are characterized by significant operative risks. The risk that a project will not result in a product that reaches the market diminishes as the project passes through the various phases of the development process. The R&D projects acquired by the company are all in the early phases. If a project is closed down, the result is impairment and removal of the project from the balance sheet. There was no impairment of acquired research and development during the year.

Parent Company	2014	2013	2012
Accumulated cost			
Opening cost	116,931	12,367	9,308
Purchases during the year	70,969	104,564	3,059
Disposals and scrapping	–	–	–
Closing accumulated cost	187,900	116,931	12,367
Accumulated amortization according to plan			
Opening amortization according to plan	–10,930	–9,308	–9,236
Amortization during the year according to plan	–7,493	–1,622	–72
Disposals and scrapping	–	–	–
Closing accumulated amortization according to plan	–18,423	–10,930	–9,308
Carrying amount	**169,477**	**106,001**	**3,059**

Parent Company intangible assets comprise patents, rights, a proprietary intellectual property right and IT systems.

Most of the assets that were capitalized during the year are proprietary intellectual property.

NOTE 9 DEPRECIATION/AMORTIZATION AND IMPAIRMENT

Depreciation and amortization have been distributed by type of cost as per below:

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Tangible fixed assets						
Sales	214	96	115	–	–	–
Administration	2,284	1,892	2,119	1,852	1,892	2,119
Research and development	2,499	2,533	4,117	2,499	2,516	4,103
Total tangible fixed assets	**4,997**	**4,521**	**6,351**	**4,351**	**4,408**	**6,222**
Intangible assets						
Sales	–	–	–	–	–	–
Administration	–	–	72	–	–	72
Research and development	976	53	749	939	–	–
Cost of goods sold	6,554	1,622		6,554	1,622	
Other operating expenses	–	43,923	10,159	–	–	–
Total intangible assets	**7,530**	**45,598**	**10,980**	**7,493**	**1,622**	**72**
Total depreciation/amortization and impairment	**12,527**	**50,119**	**17,331**	**11,844**	**6,030**	**6,294**

NOTE 10 SHARES IN SUBSIDIARIES AND JOINT VENTURES

Direct and indirect holdings Dec 31, 2014	Corp. Reg. No.	Reg. office	Number of shares	Shareholding	Cost/ Contribution	Accumulated impairment	Carrying amount
Pharmacall AB	556569-1739	Uppsala	1,000	100%	100	0	100
Kibion AB	556610-9814	Uppsala	321,279	100%	38,172	38,172	0
Noster System AB	556530-9217	Uppsala	606,520	100%	10,600	9,888	712
Biolipox AB	556588-3658	Stockholm	12,883,944	100%	505,773	335,944	169,829
Pharmakodex Ltd	05268159	UK	684,664	100%	82,245	82,245	0
Kibion GmbH	20929	Germany	6	100%	10,022	10,022	0
Orexo US Inc	0101013414	US	100	100%	38,924	0	38,924

Noster System AB and Kibion GmbH are indirect holdings. Kibion GmbH was previously called Wagner Analysen Technik GmbH but changed name during the year to Kibion GmbH.

In 2014, the subsidiary Kibion AB impaired shares in the company by MSEK 10.0. This decrease is attributable to the impairment of shares in Kibion GmbH.

Under the purchase agreement the former owner of Kibion GmbH is entitled to an additional purchase price on the basis of a predetermined development of sales. Orexo's assessment is that these sales objectives will not be achieved during the period of the agreement on additional purchase price, and therefore this additional purchase price is no longer recognized as a liability. This has resulted in a reduced cost for shares in subsidiaries.

Change in carrying amount of direct holdings

2012	Opening carrying amount	Cost	Contribution	Sales	Impairment	Disposal	Closing carrying amount
Pharmacall AB	100	–	–	–	–	–	100
Kibion AB	–	–	–	–	–	–	–
ProStrakan AB	18,296	–	–	18,296	–	–	–
Biolipox AB	169,829	–	–	–	–	–	169,829
Orexo UK	–	–	–	–	–	–	–
Pharmakodex Ltd	41,863	–	–	–	39,624	–	2,239
Total	**230,088**	**–**	**–**	**18,296**	**39,624**	**–**	**172,168**
2013							
Pharmacall AB	100	–	–	–	–	–	100
Kibion AB	–	–	–	–	–	–	–
Orexo US Inc	–	32,249	–	–	–	–	32,249
Biolipox AB	169,829	–	–	–	–	–	169,829
Pharmakodex Ltd	2,239	–	–	–	–	2,239	–
Total	**172,168**	**32,249**	**–**	**–**	**–**	**2,239**	**202,178**
2014							
Pharmacall AB	100	–	–	–	–	–	100
Kibion AB	–	–	–	–	–	–	–
Orexo US Inc	32,249	–	6,675	–	–	–	38,924
Biolipox AB	169,829	–	–	–	–	–	169,829
Pharmakodex Ltd	–	–	–	–	–	–	–
Total	**202,178**	**–**	**6,675**	**–**	**–**	**–**	**208,853**

NOTE 11 FINANCIAL INSTRUMENTS BY CATEGORY

December 31, 2012	Derivatives used for hedging purposes	Loans and accounts receivable	Other financial libailities	Financial assets that can be sold	Total
Assets in the balance sheet					
Accounts receivable and other receivables (excluding interim receivables)		17,549			17,549
Cash and cash equivalents		228,067			228,067
Derivative instruments	18,507				18,507
Total	**18,507**	**245,616**			**264,123**
Liabilities in the balance sheet					
Borrowings(excl. liabilities in respect of financial leasing)			120,642		120,642
Accounts payable and other liabilities (excl. non-financial liabilities)			127,821		127,821
Total			**248,463**		**248,463**

December 31, 2013					
Assets in the balance sheet					
Accounts receivable and other receivables (excluding interim receivables)		36,146			36,146
Cash and cash equivalents		105,643			105,643
Total		**141,789**			**141,789**
Liabilities in the balance sheet					
Borrowings(excl. liabilities in respect of financial leasing)			241,074		241,074
Accounts payable and other liabilities (excl. non-financial liabilities)			267,802		267,802
Total			**508,876**		**508,876**

December 31, 2014					
Assets in the balance sheet					
Accounts receivable and other receivables (excluding interim receivables)		142,135			142,135
Cash and cash equivalents		284,480			284,480
Financial assets that can be sold				1,158	1,158
Total		**426,615**		**1,158**	**427,773**
Liabilities in the balance sheet					
Borrowings(excl. liabilities in respect of financial leasing)			496,236		496,236
Accounts payable and other liabilities (excl. non-financial liabilities)			113,444		113,444
Total			**609,680**		**609,680**

NOTE 12 DERIVATIVE INSTRUMENTS

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Currency future contracts – cash flow hedges	–	–	18,507	–	–	–
Total	**–**	**–**	**18,507**	**–**	**–**	**–**

The entire fair value of a derivative instrument that constitutes a hedging instrument is classified as a fixed asset or long-term liability if the remaining term is longer than 12 months and as a current asset or current liability if the hedged item's remaining term is less than 12 months.

At December 31,2014, there were no hedged transactions.

Gains and losses on currency future contracts are recorded in the statement of operations in the period during which the hedged transaction affects the statement of operations.

NOTE 13 FINANCIAL ASSETS THAT CAN BE SOLD

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Listed securities – US	1,158	–	–	–	–	–
Total	**1,158**	**–**	**–**	**–**	**–**	**–**

The subsidiary Biolipox AB received a milestone payment during the year which was paid in the form of listed securities. The value at the time of acquisition amounted to 1,676. During the year impairment of 518 was carried out. These shares are listed on NASDAQ in the US.

NOTE 14 INVENTORIES

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Raw materials and work in progress	380,786	305,685	22,233	378,399	303,292	18,489
Finished products	97,358	77,725	6,085	–	–	–
Total	**478,144**	**383,410**	**28,318**	**378,399**	**303,292**	**18,489**

Group
The cost of inventories expensed is included in the items "Cost of goods sold" and "Research and development costs" and amounted to 91,836 (21,790) (37,637).

Parent Company
The cost of inventories expensed is included in the items "Cost of goods sold" and "Research and development costs" and amounted to 50,319 (83,895) (8,742).

NOTE 15 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Accounts receivable	142,135	36,146	17,549	92,616	98,484	18,058
VAT receivable	3,338	4,433	6,167	2,672	3,912	3,231
Other receivables	3,974	3,525	4,423	130,767	68,033	26,391
Prepaid rents	4,119	5,606	4,917	4,053	4,956	4,917
Other interim receivables	20,231	5,533	3,600	2,572	4,115	3,045
Total	**173,797**	**55,243**	**36,656**	**232,680**	**179,500**	**55,642**

Group
Impairment losses on accounts receivable amounted to 148 (0) (157). There have been no impairments of remaining accounts receivable. The carrying amount corresponds to fair value since all receivables are current and are due within one year

Parent Company
Impairment losses on accounts receivable amounted to 0 (0) (0). There have been no impairments of remaining accounts receivable. The carrying amount corresponds to fair value.

Carrying amounts per currency for the Group's accounts receivable are as follows:

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
SEK	2,823	4,586	3,507	124	2,638	15,348
USD	98,900	3,767	1,386	63,910	80,103	592
EUR	40,314	27,578	12,611	28,582	15,743	2,118
Other currencies	98	215	45	–	–	–
Total	**142,135**	**36,146**	**17,549**	**92,616**	**98,484**	**18,058**

Accounts receivable due
At December 31, 2014, accounts receivable amounting to 12,525 (5,733) (2,983) fell due for payment without any impairment requirement being considered necessary. These apply to a few independent customers who have previously settled their overdue invoices. An age analysis of these accounts receivable is presented below:

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Less than 43 days	8,241	5,006	1,268	–	–	63
44 days and older	4,284	727	1,715	–	–	64
Total	**12,525**	**5,733**	**2,983**	**–**	**–**	**127**

NOTE 16 CASH AND CASH EQUIVALENTS

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Cash and bank balances	284,480	105,643	228,067	247,162	48,652	216,553
Total	**284,480**	**105,643**	**228,067**	**247,162**	**48,652**	**216,553**

Credit quality of financial assets

The credit quality of financial assets that have neither fallen due for payment nor are in need of impairment can be assessed by referring to an external credit rating (if available) or to the counterparty's payment history. All of the Group's financial assets have a credit rating of A1-.

NOTE 17 SHARE CAPITAL AND OTHER CAPITAL CONTRIBUTIONS

Shares outstanding

As of December 31, 2014, the number of shares outstanding in the company was 34,345,697, of which all were common shares. All shares carry one voting right. The quotient value of each share is 0.4. The change in the number of shares during the year is shown in the table below. All shares issued have been fully paid for. The Parent Company bought back 1,121,124 Orexo shares on Nasdaq Stockholm during 2012. The total amount that was paid for the shares was MSEK 53. These shares were sold during 2014 for a value of MSEK 155.8.

Shares outstanding at December 31, 2012	**29,946,332**
Subscription for shares through conversion of convertible	2,460,526
Subscription for shares through exercise of employee stock opitions	505,050
Shares outstanding at December 31, 2013	**32,911,908**
Subscription for shares through new share issue	1,371,922
Subscription for shares through exercise of employee stock opitions	61,867
Shares outstanding at December 31, 2014	**34,345,697**

Authorization from the Annual General Meeting

At the Annual General Meeting on April 15, 2014, the Board received authorization, upon one or more occasions, with or without deviation from shareholders' preemptive rights, against cash payment, through offsetting or through a non-cash consideration, or otherwise subject to certain conditions, to resolve to issue new shares. However, such share issues may not result in the company's registered share capital or number of shares in the company increasing by more than a total of 10 percent, or result in the company's share capital exceeding the highest share capital permitted at any given time in accordance with the Articles of Association.

Development of share capital

Year	Transaction	Change in number of shares	Change in share capital (SEK)	Total number of shares	Total share capital (SEK)	Quotient value (SEK)
1994	Formation of company	500	50,000	500	50,000	100
1996	Bonus issue	500	50,000	1,000	100,000	100
1997	New issue	20	2,000	1,020	102,000	100
1998	Bonus issue	9,180	918,000	10,200	1,020,000	100
2000	New issue	600	60,000	10,800	1,080,000	100
2000	New issue	5,400	540,000	16,200	1,620,000	100
2002	New issue[1]	8,830	883,000	25,030	2,503,000	100
2003	New issue[2]	6	600	25,036	2,503,600	100
2003	New issue[3]	9,242	924,200	34,278	3,427,800	100
2004	New issue[4]	2,298	229,800	36,576	3,657,600	100
2004	New issue[5]	376	37,600	36,952	3,695,200	100
2005	New issue[6]	1,337	133,700	38,289	3,828,900	100
2005	Share split[7]	9,533,961	–	9,572,250	3,828,900	0.4
2005	New issue[8]	3,700,000	1,480,000	13,272,250	5,308,900	0.4
2005	New issue[9]	20,250	8,100	13,292,500	5,317,000	0.4
2006	New issue[10]	592,250	236,900	13,884,750	5,553,900	0.4
2007	New issue[11]	101,750	40,700	13,986,500	5,594,600	0.4
2007	New issue[12]	7,630,895	3,052,358	21,617,395	8,646,958	0.4
2009	New issue[13]	6,084	2,434	21,623,479	8,649,392	0.4
2009	New issue[14]	1,777,773	711,109	23,401,252	9,360,500	0.4
2010	New issue[15]	2,500	1,000	23,403,752	9,361,500	0.4
2011	New issue[16]	23,555	9,422	23,427,307	9,370,922	0.4
2011	New issue[17]	6,438,188	2,575,275	29,865,495	11,946,197	0.4
2012	New issue[18]	80,837	32,335	29,946,332	11,978,532	0.4
2013	New issue[19]	505,050	202,020	30,451,382	12,180,552	0.4
2013	New issue[20]	2,460,526	984,210	32,911,908	13,164,762	0.4
2014	New issue[21]	1,371,922	548,766	34,283,830	13,713,532	0.4
2014	New issue[22]	61,867	24,747	34,345,697	13,738,279	0.4

[1] New issue of preference shares of series P1 directed to HealthCap in connection with their initial investment in the Company, at a subscription price of SEK 4,530 per share pursuant to a resolution by an Extraordinary General Meeting of Shareholders held on April 11, 2002.
[2] New issue of shares through the exercise of warrants at a subscription price of SEK 6,800 per share.
[3] New issue of 6,365 preference shares of series P1 and 2,877 common shares in connection with the acquisition of CePeP against contribution in the form of shares in CePeP pursuant to a resolution by an Extraordinary General Meeting of Shareholders held on August 27, 2003.
[4] New issue of preference shares of series P2 to the Principal Shareholders against set off of claims under a credit facility agreement and to Catella Fokus pursuant to a resolution of the Board of Directors on August 5, 2004. The subscription price was SEK 19,611.4 per share.
[5] New issue of preference shares of series P2 to shareholders and directors wishing to subscribe for shares on the same terms as Catella Fokus and the main shareholders pursuant to a resolution of the Board of Directors on August 31, 2004.
[6] New issue of shares through the exercise of warrants at a subscription price of SEK 100 per share. The warrants were issued together with shares issued under Notes 4 and 5 as units.
[7] The 250:1 share split was adopted by the Annual General Meeting held on April 20, 2005, and was implemented in connection with the listing in November 2005.
[8] New issue implemented in connection with the listing in November 2005.
[9] New issue of 9,750 shares through issue of 39 warrants at a subscription price of SEK 9.20 per share and new issue of 10,500 shares through the exercise of 42 warrants at a subscription price of SEK 12.70 per share.
[10] New issue of 269,000 shares through exercise of 1,076 employee stock options, new issue of 281,500 shares through exercise of 1,126 warrants and new issue of 41,750 shares through the exercise of 167 hedge options.
[11] New issue of 42,500 shares through the exercise of 170 employee stock options and a new issue of 59,250 shares through the exercise of 237 warrants.
[12] New issue in connection with the acquisition of Biolipox AB in November 2007.
[13] New issue of 5,750 shares through the exercise of 23 warrants and new issue of 334 shares through the exercise of 334 warrants.
[14] New issue in connection with the acquisition of PharmaKodex Ltd.
[15] New issue of 2,500 share through the exercise of 10 employee stock options.
[16] New issue of 23,555 shares through the exercise of 23,555 employee stock options.
[17] New issue of 6,438,188 shares at a subscription price of SEK 38 per share. One share in Orexo provides entitlement to one subscription right, four subscription rights provide entitlement to subscription for one new share.
[18] New issue of 80,837 shares through the exercise of 80,837 employee stock options.
[19] New issue of 505,050 shares through the exercise of 419,493 employee stock options.
[20] New issue of 2,460,526 shares though conversion of convertible.
[21] New issue of 1,371,922 shares.
[22] New issue of 61,867 shares through the exercise of 41,698 employee stock options.

Share-based payments

Orexo has introduced share-based payments in the form of employee stock options and warrants designed to motivate and reward through ownership, thereby promoting the company's long-term interests. Since 2002, a total of just over 100 people have participated in the incentive programs of the Group companies (Orexo AB and Biolipox AB).

Ownership rights to the warrants have been transferred on commercial terms to employees or other participants in the incentive program directly through allotment, while the stock options are vested in the form of one-third, one-fourth or one-fifth of the number of allotted options on each of the first three, four or five anniversary dates of the allotment date, provided that the holder remains employed or is a Board member in Orexo on this date.

At December 31, 2014, there were a total of 2,584,017 options outstanding, providing an entitlement to subscription of 2,546,855 new shares in Orexo and the exchange of 37,162 options against shares in Orexo[1]. Each option issued by Biolipox AB provides entitlement to exchange it for one share in Orexo AB and a corresponding number of shares is held by the independent company Pyrinox AB.

The table below shows a summary of the changes in the number of options outstanding during the period January 1, 2014 to December 31, 2014, split across each category.

	Opening Jan 1, 2014	Change	Closing Dec 31, 2014	Redeemable
Options directed at employees				
Of which:				
Approved and allotted employee stock options	1,577,033		1,577,033	
Exercised		–58,867	–58,867	
Forfeited		–117,250	–117,250	
Allotted		449,500	449,500	
Total			**1,850,416**	**865,250**
Approved and allotted Board stock options	215,688		215,688	
Forfeited		–16,666	–16,666	
Total			**199,022**	**132,355**
Approved, unallotted employee stock options[2)]	829,667	–332,250	497,417	–
Total options directed at employees	**2,622,388**	**–75,533**	**2,546,855**	
Employee stock options utilized from Biolipox AB (non-diluting, included in newly issued shares in conjunction with acquisition of Biolipox)	2,524		2,524	
Exercised		–1,835	–1,835	
Warrants taken over from Biolipox for cash flow hedging of social security fees (non-diluting)	38,123	–1,650	36,473	
Total options from Biolipox	**40,646**	**–3,485**	**37,162**	**37,162**
Total outstanding options	**2,663,035**	**–79,018**	**2,584,017**	

The average exercise price during the year was SEK 45.89 per share.

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

[2] These options were approved at General Meetings of shareholders, but have not yet been allotted.

Average subscription price per category

Category	Outst. Jan 1, 2014	Additional	Allotted	Redeemed	Forfeited	Outst. Dec 31, 2014	Redeemable
Employee stock options[1], Orexo AB	56.47	–	153.2	47.3	75.6	79.0	53.25
Board stock options, Orexo AB	48.62	–	–	–	52.4	48.3	46.26
Employee stock options, Biolipox AB	0.25	–	–	0.25	–	0.25	0.25
Hedge warrants, Biolipox AB	0.25	–	–	0.25	–	0.25	0.25

[1] In calculating the average exercise price, options not yet allotted have not been included as no exercise price for these has been set. 497,417 options relate to the 2011/2021 program, see the preceding table.

During the period January – December 2014, 58,867 employee stock options from Orexo's options programs were exercised. During the same period, 1,835 of Biolipox's employee share options were exercised, entailing that the holders exchanged their options for 58,867 Orexo shares, which had been held by the independent company Pyrinox AB. The exercise of options did not require the issue of additional shares by Orexo.

Allotment during the year

449,500 performance shares were allotted free of charge during 2014. Of these performance shares, 224,750 are time-based and 224,570 are share-price based performance shares.

The final date for exercising the options is February 16, 2021.

The market value of the time-based portion of the shares was determined using the Black&Scholes method, while a Monte Carlo simulation was used for the share-price based portion. The market values and subscription prices are presented in the following table:

LTIP allotment 2014	Number	Allotment price	Market value time-based portion	Market value share-price based portion
LTIP allotment February 15, 2014	304,500	165.10	57.04	51.4
LTIP allotment May 2, 2014	20,000	112.9	32.10	25.7
LTIP allotment July 7, 2014	25,000	115.8	39.76	34.5
LTIP allotment November 5, 2014	10,000	128.5	43.06	31.6
LTIP allotment November 17, 2014	30,000	137.4	41.92	33.7
LTIP allotment November 26, 2014	10,000	139.9	40.34	32.5
LTIP allotment December 1, 2014	7,500	140.1	36.78	30.6
LTIP allotment December 11, 2014	35,000	131.7	36.20	30.5
LTIP allotment December 16, 2014	7,500	129.9	32.60	27.4
	449,500			

- Risk-free rate of interest: 0.06–1.73 percent
- volatility: 35%
- estimated dividend: SEK 0

Performance criterion 1

For any vesting of Share-Price Based Performance Shares to occur, the increase in the Share Price shall correspond to the amounts set forth below. The increase in the Share Price as set forth below shall be calculated for a period not exceeding five years, meaning that the Share Price must have been achieved within a continuous five-year period.

Increase in Share price	Vesting percentage of Share-Price Based Performance Shares (also conditional upon the fulfilment of Performance Criterion 2 below)
> 60 percent	33 percent
> 100 percent	66 percent
> 150 percent	100 percent

These categories correspond to a five-year average return performance of approximately 10 percent, 15 percent and 20 per cent per annum, respectively.

Performance criterion 2

In addition to satisfaction of Performance Criterion 1, for any vesting to occur the Share Price shall have outperformed the NASDAQ OMX Stockholm Biotechnology PI Index for a 90-day period immediately prior to such day when Performance Criterion 1 above is satisfied. The determination of satisfaction of Performance Criterion 2 shall be made continuously as long as Performance Criterion 1 is satisfied, where the above-mentioned 90-day period shall be the period immediately prior to each such determination.

The Board shall be entitled to determine that Performance Shares have not been vested to the extent that it has been established that vesting has occurred on the basis of manifestly misstated information.

Forfeited options during the year

117,250 performance shares have been forfeited during 2014, both because employees have left the company and because performance criteria have not been met.

Allotment of options 2002–2014 – distribution according to position at the company

The total allotment of outstanding shares within Orexo's employee stock options program for the years 2002–2014 (including options allotted within Biolipox ahead of its acquisition), for subscription for a total of 2,050,127 shares, is distributed as follows:

- Board members: 199,022 shares.
- President/CEO: 389,500 shares.
- Other senior executives: 693,250 shares.
- Other employees: 768,355 shares.

Allotment of warrants for the period 2002–2014, providing entitlement to a total of 376,250 shares, is distributed as follows:

- Board members: 139,500 shares, for which subscription has been made for all shares.
- President/CEO: 164,250 shares, for which subscription has been made for all shares.
- Other senior executives: 0 shares.
- Other employees: 72,500 shares, for which subscription has been made for 57,250 shares.

Costs related to company option programs

The company's expenses for the employee stock option program for the full-year 2014 amounted to MSEK 5.7 (40.0). Of these expenses, MSEK 3.9 (17.8) is attributable to the CEO and other administrative personnel, MSEK 0.4 (12.6) to research and development personnel and MSEK 1.4 (9.6) to sales-related personnel.

The expenses for the programs pertain both to estimated costs for the value of the employee vesting during the period, marked-to-market at the time of allotment, as well as the vested portion during the period of the estimated payroll overhead on the changes in value. The company will need to pay social security fees on the gain that may arise in conjunction with the exercise of employee stock options, calculated as the difference between the exercise price of the stock option and the market value of the share.

Detailed description of changes during the year

The table below provides a detailed description of Orexo's share-based incentive program in respect of changes during the year, subscription prices, lifetimes and potential dilution.

Type of security	Number of shares to which securities provide entitlement at Jan 1, 2014[1]	Supplement during the year	Allotment during the year	Redeemed during the year	Forfeited during the year	Number of shares to which securities provide entitlement at Dec 31, 2014	Subscrip tion price (SEK)	Program runs until	Number of shares and voting rights[2]
Approved and allotted options									
Employee stock options 2004	18,250	–	–	–18,250	–	–	18.1	Jun 30,2014	
Employee stock options 2005/2006[3]	32,600	–	–	–2,000	–	30,600	113	Dec 31, 2015	
Employee stock options 2006/2016[4]	43,275	–	–	–4,000	–	39,275	119	Dec 31, 2016	
Employee stock options 2007/2017	32,000	–	–	–3,500	–	28,500	44	Dec 31, 2017	
Board stock options 2008/2015	2,953	–	–	–	–	2,953	0.4	Dec 31, 2015	
Employee stock options 2008/2018	58,075	–	–	–18,450	–	39,625	51	Dec 31, 2018	
Board stock options 2009/2016	4,259	–	–	–	–	4,259	0.4	Dec 31, 2016	
Board stock options 2010/2017	4,358	–	–	–	–	4,358	0.4	Dec 31, 2017	
Board stock options 2011/2018	4,118	–	–	–	–	4,118	0.4	Dec 31, 2018	
Performance-based incentive program 2011/2021	170,500	–	–	–	–17,750	152,750	47.8	Feb 16, 2021	
Performance-based incentive program 2011/2021	130,000	–	–	–	–7,500	122,500	29	Feb 16, 2021	
Performance-based incentive program 2011/2021	145,000	–	–	–6,000	–14,500	124,500	25.6	Feb 16, 2021	
Performance-based incentive program 2011/2021	49,000	–	–	–	–5,250	43,750	26.4	Feb 16, 2021	
Performance-based incentive program 2011/2021	300,000	–	–	–	–15,000	285,000	51.8	Feb 16, 2021	
Performance-based incentive program 2011/2021	330,000	–	–	–	–16,500	313,500	56.8	Feb 16, 2021	
Performance-based incentive program 2011/2021	30,000	–	–	–	–1,500	28,500	59.3	Feb 16, 2021	
Performance-based incentive program 2011/2021	153,333	–	–	–6,667	–10,000	136,666	75.6	Feb 16, 2021	
Performance-based incentive program 2011/2021	20,000	–	–	–	–1,000	19,000	131.6	Feb 16, 2021	
Performance-based incentive program 2011/2021	25,000	–	–	–	–1,250	23,750	123.5	Feb 16, 2021	
Performance-based incentive program 2011/2021	40,000	–	–	–	–2,000	38,000	130.5	Feb 16, 2021	
Board stock options 2013/2018	200,000	–	–	–	–16,666	183,334	52.4	Dec 31, 2018	
Performance-based incentive program 2011/2021	–	–	304,500	–	–25,000	279,500	165.1	Feb 16, 2021	
Performance-based incentive program 2011/2021	–	–	20,000	–	–	20,000	112.9	Feb 16, 2021	
Performance-based incentive program 2011/2021	–	–	25,000	–	–	25,000	115.8	Feb 16, 2021	
Performance-based incentive program 2011/2021	–	–	10,000	–	–	10,000	128.5	Feb 16, 2021	
Performance-based incentive program 2011/2021	–	–	30,000	–	–	30,000	137.4	Feb 16, 2021	
Performance-based incentive program 2011/2021	–	–	10,000	–	–	10,000	139.9	Feb 16, 2021	
Performance-based incentive program 2011/2021	–	–	7,500	–	–	7,500	140.1	Feb 16, 2021	
Performance-based incentive program 2011/2021	–	–	35,000	–	–	35,000	131.7	Feb 16, 2021	
Performance-based incentive program 2011/2021	–	–	7,500	–	–	7,500	139.9	Feb 16, 2021	
Subtotal	**1,792,721**	**–**	**449,500**	**–58,867**	**–133,916**	**2,049,438**			
Approved, unallotted options									
Performance-based incentive program 2011/2021	829,667	–	–332,250	–	–	497,417	–	Feb 16, 2021	
Subtotal	**2,622,388**	**–**	**117,250**	**–58,867**	**–133,916**	**2,546,855**			
Options attributable to the acquisition of Biolipox									
Employee stock options BX OP V	459	–	–	–459	–	–	0.25	Dec 31, 2014	No dilution
Employee stock options BX OP VIII	2,065	–	–	–1,376	–	689	0.25	Dec 31, 2015	No dilution
Hedge options	38,123	–	–	–1,650		36,473	0.25	Dec 31, 2016	No dilution
Subtotal	**40,647**	**–**		**–3,485**	**–**	**37,162**			
Total number of securities in share-based incentive programs	**2,663,035**	**–**	**117,250**	**–62,352**	**–133,916**	**2,584,017**			

[1] The number of shares after the 250:1 share split conducted in November 2005.
[2] After full dilution through the exercise of warrants.
[3] Options corresponding to subscription for 66,950 shares from this program were transferred to the Employee stock options 2006/2016 program.
[4] Options corresponding to subscription for 66,950 shares to this program were transferred from the Employee stock options 2005/2006 program.

Changes in number of outstanding options 2013

	Opening Jan 1, 2013	Change	Closing Dec 31, 2013	Redeemable
Options directed at employees				
Of which:				
Approved and allotted employee stock options	1,496,166		1,496,166	
Exercised		–469,466	–469,466	
Forfeited		–354,667	–354,667	
Allotted		905,000	905,000	
Total			**1,577,033**	**871,867**
Approved and allotted Board stock options	288,085		288,085	
Allotted		200,000	200,000	
Forfeited		–272,397	–272,397	
Total			**215,688**	**115,688**
Approved and allotted warrants	10,000		10,000	
Exercised		–10,000	–10,000	
Total			–	–
Approved, unallotted employee stock options [2)]	380,000	449,667	829,667	
Total			**829,667**	**–**
Warrants held by subsidiaries for cash flow hedging of social security fees	78,000		78,000	
Forfeited		–78,000	–78,000	
Total			–	–
Total options directed at employees	**2,252,251**	**370,137**	**2,622,388**	
Employee stock options utilized from Biolipox AB (non-diluting, included in newly issued shares in conjunction with acquisition of Biolipox)	4,303		4,303	
Forfeited		–		
Exercised		–1,779	–1,779	
Warrants taken over from Biolipox for cash flow hedging of social security fees (non-diluting)	39,373	–1,250	38,123	
Total options from Biolipox	**43,676**	**–3,029**	**40,646**	**40,646**
Total options outstanding	**2,295,927**	**367,108**	**2,663,035**	

The average exercise price during the year was SEK 38.57 per share.

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

[2] These options were approved at General Meetings of shareholders, but have not yet been allotted.

Exercised during the year

For the period January–December 2013, 469,466 employee stock options from Orexo's options programs were exercised. During the period January–December 2013, 1,779 of Biolipox's employee stock options were also exercised, whereby the holders exchanged their options for 1,779 Orexo shares, which had been held by the independent company Pyrinox AB. The exercise of these options did not require Orexo to issue additional shares.

Allotment during the year

905,000 performance shares were allotted free of charge during 2013. Of these performance shares, 452,000 are time-based and 452,000 are share-price based.

The final date for exercising the options is February 16, 2021.

The market value of the time-based portion of the shares was determined using the Black&Scholes method, while a Monte Carlo simulation was used for the share-price based portion.

The market values and the allotment prices are presented in the following table:

LTIP allotment 2013	Number	Allotment price	Market value time-based portion	Market value share-price based portion
LTIP allotment May 2013	300,000	51.80	19.72	15.5
LTIP allotment June 2013	330,000	56.80	19.72	15.5
LTIP allotment June 2013	30,000	59.30	19.72	15.5
LTIP allotment August 2013	160,000	75.60	28.22	23.5
LTIP allotment October 2013	40,000	130.50	43.66	37.5
LTIP allotment October 2013	25,000	123.50	48.68	41.7
LTIP allotment November 2013	20,000	131.60	44.04	37.4
	905,000			

- Risk-free rate of interest: 1.17 – 2.03 percent
- volatility: 35%
- estimated dividend: SEK 0

Performance criterion 1

For any vesting of Share-Price Based Performance Shares to occur, the increase in the Share Price shall correspond to the amounts set forth below. The increase in the Share Price as set forth below shall be calculated for a period not exceeding five years, meaning that the Share Price must have been achieved within a continuous five-year period.

Increase in share price	Vesting percentage of Share-Price Based Performance Shares (also conditional upon fulfilment of Performance Criterion 2 below)
> 60 percent	33 percent
> 100 percent	66 percent
> 150 percent	100 percent

These categories correspond to a five-year average return performance of approximately 10 percent, 15 percent and 20 percent per annum, respectively.

Performance criterion 2

In addition to satisfaction of Performance Criterion 1, for any vesting to occur the Share Price shall have outperformed the NASDAQ OMX Stockholm Biotechnology PI Index for a 90-day period immediately prior to such day when Performance Criterion 1 above is satisfied. The determination of satisfaction of Performance Criterion 2 shall be made continuously as long as Performance Criterion 1 is satisfied, where the above-mentioned 90-day period shall be the period immediately prior to each such determination.

The Board shall be entitled to determine that Performance Shares have not been vested to the extent that it has been established that vesting has occurred on the basis of manifestly misstated information.

The Chairman of the Board program 2013/2018 was adopted during 2013. In conjunction with the evaluation of different commercial alternatives for the introduction of Zubsolv® on the US market, the Chairman of the Board assumed the role of Executive Chairman of the Board for a period of time. This assignment as Executive Chairman of the Board involved considerably more extensive work than that involved in the normal Chairman of the Board assignment.

During the year, 200,000 Chairman of the Board options were therefore allotted free of charge. The subscription price for these was set at SEK 52.40. The final date for exercising the options is April 11, 2018.

Forfeited options during the year

During the year, the Board resolved to forfeit options that provided entitlement to 270,000 shares, which reduces the dilution in conjunction with full exercise of all outstanding warrants by about 0.8 percentage points. The forfeited options refer to Board options from the Board shareholder program 2012/2017. These have not been exercised as certain conditions have not been met. During 2013 no Biolipox employee stock options were forfeited.

Changes in number of outstanding options 2012

	Opening Jan 1, 2012	Change	Closing Dec 31, 2012	Redeemable
Options directed at employee				
Of which:				
Approved and allotted employee stock options	1,466,416		1,466,416	
Exercised		–48,500	–48,500	
Forfeited		–156,750	–156,750	
Allotted		235,000	235,000	
Total			**1,496,166**	**521,166**
Approved and allotted Board stock options	61,006		61,006	
Allotted		270,000	270,000	
Exercised		–42,921	–42,921	
Total			**288,085**	**13,967**
Approved and allotted warrants	10,000		10,000	
Total			**10,000**	**10,000**
Approved, unallotted employee stock options [2)]	565,000	–185,000	380,000	
Total			**380,000**	
Warrants held by subsidiaries for cash flow hedging of social security fees	78,000		78,000	
Total			**78,000**	**78,000**
Total options directed at employees	**2,180,422**	**71,829**	**2,252,251**	
Employee stock options utilized from Biolipox AB (non-diluting, included in newly issued shares in conjunction with acquisition of Biolipox)	74,943		74,943	
Forfeited		–114	–114	
Exercised		–70,526	–70,526	
Warrants taken over from Biolipox for cash flow hedging of social security fees (non-diluting)	44,173	–4,800	39,373	
Total options from Biolipox	**119,116**	**–75,440**	**43,676**	**43,676**
Total options outstanding	**2,299,538**	**–3,611**	**2,295,927**	

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

[2] These options were approved at the General Meeting held in February 2011, but have not yet been allotted.

Exercised during the year

For the period January–December 2012, 48,500 employee stock options from Orexo's options programs were exercised. During the period January–December 2012, 70,526 of Biolipox's employee stock options were also exercised, whereby the holders exchanged their options for 70,526 Orexo shares, which had been held by the independent company Pyrinox AB. The exercise of options did not require Orexo to issue additional shares.

Allotment during the year

235,000 performance shares were allotted during 2012. 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 February 16, 2021. The market value of the time-based portion of the shares was determined using the Black&Scholes method, while a Monte Carlo simulation was used for the share-price based portion. The market value of the options allotted in February is SEK 8.23 for the time-based portion and SEK 6.15 for the share-price based portion. For the options allotted in March, the market value is SEK 8.23 for the time-based portion and SEK 6.15 for the share-price based portion.

- risk-free rate of interest: 0.89–1.07 percent
- expected volatility: 35 percent
- estimated dividend: SEK 0

Performance criterion 1

For any vesting of Share-Price Based Performance Shares to occur, the increase in the Share Price shall correspond to the amounts set forth below. The increase in the Share Price as set forth below shall be calculated for a period not exceeding five years, meaning that the Share Price must have been achieved within a continuous five-year period.

Increase in Share Price	**Vesting percentage of Share-Price Based Performance Shares (also conditional upon the fulfilment of Performance Criterion 2 below)**
> 60 percent	33 percent
> 100 percent	66 percent
> 150 percent	100 percent

These categories correspond to a five-year average return performance of approximately 10 percent, 15 percent and 20 per cent per annum, respectively.

Performance criterion 2

In addition to satisfaction of Performance Criterion 1, for any vesting to occur the Share Price shall have outperformed the NASDAQ OMX Stockholm Biotechnology PI Index for a 90-day period immediately prior to such day when Performance Criterion 1 above is satisfied. The determination of satisfaction of Performance Criterion 2 shall be made continuously as long as Performance Criterion 1 is satisfied, where the above-mentioned 90-day period shall be the period immediately prior to each such determination.

The Board shall be entitled to determine that Performance Shares have not been vested to the extent that it has been established that vesting has occurred on the basis of manifestly misstated information.

The 2012/2017 Board shareholder program was adopted in 2012. As a result of the successful acquisition of the US rights for Abstral® and the continued development program process for Zubsolv®, Orexo has created the foundation for establishing a successful commercial presence in the US. In order to succeed in this work in the best possible way, it is considered necessary to tie the members of the Board closer to the company. In order to compensate, remunerate and motivate the members of the Board to assist through the extra work that this work for change involves, it was decided to adopt this Board shareholder program.

In August 270,000 Board options were allotted free of charge. These were allotted to independent members of the Board. A condition for entitlement to acquire new shares through the exercise of performance shares is that certain vesting conditions are fulfilled. The exercise price for these has been set at SEK 36.30. The final date for exercising the options is December 31, 2017.

Forfeited options during the year

During the year, the Board resolved to forfeit options and deregister warrants at the Swedish Companies Registration Office that provided entitlement to 156,750 shares, which reduces the dilution in conjunction with full exercise of all outstanding warrants by about 0.5 percentage points. The forfeited options refer to non-vested options to employees who terminated their employment and will thus be unable to exercise them. During 2012, 114 of Biolipox's employee stock options were also forfeited, which also involved non-vested options to employees who had terminated their employment and were thus unable to exercise the options.

NOTE 18 RESERVES

	Translation reserve	Hedge reserve	Total
Opening balance at January 1, 2012	**–9,440**		**–9,440**
Exchange-rate differences	–545		–545
Cash flow hedge		18,507	18,507
Tax, cash flow hedge		–4,071	–4,071
Opening balance at January 1, 2013	**–9,985**	**14,436**	**4,451**
Exchange-rate differences	–1,898		–1,898
Cash flow hedge		–11,224	–11,224
Tax, cash flow hedge		2,469	2,469
Opening balance at January 1, 2014	**–11,883**	**5,681**	**–6,202**
Exchange-rate differences	–266		–266
Cash flow hedge		–2,842	–2,842
Closing balance at December 31, 2014	**–12,149**	**2,839**	**–9,310**

NOTE 19 PROVISIONS

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Estimated costs, social security fees, employee stock options	9,006	9,645	3,997	9,006	9,645	3,997
Summa	**9,006**	**9,645**	**3,997**	**9,006**	**9,645**	**3,997**

Provisions primarily refer to estimated costs for social security fees in respect of employee stock option programs, which have been recognized in accordance with UFR 7. The long-term portion of social security fees is recognized as provisions, the remaining portion recognized as a current liability.

NOTE 20 BORROWINGS

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Bank loan, short-term portion	1,856	104,081	10,248	–	100,000	–
Convertible bonds, short-term portion	–	–	103,324	–	–	103,324
Total	**1,856**	**104,081**	**113,572**	**–**	**100,000**	**103,324**

	Group			Parent Company		
	2014	2013	2012	2014	2013	2014
Bank loan, long-term portion	2,474	136,993	2,247	–	134,631	–
Convertible bonds, long-term portion	–	–	8,892	–	–	8,892
Corporate bonds	491,906	–	–	491,906	–	–
Total	**494,380**	**136,993**	**11,139**	**491,906**	**134,631**	**8,892**

The long-term portion consists of a bond loan amounting to a total of MSEK 500. It matures on May 9, 2018. The loan has a variable interest rate of Stibor 3 months +4 percent and has a total framework amount of SEK 1 billion. There are no covenants. The bond loan agreement contains restrictions regarding a possible significant change in the ownership structure, so called change-of-control Pursuant to IAS 39, the bond loan should be recognized after a deduction for transaction costs which are distributed over the duration of the loan. This accounts for the difference between MSEK 500 and the amount in the note.

The full terms and conditions of the bond loan are available on the company website, www.orexo.com.

MSEK 4.3 is attributable to the subsidiary Kibion AB's financing of the acquisition of Kibion GmbH. Collateral for this bank loan comprises the pledging of Kibion's shares by the Parent Company, see Note 22. There are no covenants in the terms and conditions of the loan or the Parent Company guarantee.

NOTE 21 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Accounts payable	28,850	138,009	19,790	11,865	127,846	18,908
Employee withholding tax	3,220	3,374	2,174	1,448	1,723	2,003
Deduction, social security fees	1,233	1,685	3,663	1,121	1,428	3,505
Deduction, special salary tax	2,988	2,781	3,491	2,763	2,530	3,229
Other current liabilities	118,497	197,080	12,203	117,566	258,880	113,318
Accrued salaries	15,561	11,497	7,377	5,938	6,348	7,377
Accrued vacation pay	9,261	9,281	8,336	8,577	8,557	7,529
Accrued social security fees	3,861	3,645	3,804	3,637	3,417	3,550
Other interim liabilities	24,712	37,169	9,408	45,310	34,982	8,162
Deferred income	59,882	92,624	98,675	59,882	98,304	98,675
Total	**268,095**	**497,145**	**168,921**	**258,107**	**544,015**	**266,256**

NOTE 22 PLEDGED ASSETS

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Chattel mortgages for bank commitment	100,000	200,000	44,000	100,000	200,000	44,000
Pledging of all shares in Kibion AB	21,962	17,927	12,518	–	–	–
Pledging of all shares in Orexo US Inc	–	–	–	–	32,249	–
Total	**121,962**	**217,927**	**56,518**	**100,000**	**232,249**	**44,000**

NOTE 23 CONTINGENT LIABILITIES

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Additional purchase price, Inflazyme	–	40,800	44,020	–	–	–
Guarantee commitment	–	–	–	–	–	8,367
Total	**–**	**40,800**	**44,020**	**–**	**–**	**8,367**

In conjunction with the acquisition of Inflazyme, an additional purchase price was agreed that would be conditional on certain goals being achieved. This additional purchase price was initially recognized as a provision and contingent liability, as the latter was not deemed to be a likely payment. In 2010, the Inflazyme project was downgraded, which meant that the full additional purchase price was recognized as a contingent liability. As the project has now been discontinued, it is no longer assessed to constitute a contingent liability.

Warrants were issued to Pyrinox AB as cash flow hedging for social security fees in respect of employee stock options issued by Biolipox. Orexo has pledged to cover any deficits over and above that covered by the warrants for the duration until December 31, 2016.

The acquisition of the UK pharmaceutical company PharmaKodex includes conditional payments based on license revenues from PharmaKodex's current programs and technologies as well as certain milestone payments. These are not recognized as a liability since it is not probable that any payment will be made. The Pharmacodex Ltd business was wound up in 2013.

Orexo has collateral with Danske Bank comprising chattel mortgages of MSEK 100. Orexo also has collateral with Nordea, consisting of the pledging of all the shares in Kibion.

Under the purchase agreement the former owner of Kibion GmbH is entitled to an annual additional purchase price on the basis of a predetermined development of sales. Orexo's assessment is that these sales objectives will not be achieved during the period of the agreement on additional purchase price, and therefore this additional purchase price is no longer recognized as a liability.

NOTE 24 DISTRIBUTION OF REVENUES

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Sales, products	279,214	56,128	56,301	103,626	77,277	–
Royalties	230,927	254,723	181,466	233,765	254,723	181,466
License revenues	58,460	112,377	29,263	58,460	112,377	29,263
Partner-financed R&D costs	–	6,127	23,848	–	6,192	13,060
Other	1,715	–	35,400	2,596	1,752	48,237
Total	**570,316**	**429,355**	**326,278**	**398,447**	**452,321**	**272,026**

NOTE 25 COSTS BY TYPE OF COST

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Raw materials and consumables	91,836	21,790	37,367	50,319	83,895	8,742
Other external costs	375,153	347,810	221,659	333,145	269,456	244,558
Personnel costs	154,366	166,998	138,057	80,685	132,026	120,758
Depreciation/amortization and impairment	12,527	50,111	17,331	11,844	6,030	16,453
Total	**633,882**	**586,709**	**414,414**	**475,993**	**491,407**	**390,511**

There was no impairment of acquired R&D projects during the year.

NOTE 26 AUDITORS' FEES

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Audit assignment						
PWC	2,595	2,145	1,127	1,987	1,788	1,078
Silver Levene	–	52	128	–	–	–
Non-auditing assignments						
PWC	–	–	380	–	–	380
Tax advice						
PWC	1,956	696	293	861	631	293
Other services						
PWC	262	589	296	262	589	296
Total	**4,813**	**3,482**	**2,224**	**3,110**	**3,008**	**2,047**

NOTE 27 EXCHANGE-RATE DIFFERENCES

The statement of operations includes exchange-rate differences on operating receivables and operating liabilities as follows:

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Other operating income	37,978	11,757	4,131	35,714	9,271	762
Other operating expenses	–17,007	–10,158	–5,160	–14,086	–7,587	–1,965
Total	**20,971**	**1,599**	**–1,029**	**21,628**	**1,684**	**–1,203**

NOTE 28 FINANCIAL INCOME AND EXPENSES

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Interest expenses						
Bank loans	–4,054	–895	–285	–3,911	–702	–
Convertible bond	–	–9,570	–11,963	–	–9,570	–11,963
Corporate bonds	–15,156	–	–	–15,156	–	–
Group	–	–	–	–472	–994	–1,311
Other	–61	–10	–22	–107	–9	–14
Interest income						
Bank	239	811	4,120	231	787	3,973
Group	–	–	–	1,518	362	299
Other	6	27	–27	5	1	2
Financial expenses						
Impairment of shares in subsidiaries	–	–	–	–	–2,239	–29,136
Sale of joint venture	–	–	–	–	–	–3,920
Costs, corporate bonds	–1,619	–	–	–1,619	–	–
Other	–6,902	–4,075	–	–6,384	–4,075	–
Financial income						
Sale of joint venture	–	–	9	–	–	9
Total	**–27,547**	**–13,712**	**–8,168**	**–25,895**	**–16,439**	**–42,070**

Financial expenses in the Parent Company are attributable to the corporate bond loan.

NOTE 29 REMUNERATION TO EMPLOYEES

Average number of employees

Group	2014 Average number of employees	Of whom men	2013 Average number of employees	Of whom men	2012 Average number of employees	Of whom men
Sweden	79	29	83	31	104	42
US	27	20	17	12	–	–
Germany	5	3	6	4	7	4
Total for Group	**111**	**52**	**106**	**47**	**111**	**46**

Parent Company	2014 Average number of employees	Of whom men	2013 Average number of employees	Of whom men	2012 Average number of employees	Of whom men
	72	28	72	28	92	36
Total for Parent Company	**72**	**28**	**72**	**28**	**92**	**36**

Costs and remuneration to all employees and Board	Group 2014	Group 2013	Group 2012	Parent Company 2014	Parent Company 2013	Parent Company 2012
Salaries, remuneration and social security fees						
Salaries and other remuneration to the Board, President and Executive Management	23,195	18,270	21,545	13,887	12,933	20,061
Salaries and other remuneration to other employees	84,993	69,650	58,592	39,519	46,699	46,924
Pension cost for the Board, President and Executive Management[1]	2,951	2,214	2,806	2,384	1,833	2,550
Pension cost for other employees[1]	11,234	9,331	11,868	9,045	8,597	10,811
Social security fees for the Board, President and Executive Management	–119	30,327	7,388	–1,795	28,445	6,922
Social security fees for other employees[2]	16,566	30,455	25,518	12,730	28,741	22,513
Other personnel costs	16,995	8,218	12,762	6,364	6,245	12,027
Total	**155,815**	**168,465**	**140,479**	**82,134**	**133,493**	**121,808**

[1] Pertains in its entirety to defined-contribution pension plan.

[2] Of which –5,857 (36,454) (5,025) pertains to estimated costs for social security fees for employee stock option program.

Principles for remuneration

Board fees, including fees to the Board Chairman and remuneration for work on Board Committees, are set by the shareholders at the Annual General Meeting.

The Board's Remuneration Committee comprises Martin Nicklasson, Michael Shalmi and Raymond Hill. The Remuneration Committee convenes as needed and is charged with the task of preparing decision data for the Board regarding wages, salaries and bonuses, as well as the task of making decisions on certain issues regarding remuneration paid to the President and other senior executives who, in addition to the President, comprise six persons. The Remuneration Committee held 1 (4) meetings during the year.

Guidelines approved by the 2014 Annual General Meeting

Reasons

Orexo shall offer market terms so that the company can recruit and retain skilled personnel. Remuneration to Executive Management shall comprise fixed salary, variable remuneration, long-term incentive programs, pension and other customary benefits. Remuneration is based on the individual's commitment and performance in relation to previously established goals, both individual goals and company-wide goals. Individual performance is continuously evaluated.

Fixed salary

Fixed salary is generally reviewed on an annual basis and shall be based on the qualitative performance of the individual. The fixed salary of the President and other senior executives shall be in line with market conditions.

Variable remuneration

Variable remuneration shall take into account the individual's level of responsibility and degree of influence. The size of variable remuneration is based on the percentage of set goals met by the individual. Variable remuneration shall not exceed 40 percent of fixed salary for the President and 30 percent of fixed salary for other senior executives. In addition, the Board shall have the option of allotting further variable remuneration to senior executives when the Board deems such action to be appropriate.

Long-term incentive programs

Orexo has adopted share-based incentive programs that are designed to promote the company's long-term interests by motivating and rewarding the company's senior executives. For a description of the company's long-term incentive programs, see Note 17 and the company website, www.orexo.com.

Other remuneration and terms of employment

The President and other senior executives are covered by defined-contribution pension plans. Pension premiums paid by the company amount to a maximum of 20 percent of the President's monthly salary, while pension premiums for other senior executives amount to between approximately 20–25 percent of fixed annual salary.

The employment agreement with the President may be terminated with a notice period of six months. Employment agreements with other senior executives may be terminated with a period of notice of between three and twelve months. The President is entitled to severance pay if the company terminates employment corresponding to six months' salary. Severance pay for other senior executives if the company terminates employment amounts to between zero to twelve months' salary.

Deviation from guidelines

The Board is entitled, if it assesses that it is justified in an individual case, to give a member of the Board an assignment to carry out work for the company over and above the work involved in the Board assignment, whereupon the member of the Board may be granted reasonable compensation. Agreement relating to variable remuneration to President in Orexo Inc amounts to maximum 50 percent of fixed salary in line with market practice in the US.

Costs and remuneration to the Board, President and senior executives 2014

SEK thousands	Basic salary/ Board fees	Variable remuneration	Other benefits	Pension costs	Share-based payment	Other remuneration	Total remuneration
Board of Directors							
Martin Nicklasson, Chairman	633	–	–	–	755	–	1,388
Michael Shalmi, Board member	150	–	–	–	–	–	150
Raymond Hill, Board member	150	–	–	–	–	–	150
Staffan Lindstrand, Board member	183	–	–	–	–	–	183
Kristina Schauman, Board member	283	–	–	–	–	–	283
Scott Myers, Board member (4 mths)	50	–	–	–	–	–	50
Subtotal	**1,449**	**–**	**–**	**–**	**755**	**–**	**2,204**
President and CEO							
Nikolaj Sørensen, President and CEO	3,024	1,080	–	870	1,382	–	6,356
Other senior executives (6)	12,110	3,792	143	1,792	4,653	–	22,490
Total	**16,583**	**4,872**	**143**	**2,662**	**6,790**	**–**	**31,050**

Costs and remuneration to the Board, President and senior executives 2013

SEK thousands	Basic salary/ Board fees	Variable remuneration	Other benefits	Pension costs	Share-based payment	Other remuneration	Total remuneration
Board of Directors							
Martin Nicklasson, Chairman	617	–	–	–	759	–	1,376
Scott Myers, Board member	150	–	–	–	–	–	150
Michael Shalmi, Board member	150	–	–	–	–	–	150
Raymond Hill, Board member	150	–	–	–	–	–	150
Staffan Lindstrand, Board member	150	–	–	–	–	–	150
Kristina Schauman, Board member	250	–	–	–	–	–	250
Subtotal	**1,467**	**–**	**–**	**–**	**759**	**–**	**2,226**
President and CEO							
Nikolaj Sørensen, President and CEO (11 mths)	2,598	972	–	267	1,418	–	5,255
Anders Lundström, President and CEO (1 mth)	324	–	–	51	–	–	375
Other senior executives (6)	8,888	2,615	59	1,610	1,937	–	15,109
Total	**13,277**	**3,587**	**59**	**1,928**	**4,114**	**–**	**22,965**

For 2014, provisions for variable remuneration to senior executives were made in the amount of MSEK 4.9.

Other benefits refer primarily to a company car and travel between place of residence and workplace.

Other senior executives, as of December 31, refers to the 6 people presented on page 75.

The number of shares and options held by the President and senior executives is shown in the information regarding the Board on page 80 and Management on page 81. Refer to Note 17 for a description of share-based remuneration.

Orexo has not granted loans or guarantees or provided collateral on behalf of the company's Board members, senior executives or auditors. None of the Board members, senior executives or auditors has directly or indirectly through associated companies or their immediate families been involved in business deals with Orexo on non-commercial terms.

Board members and senior executives

	2014 Number on the closing date, of whom men		2013 Number on the closing date, of whom men		2012 Number on the closing date, of whom men	
Group (incl. subsidiaries)						
Board members	10	90%	11	91%	12	92%
President and other senior executives	8	88%	8	87%	7	71%
Parent Company						
Board members	5	80%	6	83%	6	84%
President and other senior executives	7	86%	5	80%	6	67%

NOTE 30 INCOME TAX

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Current tax for the year	–4,031	–1,535	–	–534	–1,446	–
Current tax attributable to previous years	–	–	–	–	–	–
Deferred tax	–	–	1,715	–	–	–
Total	**–4,031**	**–1,535**	**1,715**	**–534**	**–1,446**	**0**
Difference between the Group's tax expense and tax expense based on the current tax rate						
Recognized pre-tax earnings	–52,554	–153,401	–87,578	–65,417	–44,278	–157,073
Tax under current tax rate	11,562	33,748	23,033	14,392	9,741	41,310
Tax effect of non-deductible costs	–33	–2,341	–3,598	–27	–2,831	–11,250
Tax effect of changed tax rate	–	–	–48,956	–	–	–37,314
Tax effect of deductible costs not charged to earnings	–	–	–	–	–	–
Tax effect of non-deductible income	–	–	–	–	–	–
Increase in unrecognized deferred tax asset	11,529	31,407	-29,521	14,365	6,910	-7,254
Decrease in deferred tax liability due to temporary differences	–	–	1,715	–	–	–
Tax on earnings for the year according to the statement of operations	**–4,031**	**–1,535**	**1,715**	**–534**	**–1,446**	**0**

Tax rate

The current tax rate is the tax rate for income tax in the Group. The approximated tax rate is 22.0 percent (22.0).

NOTE 31 DEFERRED INCOME TAX

Deferred tax assets and deferred tax liabilities are netted when there is a legal netting right. Deferred tax liabilities pertaining to temporary differences in conjunction with the acquisition of Biolipox's (2007) acquired R&D were netted against the tax-loss carry-forwards in Biolipox.
In 2011 and 2013, some of the acquired R&D was impaired, resulting in a reduction in the netted loss carry-forwards in Biolipox.

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Deferred income tax						
Deferred tax assets						
– related to netted loss carry-forwards in Biolipox	13,700	13,700	27,931	–	–	–
– related to other loss carry-forwards	281,133	282,340	250,933	212,229	–197,864	190,954
– correction of loss brought forward	–	–	–	5,198	-	-
Loss carry-forwards not asset recognized	–294,833	–296,040	–278,864	-217,427	-197,864	-190,954
Deferred tax liability						
– to be paid after more than 12 months	–	–	–1,566	–	–	–
– to be paid within 12 months	–	–	–2,505	–	–	–
– to be paid after more than 12 months and related to temporary differences in acquired R&D	–13,700	–13,700	–27,931	–	–	–
Deferred income tax, net	**0**	**0**	**4,071**	**0**	**0**	**0**

Recognized deferred tax liabilities amounted to 0 at the beginning of the year and 0 at year-end. The deferred tax liabilities relate to cash flow hedging.

Deferred tax assets are recognized for tax-loss carry-forwards to the extent that it is probable that they can be applied through future taxable profits. These have not been capitalized due to the difficulty of assessing when capitalized loss carry-forwards can be set off against future surpluses.

Loss carry-forward in the Group amounted to MSEK 1,340 (1,373). The reduction of the tax-loss carry-forward is due to the fact that the subsidiary PharmaKodex's deficit has been eliminated in connection with the company's liquidation. There is no time limit restriction on when it can be applied.

Gross changes in respect of deferred tax are as follows:

	2014	2013	2012
Opening balance	**–**	**4,071**	**1,807**
Tax on amortization of intellectual property rights in the Group	–	–	–1,807
Tax on cash flow hedging	–	–4,071	4,071
Closing balance	**–**	**–**	**4,071**

NOTE 32 EARNINGS PER SHARE

Earnings per share before dilution are calculated by dividing the earnings attributable to the Parent Company by a weighted average number of common shares outstanding during the period, as shown in the presentation below.

	Group		
	2014	2013	2012
Earnings used for the calculation of earnings per share before dilution	–56,584	–154,936	–85,863
Average number of shares before dilution	32,657,223	30,018,262	29,448,932
Earnings per share before dilution (SEK per share)	–1.73	–5.16	–2.92
Options outstanding	2,584,017	2,663,035	2,245,927

For calculating the earnings per share after dilution, the weighted average number of common shares outstanding is adjusted for the dilution effects of all potential common shares. The potential common shares in the Parent Company are represented by employee stock options, warrants and convertibles. In terms of convertibles, dilution has been increased by all shares that a convertible issue can produce.

As earnings are negative, the same earnings per share are recognized after dilution as before dilution.

NOTE 33 SHARE DIVIDEND

No dividend was paid in 2014. The Board will propose to the Annual General Meeting on April 15, 2015 that no divided be paid for the 2014 fiscal year.

NOTE 34 UNDERTAKINGS

Undertakings relating to operational leasing in which Group companies are the lessees

The Group leases various types of machinery and other technical plant in accordance with cancelable operational leasing agreements. Information on the leasing expenses recognized in the statement of operations during the year is shown in Note 7.

The Orexo Group has four rental agreements. Orexo AB and Kibion AB have entered into a rental agreement that runs until December 31, 2017. Orexo US Inc's rental agreement runs until December 31, 2019 and Kibion GmbH's rental agreement runs until December 31, 2015.

The nominal value of future leasing fees for lease agreements that cannot be terminated is as follows:

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Falls due for payment within one year	19,389	17,224	15,091	16,600	15,091	15,091
Falls due for payment later than one year but within five years	39,975	7,263	15,091	33,200	–	15,091
Falls due for payment later than 5 years	–	1,771	–	–	–	–
Total	**59,364**	**26,258**	**30,182**	**49,800**	**15,091**	**30,182**

NOTE 35 DISCLOSURES ON THE CASH FLOW STATEMENT

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Adjustments for items not included in cash flow comprise the following:						
Depreciation/amortization and impairment	12,527	50,556	17,331	11,844	6,030	16,453
Employee stock options, value of employees' services	5,680	40,001	9,279	5,680	40,001	9,267
Financial expenses, convertible bond	–	–1,127	–3,071	–	–1,899	–3,071
Impairment, shares in subsidiaries	–	–	–	–	2,239	29,466
Other	2,838	–	–9	220	551	–
Total	**21,045**	**89,430**	**23,530**	**17,744**	**46,922**	**52,115**

NOTE 36 RELATED PARTY TRANSACTIONS

Purchases and sales between Group companies

The following transactions took place between the companies in the Group:	**2014**	**2013**	**2012**
Forward invoicing of costs, which are recognized as net revenues			
Biolipox AB	–	–	45,388
ProStrakan AB	–	–	451
Kibion AB	2,259	1,404	3,404
Sale of goods and services			
Biolipox AB	–	1,600	–
Orexo US Inc	103,626	77,277	–
Kibion GmbH	3,325	3,168	1,182
Pharmakodex Ltd	–	–	1,008
Kibion AB	308	412	364
Pharmacall	2	–	2
Total	**109,520**	**83,861**	**51,799**

The Group has no losses or doubtful credits on receivables from related parties.

There have been no other related party transactions.

Remuneration and other commitments regarding pensions and similar benefits to Board members and the President and CEO, see Note 29.

NOTE 37 EVENTS AFTER THE CLOSING DATE

Orexo broadened Zubsolv® product range.

Orexo announced newly listed granted US patent.

Orexo commenced patent infringement litigation against Actavis concerning Abstral® in the US.

NOTE 38 INFORMATION ABOUT OREXO AB (PUBL)

Orexo AB (publ) has its registered office in Uppsala, Sweden, and the address of the company's head office is Virdings allé 32 A, SE-751 05 Uppsala, Sweden, telephone +46 (0)18 780 88 00.

The statements of operations and balance sheets will be subject to adoption at the Annual General Meeting to be held on April 15, 2015.

Assurance of the Board of Directors and President

The Board of Directors and President hereby give their assurance that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and present a true and fair view of the Group's financial position and earnings. The Annual Report has been prepared in accordance with generally accepted accounting principles and presents a true and fair view of the Parent Company's financial position and earnings.

The Board of Directors' Report for the Group and the Parent Company presents a true and fair review of the Group's and the Parent Company's operations, financial positions and earnings and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Uppsala, March 20, 2015

Orexo AB (publ

Martin Nicklasson
Chairman of the Board

Raymond Hill
Board member

Staffan Lindstrand
Board member

Michael Shalmi
Board member

Kristina Schauman
Board member

Nikolaj Sørensen
President and CEO

Our audit report was submitted on March 20, 2015.

PricewaterhouseCoopers AB

Lars Kylberg
Authorized Public Accountant

Mikael Winkvist
Authorized Public Accountant

Auditor's Report

To the annual meeting of the shareholders of
Orexo AB (publ)
Corporate identity number 556500-0600

Report on the annual accounts and consolidated accounts
We have audited the annual accounts and consolidated accounts of Orexo AB for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 24-70.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts
The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Orexo AB for the year 2014.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions
We recommend to the annual meeting of shareholders that the loss be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Uppsala, March 20, 2015

PricewaterhouseCoopers AB

Lars Kylberg
Authorized Public Accountant

Mikael Winkvist
Authorized Public Accountant

Definitions of Key Figures

Key figures and certain other operational information and information per share have been defined as follows:

Number of shares after dilution	Calculation of dilution from options issued by the company until 2005 has been made in accordance with IAS 33.
Return on total capital	Operating profit/loss plus financial income as a percentage of average total assets.
Return on shareholders' equity	Profit/loss for the period as a percentage of average shareholders' equity.
Return on employed capital	Operating profit/loss plus financial income 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 total number of shares before dilution at the end of the period.
Shareholders' equity per share, after dilution	Shareholders' equity divided by total number of shares after dilution at the end of the period.
Average number of employees	Average number of full-year employees for the period.
Cash flow from operating activities per share, before dilution	Cash flow from operating activities divided by the average number of outstanding shares before dilution.
Cash flow from operating activities per share, after dilution	Cash flow from operating activities divided by the average number of outstanding shares after dilution.
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 non-interest-bearing liabilities and provisions less cash and cash equivalents.
Earnings per share, before dilution	Profit/loss for the period divided by the average number of outstanding shares before dilution.
Earnings per share, after dilution	Profit/loss for the period divided by the average number of outstanding shares after dilution.
Return on equity	Profit/loss for the year divided by average shareholders' equity.
Interest-coverage ratio	Profit/loss after financial items plus interest expenses and similar items, divided by interest expenses and similar items.
Working capital, net	Non-interest-bearing current assets less non-interest-bearing current liabilities.
Working capital, net/net revenues	Average working capital, net, divided by net revenues.
Operating margin	Operating profit/loss 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	Profit/loss after financial items expressed as a percentage of net revenues.

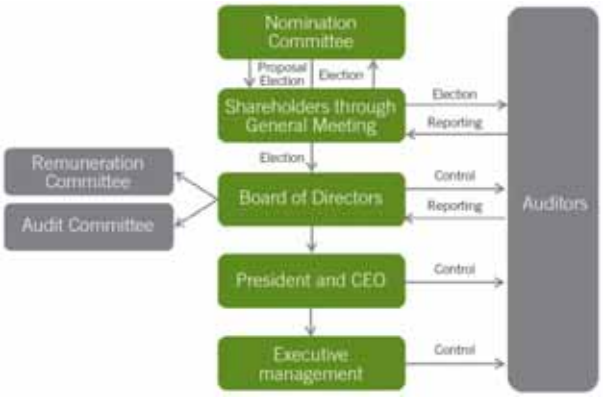
Corporate Governance Report for Orexo AB (publ)

Orexo is a Swedish public limited liability company with registered offices in Uppsala, Sweden. The company's shares are listed on Nasdaq (Mid Cap) Stockholm, with American Depositary Receipts (ADRs) traded on OTCQX under the symbol ORXOY. Corporate Governance in Orexo is based on applicable laws, rules and recommendations such as the Swedish Code of Corporate Governance ("the Code"), Orexo's articles of association and internal regulations and guidelines.

The aim of corporate governance at Orexo is to create a clear division of roles and responsibilities between shareholders, the Board of Directors and Management.

The company's auditors have reviewed this report.

Corporate Governance at Orexo



The governance, management and control of Orexo are divided between the General Meeting of Shareholders, the Board of Directors and the President.

External regulations influencing corporate governance

- Swedish Companies Act
- Regulations governing external reporting
- Nasdaq Stockholm rules for issuers
- OTCQX rules for companies trading ADRs on OTCQX
- Swedish Code of Corporate Governance

Internal rules of significance for corporate governance

- Articles of Association
- Formal work plan for the Board of Directors (including terms of reference for Board Committees)
- Terms of reference for the President
- Guidelines for remuneration of senior executives
- Finance policy
- IT policy
- Financial guidelines
- HR guidelines
- Code of Conduct

Shareholders

Orexo's share has been listed on Nasdaq Stockholm since 2005. On January 2, 2014, Orexo advanced to the Mid Cap segment. At year-end, the total number of shares amounted to 34,342,197 (32,882,408), distributed among 6,979 (4,881) shareholders. The 10 largest shareholders held 63.1 (64) percent of the outstanding shares, management 0.1 (0.1) percent and other shareholders 36.8 (35.9) percent. At December 31, 2014, two shareholders each held shares representing 10 percent or more of the company – Novo A/S, 28.1 percent, and HealthCap, 11.7 percent. Non-Swedish shareholders accounted for approximately 49 (51) percent of the total number of shares. Institutions and industrial owners hold the majority of shares. At year-end, 82 (83) percent of the shares were held by legal entities, and 18 (17) percent by private individuals. Since November 13, 2013, the share is available in the US as an ADR on the OTCQX market.

Articles of Association

The Articles of Association are adopted by the General Meeting of Shareholders and outline a number of mandatory tasks of a fundamental nature for the company. Notification of the convening of the General Meetings is issued through an advertisement being placed on Orexo's website and in Post- och Inrikes Tidningar (Official Swedish Gazette). Confirmation that a General Meeting has been convened shall be announced in the Svenska Dagbladet newspaper. The Articles of Association state that Orexo shall conduct research and development, and manufacture, market and sell pharmaceuticals and diagnostic preparations. Orexo's Articles of Association also state that the Board of Directors shall have its registered office in Uppsala, Sweden, and shall consist of a minimum of three and a maximum of nine members, with a maximum of three deputies. The Articles of Association contain no special provisions on the appointment or dismissal of Board members. Amendments to the Articles of Association are made in accordance with the provisions of the Swedish Companies Act following a resolution of the General Meeting. The complete Articles of Association are available at www.orexo.com.

General Meeting of Shareholders

Orexo's highest decision-making body is the General Meeting, at which every shareholder who is entered in the share register and who has provided notification of their attendance within the stipulated time is entitled to participate and vote for the amount of shares held. Shareholders can also be represented by proxy at General Meetings. One share entitles the holder to one vote at General Meetings, and there are no limits as to how many votes each shareholder can cast at a General Meeting. Resolutions at General Meetings are passed with a simple majority, unless the Companies Act stipulates a higher percentage of the shares and votes represented at the Meeting.

The Annual General Meeting elects members to the Board of Directors and sets Board fees. The other mandatory tasks of the Annual General Meeting include adopting the company's balance sheet and income statement, passing resolutions on the appropriation of earnings from operations, remuneration guidelines for senior executives and decisions concerning discharge from liability for Board members and the President. The Annual General Meeting also elects the company's auditor and sets the auditors' fees. In accordance with the Articles of Association, the Annual General Meeting shall be held in either Uppsala or Stockholm.

Annual General Meeting 2014

The Annual General Meeting was held on Tuesday, April 15, 2014 in Uppsala. At the Meeting:

- The balance sheet and income statement for the Parent Company and the Group for the 2013 fiscal year were adopted.
- Raymond G. Hill, Staffan Lindstrand, Martin Nicklasson, Kristina Schauman and Michael Shalmi were re-elected as Board members and Martin Nicklasson was re-elected as Chairman of the Board. Scott Myers declined re-election.
- The Annual General Meeting granted Board members and the President discharge from liability for the 2013 fiscal year.
- A resolution was adopted that fees for Board members should amount to a total of SEK 1,400,000, with SEK 600,000 paid to the Chairman of the Board, SEK 150,000 to each of the other Board members, and a total of SEK 200,000 distributed between the members of the Audit Committee, so that the Chairman of the committee receives SEK 150,000 and SEK 50,000 is distributed between the other committee members for their work on the committee. The fee may be invoiced by a company in such a way that it is cost-neutral for Orexo.
- PricewaterCoopers AB was re-elected as auditor.
- A resolution was adopted in accordance with the Board's proposal concerning authorization of the Board to resolve to issue new shares.
- A resolution was adopted in accordance with the Board's proposal concerning authorization of the Board to repurchase and transfer the company's own shares.
- The Board's motion concerning principles and guidelines for remuneration and other terms of employment for senior executives was approved.
- The motion concerning terms of reference for the Nomination Committee was approved.

Complete information about the 2014 Annual General Meeting can be found at www.orexo.com.

Annual General Meeting 2015

The Annual General Meeting of Orexo will be held on Wednesday, April 15, 2015, at 4:00 p.m. at the company's premises at Virdings allé 32 A, Uppsala, Sweden.

Nomination Committee

The 2014 Annual General Meeting adopted a resolution that the Company should have a Nomination Committee. The Nomination Committee represents the company's shareholders. It is tasked with creating the best possible basis for the General Meeting's resolutions regarding the election of Board members and Board fees and with submitting proposals concerning, for example, the appointment of auditors and auditors' fees. The Nomination Committee comprises representatives of the three largest shareholders in terms of voting rights on the final banking day in August 2014, in addition to the Chairman of the Board. The composition of the Nomination Committee was announced on Orexo's website and in a press release on October 15, 2014. The Committee held 1 (2) meetings during the year.

Through the Chairman of the Board, the Nomination Committee reviewed the evaluation of the Board's work and received information regarding developments in the company. The principal requirements to be imposed on the Board of Orexo and the importance of independent Board members were discussed. No special remuneration was paid for participation in the Nomination Committee.

Nomination Committee for the 2015 Annual General Meeting

Name	Representatives
Eivind Kolding	Novo A/S, and Chairman of the Nomination Committee
Björn Odlander	HealthCap
Claus Berner Møller	Arbejdsmarkedets Tillaegspension (ATP)
Martin Nicklasson	Chairman of the Board of Orexo

Combined, the Nomination Committee represents about 45 percent of the number of shares and votes in the company, based on shareholder data at the time of appointment.

Board of Directors

The Board's responsibility is regulated in the Companies Act and the formal work plan that is established annually. The formal work plan establishes the division of the Board's work between the Board in its entirety and the Board's various committees and between the Board and the President. It also sets out the items to be addressed at Board meetings and the manner in which the President provides the Board with information and reports. The Board has appointed Audit and Remuneration Committees from within its ranks.

At year-end, Orexo's Board of Directors consisted of Chairman Martin Nicklasson and Board members Raymond G. Hill, Staffan Lindstrand, Michael Shalmi and Kristina Schauman. For a more detailed description of Board members, please refer to page 80.

The work of the Board

The Board's formal work plan establishes the items to be addressed at the scheduled Board meetings. Following presentations by the Audit Committee and President, the Board reviews all interim reports prior to publishing. The company's long-term targets and strategy and its budget are evaluated and approved by the Board. At each Board meeting, the President or another senior executive reports on the business situation and the status of development projects.

In addition to the statutory Board meeting, at least six scheduled Board meetings must be held. At the Board meeting during which the annual audit is to be considered, the Board meets with the auditors.

It is incumbent upon the Board to ensure that the guidelines for remuneration to senior executives approved by the Annual General Meeting are followed and that the Annual General Meeting proposes guidelines for remuneration to senior executives.

Each year, the Board's work is evaluated by way of discussions and through external assessment. The results of the evaluation are presented to the Board and Orexo's Nomination Committee and form the basis for proposals for Board members.

In matters concerning ownership, Orexo is represented by the Chairman of the Board.

During the year, the Board held 15 (14) meetings, of which 9 (8) were telephone conferences or meetings by circulation. The Board mainly addressed and resolved on issues concerning the company's strategic direction, the status of projects, the follow-up of financial performance, financing, investment matters, external reporting, budget planning and follow-up. These issues are addressed by the Board in its entirety. Orexo's auditor participated at the Board meeting that approved the financial statements and presented the audit at this meeting.

Remuneration of the Board

The Annual General Meeting resolved that Board fees should amount to SEK 1,400,000, of which SEK 600,000 was to be paid to the Chairman of the Board, SEK 150,000 to each of the other Board members, and a total of SEK 200,000 to be divided among the members of the Audit Committee, so that the Chairman of the committee receives SEK 150,000 and the other committee members share SEK 50,000.

Composition of the Board

Name	Function	Independent	Elected	Present at Board meetings	Present at Remuneration Committee	Present at Audit Committee
Martin Nicklasson	Chairman of the Board		2012	15/15	1/1	6/6
Scott Myers*	Board member		2012	3/3	–	-
Kristina Schauman	Board member		2012	14/15	-	6/6
Michael Shalmi	Board member		2010	14/15	1/1	–
Raymond G. Hill	Board member		2008	15/15	1/1	-
Staffan Lindstrand	Board member		2002	13/15	–	6/6

**Board member up until 2014 Annual General Meeting*

Independent in relation to Orexo and its management
Independent in relation to Orexo, its management and the company's largest shareholders

Composition of the Board

Board members, their positions and whether or not they are considered to be independent in relation to Orexo, its management and the company's largest shareholders are stated in the table above. Orexo's Board of Directors is deemed to have satisfied the requirements of the Code in respect of independence, as all members elected by the Meeting have been deemed to be independent in relation to Orexo and its management and all of these members, with the exception of two, have also been deemed to be independent in relation to the company's largest shareholders.

Audit Committee

Orexo's Audit Committee is primarily concerned with ensuring compliance with established principles for financial reporting and internal controls. The Audit Committee must also remain informed about the audit of the Annual Report and consolidated accounts, inspect and monitor the impartiality and independence of the auditor, paying particularly close attention to instances where the auditor provides the company with services outside the scope of the audit, and assist in the preparation of proposals to the General Meeting in respect of auditor selection. The Audit Committee presents the final version of Orexo's interim reports and of the Annual Report to the Board for approval and publication. The Audit Committee meets prior to the publication of each interim report, in connection with the auditor's review of the internal control over the financial reporting and when otherwise necessary. The aforementioned issues are addressed by the Committee and the Board makes resolutions on the basis of the proposals produced. Orexo's auditor attends the meetings of the Audit Committee before the publishing of the interim reports and to present the outcome of the review of the internal control. During the year, the Audit Committee was convened on 6 (5) occasions. At least one of the members of the Committee must be independent in relation to the company and Executive Management, and also be independent in relation to the company's largest shareholders and have accounting or auditing expertise. The Committee is currently made up of Kristina Schauman (Chair), Martin Nicklasson and Staffan Lindstrand.

Remuneration Committee

The Remuneration Committee is tasked with addressing matters concerning salaries and other terms of employment, pension benefits and bonus systems, including any allocation of warrants under the terms of approved incentive programs for the President and the senior executives and managers, as well as remuneration issues of principle nature. The Committee shall meet as often as required. The above issues are addressed by the Committee and the Board makes resolutions on the basis of the proposals from the Committee. The Committee should possess the requisite knowledge and expertise to deal with issues related to the remuneration of senior executives. The Remuneration Committee comprises Martin Nicklasson (Chairman), Michael Shalmi and Raymond G. Hill. During the year, the Remuneration Committee was convened on 1 (4) occasion and managed other issues with written communication.

Evaluation of the Board's work

The work of the Board, similar to that of the President, is evaluated annually in a systematic and structured process. The Nomination Committee is informed of the results of the evaluation.

President and Global Management Team

The President leads the work of the Executive Management Team and the extended Global Management Team and makes decisions in consultation with the rest of the management. At the end of 2014, Executive Management consisted of three people and the extended Global Management Team consisted of seven people. Both the Executive Management Team and Global Management Team hold regular meetings under the supervision of the President.

Deviation from the Swedish Code of Corporate Governance

In connection with the appointment of Nikolaj Sørensen as new CEO of Orexo in February 2013, Martin Nicklasson, the Chairman of the Board of Orexo, took on the role of Executive Chairman to oversee and support the CEO and the management team in the US commercialization process for an interim period of time. The inclusion of Martin Nicklasson as part of the executive leadership further strengthened its commercial expertise, as the company leveraged Martin Nicklasson's extensive network and experience to secure that the full value potential of Orexo's commercial assets is realized.

During the appointment as Executive Chairman, Martin Nicklasson will perform work which is significantly beyond, and outside, the scope of his ordinary Board assignment. At the AGM 2013 it was resolved to remunerate Martin Nicklasson for the additional work by adopting a performance based long-term incentive program 2013/2018 directed to him.

Board of Directors' Report on Internal Control and Risk Management regarding Financial Reporting

Internal governance, control and risk management concerning financial reporting are fundamental factors in Orexo's business control.

The aim of Orexo's risk management systems and processes is to ensure that the shareholders can have the utmost confidence in the financial operation and presented reports, including the information given in this Annual Report and all interim reports. Orexo has established a methodology for developing, implementing, driving and evaluating internal controls and risk management in respect of all parts of the company, including financial reporting.

This methodology conforms to internationally established standards in the industry and comprises a framework with five principal components: control environment, risk assessment, control activities, information and communication, and follow-up and evaluation.

Control environment

Pursuant to the Swedish Companies Act, the Board of Directors is responsible for the internal control and governance of the company. To maintain and develop a functional control environment, the Board has implemented a process of risk mapping and established a number of basic control documents and procedures that are of importance to financial reporting. These include the formal work plan for the Board of Directors and the terms of reference for the President, and accounting and reporting instructions, which are reviewed and approved annually by the Board.

In addition, the control environment is continuously updated and secured by means of continuous monitoring and regular evaluations of risk profiles within various functions.

Responsibility for the daily work of maintaining the control environment is primarily incumbent on the President. He reports regularly to the Board of Directors and the Audit Committee pursuant to established procedures. In addition, the Board also receives regular reports directly from the company's auditor. Company managers have defined authorities, control functions and responsibilities within their respective areas for financial and internal controls.

Risk assessment

Orexo regularly conducts extensive evaluations of financial risks and other risks that may impact financial reporting. These reviews extend to all parts of the company and are carried out to ensure that there is no significant risk of errors occurring in financial reporting. There are several areas where the control of financial information is particularly important, and Orexo has established a comprehensive risk layout that highlights a number of key potential risks in the financial reporting system.

The company continuously monitors and evaluates these areas and regularly examines other areas in order to create a comprehensive set of control procedures that will minimize the risks in these areas. In addition, new and existing risks are identified, addressed and regulated through a process of discussion in forums such as the Executive Management team, Board and Audit Committee.

Control activities

In light of the risks identified in the risk layout, and the continuous monitoring of the methods used to manage financial information, Orexo has developed control activities that ensure good internal control of all aspects of financial reporting. A number of policy documents and procedures have been applied throughout the year to manage reporting and accounting. Standard procedures, attestation systems, financial guidelines and the risk layout are examples of such policy documents.

An additional level of control in the financial system has been achieved by separating the company's financial and controller functions. These units are responsible for ensuring that financial reporting is correct, complete and timely. Orexo strives to continually improve its internal control systems and has, on occasion, engaged external specialists when validating these controls.

Information and communication

Orexo is a listed company in one of the most regulated markets in the world – healthcare. In addition to the highly exacting requirements that Nasdaq Stockholm and the supervisory authorities impose on the scope and accuracy of information, Orexo also employs internal information and communication control functions designed to ensure that correct financial and other corporate information is communicated to employees and other stakeholders.

The Board receives monthly reports concerning financial performance, the status of Orexo's development projects and other relevant information.

The corporate intranet provides detailed information about applicable procedures in all parts of the company and describes the control functions and how they are implemented.
The security of all information that may affect the market value of the company and mechanisms to ensure that such information is

communicated in a correct and timely fashion are the cornerstones of the company's undertaking as a listed company. These two factors, and the procedures for managing them, ensure that financial reports are received by all players in the financial market at the same time, and that they provide an accurate presentation of the company's financial position and performance.

Follow-up

Orexo's management conducts monthly performance follow-up, with an analysis of deviations from the budget and the preceding period. Orexo's controller function also conducts monthly controls, evaluations and follow-ups of financial reporting. Because much of the company's product development is carried out in project form, this is followed up on a continuous basis from a financial perspective. After the commercialization of Zubsolv®, new routines and reporting have been implemented to secure continuous follow-up on all aspects of the Zubsolv business, e.g. manufacturing, sales performance, wholesaler orders, sales force performance etc. The Board of Directors and the Audit Committee review the Annual Report and interim reports prior to publication. The Audit Committee discusses special accounting policies, internal control framework, risks and other issues associated with the reports. The company's external auditor also participates in these discussions.

Orexo has no separate internal audit function. The Board annually evaluates the need for such a function and, considering the size and structure of the company, has found no basis for establishing a separate auditing function. The Board of Directors monitors the internal control over financial reporting through regular follow-ups by the Audit Committee and the Board.

Further information about Orexo's corporate governance

The following information is available at www.orexo.se (in Swedish) and www.orexo.com (in English):

- Articles of Association
- Information about the Swedish Code of Corporate Governance
- Information from General Meetings of previous years
- Information from the Nomination Committee
- Information about remuneration principles for senior executives
- Corporate governance reports from 2009 onwards
- Information for the 2015 Annual General Meeting (convening notice, Nomination Committee proposals, presentation of the work of the Nomination Committee, etc.)

Auditor's Report on the Corporate Governance Statement

To the annual meeting of the shareholders of Orexo AB,
corporate identity number 556500-0600

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2014 on pages 73-78 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, a Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Uppsala, March 20, 2015
PricewaterhouseCoopers AB

Lars Kylberg
Authorized Public Accountant

Mikael Winkvist
Authorized Public Accountant

Board of Directors

1. Martin Nicklasson, Chairman of the Board of Directors (b. 1955)

Board member since 2012
M.Sc. Pharm. PhD and Associate Professor at the Faculty of Pharmacy, Uppsala University.
Other appointments: Chairman of the Board of Basilea Pharmaceutica Ltd. and Farma Holding AS and Board member of PledPharma AB, Premier Research Group Limited and Biocrine AB. Member of the Royal Academy of Engineering Sciences (IVA).
Previous appointments: CEO at Swedish Orphan Biovitrum AB 2007-2010. Astra/AstraZeneca 1978–1989 and 1991–2007, amongst other things responsible for global drug development and marketing and business development within AstraZeneca Ltd. and CEO of AstraZeneca Sweden AB. CEO of Astra Hässle AB and responsible for R&D within KABI.
Holds 7,000 shares and stock options entitling to 183,334 shares.*

2. Raymond G. Hill (b. 1945)

Board member since 2008
B. Pharm., Ph.D., D.Sc (Hon) F. Med. Sci.
Other appointments: Visiting Professor at Bristol and Imperial Universities. Member of UK Government Advisory Council on Misuse of Drugs. President Emeritus at the British Pharmacological Society; Member of Finance Committee, Academy of Medical Sciences. Non-Executive Director of Covagen (sold to J&J Sept 2014), Asceneuron and Avilex.
Previous appointments: 25 years of experience from pharmaceuticals industry, mostly in basic drug discovery research, initially for Parke Davis, followed by Smith Kline & French and then Merck. Executive Director of Pharmacology at the Neuroscience Research Centre 1990-2002, followed by a position as Executive Director, Licensing and External Research, Europe for Merck.
Holds stock options entitling to 15,688 shares.*

3. Kristina Schauman (b. 1965)

Board member since 2012
B.Sc. Business and Economics.
Other major appointments: Board member and Chairman of the Audit Committee of Apoteket AB, BillerudKorsnäs AB and ÅF AB, Board member of Livförsäkringsbolaget Skandia and Member of the Advisory Board of Rädda Barnen Sweden.
Previous appointments: CFO at OMX, Carnegie, Apoteket AB, CEO at Apoteket AB and Group Treasurer at Investor AB. Board member of Vasakronan AB and Apoteket Pension Trust.
Holds 10,000 shares (and 4,000 by legal entity).

4. Staffan Lindstrand (b. 1962)

Board member since 2002.
M.Sc. in Engineering.
Other major appointments: Partner of HealthCap since 1997 and is currently, inter alia, Board member of HealthCap AB, Aerocrine AB, PulmonX Inc. and 20/10 Perfect Vision AG.
Previous appointments: Ten years in investment banking.
Holds 963 shares indirectly.

5. Michael Shalmi (b. 1965)

Board member since 2010
M.D., MBA.
Other appointments: Senior Partner in Novo A/S investment unit Novo Growth Equity.
Previous appointments: 15 years at Novo Nordisk; V.P. International Marketing, Corporate VP Haemostasis and Chief Medical Officer BioPharm, V.P. of Haematology Business Unit, V.P. BioPharm Business Unit, and Corporate V.P. Global Development, Clinical Operations Management at Novo Nordisk HQ.
Does not hold any shares in Orexo.

* As per December 31, 2014

Management

1. Nikolaj Sørensen (b. 1972)*

Chief Executive Officer since February 2013, employed since 2011.
M.Sc. Business and Economics.
Previous appointments: International commercial experience of the pharmaceuticals industry from Pfizer and Boston Consulting Group (BCG).
Holds 18,770 shares and stock options entitling to 389,500 shares.*

2. Henrik Juuel (b. 1965)*

EVP and Chief Financial Officer since 2013.
M.Sc. Economics and Business Administration.
Previous appointments: Extensive relevant experience from senior international management positions within the life science industry, including senior finance positions for Novo Nordisk and positions as CFO for NNE Pharmaplan and GN Resound.
Other apppointments: Board member at Baslev A/S.
Holds 20,000 shares and stock options entitling to 145,000 shares.*

3. Robert A. DeLuca (b. 1961)*

President of Orexo U.S. Inc. since 2013.
R. Ph.
Other appointments: Treasurer and Trustee – Academy of Managed Care Pharmacy Foundation, Member of the St. John's College of Pharmacy Advisory Board, Academy of Managed Care Pharmacy and the American and New Jersey Pharmacists Associations.
Previous appointments: Extensive experience establishing commercial operations in the U.S. with a combined background in market access, marketing, and sales. Has held leadership positions at multinational pharmaceutical companies including Sanofi-Aventis, Schering-Plough, Berlex and Pharmacia, and most recently served as Chief Commercial Officer at Archimedes Pharmaceuticals.
Holds stock options entitling to 238,750 shares.*

4. Jesper Lind (b. 1960)

Chief Operating Officer since November 2013.
M.Sc. Chemical Engineering.
Previous appointments: Extensive senior global pharmaceutical manufacturing and supply chain experience from AstraZeneca, Pharmacia Biosensor and Alfa-Laval.
Holds stock options entitling to 58,000 shares.*

5. Åsa Holmgren (b. 1965)

Head of Regulatory Affairs since 2008.
M.Sc. Pharm.
Previous appointments: Extensive experience from several major pharmaceutical companies, including AstraZeneca, and mainly international, strategic assignments within Regulatory Affairs.
Holds stock options entitling to 66,500 shares.*

6. Peter Edman (b. 1954)

Chief Scientific Officer since 2012.
Ph.D. and Associate Professor in Biochemistry
Previous appointments: Extensive experience from senior positions within research and development at Sobi, Biovitrum, AstraZeneca, Astra and Pharmacia. Director at the Swedish Medical Product Agency. Professor in Pharmaceutical Formulation. Adjunct Professor in Drug Delivery for several years.
Holds 5,000 shares and stock options entitling to 112,500 shares.*

7. Michael Sumner (b. 1965)

Chief Medical Officer since 2013.
MB BS, MRCP (UK), MBA
Previous appointments: Extensive experience within the pharmaceutical industry from Novartis Pharmaceuticals, Aventis Behring, Novo Nordisk and most recently held the position of Vice President Clinical and Medical Affairs at Shire.
Other appointments: Scientific Advisory Board FirstString Research Inc.
Holds stock options entitling to 72,500 shares.*

* As per December 31, 2014

Financial Information in Brief

The tables below present financial information for the Orexo Group for the fiscal years 2010 to 2014.

Statement of operations information	2014	2013	2012	2011	2010
Net revenues	570.3	429.4	326.3	199.6	210.5
Cost of goods sold	–107.4	–29.3	–27.9	–29.0	–26.3
Gross profit	**462.9**	**400.0**	**298.4**	**170.6**	**184.2**
Selling expenses	–193.6	–125.1	–62.0	–50.1	–35.2
Administrative expenses	–113.0	–126.4	–82.6	–49.6	–46.8
Research and development costs	–197.8	–238.1	–216.2	–194.4	–161.1
Other operating income and expenses	16.5	–50.1	–17.1	–268.0	–22.8
Operating earnings	–25.0	–139.7	–79.4	–391.5	–81.8
Net financial items	–27.6	–13.7	–8.2	–7.9	–7.5
Earnings after financial items	**–52.6**	**–153.4**	**-87.6**	**–399.4**	**–89.3**
Income tax	–4.0	–1.5	1.7	7.4	–
Net earnings for the year	**–56.6**	**–154.9**	**–85.9**	**–392.0**	**–89.3**

Balance sheet information	2014	2013	2012	2011	2010
Intangible fixed assets	259.2	194.8	135.2	150.9	407.4
Tangible fixed assets	29.1	33.3	35.1	39.2	41.7
Financial fixed assets	1.2	–	18.5	–	–
Inventories	478.1	383.4	28.3	26.7	8.0
Accounts receivable	142.1	36.1	17.5	56.9	99.2
Other current assets	31.7	19.1	19.1	25.5	20.6
Cash and bank balances	284.5	105.6	228.1	246.9	135.8
Total assets	**1225.9**	**772.3**	**481.8**	**546.1**	**712.7**
Shareholders' equity	455.0	161.5	191.2	311.1	468.2
Interest-bearing liabilities	496.2	241.1	120.6	120.9	103.9
Non-interest-bearing liabilities and provisions	274.7	369.7	170.0	114.1	140.6
Total shareholders' equity and liabilities	**1225.9**	**772.3**	**481.8**	**546.1**	**712.7**

Cash flow information					
Cash flow from operating activities before changes in working capital	–35.5	–61.9	–61.0	–117.2	–49.4
Cash flow from changes in working capital	–451.8	–201.3	89.7	–	6.4
Cash flow from operating activities	–487.3	–263.2	28.7	–117.2	–43.0
Acquisition of tangible and intangible assets	–71.7	–107.5	–5.8	–4.7	–3.4
Acquisition of subsidiaries	–	–	–	–10.3	–
Sale of tangible assets	–	–	0.6	–	–
Sale of joint venture	–	–	12.1	–	–
Cash flow after investing activities	–559.0	–370.7	35.6	–132.3	–46.4
Funds from issue of convertible bonds	–	–	–	–	111.2
Amortization of loans	–102.4	–3.0	–2.3	–	–16.0
Borrowings	500.0	234.7	–	11.7	–
New share issues	189.7	19.4	0.8	232.0	–
Buyback of shares	–	–	–53.0	–	–
Sales of treasury shares	152.0	–	–	–	–
Cash flow for the year	180.3	–119.6	–18.9	111.5	48.8
Cash and cash equivalents at year-end	284.5	105.6	228.1	246.9	135.8

Key figures

	2014	2013	2012	2011	2010
Growth in net revenues, %	32.8	31.6	63.5	–5.2	–10.8
Margins and profitability					
Gross margin, %	81.2	93.2	91.4	85.5	87.5
Profit margin, %	–9.2	–35.7	–26.8	–200.1	–42.4
Operating margin, %	–4.4	–32.5	–24.3	–196.1	–38.8
Return on total capital, %	–2.6	–24.4	–13.9	–52.7	–11.9
Return on shareholders' equity, %	–27.5	–88.3	–32.8	–77.7	–17.9
Return on capital employed, %	-3.9	–48.1	–19.9	–63.3	–14.2
Capital structure					
Working capital, net, MSEK	385.7	78.5	–92.8	1.7	–2.7
Working capital, net/net revenues, %	7	–1.7	–14.0	–0.2	0.6
Operating capital, MSEK	666.7	296.9	83.7	185.2	436.3
Capital turnover rate, multiple	91.4	225.6	242.7	64.2	46.1
Shareholders' equity, MSEK	455.0	161.5	191.2	311.1	468.2
Net debt, MSEK	–211.8	–135.4	–107.5	–125.9	–31.9
Debt/equity ratio, multiple	109.1	154	63	39	22.2
Equity/assets ratio, %	37.1	20.9	39.7	57.0	65.7
Current ratio, %	349.3	109.5	173.5	301.4	188.3
Employees					
Average number of employees	111	106	111	110	105
Number of employees at year-end	108	108	97	118	105
Personnel expenses, MSEK	154.4	167.0	138.1	117.6	120.3
Data per share					
Before dilution					
Average number of shares, thousands	32 657	30 018	29 449	27 167	23 403
Number of shares at end of period, thousands	34 346	31 791	28 825	29 865	23 404
Earnings per share after tax, SEK	–1.73	–5.16	–2.92	–14.43	–3.81
Shareholders' equity, SEK	13.25	5.08	6.63	10.42	20.01
Cash flow from operating activities per share, SEK	–14.92	–8.77	0.97	–4.32	–1.84
Dividend, SEK	–	–	–	–	–
After dilution					
Average number of shares, thousands	33 610	32 449	32 101	29 706	25 501
Number of shares at end of period, thousands	35 307	32 977	31 645	32 371	25 943
Earnings per share after tax, SEK	–1.73	–5.16	–2.92	–14.43	–3.81
Shareholders' equity, SEK	12.89	4.90	6.04	9.61	18.05
Cash flow from operating activities per share, SEK	–14.50	–8.11	0.89	–4.32	–1.84

Other Information

2015 Annual General Meeting
The Annual General Meeting of Orexo AB will be held on Wednesday, April 15, 2015 at 4:00 p.m. at Orexo AB, Virdings allé 32A in Uppsala, Sweden.

Registration, etc.
Shareholders who wish to participate in the meeting must be recorded in the share register maintained by Euroclear Sweden AB on Thursday April 9, 2015, and notify Orexo of their intention to attend the meeting not later than on Thursday April 9, 2015 by post to Orexo AB, P.O. Box 303, SE-751 05 Uppsala, Sweden, by telephone +46 (0) 18 780 88 00, by telefax +46 (0) 18 780 88 88, or by e-mail to beata.augenblick@orexo.com.

The notification shall set forth the name, personal/corporate identity number, the number of shares held, telephone number (daytime) and, where applicable, number of assistants (not more than two) that the shareholder intends to bring to the meeting. Shareholders to be represented by proxy should submit a power of attorney (original document) and a certificate of registration or equivalent together with the notification of attendance. A proxy form is available at www.orexo.com.

Shareholders whose shares are registered in the name of a nominee/custodian must temporarily re-register their shares in their own names to be entitled to participate in the meeting. Shareholders must inform their nominee/custodian of such re-registration well before Thursday April 9, 2015 by which date such re-registration must have been executed.

Full information about the Annual General Meeting can be found on the company's website, www.orexo.com.

Financial calendar 2015

Annual Report	March 25, 2015
2015 Annual General Meeting	April 15, 2015, at 4:00pm CET
Interim Report, January–March 2015	April 23, 2015
Interim Report, January–June 2015	July 10, 2015
Interim Report, January–September 2015	October 22, 2015

Contact Investor Relations
Beata Augenblick
+46 (0)18 780 88 00
ir@orexo.com

Glossary

American Depositary Receipt (ADR)
An instrument that is issued by a depositary bank that represents ownership of a company's underlying shares. ADR programs are created to facilitate US investors to hold shares in non-U.S. companies and trade them in the same way as U.S. securities.

Alfentanil
A potent synthetic opioid analgesic drug, used for anaesthesia in surgery.

Anaesthesia
Procedure for lowering a patient's consciousness to enable a medical procedure to proceed without pain for the patient.

Breakthrough pain
A short, intensive period of pain that occurs in addition to chronic levels of long-term pain even though these are treated by regular painkillers.

Buprenorphine
A potent opioid partial agonist first used as a pain-relieving substance, but now most commonly used to help patients withdraw from more addictive opioid drugs such as morphine.

CLI
Cysteinyl Leukotriene Inhibitor.

Clinical studies/Clinical trials
Studies of the safety and efficacy of a drug in human beings.

Drug delivery
The process through which a pharmaceutical may be introduced to the patient that enables the active compound to function as intended.

Fentanyl
An opioid with a similar effect on human patients to morphine. Used mainly within anesthesia and analgesia.

Gastroesophageal Reflux Disease (GERD)
Severe heartburn caused by leakage of stomach acid through the hiatus sphincter up into the oesophagus.

Gastroscopy
Examination of the stomach, oesophagus or duodenum.

GMP
Good Manufacturing Practice.

Helicobacter pylori
A bacterium that can infect the mucous membrane lining of the stomach.

Joint Venture
A partnership in which companies combine assets or resources externally to form a new separate entity to work on the development of a project.

Mucoadhesive
Something which sticks to the surface of the mucosa.

Naloxone
An opioid inverse agonist used to counter the effects of opioids.

Opioids
Collective term for compounds that act via opioid receptors on nerve cells, mainly in the central nervous system.

Opioid analgesic
Pain-relieving compound derived from synthetic or natural opium or morphine.

PGE
Prostaglandin (PG) E2 – biologically active mediator acting upon arachidonic acid locally in inflammatory conditions.

Pharmacokinetics
The processes by which a pharmaceutical is absorbed, distributed and eliminated by the body.

Pharmacological properties
The characteristics or properties of a pharmaceutical, especially those which make it medically effective.

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

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

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

Preclinical development/Preclinical studies
Studies of the safety and efficacy of a drug prior to evaluation in humans. Can be performed on animals and in various cell systems.

Rhinitis
Hay fever.

Sublingual
Under the tongue.

Transmucosal
Administration of a drug through the mucosa.

Zolpidem
A pharmaceutical substance used to treat temporary or short-term insomnia.