Prospectus regarding Listing of Shares in Orexo AB (publ) in connection with the Acquisition of Biolipox AB

In this prospectus, ”Orexo” or the ”Company” means, depending on the context, Orexo AB (publ) or the group in which Orexo AB (publ) is the parent company as of the date of this prospectus. In this prospectus, “Biolipox” means, depending on the context, Biolipox AB or the group in which Biolipox AB is the parent company as of the date of this prospectus. In this prospectus the “Acquisition” means Orexo’s acquisition of all shares and warrants in Biolipox. In this prospectus, “ABG” means ABG Sundal Collier AB.

This prospectus consists of (i) this document, (ii) Orexo’s audited annual report for 2006, (iii) Orexo’s interim report for the first nine months of 2007, (iv) Biolipox’ audited annual report for 2006, and (v) Biolipox’ interim report for the first nine months of 2007.

The Swedish prospectus has been approved by and registered with the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*) (the “SFSA”) in accordance with the provisions of Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980).

Amounts and percentages set forth in this prospectus have been rounded off, why they do not necessarily sum up correctly.

This prospectus may not, directly or indirectly, be distributed in Australia, Canada, Japan or the United States or in any other jurisdictions were the distribution requires filings or other measures in addition to those required by Swedish law or is contrary to provisions in such jurisdiction. The newly issued shares have not been registered and will not be registered in accordance with the United States Securities Act 1933 (the “Securities Act”) or any provinces law of Canada and must not be transferred or offered for sale in the Unites States or Canada or to persons domiciled in those jurisdictions, or on behalf of such persons, unless an exemption from the filing obligation in the Securities Act or in any provinces law in Canada is applicable.

The Company has retained ABG as financial advisor in connection with the Acquisition. ABG has, in addition to remuneration for services agreed in advance, no economic or other interests in the Acquisition.

In connection with the listing of shares in Orexo, two prospectuses have been prepared, one prospectus in Swedish and one prospectus in English. When there is a discrepancy between these prospectuses, the Swedish version shall prevail.

Any dispute arising out of or in connection with the prospectus shall be settled exclusively by Swedish courts applying Swedish law.

Forward-looking Statements

This prospectus includes various forward-looking statements which reflect Orexo’s current view regarding assumptions about future market conditions, operations and results. Actual events or results may differ materially from such statements as a result of risks or other factors that Orexo are affected by. Orexo cautions potential investors that any such forward-looking statements are only valid at the date of this prospectus. Even though Orexo believes that the statements are reliable, they shall not be seen as guarantees of future performance and it should be emphasized that they involve risks and uncertainties. Orexo also cautions potential investors that actual results may differ materially from those made in, or suggested by, the forward-looking statements as a result of various factors. The information contained in this prospectus, including, without limitation, the information in the sections “Orexo - Risk Factors”, “Background and Reasons”, “Orexo - Operating and Financial Review and Prospects”, “Orexo - The Drug Delivery Market”, and “Orexo - Business” identify important factors that could cause such differences. Orexo undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Market and Industry Data

This prospectus contains historical market data and industry forecasts, including information related to the size of the markets in which Orexo operates. This information has been obtained from various sources and Orexo is responsible for a correct reproduction of such information. Even though the Company believes that these sources are reliable, the correctness or completeness of the information can not be guaranteed, since it has not been independently verified. However, as far as Orexo knows and can assure by means of comparison with other information disclosed by the third parties from whom the information has been obtained, no information has been omitted in a way that would make the reproduced information incorrect or misleading.

A glossary of scientific and medical terms used in this prospectus is set forth on page 84 of this prospectus.

TABLE OF CONTENTS

SUMMARY

This summary is only intended to be an introduction to, and a summary of, the more detailed information presented elsewhere in this prospectus. Each decision to invest in the shares that will be listed according to this prospectus shall be based on an evaluation of the entire prospectus and not only on this summary. A person is responsible for information included in, or information that is missing, in the summary or a translation thereof, only if the summary or the translation is misleading or incorrect in relation to other parts of the prospectus. An investor that initiates a lawsuit as a consequence of the information in the prospectus may be responsible for payment of costs for translation of the prospectus.

Summary of Orexo's Acquisition of Biolipox

Orexo and the principal shareholders in Biolipox have on November 12, 2007 entered into a share transfer agreement, whereby the parties have agreed that Orexo shall acquire all shares and warrants in Biolipox through an issue in kind consisting of 7,630,895 shares in Orexo and 926,000 warrants with the right to subscribe for the equivalent number shares in Orexo (the "Issue In Kind"). The warrants that have been issued in the Issue In Kind shall only be exercisable by the owners of Biolipox upon the execution of an out-licensing agreement regarding any of the projects BLX-NLA, BLX-CLI or BLX-2477, or if a milestone payment is received for the BLX-MPI project. If none of these events occurs not later than on December 31, 2009 the warrants will expire.

On November 21, 2007, the board of directors of Orexo resolved, in accordance with the authorization from the extraordinary shareholders' meeting held on November 13, 2007, upon the Issue In Kind, whereby the Company's share capital may be increased by not more than SEK 3,422,758. Only the owners of Biolipox shall have the right to subscribe for the shares and the warrants in Orexo. Payment shall be made by transfer of shares and warrants in Biolipox. The Acquisition is conditional upon that Orexo acquires not less than 90 percent of the shares in Biolipox. This condition is not fulfilled as of the date of this prospectus. The management of Orexo believes that this condition will be fulfilled and closing of the Acquisition is expected to take place on November 23, 2007.

Orexo

Overview

Orexo is a pharmaceutical company that develops new pharmaceuticals within areas that currently shows large therapeutic needs. By using its broad knowledge platforms in medicine and pharmacology, Orexo aims to enhance the therapeutic value of existing pharmaceutical substances further. New patented pharmaceuticals can be developed by combining well documented pharmaceutical substances with Orexo's proprietary, patented drug delivery methods and unique expertise in what is referred to as dry preparations (such as tablets).

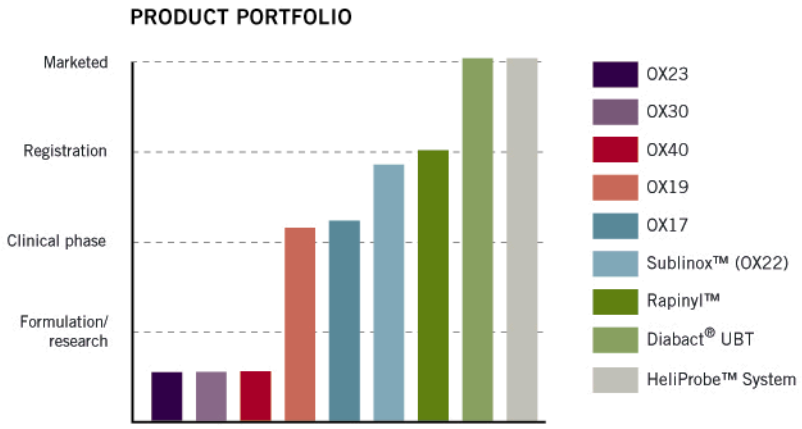
Orexo's development work is carried out with a commercial approach and the Company has chosen to focus on tablet-based, active compounds, *inter alia*, to enable absorption over the oral mucosa. This patented method enables a fast dissoltuion and efficient absorption of the active compound with a minimal part of the active compound being swallowed. In that way new efficient pharmaceuticals may be created within therapy areas such as for example acute pain and insomnia.

Orexo's management believes that the Company operates in a highly attractive segment of the pharmaceutical industry characterized by significantly shorter development times, lower development costs and lower development risks as compared to traditional drug discovery and development, which focuses on the discovery and development of new active compounds. Orexo's management believes that the Company has an extensive portfolio of patents that protects its products and technologies.

Orexo commenced its operations in 1995 and is based in Uppsala, Sweden, where Orexo has established a close collaboration with Uppsala University. As of September 30, 2007 Orexo had 74 full-time employees, the majority of whom were engaged in Research and Development.

Product Portfolio

Orexo currently has the following commercialized products, product candidates which have been filed for registration or which are being prepared for the regulatory review phase, clinical development phase product candidates and advanced formulation development projects.



Business Model and Strategy

Orexo's business model and strategy includes the following key elements:

- Focus on addressing unmet therapeutic needs by combining existing, well documented active compounds with the Company's patented drug delivery technologies and expertise in dry formulations to create novel, proprietary pharmaceuticals.

- Achieve high returns on pharmaceutical development investment by developing proprietary pharmaceuticals that can be brought to the market faster, with lower risks of clinical failure and lower development costs as compared to pharmaceuticals developed through traditional drug discovery and development.

- Advance the product candidates so far in development that the Company receives an optimal value in relation to each single product's potential and risk.

- Retain certain marketing rights and establish a focused, specialty sales organization in selected European markets including the Nordic region. On August 1, 2007 Orexo entered into a joint venture agreement with ProStrakan Holdings BV ("ProStrakan"), a company within the ProStrakan Group regarding an equally owned sales company for the Nordic market. Orexo believes that with certain investments and resources, the Company can establish its own sales organization for certain products in selected European markets also outside the Nordic region.

- Continue to broaden and develop new technology platforms and products by using the Company's patented technologies and expertise and, when appropriate, in-license or acquire new active compounds and new drug delivery technologies.

Competitive Advantages

Orexo's management believes that the Company's business model has a number of strengths that have underpinned its success to date and that will enable it to implement its objective of becoming a successful pharmaceutical company with revenues consisting of, *inter alia*, milestone payments and royalties from collaborating partners and Orexo's own sale of products. Orexo's strengths include:

- Ability to develop new proprietary pharmaceuticals faster, at lower costs and with lower development risks as compared to pharmaceuticals developed through traditional drug discovery and development, by improving the characteristics of well documented pharmaceuticals and pharmacologically active compounds with the Company's proprietary drug delivery technologies.

- An advanced and balanced product portfolio. Orexo currently has two products on the market, three product candidates in late clinical development phase, of which one is licensed in Europe, Japan and the United States and filed for registration in Europe, and one product candidate in early clinical development phase. Orexo further has three projects in formulation phase.

- Proven ability to commercialize the Company's products through license and partnership agreements. Orexo has entered into a number of license and distribution agreements for Rapinyl®. Distribution agreements have also been entered into regarding Diabact® UBT and HeliProbe™ System.

- Leading expertise in dry formulations. Dry formulations are the most common formulations used for pharmaceuticals, and Orexo's management believes that the Company has a leading expertise in this area.

- Strong drug delivery technologies platform. Orexo has a number of patented drug delivery technologies and drug delivery technologies for which patent applications have been filed, which can be applied to several pharmaceutical compounds.

- Strong intellectual property portfolio. Orexo has applied for patent protection for 17 patent families/inventions regarding more than 160 granted patents and approximately 80 patent applications in evaluation phase.

- Focused regulatory strategy. Orexo uses well documented active compounds that have substantial clinical trial history and known side effects, which enables streamlined and effective documentation programs to obtain approval from the regulatory authorities.

- Experienced management team with expertise in Research and Development, clinical and regulatory affairs, sales and marketing, finance and general management from global companies such as AstraZeneca, Pfizer, Pharmacia, Sanofi-Aventis and Wyeth as well as the Swedish Medical Product Agency (*Sw. Läkemedelsverket*).

Drug Delivery Market

The science of drug delivery can be summarized as the process of ensuring that the active compound of a pharmaceutical product is optimally delivered to a patient or an intended disease site. Drug delivery technologies are numerous and can range from tablets or liquids to more advanced technologies such as those designed to deliver pharmacologically active compounds e.g. transmucosally, transdermally, pulmonarily, or intranasally. Drug delivery technologies are widely applicable and are often applied to currently marketed pharmaceuticals as well as new active compounds in development stages. Many registered pharmaceuticals exhibit suboptimal properties such as toxicity, side effects, suboptimal efficacy, slow onset of action, the need for frequent dosing, or administration only by injection. Improvement of such properties is a great opportunity and commercial potential for the drug delivery companies. Modern drug delivery technology also offers an opportunity to develop pharmaceuticals that are designed to penetrate only certain cells within the body (e.g. cancer cells). Irrespective of format, drug delivery technologies provide the opportunity to develop pharmaceuticals that are safer, more effective, more efficient and more convenient, areas of unmet therapeutic need.

Traditional drug delivery companies often offer their technologies as a service to pharmaceutical companies, typically receiving payments and royalties on product sales from the pharmaceutical companies for their services. More recently, certain drug delivery companies, such as Orexo, have started to develop proprietary pharmaceuticals for unmet therapeutic needs by utilizing their own drug delivery technologies.

The overall global pharmaceutical market had sales just over USD 600 billion in 2006, a 6.5 percent increase as compared to 2005[1]. Sales of pharmaceutical products incorporating drug delivery technologies are difficult to estimate depending on how drug delivery is defined. Nexium (AstraZeneca), Seretide (GlaxoSmithKline) and Effexor SR (Wyeth), pharmaceuticals that are included in the IMS list of the worlds most sold pharmaceuticals

[1] Source: IMS Health.

in 2006, are all based on some kind of advanced drug delivery technology[2]. According to the management of Orexo, this clearly shows the important role of drug delivery in developing a successful pharmaceutical product.

Orexo's most important markets are the United States, EU and South East Asia. In addition, no individual country or area contributes with more than 10 percent of the total consolidated sales. The sales figures below are based on the country in which the customer is active. There are no sales among the geographic areas.

	Group			Parent Company		
	2006	**2005**	**2004**	**2006**	**2005**	**2004**
	(SEK thousand)					
Sales Distributed Geographically:						
Nordic region……	5,231	3,045	2,987	5,307	4,541	2,987
Other EU countries……..	78,669	1,900	472	71,877	1,175	472
South East Asia (primarily Japan)……	2,294	282	11,657	1,845	282	11,657
United States……	39,188	57,125	71,525	39,188	57,125	71,525
Other countries…….	6,574	-	74	-	-	74
Total	131,956	62,352	86,715	118,217	63,123	86,715

Summary Financial Information

	Nine months ended September 30		Year ended December 31		
	2007	**2006**	**2006**	**2005**	**2004**
	(SEK million)				
Statement of Operations Data:					
Total income	21.7	80.7	132.0	73.0	87.0
Operating costs.....	-156.2	-106.7	-172.6	-117.5	-92.7
Operating profit/loss	**-134.5**	**-26.0**	**-40.6**	**-44.5**	**-5.8**
Profit/loss after financial items	-128.7	-20.5	-33.0	-43.2	-15.6
Tax on the period's profit.....	0.1	0.0	0.0	0.0	-1.2
Net profit/loss	**-128.6**	**-20.5**	**-33.0**	**-43.2**	**-16.8**

	Nine months ended September 30		Year ended December 31		
	2007	**2006**	**2006**	**2005**	**2004**
	(SEK million)				
Balance Sheet Data:					
Fixed assets.....	65.4	17.6	17.4	8.0	9.2
Inventories and accounts receivables	20.1	31.9	21.2	4.7	2.8
Other non-fixed assets	19.2	8.7	8.8	8.5	5.4
Cash and bank balances	152.5	308.1	332.5	350,1	84.2
Total assets	**257.2**	**366.3**	**379.9**	**371.3**	**101.7**
Equity	202.6	323.2	324.3	338.9	75.1
Receivables and liabilities.....	54.6	43.1	55.6	32.4	26.6
Total equity and liabilities	**257.2**	**366.3**	**379.9**	**371.3**	**101.7**

	Nine months ended September 30		Year ended December 31		
	2007	**2006**	**2006**	**2005**	**2004**
	(SEK million)				
Cash Flow Data:					
Cash flow from operating activities...	-131.8	-30.5	-17.7	-44.0	15.9
Cash flow after investment activities.....	-136.6	-27.4	2.9	-126.6	14.8
Cash flow after financing activities ...	-133.9	-27.0	15.9	176.2	68.8
Liquid funds, closing balance.....	142.5	233.5	276.4	260.5	84.2

[2] Source: IMS Health.

	Nine months ended September 30		Year ended December 31		
	2007	2006	2006	2005	2004
Key Ratios:					
Gross profit margin, %	-593.8	-26.0	-25.0	-69.4	-18.0
Operating profit margin, %	-620.4	-32.0	-30.8	-71.4	-6.7
Return on total capital, %	-41.1	-5.0	-8.6	-33.7	-6.7
Return on shareholders' equity, %	-48.7	-6.0	-9.6	-43.2	-30.3
Return on capital employed, %	-48.7	-6.0	-9.6	-43.1	-9.2
Debt/equity ratio, multiple	-	-	-	-	-
Equity/assets ratio, %	78.7	88.0	85.4	91.3	73.9
Average number of employees	68	50	50	37	23

	Nine months ended September 30		Year ended December 31		
	2007	2006	2006	2005	2004
Data per Share:					
Before dilution					
Average number of shares, thousands	13,924	13,293	13,391	9,996	8,840
Earnings per share after tax, SEK	-9.2	-1.5	-2.5	-4.3	-1.8
Shareholders' equity per share, SEK	14.5	24.3	23.4	25.5	8.1
Dividend, SEK	-	-	-	-	-
After dilution					
Average number of shares, thousands	14,114	14,171	13,605	10,911	9,613
Earnings per share after tax, SEK	-9.2	-1.5	-2.5	-4.3	-1.9
Shareholders' equity per share, SEK	14.3	22.8	23.0	23.8	7.5
After full dilution					
Number of shares after full dilution, thousands	14,896	14,429	14,320	14,578	10,547

Risk Factors

Investments in shares always assume risks. Some of these risks are described below. For a more detailed description, see the section "Orexo - Risk Factors".

Orexo is a drug delivery company in the development stage with only two products on the market and three product candidates in late clinical development phase. Since Orexo has a history of losses and the Company's future profitability is uncertain, investment in the Orexo share has a high degree of risk.

If Orexo's clinical trials are not successful, Orexo may not be able to successfully develop and license or commercialize its products. The market reception for Orexo's products may be negative upon their commercial introduction, which could prevent Orexo from becoming profitable.

Orexo may require substantial additional funds to reach profitability and, if additional capital is not available, Orexo may need to limit, scale back or cease its operations.

Orexo's competitors have greater financial resources and may develop new technologies or products that are more effective, cheaper or appear to be more cost effective than Orexo's products.

Orexo depends on, and is expected to continue to depend on, collaborating partners to develop, conduct clinical trials, obtain regulatory approvals, manufacture, market and sell some of Orexo's product candidates, and these collaborations may not be successful.

Orexo's and its collaborating partners' facilities and processes are subject to regulatory approvals and the manufacture and storage of pharmaceutical and biological products are subject to environmental regulation and risk, which may delay or disrupt Orexo's operations. Legislative or regulatory reform of the healthcare system may also affect Orexo's operations and profitability.

If Orexo is not able to obtain and enforce patent protection for its technologies and product candidates, the Company's ability to develop and license or commercialize its product candidates will be harmed and Orexo may not be able to operate its business profitably.

An active, liquid trading market for Orexo's shares may not develop and the price of Orexo's shares may decline following the listing of the new shares issued in connection with the Acquisition.

Shareholders

As of September 30, 2007 the number of shareholders in Orexo amounted to 1,436. The five largest shareholders as per the same date were HealthCap (35.9 percent of capital and votes), Fjärde AP-fonden (9.5 percent of capital and votes), Nordea Fonder (5.5 percent of capital and votes), Catella Fondförvaltning (5.3 percent of capital and votes) and Carnegie (4.1 percent of capital and votes).

Board of Directors, Management and Auditors

Orexo's board of directors currently consists of Håkan Åström (chairman), Monica Caneman, Johan Christenson, Hans Peter Hasler, Zsolt Lavotha, Staffan Lindstrand, John Sjögren and Kjell Strandberg. The members of the management of Orexo are Zsolt Lavotha (President and Chief Executive Officer), Claes Wenthzel (Executive Vice President and Chief Financial Officer), Thomas Lundqvist (Executive Vice President and Chief Innovation Officer), Göran Smedegård (Vice President of Business Development), Lena Söderström (Managing Director of Kibion AB ("Kibion")) and Mona Cunningham (Senior Director Human Resources). Öhrlings PricewaterhouseCoopers AB with Leonard Daun as the auditor in charge is the auditor of the Company.

At the extraordinary shareholders' meeting in Orexo held on November 13, 2007, the Chief Executive Officer, Zsolt Lavota, resigned as director of the board of directors of the Company and Laurent Ganem and Antoine Papiernik were appointed new directors of the board of directors and Bengt Samuelsson was appointed as new deputy director of the board of directors of the Company for the time until the next annual shareholders' meeting. The resolution is conditional upon the completion of the Acquisition. After the completion of the Acquisition, the board of directors of the Company will consist of Håkan Åström (chairman), Monica Caneman, Johan Christenson, Laurent Ganem, Hans Peter Hasler, Staffan Lindstrand, Antoine Papiernik, John Sjögren and Kjell Strandberg, and Bengt Samuelsson as deputy director.

Biolipox

Overview

Biolipox is a research intensive pharmaceutical company that is developing new treatments for inflammatory diseases. Among these, there are several widespread diseases such as asthma, COPD, rhinitis, pain and arthritis. Biolipox has identified several possible new treatment principles, which form the basis for the development of new classes of pharmaceuticals for these diseases.

The company's leading-edge scientific expertise is research regarding the endogenous substance arachidonic acid and its transformation to biologically active mediators such as prostaglandins and leukotrienes. Such mediators are important for the occurrence of many different inflammatory diseases. This well established research area has, *inter alia*, given rise to well known pharmaceuticals such as the common pain and inflammatory reducing Aspirin and Naproxen and the asthma pharmaceutical Singulair.

Biolipox originate from research at Karolinska Institutet that has a lengthy tradition of conducting research on arachidonic acid, which was proven when the Professors Bengt Samuelsson and Sune Bergström were awarded the Nobel Prize in medicine for the work regarding the discovery of prostaglandins and leukotrienes.

As of September 30, 2007 Biolipox had 52 employees, of which 45 persons were engaged in Research and Development and seven persons were engaged in finance, business development and management.

Biolipox combines, according to the management of Biolipox, unique research with broad competence within all phases of drug discovery and development to create commercially attractive projects.

Product Portfolio

The product portfolio currently consists of five projects: NLA Nasal Spray (BLX-NLA), which is in clinical phase, and four projects in pre-clinical phase (BLX-2477, BLX-MPI, BLX-CLI and BLX-NLA/STEROID). In addition, Biolipox has recently acquired two clinical projects, PDE inhibitors (BLX-914) and LSAIDs™ (Leukocyte Selective Anti-Inflammatory Drugs) (BLX-LSAID).

Product	Indication	Pre-clinical	Phase I	Phase II	Phase III	Comments
BLX-NLA	Rhinitis					
BLX-LSAID	Asthma					Under evaluation
BLX-914	COPD/Asthma					
BLX-2477	Asthma/COPD					
BLX-MPI	Pain					
BLX-CLI	Asthma/COPD					
BLX-NLA/STEROID	Rhinitis					

OREXO - RISK FACTORS

Investments in shares always involve risks. Below is a description of the risk factors are described that are expected to have the greatest impact on Orexo's future development. Any of the following risks as well as other risks and uncertainties discussed in this prospectus could have a material adverse effect on Orexo's business, financial condition, results of operations or prospects or cause the value of Orexo's shares to decline, which could cause shareholders in Orexo to loose all or part of their investment. The risks and uncertainties described below are not presented in order of importance and are not the only ones that Orexo and the Company's shareholders faces. Additional risks and uncertainties that Orexo is unaware of, or that are currently not deemed to be material, may also become important factors that affect Orexo.

Risks Associated with Orexo's Business

Orexo is a drug delivery company in the development stage with only two products on the market and only three product candidates in late clincal development phase.

Orexo is a drug delivery company in development stage. Orexo has two commercialized products, Diabact® UBT and HeliProbe™ System, and one product, Rapinyl®, that has been filed for registration in Europe. In addition, Orexo has three product candidates in late clinical development phase, Rapinyl® (in other markets than Europe), Sublinox™ (*OX 22*) and OX 17 as well as one product candidate, OX 19, in early clinical development phase. OX 40, OX 23 and OX 30 are in formulation phase. Some of Orexo's product candidates have not generated revenues yet, and may never do so.

Future product development efforts of Orexo are subject to the risks of failure inherent in the development of pharmaceutical products. These risks include the possibilities that any or all of Orexo's product candidates will be found to be ineffective, unsafe, toxic, or otherwise fail to either meet applicable regulatory standards or to receive necessary regulatory approvals or permits or turn out to be difficult to develop into commercially viable products.

Although those risk factors are generally less pronounced in the development of novel pharmaceuticals by use of drug delivery technologies than in traditional drug discovery and development, they are still tangible risks to which Orexo's business is exposed. If Orexo is unable to develop, receive approval for, or successfully license or commercialize any of its product candidates, Orexo may be unable to generate sufficient revenues to achieve long term profitability. If Orexo experiences significant delays in completing its projects, obtains unfavorable or only marginally favorable results from its projects, or fails to achieve regulatory approval or market acceptance of its projects, also Orexo's near-term ability to generate revenues, its reputation and its ability to raise additional capital could be impaired and Orexo's share price could decline.

Since Orexo has a history of losses and its future profitability is uncertain, investment in the Orexo share has a high degree of risk.

Orexo has experienced significant operating losses from the inception of its business operations in 1995 through the date of this prospectus. For the nine months ended September 30, 2007, Orexo had a net loss of SEK -128,6 million. A large portion of Orexo's expenses are fixed, including expenses related to facilities, equipment and personnel. In addition, Orexo's management expects Orexo to spend significant amounts to fund research, development, licensing and commercialization of its product candidates and to further develop its core technologies. As a result, Orexo's management expects that Orexo's operating expenses will continue to increase in the near-term. There is no guarantee that Orexo, over time, will have sufficient revenues or positive cash flow to finance its operations. Orexo's management expects that additional revenues that may follow from the already licensed product candidates Diabact® UBT (Japan) and Rapinyl®, and from the licensing of new product candidates, may fluctuate and that the fluctuations could be substantial.

If Orexo's clinical trials are not successful, Orexo may not be able to successfully develop and license or commercialize its products.

To obtain regulatory approvals for the commercial sale of the Company's product candidates, Orexo and its collaborating partners will be required to complete clinical trials on humans to demonstrate the safety and efficacy. Orexo and its collaborating partners may not be able to obtain clearance from regulatory authorities to commence or complete such clinical trials. If clearance is obtained, such clinical trials may prove that Orexo's product candidates are not safe and effective to the extent necessary to permit Orexo and its collaborating

partners to obtain marketing approvals from regulatory authorities. Moreover, positive results demonstrated in formulation development studies and clinical trials that Orexo and its collaborating partners complete may not be indicative of results obtained in future clinical trials. Furthermore, Orexo, its collaborating partners, institutional review boards, or regulatory authorities may suspend clinical trials at any time if it is believed that the subjects or patients participating in such trials are being exposed to unacceptable health risks. Adverse or inconclusive clinical trial results concerning any of Orexo's product candidates may require Orexo and its collaborating partners to conduct additional clinical trials, which could result in increased costs, significantly delay the filing with regulatory authorities, result in a filing for a narrower indication, or cause Orexo and its collaboration partners to abandon the commercialization of the product candidate.

Even if Orexo receives regulatory approval to market its product candidates, the market reception for Orexo's products may be negative upon their commercial introduction, which could prevent Orexo from becoming profitable.

Orexo focuses on the development of novel pharmaceuticals by the application of proprietary drug delivery technologies to well documented active compounds that are often no longer protected by patents. As a result, Orexo's management believes that it should be easier for Orexo to convince the medical community and third-party payers to accept and use its products compared to drug discovery and development companies developing new compounds. However, the drug delivery technologies applied in Orexo's products are new and the products are intended to replace or alter existing therapies or procedures. Hospitals, physicians and patients may conclude that Orexo's products are less safe and effective or otherwise less attractive than existing therapies or procedures. Consequently, there can be no assurance that hospitals, physicians, patients or the medical community in general will accept and use any products that Orexo may develop.

Orexo's success is dependent on key personnel.

Orexo is highly dependent on the members of its management team, other key personnel and consultants and their knowledge and expertise. The loss of any of its key employees or consultants could delay or cause the termination of Orexo's research programs and the development and licensing or commercialization of its product candidates. The future success of Orexo will also to a large extent depend on its continued ability to attract and retain highly qualified scientific and management personnel, as well as personnel with expertise in clinical trials and regulations in force. Orexo faces competition for personnel from other companies, universities, public and private research institutions, government entities and other organizations. If Orexo is unsuccessful in its recruitment and retention efforts, its business will be harmed.

Orexo may require substantial additional funds to reach profitability and, if additional capital is not available, Orexo may need to limit or cease its operations.

Orexo has used and will continue to require substantial funds to conduct Research and Development, including formulation development and clinical trials, of its potential products. Orexo may be required to seek additional external funding in the future and may do so through collaboration arrangements and public or private financing. Additional financing may not be available to Orexo on acceptable terms, or at all. If Orexo is unable to obtain funding on a timely basis, the Company may be required to significantly curtail one or more of its research or development programs.

Orexo's competitors have greater financial resources and may develop new technologies or products that are more effective, cheaper or appear to be more cost effective than Orexo's products.

Many potential competitors of Orexo have greater financial resources and expertise in Research and Development, clinical trials, obtaining regulatory approval and marketing than Orexo.

Orexo competes with many companies and institutions, including pharmaceutical companies, biotechnology companies, academic institutions and research organizations, in developing products based on alternative drug delivery techniques. Competitors may develop more effective, more affordable or more practical products or may achieve earlier patent protection or commercialization of their products than Orexo. These competing products may render Orexo's product candidates obsolete or limit the ability of Orexo to generate revenues from its product candidates.

Technology controlled by third parties that may be advantageous to the business of Orexo may be acquired or licensed by Orexo's competitors, thereby preventing Orexo from obtaining that technology on commercially

reasonable terms, or at all. If Orexo is unable to successfully compete with existing and potential competitors it will cause substantial harm to the Company's business.

Orexo may be exposed to product liability claims and may not be able to obtain or maintain adequate product liability insurance.

The business of Orexo exposes the Company to the risk of product liability claims that is inherent in the manufacturing, testing, and marketing of human therapeutic products. Orexo may not be able to obtain or maintain insurance on acceptable terms, or at all. Moreover, any insurance that Orexo does obtain may not provide adequate protection against potential liabilities. This could have a material adverse effect on Orexo's financial condition and business.

Orexo's operations are concentrated to a few facilities.

All of Orexo's current operations are located in leased facilities, situated in Uppsala, Sweden, and spread over several buildings. A fire, explosion, flood or other disaster resulting in significant damage to these facilities could significantly disrupt or curtail Orexo's operations and could have a material adverse effect on Orexo's business, financial condition and results of operations.

Risks Associated with Corporate Collaborations

Orexo depends on, and is expected to continue to depend on, collaborating partners to develop, conduct clinical trials with, obtain regulatory approvals for, and manufacture, market and sell some of Orexo's product candidates. These collaborations may not be successful.

Orexo relies to a certain extent on third parties to conduct clinical trials of Orexo's product candidates and to develop certain products using Orexo's technology. If these third parties do not carry out their contractual obligations or meet expected deadlines, if the third parties need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to failure to adhere to Orexo's clinical protocols or for other reasons, planned clinical trials may be extended, delayed or terminated. Any extension, delay or termination of Orexo's clinical trials would have a negative impact on the business of the Company and its ability to license or commercialize its products.

In the future, Orexo's management intends for the Company to enter into collaboration agreements with other parties relating to other product candidates in order, *inter alia,* to spread the financial risk associated with pharmaceutical development and commercialization of product candidates. The success of Orexo depends on its ability to attract collaborating partners in the future and to enter into collaboration agreements with such partners on terms favorable to Orexo. However, it is not sure that Orexo will be able to enter into such collaboration agreements. Orexo's collaborating partners may not devote the resources necessary or may otherwise be unable to complete development and commercialization of these potential products.

If Orexo is unable to enter into additional collaboration agreements, Orexo may not be able to continue development of its product candidates.

If Orexo is not successful in its efforts to enter into a collaboration arrangement with respect to a product candidate, it may not have sufficient funds to develop the product candidate internally. If Orexo does not have sufficient funds to develop its product candidates, Orexo will not be able to bring these product candidates to market and generate revenues. This would adversely affect Orexo's business.

Orexo has limited distribution infrastructure and limited sales and marketing experience and may have to rely significantly on third parties which may not be succesfull in the commercialisation of Orexo's products.

Orexo has limited sales and marketing experience and limited distribution infrastructure. Orexo has entered into a collaboration agreement with ProStrakan regarding an equally owned sales company for the Nordic market. As regards greater markets, Orexo intends to rely significantly on sales, marketing and distribution agreements with third parties. Orexo may not be able to enter into such arrangements on terms that are favorable to Orexo, if at all. In addition, Orexo may have limited or no control over the sales, marketing and distribution activities of these third parties.

If Orexo decides to establish its own sales organization for any of its products also in other markets in addition to the Nordic region, the Company's costs will increase significantly.

Orexo does not have any large scale manufacturing capacity and must rely on third parties to manufacture its products or incur significant costs to develop such capacity.

Orexo currently relies on in-house production of the Company's product candidates for formulation development and clinical trial purposes and Orexo's management expects the Company to continue to do so in the future. Although several of Orexo's employees have extensive experience of large scale manufacturing of pharmaceuticals, Orexo lacks the capacity for large scale in house manufacturing. Orexo's management does not currently intend to develop any such manufacturing capacity as it deems it preferable to outsource such production. Orexo has not to date entered into any long term commercial supply agreements. Therefore, to commercialize its current product candidates, Orexo will need to contract for the necessary large scale manufacturing capabilities. Only a limited number of manufacturers can supply certain pharmaceuticals. In addition, the manufacturing process for any of Orexo's products is highly regulated and Orexo will need to contract with manufacturers that can meet the relevant regulatory authorities' requirements on an ongoing basis. Orexo may experience difficulties in obtaining adequate manufacturing capacity for its needs. If Orexo is unable to obtain or maintain contract manufacturing for its future products, if any, or to do so on commercially reasonable terms, Orexo may not be able to successfully commercialize its products.

Risks Associated with Regulatory Matters

Orexo and its collaborating partners are highly dependent on obtaining regulatory approvals required to market and sell Orexo's product candidates.

Orexo and its collaborating partners will not be able to market any of the Company's products in the European Union (the "EU"), the United States or in any other country without first obtaining the requisite marketing approvals from the appropriate regulatory authorities. The regulatory process to obtain market approval for a new pharmaceutical may take many years and usually requires significant financial and other resources.

If Orexo and its collaborating partners do not receive required regulatory approval or clearance to market the Company's product candidates, Orexo's business, financial condition and results of operations could be materially adversely affected.

Orexo's facilities and processes, and those of Orexo's collaborating partners, are subject to regulatory approvals, which may delay or disrupt Orexo's operations.

Following regulatory approval of any of its product candidates, Orexo and its collaborating partners will be subject to continuing regulatory obligations such as safety reporting requirements and additional post-marketing obligations, including regulatory oversight of the marketing of its products. In addition, Orexo or its third-party manufacturers will be required to adhere to regulations setting forth current good manufacturing practices. Furthermore, the manufacturing facilities of Orexo or its third-party manufacturers must pass an inspection by the regulatory authorities before obtaining marketing approval and will be subject to periodic inspection by these regulatory authorities. If Orexo fails to comply with applicable regulatory requirements, Orexo may be subject to fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution, which could adversely affect the business and financial condition of Orexo.

The manufacture and storage of pharmaceutical and biological products are subject to environmental regulation and risk.

Because of the chemical ingredients of pharmaceutical products and the nature of their manufacturing process, the pharmaceutical industry is subject to extensive environmental regulation and to the risk of incurring liability for damages or costs of remediation, renovation or control of environmental problems. There can be no assurance that Orexo will be able to obtain the operating licenses necessary to conduct the Company's business in the future. If Orexo fails to comply with environmental regulations relating to the proper use, discharge or disposal of hazardous materials or otherwise fails to comply with conditions attached to operating licenses, such licenses could be revoked and Orexo could be subject to criminal sanctions and substantial liability and costs or could be required to modify or temporarily suspend its operations.

Reforms of the healthcare system may affect Orexo's operations and profitability.

In many jurisdictions affecting Orexo's business, there have been a number of legislative and regulatory proposals to change the healthcare system in ways that could affect the ability of Orexo to conduct its operations profitably. The potential for adoption of such proposals affects or will affect Orexo's ability to raise capital, find

additional collaborating partners and market its products. Orexo's results of operations could be adversely affected by future healthcare reforms.

The success of Orexo depends upon the eligibility of its products for reimbursement through private and government sponsored healthcare payment systems. Any developments that eliminate or reduce reimbursement rates for Orexo's products in any of Orexo's potential markets, could have an adverse effect on the ability of Orexo to sell its products or cause its customers in these markets to use less expensive products.

Risks Associated with Orexo's Intellectual Property

If Orexo is not able to obtain and enforce patent protection for its technologies and product candidates, the Company's ability to develop and license or commercialize such product candidates will be harmed and Orexo may not be able to operate its business profitably.

The success of Orexo depends, in part, on its ability to protect methods and technologies that Orexo develops under patent and other intellectual property laws of different countries, so that Orexo can prevent others from using the Company's inventions and protected information. Since certain patent applications are confidential until patents are issued, third parties may have filed patent applications for technologies covered by Orexo's pending patent applications without Orexo being aware of such applications, and Orexo's patent applications may not have priority over patent applications of others, if any.

Despite Orexo's efforts to protect its rights, unauthorized parties may be able to obtain and use information that Orexo regards as proprietary. The mere issuance of a patent does not guarantee that it is valid or enforceable, so even if Orexo obtains patents, they may not be valid or enforceable against third parties.

The pending patent applications of Orexo may not result in issued patents. The patent position of pharmaceutical or biotechnology companies, including Orexo, is generally uncertain and involves complex factual and legal considerations. The rules that patent offices in different countries use to grant patents are not always applied predictably or uniformly and may be changed.

If Orexo becomes involved in litigation or other proceedings to enforce its patent rights or to defend itself against claims relating to infringement by Orexo of third-party intellectual property rights, Orexo could incur substantial costs and expenses or substantial liability for damages, or be required to stop its product development and commercialisation efforts for one or several of the Company's product candidates.

A third party may sue Orexo for infringing on its patent rights. Likewise, Orexo may need to resort to litigation to enforce a patent issued to Orexo or to determine the scope and validity of third-party proprietary rights. The costs for Orexo of any litigation or other proceeding relating to intellectual property rights, even if resolved in Orexo's favor, could be substantial, and the litigation could also divert the efforts of Orexo's management from the Company's business. Some of Orexo's competitors may be able to sustain the costs of complex patent litigation more effectively than Orexo because they have substantially greater resources. Uncertainties resulting from the initiation and continuation of such litigation could limit Orexo's ability to continue its operations.

If any party should claim that Orexo's creation or use of technologies infringes upon such party's intellectual property rights, Orexo might be forced to pay damages and stop the infringing activity. Orexo or its collaboration partners may be forced to obtain a license in order to continue to manufacture or market the affected products and processes. Such license required under a third-party patent may not be made available on commercially acceptable terms, if at all. In addition, some licenses may be non-exclusive, and therefore, Orexo's competitors may have access to the same technology as that licensed to Orexo.

If Orexo is unable to protect its trade secrets and know-how, the value of its technology and product candidates will be adversely affected.

Orexo relies upon unpatented trade secrets, know-how and continuing technological innovations to develop and maintain its competitive position. Orexo's failure to protect its trade secrets, know-how and technologies may undermine its competitive position and adversely affect the value of Orexo's products and product candidates.

Risks Associated with Orexo's Shares

An active, liquid trading market for Orexo's shares may not develop.

Orexo's share price has been volatile since the Company was listed on the OMX Nordic Exchange Stockholm. Historical increases in share value are not a guarantee for future positive development for the new shares listed in connection with the Acquisition. The trading activity in the Company's shares has generally been low and Orexo is unable to predict the extent to which investors' interest in Orexo will develop. Usually, a less active trading in the shares increases the volatility, which causes a greater risk for major fluctuations of prices. However, an increased trading activity is not a guarantee for a less volatile share price of the Orexo share.

The price of the Orexo share may decline.

The price of the Orexo share may decline after the completion of the Acquisition due to the increased number of shares in the Company. Orexo's share price may also fluctuate significantly in response to factors that are completely beyond Orexo's control. The stock market in general has historically experienced strong price and volume fluctuations. The market prices of securities of many pharmaceutical, biotechnology and other life science companies have been volatile, and have experienced fluctuations that repeatedly have been unrelated or disproportionate to the operating performance of these companies. For example, Orexo's share price could be adversely affected if pharmaceuticals developed by other pharmaceutical, biotechnology and life science companies are not successful in clinical trials, fail to achieve regulatory approval or are not accepted in the marketplace, even though these failures may not be related to the product candidates or technology of Orexo. These broad market fluctuations could result in extreme fluctuations in the price of the Orexo share, which could result in a decline in the value of investors' shares.

Orexo has never paid dividends and Orexo does not expect to pay dividends in a foreseeable future.

Orexo has paid no dividends on any of its shares to date, and the board of directors of Orexo currently intends to retain Orexo's future earnings to fund the development and growth of Orexo's business. In addition, the terms of any future debt or credit facility may preclude Orexo from paying any dividends. As a result, capital appreciation, if any, of Orexo's shares will be the sole source of gain for shareholders in Orexo for a foreseeable future.

OREXO'S ACQUISITION OF BIOLIPOX

Orexo and the principal shareholders in Biolipox have on November 12, 2007 entered into a share transfer agreement, whereby the parties have agreed that Orexo shall acquire all shares and warrants in Biolipox through the Issue In Kind. The warrants that have been issued in the Issue In Kind shall only be exercisable by the owners of Biolipox upon the execution of an out-licensing agreement regarding any of the projects BLX-NLA, BLX-CLI or BLX-2477, or if a milestone payment is received for the BLX-MPI project. If none of these events occurs not later than on December 31, 2009 the warrants will expire.

On November 21, 2007, the board of directors of Orexo resolved, in accordance with the authorization from the extraordinary shareholders' meeting held on November 13, 2007, upon the Issue In Kind, whereby the Company's share capital may be increased by not more than SEK 3,422,758. Only the owners of Biolipox shall have the right to subscribe for the shares and the warrants in Orexo. Payment shall be made by transfer of shares and warrants in Biolipox. The Acquisition is conditional upon that Orexo acquires not less than 90 percent of the shares in Biolipox. This condition is not fulfilled as of the date of this prospectus. The management of Orexo believes that this condition will be fulfilled and closing of the Acquisition is expected to take place on November 23, 2007.

Following the completion of the Acquisition and the exercise of the warrants issued in the Issue In Kind, the shareholders in Biolipox will own approximately 38 percent and the shareholders in Orexo will own approximately 62 percent of Orexo, including Biolipox (the "Combined Company").

The principal shareholders in Biolipox have undertaken not to sell, transfer, pledge or otherwise dispose over the shares and warrants in Orexo received in connection with the Acquisition for a period of three months after the completion of the Acquisition. HealthCap further undertakes, during a period of twelve months from closing of the Acquisition, not to transfer any shares in Orexo or the warrants that HealthCap has received in connection with the Acquisition without the prior written consent of ABG. Such consent shall not be unreasonably withheld.

If the Acquisition would have been completed as of September 30, 2007 the Combined Company would on the same date have had 126 employees, of which 93 worked with drug development. The Combined Company's head office will be situated in Uppsala. The board of directors of the Combined Company will consist of Håkan Åström (chairman of the board of directors), Monica Caneman, Johan Christenson, Laurent Ganem, Hans Peter Hasler, Staffan Lindstrand, Antoine Papiernik, John Sjögren and Kjell Strandberg, and Bengt Samuelsson as deputy director. Torbjörn Bjerke, Chief Executive Officer of Biolipox, will become the new Chief Executive Officer of the Combined Company. Cleas Wenthzel will continue to serve as the Executive Vice President and Chief Finance Officer. Orexo's current Chief Executive Officer, Zsolt Lavotha, will, due to personal reasons, leave his operational responsibilities in the Company and become Senior Advisor to the board of directors of Orexo. Orexo and Zsolt Lavotha have entered into a consultancy agreement regarding Zsolt Lavotha's position as Senior Advisor, which is valid up to and including December 31, 2008. The total remuneration under the consultancy agreement amounts to SEK 4.5 million.

BACKGROUND AND REASONS

Orexo is a pharmaceutical company with a broad knowledge in medicine and pharmacology, using its own patented drug delivery methods to develop new patentable pharmaceuticals through further development of existing pharmaceutical substances. The development work is driven by a commercial view with the aim of, given the development risks and costs, retaining optimal commercial value of Orexo's product candidates before license agreements are entered into, by running the projects, completely or partly, through the clinical phase.

The Acquisition will create an innovative specialty pharma company with a broad product portfolio, global partnerships with great financial potential and established sales channels. The companies will together create shareholder value through operational synergies and by optimizing the combined product portfolio.

Orexo will be developed as a growing pharmaceutical company with focus on the specialty pharma areas. Primary focus will be on development and commercialization of products in the areas of pain management and respiratory diseases, targeting well defined patient groups and specialist physicians. This will enable Orexo to play a fully integrated role from research to commercialization.

Biolipox' product portfolio includes several development projects in the areas of pain management and respiratory diseases. Biolipox' strategy has been to seek new partnerships at an early stage in an effort to reduce financial risk. The Combined Company's product portfolio will consist of a number of priority projects, most of which are in late stage development, as well as a number of other projects which will be evaluated by the management. Tangible synergies and efficiency gains of approximately SEK 40 million per year are expected to be achieved by the Combined Company.

Following the Acquisition, the Combined Company will have cash and short term investments for more than twelve months, excluding new agreements regarding out-licensing and milestone payments, but including future payments under present agreements with current partners. If the Acquisition would have been completed as of September 30, 2007, the Combined Company would on the same day have had cash and short term investments of SEK 242 million. In addition, the Combined Company will receive guaranteed revenue and capital contributions of in total approximately SEK 171 million for the remaining months of 2007.

Provided that agreed milestones are achieved and agreed milestone payments are received, the Combined Company will have a positive cash flow from and including 2008. Excluding license and milestone payments from new agreements, the business will generate a positive cash flow at the earliest in 2010.

For additional information, please see the description in this prospectus, which has been prepared in accordance with the Swedish Financial Instruments Trading Act (1991:980) by Orexo's board of directors. Orexo's board of directors is responsible for the contents of this prospectus, except for the information concerning Biolipox on pages 9-10 and 81-83 in this prospectus. Information regarding the directors is set forth in the section "Orexo - Board of Directors, Management and Auditors" on pages 64-66 of this prospectus. Orexo's board of directors hereby assures that it has taken every reasonable precaution to ensure that the information in this prospectus, to its knowledge, is in accordance with factual circumstances and that nothing that would change the picture of Orexo given in this prospectus has been left out.

Uppsala, November 22, 2007

Orexo AB (publ)
The board of directors

INFORMATION ABOUT THE SHARES TO BE LISTED

Newly Issued Shares

The new shares issued in connection with the Acquisition shall entitle to the same rights as existing shares in Orexo. The new shares shall entitle to dividend from and including the financial year 2007.

General Information about the Orexo Share

The shares in Orexo have been issued in accordance with Swedish law and the shareholders rights may only be changed in accordance with the Swedish Companies Act (2005:551). The shares in Orexo are denominated in SEK.

Each share carries one vote at shareholders' meetings. A shareholder is entitled to vote for all of its shares without any limitations. Each share carries equal rights to dividend as well as possible surplus after liquidation. The shares are not subject to any transfer restrictions. In the event of an issue of new shares, the existing shareholders have preferential rights to newly issued shares in accordance with the provisions of the Swedish Companies Act.

The Orexo share is listed on the Nordic List on the OMX Nordic Exchange Stockholm. The share was listed on November 9, 2005 on the O-list of the OMX Nordic Exchange Stockholm. A trading lot consists of 100 shares. The chart below demonstrates the trends in market prices of the Orexo share for the period from and including November 9, 2005 up to and including November 13, 2007.

The newly issued shares are expected to become subject to trading around December 5, 2007. The ISIN code for the shares is SE0000736515. Orexo's ticker on the OMX Nordic Exchange Stockholm is ORX.

Orexo's shares are currently not subject to any mandatory offer, right of redemption or obligation of redemption. Neither has any public offer regarding Orexo's shares been made during the current or previous financial year.

VPC, Dividend, etc.

Orexo is a VPC company and its shares are registered electronically and its share register is maintained by VPC AB ("VPC") (P.O. Box 7822, 103 97 Stockholm). The shareholders do not receive any physical share certificates and all transactions with the shares are carried out electronically by registration in the VPC system by authorized banks and other securities brokers.

Orexo did not pay any dividend to its shareholders for the financial year 2006. For more information regarding dividend policy, see the section "Dividend Policy" below. It is the shareholders' meeting that resolves upon dividend and payment of dividend is administered by VPC. Only such shareholders that are registered in the share register maintained by VPC on the record day for the dividend resolved upon by the shareholders' meeting have the right to receive dividend. Dividend is usually paid as a cash amount per share through VPC but may also be paid in other ways than through a cash payment. If a shareholder can not be reached for receipt of the

dividend, the shareholder's claim on the Company remains valid and is only restricted by general rules on statutory limitation. If the claim becomes statute-barred, the Company is entitled to receive such amount. There are no restrictions or specific procedures for dividend to shareholders resident abroad.

Dividend Policy

At the date of this prospectus, Orexo's board of directors intends to carry forward possible profits to fund future growth and the operations of the business. The board of directors is not going to propose any dividend to the shareholders' meeting until long term profitability is expected. Based on the Company's financial position and negative result, the board of directors does not expect any dividend to be paid in the coming years.

Lock-up

The principal shareholders in Biolipox have undertaken not to sell, transfer, pledge or otherwise dispose over shares and warrants in Orexo received in connection with the Acquisition for a period of three months after the completion of the Acquisition. HealthCap further undertakes, during a period of twelve months from closing of the Acquisition, not to transfer any shares in Orexo or the warrants that HealthCap has received in connection with the Acquisition without the prior written consent of ABG. Such consent shall not be unreasonably withheld.

TAX ISSUES IN SWEDEN

The following is a summary of certain Swedish tax consequences related to the Acquisition for shareholders and holders of warrants in Biolipox who receive shares in Orexo and who are resident in Sweden for tax purposes, unless otherwise stated. The summary is based on current legislation and is intended to provide general information only.

The summary does not cover:

- *situations where private individuals are deemed resident in Sweden due to their personal or financial connections with Sweden;*
- *situations where securities are held as current assets (Sw. lagertillgångar) in business operations;*
- *situations where securities are held by a partnership;*
- *shareholders holding shares in Orexo that are deemed to be held for business purposes[3];*
- *shareholders in Biolipox who transfer shares in Biolipox against consideration in the form of warrants in Orexo;*
- *the special rules which in certain cases may be applicable to shares and warrants in companies which are or have been so-called closely-held companies or to shares and warrants that have been acquired by means of such shares or warrants;*
- *foreign companies conducting business from a permanent establishment in Sweden;*
- *foreign companies that have been Swedish companies; or*
- *the special tax rules that may apply to certain categories of corporate shareholders.*

The tax consequences for each shareholder and holder of warrants depend to some extent on the holder's particular circumstances. Each shareholder and holder of warrants should consult a tax advisor as to the tax consequences relating to their particular circumstances resulting from the Acquisition, including the applicability and effect of foreign income tax legislation (including regulations) and provisions in tax treaties for the avoidance of double taxation. The summary is based on the assumption that the shares and warrants in Biolipox are deemed not to be listed for tax purposes and that the consideration for the warrants is corresponding to market price. However, no guarantee that the shares and warrants will not be deemed to be listed and that the consideration for the warrants will be deemed to correspond to market price is given. The following summary is furthermore based on the assumption that the warrants in Biolipox are deemed not to be employee stock options (Sw. personaloptioner) for tax purposes. However, no guarantee that the warrants in Biolipox will not be deemed to be employee stock options is given.

Private Individuals

Taxation upon Disposal of Shares in Biolipox

For a private individual who is domiciled or has a habitual abode in Sweden who exchanges his/her Biolipox shares for Orexo shares, no taxable capital gain or deductible capital loss is considered to arise, provided that the rules on roll-over relief are applicable. In order for these rules to apply, it is necessary that Orexo will own Biolipox shares representing more than 50 percent of the voting power of Biolipox at the end of the calendar year when the disposal takes place. Provided that the Acquisition is completed, Orexo will hold shares in Biolipox in such manner that this requirement will be met. In order for the rules on roll-over relief to apply, it is also necessary that the consideration for the divested shares in Biolipox corresponds to market price. The Orexo shares received are considered to have been acquired for the acquisition value applicable to the divested shares in Biolipox. It should be noted that the exchange of shares itself does not need to be declared in the tax return. However, a disposal of Orexo shares received in connection with the Acquisition gives rise to capital gains taxation which must be declared in the tax return (see the section "Taxation upon disposal of the Orexo shares" below).[4]

[3] Listed shares are deemed to be held for business purposes for certain shareholders if, among other things, the shares are held as capital assets by the holder and the holding either represents at least 10 percent of the votes or is connected to the owning company's business (or to the business of an affiliated company).

[4] It should be noted that if a private individual moves out of Sweden and if the rules on roll-over relief have been applied, a "fictitious" capital gain assignable to the share exchange would become taxable. However, the Administrative Court of Appeal in Stockholm has in decisions held that the requirement of Swedish residence in the Swedish rules on roll-over relief is contrary to EU law. Furthermore, the Swedish Tax Agency is of the opinion that in situations where a private individual moves out of Sweden to another EU or European Economic Area country and the rules on roll-over relief have been applied, no capital gains taxation shall be triggered by the emigration.

Taxation upon Disposal of Warrants in Biolipox

When a private individual disposes of warrants in Biolipox in connection with the Acquisition, a liability for capital gains taxation will arise (see below).

It should be noted that the rules on roll-over relief do not apply with regard to the warrants in Biolipox that are disposed in connection with the Acquisition.

Taxation upon Disposal of the Orexo Shares

When a private individual disposes of the Orexo shares received in connection with the Acquisition, a liability for capital gains taxation will arise (see below).

General Information concerning Taxation of Private Individuals

For private individuals, capital gains are taxed in the capital income category at a rate of 30 percent. Capital gains and capital losses on shares and warrants are computed as the difference between the consideration (after deduction of selling expenses) and the acquisition value for disposed shares or warrants.

When the capital gain or the capital loss is computed, the acquisition value for all shares or warrants of the same class and type shall be added together and computed collectively in accordance with the so-called average method (*Sw. genomsnittsmetoden)*. For listed shares, the acquisition value may as an alternative be determined as 20 percent of the net consideration in accordance with the so-called standard method (*Sw. schablonmetoden*).

Capital losses on listed shares may be fully offset against taxable capital gains the same year on shares, as well as on listed securities taxed as shares (however not investment funds containing Swedish receivables only, *Sw. räntefonder*). Capital losses on listed shares not absorbed by these set-off rules are deductible at 70 percent in the capital income category. Capital losses on warrants that are not listed are deductible at 70 percent in the capital income category.

Should a net loss arise in the capital income category, a reduction is granted of the tax on income from employment and business operations, as well as property tax. This tax reduction is granted at 30 percent of the net loss that does not exceed SEK 100,000 and at 21 percent of any remaining net loss. An excess net loss cannot be carried forward to future tax years.

Taxation of Dividends on Orexo Shares

For private individuals, dividends on Orexo shares are taxed in the capital income category at a rate of 30 percent. For private individuals resident in Sweden for tax purposes, a preliminary tax of 30 percent is withheld on dividends. The preliminary tax is normally withheld by VPC or, in respect of nominee registered shares, by the nominee.

Swedish Net Wealth Tax[5]

Shares that are listed on the Nordic List of the OMX Nordic Exchange Stockholm, without being registered with the OMX Nordic Exchange Stockholm, such as Orexo shares, are, according to the Net Wealth Act currently in force, not subject to Swedish net wealth tax.

Swedish Limited Liability Companies

Taxation upon Disposal of Shares in Biolipox

For Swedish limited liability companies (*Sw. aktiebolag)* that exchange their Biolipox shares for Orexo shares, no liability for capital gains taxation will occur, provided the shares in Biolipox are deemed to be business related shares. Shares in a Swedish limited liability company which are not listed and which are held as capital assets by the holder are deemed to be business related shares. Capital losses on business related shares are not tax deductible.

[5] The Swedish Government has in the bill 2007/08:26 proposed that the Swedish net wealth tax shall be abolished entirely as of 1 January, 2007.

Special tax rules may apply to certain categories of companies or certain legal persons, e.g. investment funds and investment companies.

Taxation upon Disposal of Warrants in Biolipox

When a Swedish limited liability company disposes of warrants in Biolipox in connection with the Acquisition, a liability for capital gains taxation will arise (see below).

Taxation upon Disposal of the Orexo Shares Received

When a Swedish limited liability company disposes of the Orexo shares received in connection with the Acquisition, a liability for capital gains taxation will arise (see below).

General Information concerning Taxation of Swedish Limited Liability Companies

For limited liability companies all income, including capital gains, is taxed as income from business operations at a rate of 28 percent. Capital gains and capital losses on shares and warrants are computed as the difference between the consideration (after deduction of selling expenses) and the acquisition value for disposed shares or warrants.

When the capital gain or the capital loss is computed, the acquisition value for all shares or warrants of the same class and type shall be added together and computed collectively in accordance with the so-called average method (*Sw. genomsnittsmetoden)*. For listed shares, the acquisition value may as an alternative be determined as 20 percent of the net consideration in accordance with the so-called standard method (*Sw. schablonmetoden*).

Capital losses on shares and warrants may only be offset against capital gains on shares and other securities taxed as shares. If a capital loss cannot be deducted by the company that has suffered the loss, it may be deducted the same year from another legal entity's capital gains on shares and other securities taxed as shares, provided the companies are entitled to tax consolidation (through group contributions) and that both companies request this at the same year of assessment. A net capital loss on shares and warrants that cannot be utilized during the year of the loss, may be carried forward and offset in future years against capital gains on shares and other securities taxed as shares, without any limitation in time.

Special tax rules may apply to certain categories of companies or certain legal persons, e.g. investment funds and investment companies.

Taxation of Dividends on Orexo Shares

For Swedish limited liability companies, dividends on Orexo shares are taxed as income from business operations at a rate of 28 percent.

Shareholders and Holders of Warrants not Resident in Sweden for Tax Purposes

For shareholders not resident in Sweden for tax purposes that receive dividends on shares in a Swedish limited liability company, Swedish withholding tax is normally withheld. The same withholding tax applies to certain other payments made by a Swedish limited liability company, for example payments as a result of redemption of shares and repurchase of shares through an offer directed to all shareholders or all holders of shares of a certain class. The withholding tax rate is 30 percent. The tax rate is, however, generally reduced through tax treaties for the avoidance of double taxation. In Sweden, VPC or, in respect of nominee registered shares, the nominee normally effects the withholding tax deductions.

Shareholders and holders of warrants not resident in Sweden for tax purposes and not conducting business from a permanent establishment in Sweden are normally not liable to capital gains taxation in Sweden upon disposals of shares or warrants. Shareholders and holders of warrants may, however, be subject to taxation in their state of residence.

However, according to a special rule, private individuals not resident in Sweden for tax purposes may be subject to Swedish capital gains taxation upon disposals of shares and warrants in Biolipox and shares in Orexo, if they have been residents of Sweden or have had a habitual abode in Sweden at any time during the calendar year of disposal or the ten calendar years preceding the year of disposal. In a number of cases though, the applicability of this rule is limited by the applicable tax treaty for the avoidance of double taxation.

OREXO - PRO FORMA FINANCIAL INFORMATION

Accounting and Conditions for the Pro Forma Financial Information

The pro forma financial information below has been prepared in order to provide a summary of the financial effects of the Acquisition, including the related financing by the Issue In Kind. The pro forma financial information is intended to describe a hypothetic situation and it does not set forth the Combined Company's real result or financial position if the Acquisition had been made at specified point in time, but has been prepared to give some guidance. Calculated synergies have not been taken into account. The Acquisition involves an acquisition of shares and warrants in Biolipox with payment in kind, consisting of shares and warrants in Orexo.

The pro forma financial information for 2006 is based on audited full year figures for the Orexo and Biolipox group, respectively. Both Orexo and Biolipox prepare their consolidated financial statements in accordance with IFRS and except for reporting of license payments, the consolidated financial statements for Biolipox is prepared in accordance with the same accounting principles as Orexo applies.

The Acquisition will be reported in accordance with the acquisition method (IFRS 3). An acquisition balance sheet shall be prepared as of the date of closing of the acquisition, which is expected to take place during the second half of November 2007. A final acquisition balance sheet shall be adopted not later than twelve months following closing. The acquisition balance sheet will, in accordance with IFRS 3, be based on the acquisition value/transaction value and the estimated market value for the acquired assets and liabilities, respectively, at the time of the transfer. In connection with the preparation of the acquisition balance sheet, Biolipox' assets and liabilities shall be valued at market value. The difference between the purchase price and the acquired net assets, valued at market value, will result in a surplus that will be reported as goodwill. Since the Acquisition and closing of the Acquisition are expected to take place during the second half of November 2007, it has not been possible to determine the market value of the different assets at the preparation of the pro forma financial information. The final purchase price will further be determined by the market value of Orexo's shares at the time of the Acquisition. Thus, the entire difference between the calculated purchase price and reported net assets, with the adjustments described under the section "Pro Forma Adjustments in the Statement of Operations - License Income", has been reported as goodwill in the preliminary acquisition analysis used in the pro forma financial information. In the final acquisition analysis other intangible assets will be identified and reported. Such assets will be written off over their estimated life time and will thereby affect the result.

Statements of Opreations Pro Forma

The statements of operations pro forma for the calendar year 2006 have been prepared as if the Acquisition and the Issue In Kind had taken place as of January 1, 2006.

Summary	Orexo 1 January - 31 December 2006	Biolipox 1 January - 31 December 2006	Pro Forma Adjustments	Pro Forma 1 January - 31 December 2006
	(SEK thousand)			
Net revenue	131,956	40,488	47,412	219,856
Cost of goods sold	-11,151	-		-11,151
Gross profit	**120,805**	**40,488**	**47,412**	**208,705**
Selling costs	-7,849	-	-	-7,849
Administration costs	-57,437	-27,222	-	-84,659
Research and Development costs	-94,512	-91,744	-	-186,256
Other operating income	678	2,007	-	2,685
Other operating income and expenses	-2,275	-1,020	-	-3,295
Operating profit/loss	**-40,590**	**-77,491**	**47,412**	**-70,669**
Profit/loss from financial investments				
Interest income	7,516	7,179	-	14,695
Interest expenses	-24	-177	-	-201
Other financial items	115	-	-	115
Total profit/loss from financial investments	**7,607**	**7,002**	**0**	**14,609**
Tax	40	-	-	40
Profit/loss of the year	**-32,943**	**-70,489**	**47,412**	**-56,020**

Pro Forma Adjustments in the Statements of Operations

License Income

The net revenue has been adjusted for a license income, which Biolipox received from a counter party to an agreement during 2005. Such payment has been reported as income 2005 in Biolipox. Orexo's interpretation of IAS 18 is that such payment shall be reported linear over the term of three years of the joint development agreement. No tax is reported for 2006 as the Biolipox group did not report any tax income relating to the profit/loss of the year.

Goodwill

No pro forma adjustments, other than those described above, have been made in the statements of operations. As set forth above, the entire surplus has been classified as goodwill in the preliminary acquisition balance sheet, used in the pro forma financial information. No adjustments are made for depreciation of the acquired intangible assets or related tax effects on the statements of operations pro forma, which will be made when the final acquisition balance sheet is prepared.

Balance Sheet Pro Forma

The balance sheet pro forma has been prepared as if the Acquisition and the Issue In Kind had taken place as of December 31, 2006.

Summary	Orexo 31 December 2006	Biolipox 31 December 2006	Pro Forma Adjustments	Pro Forma 31 December 2006
	(SEK thousand)			
ASSETS				
Fixed assets				
Tangible fixed assets	6,392	9,577	-	15,969
Intangible fixed assets	1,974	-	-	1,974
Goodwill	8,988	-	820,100	829,088
Financial fixed assets				0
Total fixed assets	**17,354**	**9,577**	**820,100**	**847,031**
Current assets				
Inventories	9,234	-	-	9,234
Short term accounts receivables	20,810	9,142	-	29,952
Short term investments	56,126	-	-	56,126
Cash and bank balances	276,408	154,810	-	431,218
Total current assets	**362,578**	**163,952**	**0**	**526,530**
TOTAL ASSETS	**379,932**	**173,529**	**820,100**	**1,373,561**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	5,554	905	2,519	8,978
Other contributed capital	351,633	158,851	817,581	1,328,065
Net loss	-32,837	-22,973	-90,875	-146,685
Total shareholders' equity	**324,350**	**136,783**	**729,225**	**1,190,358**
Long term liabilities				
Provisions	4,819	5,938	-	10,757
Other long term liabilities	356	2,062	-	2,418
Total long term liabilities	**5,175**	**8,000**	**0**	**13,175**
Short term liabilities, non interest-bearing	50,407	28,746	90,875	170,028
Total liabilities	**55,582**	**36,746**	**90,875**	**183,203**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**379,932**	**173,529**	**820,100**	**1,373,561**
Pledged assets	3,500	-	-	3,500
Contingent liabilities	7,250	-	-	7,250

Pro Forma Adjustments in the Balance Sheeet

Purchase Price

The preliminary calculated purchase price has been calculated based on an average share price during the last 45 days of trading prior to signing of the letter of intent on October 14, 2007 (the "Letter of Intent") and amounts to SEK 856 million, excluding expenses for the Acquisition that are estimated to amount to SEK 10 million, which gives a total purchase price of SEK 866 million. The final purchase price will be based on the market value of Orexo's shares at closing of the Acquisition.

License Income

The license income that was received during 2005 (see the section "Pro Forma Adjustments in the Statements of Operations - License Income" above) has been reported as a pre-paid income under short term liabilities in the balance sheet. The liability is released linear and is reported as income during three years and, in the balance sheet pro forma, 13 of in total 36 months have been released.

Intangible Assets

In connection with the preparation of the acquisition balance sheet for Biolipox, assets and liabilities shall be valued at market value. The difference between the purchase price and the acquired net assets, valued at market value, will result in a surplus which will be reported as goodwill. As set fourth above the entire difference between the calculated purchase price and reported net assets adjusted in accordance with what is set forth in the section "Pro Forma Adjustments in the Statements of Operations - License Income" has been reported as goodwill in the acquisition balance sheet used in the pro forma financial information. In the final acquisition analysis other intangible assets will be identified and reported. Such assets will be written off. Such depreciation will not affect the result in the pro forma financial information.

Goodwill

Reported goodwill in the preliminary acquisition balance sheet is based on the following adjustments to market value:

Purchase price, net, MSEK		866.0
Of Biolipox acquired assets, net, MSEK		+136.8
Pre-paid license income, MSEK	- 90.9	
Goodwill		**820.1**

Financing of the Acquisition of Biolipox

The Acquisition shall be financed by the Issue In Kind. The preliminary calculated purchase price amounts to SEK 856 million based on 8,560,000 newly issued shares in Orexo at a price determined to SEK 100 per share, corresponding to SEK 856 million. The price SEK 100 per share has been determined based on the average share price during the last 45 days of trading prior to signing of the Letter of Intent. The final purchase price will be determined based on the market value of Orexo's shares at closing of the Acquisition.

Auditor's Report on Pro Forma Financial Statements

To the Board of Directors in Orexo AB (publ)

We have reviewed the pro forma financial statements on pages 24-27 in this prospectus.

The pro forma financial information has been prepared only to provide information about how the financial effects of Orexo's acquisition, including the related financing by an issue of new shares, might have affected the consolidated balance sheet for Orexo as of December 31, 2006 and the consolidated income statement for Orexo for the financial year 2006.

The Board of Directors' and the Managing Director's Responsibility

The Board of Directors and the Managing Director are responsible for preparing pro forma financial statements in accordance with the requirements of the EC Regulation 809/2004/EC.

The Auditor's Responsibility

Our responsibility is to express an opinion required by Annex II item 7 of EC Regulation 809/2004/EC. We have no obligation to express any other opinion regarding the pro forma financial information or regarding any of its constituent elements. In particular, we do not accept any responsibility for any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom any reports on that financial information were addressed by us at the date of their issue.

Work Performed

We performed our work in accordance with FAR's Proposed Recommendation RevR 5 *Examination of Prospectuses*. Our work, which did not involve an independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source information, assessing the evidence supporting the pro forma adjustments and discussing the pro forma financial information with the management of the Company. We planned and performed our work so as to obtain the information and explanations we considered necessary in order to obtain a high grade of, but not absolute, assurance that the pro forma financial information has been compiled on the basis stated on pages 24-27 in this prospectus.

Opinion

In our opinion, the pro forma financial information has been properly compiled on the basis stated on pages 24-27 in this prospectus, and in accordance with the accounting principles applied by the company.

Uppsala, November 22, 2007

Öhrlings PricewaterhouseCoopers AB

Leonard Daun
Authorized Public Accountant

OREXO - SELECTED CONSOLIDATED AND OPERATING DATA

According to the EU regulation EG no. 1606/2002 all companies, whose shares are listed on a stock exchange within the EU, shall, from and including January 1, 2005, prepare the consolidated accounts in accordance with International Financial Reporting Standard ("IFRS"). Orexo began to apply IFRS on January 1, 2005. Comparable information for 2004 has in this prospectus been restated in accordance with IFRS.

The information below should be read together with Orexo's audited annual report for 2006 and the interim report for the first nine months of 2007 which can be found on the Company's website www.orexo.com.

Statement of Operations

	Nine months ended September 30		Year ended December 31		
	2007	**2006**	**2006**	**2005**	**2004**
	(SEK million)				
Statement of Operations Data:					
Net revenue	21.7	80.3	132.0	62.4	86.7
Cost of goods sold	-10.2	-6.0	-11.2	-3.0	-1.9
Gross profit	**11.5**	**74.3**	**120.8**	**59.4**	**84.8**
Selling costs	-6.5	-5.2	-7.9	-3.3	-1.8
Administrative costs	-48.8	-37.7	-57.4	-44.0	-24.6
Research and Development costs	-90.7	-57.0	-94.5	-67.2	-64.4
Other operating income and expenses	0.0	-0.5	-1.6	1.7	0.3
Profit from sale of subsidiary	-	-	-	8.9	-
Operating profit/loss	**-134.5**	**-26.0**	**-40.6**	**-44.5**	**-5.8**
Interest income and similar items	5.8	5.4	7.5	1.4	0.7
Interest expenses and similar items	0.0	-0.1	0.0	-0.1	-0.1
Other financial items	-	0.1	0.1	-	-10.5
Profit/loss after financial items	**-128.7**	**-20.5**	**-33.0**	**-43.2**	**-15.6**
Tax on the period's profit	0.1	0.0	0.0	0.0	-1.2
Net profit/loss	**-128.6**	**-20.5**	**-33.0**	**-43.2**	**-16.8**

Balance Sheet

	Nine months ended September 30		Year ended December 31		
	2007	**2006**	**2006**	**2005**	**2004**
	(SEK million)				
Balance Sheet Data:					
Intangible fixed assets	20.0	11.5	11.0	2.5	4.5
Tangible fixed assets	45.4	6.0	6.4	3.2	2.3
Financial fixed assets	-	-	-	2.3	2.4
Inventories	10.9	7.0	9.2	3.0	1.4
Accounts receivables	9.2	24.9	12.0	1.7	1.4
Other current receivables	19.2	8.6	8.8	8.5	5.4
Short term investments	10.0	74.6	56.1	89.6	-
Cash and bank balances	142.5	233.5	276.4	260.5	84.2
Total assets	**257.2**	**366.3**	**379.9**	**371.3**	**101.7**
Shareholders' equity	202.6	323.2	324.3	338.9	75.1
Interest-bearing receivables	-	-	-	-	-
Non interest-bearing receivables and provisions	54.6	43.1	55.6	32.4	26.6
Total equity and liabilities	**257.2**	**366.3**	**379.9**	**371.3**	**101.7**

Selected Cash Flow Data

	Nine months ended September 30		Year ended December 31		
	2007	2006	2006	2005	2004
	(SEK million)				
Cash flow from operating activities	-131.8	-30.4	-17.7	-44.0	15.9
Cash flow after investment activities	-136.6	-27.4	2.9	-126.6	14.8
Cash flow after financing activities	-133.9	-27.0	15.9	176.2	68.8
Liquid funds, closing balance	142.5	233.5	276.4	260.5	84.2

Key Ratios

	Nine months ended September 30		Year ended December 31		
	2007	2006	2006	2005	2004
Net revenue growth, %	-73.0	136.1	111.6	-28.1	306.0
Margins and profitability					
Gross profit margin, %	53.0	92.6	91.5	95.3	97.8
Operating profit margin, %	-593.8	-26.0	-25.0	-69.4	-18.0
Operating margin, %	-620.4	-32.0	-30.8	-71.4	-6,7
Return on total capital, %	-41.1	-5.0	-8.6	-33.7	-6.7
Return on shareholders' equity, %	-48.7	-6.0	-9.6	-43.2	-30.3
Return on capital employed, %	-48.7	-6.0	-9.6	-43.1	-9.2
Capital structure					
Net working capital, MSEK	-12.4	6.4	-20.4	-5.4	-12.9
Net working capital/net revenues, %	-57.4	8.0	-9.8	-14.7	-9.6
Working capital, MSEK	50.1	15.1	-8.2	-11.2	-9.1
Capital turnover rate, multiple	1.0	41.2	-13.6	-6.1	N.A.[6]
Shareholders' equity, MSEK	202.6	323.2	324.4	338.9	75.1
Net interest-bearing liabilities, MSEK	-152.5	-308.1	-332.5	-350.1	-84.2
Debt/equity ratio, multiple	-	-	-	-	-
Equity/assets ratio, %	78.7	88.2	85.4	91.3	73.9
Current ratio, %	370.6	1,017.3	719.3	1,951.4	438.5
Acid test ratio, %	349.4	996.6	701.0	1,935.1	431.8
Interest coverage ratio, multiple	Neg.	Neg.	Neg.	Neg.	Neg.
Employees					
Average number of employees	68	50	50	37	23
Of which engaged in Research and Development	45	31	31	25	15
Personnel expenses, MSEK	58.5	49.6	69.7	50.5	35.2

Data per Share

	Nine months ended September 30		Year ended December 31		
	2007	2006	2006	2005	2004
Before dilution					
Average number of shares, thousands	13,924	13,293	13,391	9,996	8,840
Number of shares at the period end, thousands	13,961	13,301	13,885	13,292	9,238
Earnings per share after tax, SEK	-9.2	-1.5	-2.5	-4.3	-1.8
Net worth, SEK	14.5	24.3	23.4	25.5	8.1
Shareholders' equity, SEK	14.5	24.3	23.4	25.5	8.1
Dividend, SEK	-	-	-	-	-

[6] Not available as the shareholders' equity for 2003 has not been adjusted in accordance with IFRS.

After dilution					
Average number of shares, thousands	14,114	14,171	13,605	10,911	9,613
Number of shares at the period end, thousands	14,152	14,179	14,099	14,207	10,011
Earnings per share after tax, SEK	-9.2	-1.5	-2.5	-4.3	-1.9
Net worth, SEK	14.3	22.8	23.0	23.8	7.5
Shareholders' equity, SEK	14.3	22.8	23.0	23.8	7.5
After full dilution					
Number of shares after full dilution, thousands	14,896	14,429	14,320	14,578	10,547

Definitions of Key Ratios

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

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

Financial Position as per September 30, 2007

The table below sets forth unaudited information on the Company's equity and indebtedness as of September 30, 2007 and September 30, 2006. No material changes have occurred with respect to the group's financial position following September 30, 2007.

	Nine months ended September 30	
	2007	**2006**
	(SEK million)	
Shareholders' Equity and Debt Ratio		
Total short term liabilities		
For guarantee and personal guarantee	-	-
For security	-	-
Without guarantee/personal guarantee and security	51.8	34.3
Total long term liabilities		
For guarantee and personal guarantee	-	-
For security	-	-
Without guarantee/personal guarantee and security	2.9	8.8
Shareholders' equity		
Share capital	5.6	5.3
Statutory reserve	335.3	340.1
Other restricted equity	27.7	-1.8
Accumulated profit or loss, including the result for the period	-166.0	-20.4
Debt ratio		
A. Cash	-	-
B. Other liquid funds	142.5	233.5
C. Short term investments	10.0	74.6
D. Liquidity (A+B+C)	**152.5**	**308.1**
E. Short term receivables	39.3	40.6
F. Short term bank loans	-	-
G. Short term part of long term liabilities	-	-
H. Other short term liabilities	51.8	34.3
I. Short term liabilities (F+G+H)	**51.8**	**34.3**
J. Short term debt ratio (I-E-D)	-140.0	-314.4
K. Long term bank loan	-	-
L. Outstanding bonds	-	-
M. Other long term liabilities	2.9	8.8
N. Long term debt ratio (K+L+M)	**2.9**	**8.8**
O. Net debt ratio (J+N)	**-137.1**	**-305.6**

OREXO - OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read together with Orexo's audited annual report for 2006 and the interim report for the first nine months of 2007 which can be found on the company's website www.orexo.com. The following discussion includes forward-looking statements, which are subject to risks and uncertainties that could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. More information about such risks and uncertainties are included in the sections "Forward-looking Statements" and "Risk Factors".

Results of Operations

Net Sales

The table below sets forth audited revenues of Orexo for the financial years 2004 to 2006 and the unaudited, but by the Company's auditor reviewed, revenues of Orexo for the first nine months of 2007 and 2006.

	Nine months ended September 30		Year ended December 31		
	2007	**2006**	**2006**	**2005**	**2004**
	(SEK million)				
Kibion	18.3	9.1	17.3	5.1	3.5
ProStrakan AB	0.7	-	-	-	-
Licensing revenue Rapinyl®	0.0	66.5	106.5	51.6	83.1
Other income	2.7	4.7	8.2	5.7	0.1
Net sales	**21.7**	**80.3**	**132.0**	**62.4**	**86.7**

Orexo's net sales for the first nine months 2007 were SEK 21.7 million as compared to SEK 80.3 million for the corresponding time period 2006. The decrease was attributable to a license payment from Strakan International Ltd. ("Strakan"), a company within the ProStrakan group, which was received during 2006. The decrease was partly offset by the sale of Heliprobe™ System that was contributed to Orexo in connection with the acquisition of Noster System AB ("Noster System") in June 2006, and as per August 1, 2007 by ProStrakan AB's sales.

During the time period from and including January 1, 2004 up to and including September 30, 2007 total sales in Kibion[7] amounted to SEK 44.2 million and the total revenues from Rapinyl® amounted to SEK 241.2 million, consisting of upfront and milestone payments under the license agreements with Endo Pharmaceuticals Inc. ("Endo Pharmaceuticals"), Kyowa Hakko Kogyo Ltd ("Kyowa Hakko") and Strakan. During the financial year 2006, total sales in Kibion amounted to SEK 17.3 million and the total revenues from Rapinyl® amounted to SEK 106.5 million. The item "Other income" consists of services to Orexo's licensing partners.

Operating Costs

The table below sets forth the components of Orexo's operating costs expressed as a percentage of total operating costs based on Orexo's audited costs for the financial years 2004 to 2006 and Orexo's unaudited, but by the Company's auditor reviewed, operating costs for the first nine months of 2007 and 2006.

	Nine months ended September 30		Year ended December 31		
	2007	**2006**	**2007**	**2006**	**2005**
	(%)				
Costs of goods sold	6.5	5.6	6.5	2.6	2.1
Selling costs	4.2	4.9	4.6	2.9	1.9
General and administrative costs	31.2	35.8	33.3	38.0	26.6
Research and Development costs	58.0	54.1	54.8	58.0	69.7
Other net operating income and expenses	0.1	-0.4	0.8	-1.5	-0.3
Total operating costs	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[7] The business operations in Kibion have been carried out from and including January 1, 2006. Prior to January 1, 2006 the figures refer to the business operations carried out by Orexo and which were transferred to Kibion on January 1, 2006. The net sales of Kibion also include the acquisition of Noster System which was carried out in June 2006 and whose business was transferred to Kibion during 2006.

Costs of goods sold represented on average 4.2 percent of total operating costs for the financial years 2004 to 2006 and on average 6.2 percent during the first nine months of 2007 and 2006. Costs of goods sold primarily relate to sales of Diabact® UBT and HeliProbe™ System.

Selling costs represented on average 3.4 percent of total operating costs for the financial years 2004 to 2006 and on average 4.5 percent during the first nine months of 2007 and 2006. Selling costs include marketing costs, distribution costs, commissions to distributors and certain costs for employees engaged in sales and marketing.

General and administrative costs represented on average 33.1 percent of total operating costs for the financial years 2004 to 2006 and on average 33.1 percent during the first nine months of 2007 and 2006. General and administrative costs included costs primarily for Orexo's management and administrative functions. General and administrative costs will increase as a result of the larger facilities that Orexo has moved to during the financial year 2007.

Research and Development costs constitute Orexo's largest cost item and represented on average 59.4 percent of total operating costs for the financial years 2004 to 2006 and on average 56.5 percent during the first nine months of 2007 and 2006. Research and Development costs included costs for employees engaged in Research and Development, costs relating to Research and Development facilities, external costs for clinical trials, regulatory affairs and laboratory services, depreciation costs relating to equipment as well as amortisation of acquired patents and other intangible assets. Orexo has no capitalized Research and Development costs. Orexo's management believes that Research and Development costs will continue to represent a significant cost item.

Other operating income and expenses represented on average -0.1 percent of total operating costs in the financial years 2004 to 2006 and on average -0.2 percent of total operating costs during the first nine months of 2007 and 2006. Other operating income and expenses primarily relate to restructuring costs for leased premises, for which the property owner has been invoiced.

The First Nine Months of 2007 and 2006

Orexo's net revenues for the first nine months of 2007 amounted to SEK 21.7 million as compared to SEK 80.3 million for the corresponding time period 2006, which was a decrease of 73.0 percent. The decrease was attributable to upfront licensing payments in connection with the licensing of Rapinyl® to Strakan for the European market during the first quarter of 2006. The decrease was partly offset by the sale of Heliprobe™ System, that was contributed to Orexo in connection with the acquisition of Noster System in June 2006, and as per August 1, 2007, by ProStrakan AB's sales.

Costs of goods sold for the first nine months of 2007 were SEK 10.2 million as compared to SEK 6.0 million for the corresponding time period 2006, which was an increase of 70.0 percent. The increase was attributable to the acquisition of Noster System and ProStrakan AB.

The Company had personnel costs related to the employee stock option plans for the first nine months of 2007 of SEK 3.3 million, of which SEK 1.2 million affected administrative costs and SEK 2.1 million affected Research and Development costs. The costs are related both to the calculated cost for the value of employee stock options vested during the period, calculated as the fair value on the allocated options at the time of allocation, as well as the vested portion of calculated social security expenses for the increase in value, if any, during such period. The Company will have to pay social security expenses on the gain that may arise when employee stock options are exercised, calculated as the difference between the exercise price of the employee stock option and the market value of the share at the time of exercise. The social security expenses have been hedged financially and hence in terms of cash flow through the issuance of warrants to Orexo's wholly-owned subsidiary Pharmacall AB ("Pharmacall"). This hedging does not qualify for hedge accounting in accordance with IFRS.

The selling costs for the first nine months of 2007 amounted to SEK 6.5 million as compared to SEK 5.2 million for the corresponding time period 2006, which was an increase of 25.0 percent. The costs were attributable to the sales of Kibion's products Diabact® UBT and Heliprobe™ System and costs in ProStrakan AB. The increase of the selling costs the first nine months 2007 as compared to the corresponding time period 2006 was attributable to increased efforts on sales, including *inter alia* the continued development of Kibion, the acquisition of Noster System and, during the third quarter, the acquisition of 50 percent of the shares in ProStrakan AB.

Administrative costs for the first nine months of 2007 amounted to SEK 48.8 million as compared to SEK 37.7 million for the corresponding time period 2006, which was an increase of 29.0 percent. The increase was

primarily attributable to a larger number of employees, higher rent and increased activities relating to the development of the Company.

Research and Development costs for the first nine months of 2007 amounted to SEK 90.7 million as compared to SEK 57.0 million for the corresponding time period 2006, which was an increase of 59.0 percent. The increase was primarily attributable to clinical Phase III studies of the insomnia product Sublinox™ (*OX 22*) but also for OX 17 and partly also to a lager number of employees. The Research and Development costs primarily consisted of costs for personnel, employee stock options, patents, premises, external costs for clinical testing, pharmaceutical registration and laboratory services, as well as depreciation of equipment and other intangible assets. The Research and Development costs for the first nine months of 2007 included, *inter alia*, Phase III studies for the insomnia product Sublinox™ (*OX 22*).

Other operating income and expenses for the first nine months of 2007 were SEK 0.0 as compared to SEK -0.5 million for the corresponding time period 2006.

Orexo had an operating result for the first nine months of 2007 of SEK -134.5 million as compared to SEK -26.0 million for the corresponding time period 2006. The difference was attributable to lower revenues and greater costs in accordance with above.

The financial items net for the first nine months of 2007 was SEK 5.8 million as compared to SEK 5.5 million for the corresponding time period 2006. The increase was primarily attributable to increasing interest.

The Company had tax income for the first nine months of 2007 of SEK 0.1 million. The Company had no tax income or tax expenses for the corresponding time period 2006.

Orexo's result after financial items and tax for the first nine months of 2007 was SEK -128.6 million as compared to SEK -20.5 million for the corresponding time period 2006.

The Financial Year 2006 compared with the Financial Year 2005

Orexo's net revenues for the financial year 2006 amounted to SEK 132.0 million as compared to SEK 62.4 million for the financial year 2005, which was an increase of 111 percent. The increase was primarily attributable to licensing revenues for Rapinyl® from Strakan and a license payment for Rapinyl® of approximately SEK 38 million from Endo Pharmaceuticals, but also the continued positive sales trend for Kibion in respect of the products Diabact® UBT and HeliProbe™ System.

Costs of goods sold for the financial year 2006 amounted to SEK 11.2 million as compared to SEK 3.0 million for the financial year 2005. The increase was primarily attributable to Kibion's growth.

The Company had personnel costs related to the employee stock option plans for the financial year 2006 of SEK 7.4 million, of which SEK 4.5 million affected administrative costs and SEK 2.9 million affected Research and Development costs. The costs are related both to the calculated cost for the value of employee stock options vested during the period, calculated as the fair value on the allocated options at the time of allocation, as well as the vested portion of calculated social security expenses for the increase in value, if any, during such period. The Company will have to pay social security expenses on the gain that may arise when employee stock options are exercised, calculated as the difference between the exercise price of the employee stock option and the market value of the share at the time of exercise. The social security expenses have been hedged financially and hence in terms of cash flow through the issuance of warrants to Orexo's wholly-owned subsidiary Pharmacall. This hedging does not qualify for hedge accounting in accordance with IFRS.

Selling costs for the financial year 2006 amounted to SEK 7.8 million as compared to SEK 3.3 million for the financial year 2005, which was an increase of 136.4 percent. The increase was primarily attributable to Orexo's investment in the business relating to the products Diabact® UBT and HeliProbe™ System.

Administrative costs for the financial year 2006 amounted to SEK 57.4 million as compared to SEK 44.0 million for the financial year 2005, which was an increase of 30.5 percent. The increase was primarily attributable to an increased number of employees and various development costs for the Company.

Research and Development costs for the financial year 2006 amounted to SEK 94.5 million as compared to SEK 67.2 million for the financial year 2005, which was an increase of 40.6 percent. The increase was primarily attributable to increased investments in the Company's product projects and initiation of Phase III programs for

Sublinox™ (*OX 22*) and OX 17 and royalty costs. The Research and Development costs primarily consisted of costs for personnel, employee stock options, premises, external costs for clinical testing, pharmaceutical registration and laboratory services, as well as depreciation of equipment, acquired patents and other intangible assets. The Research and Development costs for the financial year 2006 included a royalty remuneration of SEK 10.5 million, which was attributable to Rapinyl®. The royalty remuneration was paid to companies owned by two scientists involved in the development of fentanyl related products for the treatment of acute pain in cancer patients (so called breakthrough pain) and which was paid based on the revenues from Rapinyl®. Orexo's total royalty costs attributable to Rapinyl® can amount to not more than 10 percent of the total licensing revenues for the product, or not more than SEK 30.0 million, of which SEK 25.6 million had been disbursed as of December 31, 2006.

Orexo had an operating result for the financial year 2006 of SEK -40.6 million as compared to SEK -44.5 million for the financial year 2005. The revenues increased substantially during the financial year 2006 as compared to the financial year 2005. At the same time, Orexo continued to expand its operations, which resulted in increased operational costs.

The financial items net for the financial year 2006 were SEK 7.6 million as compared to SEK 1.3 million for the financial year 2005. The increase was primarily attributable to the issue of new shares of approximately SEK 300 million in connection with the listing of the Company's shares on the OMX Nordic Exchange Stockholm in November 2005.

The Company had no tax expenses for the financial years 2006 and 2005.

Orexo's result after financial items and tax for the financial year 2006 was SEK -32.9 million as compared to SEK -43.2 million for the financial year 2005.

The Financial Year 2005 compared with the Financial Year 2004

Orexo's net revenues for the financial year 2005 amounted to SEK 62.4 million as compared to SEK 86.7 million for the financial year 2004, which was a decrease of 28.1 percent. The decrease was primarily attributable to the receipt of a major upfront payment in connection with signing of the license agreement regarding Rapinyl® with Endo Pharmaceuticals of SEK 74.5 million of which SEK 71.5 million was reported as revenue for the financial year 2004, as compared to a milestone payment of approximately SEK 50 million for the financial year 2005. The sale of Diabact® UBT for the financial year 2005 increased to SEK 5.1 million as compared to SEK 3.5 million for the financial year 2004.

Costs of goods sold for the financial year 2005 were SEK 3.0 million as compared to SEK 1.9 million for the financial year 2004, which was an increase of 53.1 percent. The increase was primarily attributable to increased sales of Diabact® UBT.

The Company had personnel costs related to the employee stock option plans for the financial year 2005 of SEK 11.9 million, of which SEK 7.8 million affected administrative costs, SEK 4.0 million affected Research and Development costs and SEK 0.1 million affected selling costs. The costs are related both to the calculated cost for the value of employee stock options vested during the period, calculated as the fair value on the allocated options at the time of allocation, as well as the vested portion of calculated social security expenses for the increase in value, if any, during such period. The Company will have to pay social security expenses on the gain that may arise when employee stock options are exercised, calculated as the difference between the exercise price of the employee stock option and the market value of the share at the time of exercise. The social security expenses have been hedged financially and hence in terms of cash flow through the issuance of warrants to Orexo's wholly-owned subsidiary Pharmacall. This hedging does not qualify for hedge accounting in accordance with IFRS.

The selling costs for the financial year 2005 amounted to SEK 3.3 million as compared to SEK 1.8 million for the financial year 2004, which was an increase of 79.6 percent. The increase was primarily attributable to increased marketing relating to the product Diabact® UBT.

Administrative costs for the financial year 2005 amounted to SEK 44.0 million as compared to SEK 24.6 million for the financial year 2004, which was an increase of 78.7 percent. The increase was primarily attributable to continued development and construction of Orexo's organization and infrastructure, partly because of the listing of the Company's shares on the OMX Nordic Exchange Stockholm.

Research and Development costs for the financial year 2005 amounted to SEK 67.2 million as compared to SEK 64.4 million for the financial year 2004, which was an increase of 4.4 percent. The Research and Development costs primarily consisted of costs for personnel, employee stock options, premises, external costs for clinical testing, pharmaceutical registration and laboratory services, as well as depreciation of equipment, acquired patents and other intangible assets. Research and Development costs for the financial year 2005 included a royalty payment of SEK 5.1 million to companies owned by two scientists involved in the development of fentanyl related products for the treatment of acute pain in cancer patients (so called breakthrough pain). As of December 31, 2004 the Company wrote down its consolidated goodwill attributable to the acquisition of the subsidiary CePeP AB. Since the Company decided to focus on other technologies, this technology was not expected to generate financial advantages for Orexo in the foreseeable future.

Other operating income and expenses for the financial year 2005 amounted to SEK 1.7 million as compared to SEK 0.3 million for the financial year 2004. The increase was attributable to increased exchange rate gains primarily on licensing revenue from Rapinyl® in North America.

Orexo had an operating result for the financial year 2005 of SEK -44.5 million as compared to SEK -5.8 million for the financial year 2004. The difference was attributable to lower revenues and increased costs, mainly within administration and Research and Development, which were partly offset by revenues from the sale of Orexo's cell penetrating peptide technology.

The financial items net for the financial year 2005 amounted to SEK 1.3 million as compared to SEK -9.8 million for the financial year 2004. Expenses of SEK 10.5 million attributable to a planned larger international ownership diversification with a related issue of new shares, which as of December 31, 2004 was deemed dormant, were reported for the financial year 2004. The board of directors decided to defer this transaction, which is why the entire cost was debited to 2004 earnings.

The tax expenses for the financial year 2005 amounted to SEK 0.0 as compared to SEK 1.2 million for the financial year 2004. The tax expenses for 2004 consisted of foreign withholding tax for milestone payments received under the license agreement with Kyowa Hakko regarding Rapinyl®, which could not be deducted from Swedish income tax.

Orexo's result after financial items and tax for the financial year 2005 was SEK -43.2 million as compared to SEK -16.8 million for the financial year 2004.

Financing and Financial Position

As of September 30, 2007 Orexo's cash equivalents, including short term investments with a term of not less than three months, amounted in total to SEK 142.5 million. As of the same date the Company's equity amounted to SEK 202.6 million and the Company's equity/assets ratio was 79.0 percent.

Cash Flow from Operating Activities

Cash flow from operating activities for the first nine months of 2007 amounted to SEK -131.8 million as compared to SEK -30.4 million for the corresponding time period 2006. Cash flow from operating activities but before changes in working capital for the first nine months of 2007 was SEK -122.0 million as compared to SEK -6.7 million for the corresponding time period 2006. Of the decrease between 2006 and 2007, SEK 66.5 million was attributable to a non-recurring remuneration regarding Rapinyl® that the Company received in 2006. The remaining decrease was mainly due to increased costs for Research and Development, increased personnel costs and increased external costs for clinical studies.

Cash flow from operating activities for the financial year 2006 was SEK -17.7 million as compared to SEK -44.0 million for the financial year 2005. Cash flow from operating activities but before changes in working capital for the financial year 2006 was SEK -21.7 million as compared to SEK -36.5 million for the financial year 2005. Both net sales and interest income increased during the financial year 2006. The interest income increased as a result of a significantly higher average amount of cash equivalents as compared to the financial year 2005. At the same time, the Company's expansion of both its product portfolio and its infrastructure continued, which increased the need for funds in the operating activities. The amount of working capital in the Company that was tied up decreased from SEK 7.4 million for the financial year 2005 to SEK 4.0 million for the financial year 2006.

Cash flow from operating activities for the financial year 2005 was SEK -44.0 million as compared to SEK 15.9 million for the financial year 2004. Cash flow from operating activities but before changes in working capital for the financial year 2005 was SEK -36.5 million as compared to SEK 2.1 million for the financial year 2004. The revenues decreased during the financial year 2005 at the same time as the costs increased as a consequence of the construction of the Company's infrastructure and product portfolio, which increased the need of liquid funds.

Cash Flow from Investment Activities

Cash flow after investment activities for the first nine months of 2007 amounted to SEK -136.6 million as compared to SEK -27.4 million for the corresponding time period 2006. The investments during the first nine months of 2007 amounted to SEK -4.8 million as compared to SEK 3.1 million during the first nine months of 2006. During the first nine months of 2007, SEK 46.2 million was released from short term investments as compared to the first nine months of 2006 when SEK 15.0 million was released from short term investments.

Cash flow after investment activities for the financial year 2006 amounted to SEK 2.9 million as compared to SEK -126.6 million for the financial year 2005. During the financial year 2006, SEK 33.5 million was released from short term investments. During the financial year 2005, SEK 89.6 million was used for short term investments, largely relating to the investment of the funds received in connection with the listing of Orexo's shares in November 2005. During 2006, Noster System was acquired. The purchase price consisted of a cash part of SEK 8.2 million that was paid upon closing. The sellers are further entitled to an additional purchase price of not more than SEK 7.2 million, which shall be paid provided that predetermined sales objectives for the product HeliProbe™ System are fulfilled during the financial years 2006 to 2009. The sales objectives were not fulfilled during 2006 and no additional purchase price was paid. According to Orexo's management, the objectives of sales are not anticipated to be fulfilled during 2007 to 2009. Since Orexo's management does not find it likely that the sales objectives will be fulfilled, the additional purchase price has been recorded as a contingent liability and not as a liability.

Cash flow after investment activities for the financial year 2005 amounted to SEK -126.6 million as compared to SEK 14.8 million for the financial year 2004. The reason for the great decrease of cash flow after investment activities was partly that SEK 89.6 million of the proceeds received by Orexo in connection with the listing of Orexo's shares in November 2005 was invested in short term investments and partly because of the decreased cash flow from the operating business.

Cash Flow from Financing

Cash flow after financing activities for the first nine months of 2007 amounted to SEK -133.9 million as compared to SEK -27.0 million for the corresponding time period 2006. The Company received SEK 2.7 million during the first nine months of 2007 due to exercise of employee stock options and warrants as compared to SEK 0.4 million for the corresponding time period 2006.

Cash flow after financing activities for the financial year 2006 amounted to SEK 15.9 million as compared to SEK 176.2 million for the financial year 2005. Funds provided to the Company from financing during 2005 consisted, *inter alia*, of funds received from the new issue of shares that was carried out in connection with the listing of the Company's shares on the OMX Nordic Exchange Stockholm in November 2005.

Cash flow after financing activities for the financial year 2005 amounted to SEK 176.2 million as compared to SEK 68.8 million for the financial year 2004. During the financial year 2005 the Company received SEK 302.9 million from the new issue carried out in connection with the listing of the Company's shares on the OMX Nordic Exchange Stockholm in November 2005 as compared to SEK 54.0 million that was received through issues of new shares during the financial year 2004.

Investments

Gross investments in tangible assets for the first nine months of 2007 amounted to SEK 41.7 million as compared to SEK 3.8 million for the corresponding time period 2006. Gross investments in tangible assets for the financial year 2006 amounted to SEK 4.6 million as compared to SEK 2.5 million for the financial year 2005 and SEK 1.1 million for the financial year 2004. These investments primarily consisted of investments in production and research equipment. During the first nine months of 2007 SEK 29.6 million was invested in the restructuring of the office and laboratories.

Orexo is investing in tangible assets on a regular basis, primarily in equipment for Research and Development. No material investments are planned, except as required by the expansion of the business operations. Investments are primarily financed by Orexo's own funds and only in exceptional cases by leasing. There are no limitations such as mortgages or similar, which restricts the use of the Company's assets.

Investment Policy

The Company makes short term investments in accordance with the Company's finance policy. According to the finance policy, liquidity is defined as the cash and cash equivalents required to cover the Company's commercial undertakings. All other liquidity is defined as surplus liquidity. As of September 30, 2007 Orexo's liquid resources (including short term investments) amounted to SEK 152.5 million and was invested in the following instruments: Banking & Housing (rating, at least A-) and Companies & Institutions (rating, at least BBB), with durations until December 2007 at the longest.

Effects of Exchange Rates

Orexo reports in SEK and has its operations in Sweden. Thus, Orexo incurs most of its operating costs in SEK. However, Orexo sells its products in countries other than Sweden and receives licensing revenues in currencies other than SEK. Foreign currency denominated assets, liabilities, revenues and expenses result in foreign exchange exposures. The depreciation of SEK against other currencies increases Orexo's reported assets, liabilities, revenues and net income, while the appreciation of SEK against other currencies decreases such items. Foreign currency fluctuations have not previously had a significant effect on Orexo's reported assets and liabilities, profit and loss or the comparability of Orexo's results between financial periods in the past, but may have such an effect in the future.

During the financial year 2006 sales in USD represented 34 percent and sales in EUR represented 55.5 percent of Orexo's net revenues. During the same period, 11.3 percent of Orexo's total operating costs were denominated in foreign currency, of which 3.8 percent in USD and 7.5 percent in EUR.

Material Events since the Interim Report for the First Nine Months of 2007 according to Press Releases from Orexo

The Board of Directors of Orexo Resolves to Issue New Shares with Payment in Kind

Due to Orexo's acquisition of Biolipox, the board of directors of Orexo has on November 21, 2007 resolved, in accordance with the authorization from the extraordinary shareholders' meeting held on November 13, 2007, upon the Issue In Kind, whereby the Company's share capital may be increased by not more than SEK 3,422,758.

Right to subscribe for new shares and warrants shall only fall upon the shareholders and warrant holders in Biolipox, with a right and obligation to pay for the new shares and warrants by transfer of shares and warrants in Biolipox. The subscription price amounts to SEK 100 for each share and warrant, based on a share price for the Orexo share of SEK 100, which corresponds to the average share price for the Orexo share during the 45 trading days prior to the announcement of the acquisition on October 15, 2007. The resolution of the board of directors is conditional upon closing of the Acquisition.

Biolipox Completes Acquisition from Inflazyme

Biolipox, with whose principal shareholders Orexo has reached an agreement regarding the Acquisition, completes the previously announced acquisition of the main part of the Canadian biopharma company Inflazyme's research- and development assets.

Extraordinary Shareholders' Meeting in Orexo

On November 13, 2007, Orexo held an extraordinary shareholders' meeting at 10.00 a.m. in Stockholm.

The shareholders' meeting resolved to authorize the board of directors to resolve to issue, in connection with the Acquisition and without preferential rights for the shareholders, at one or more occasions, not more than 8,560,000 new shares and to issue warrants. The Company's share capital could be increased by not more than SEK 3,424,000 as a consequence of such issues of shares and warrants. Payment for the newly issued shares shall be made in kind, consisting of shares and options of Biolipox. The authorization shall be valid not longer than until the next annual shareholders' meeting.

The shareholders' meeting resolved to elect Laurent Ganem and Antoine Papiernik as new ordinary members of the board of directors and Bengt Samuelsson as new deputy member of the board of directors and to re-elect Håkan Åström as chairman of the board of directors of Orexo. Zsolt Lavotha has chosen to resign as member of the board of directors of Orexo. The resolution of the extraordinary shareholders' meeting is conditional upon closing of the Acquisition.

Orexo Acquires Biolipox – Update regarding Revised Transaction Structure and Proposal regarding Election of Chairman and Members of the Board of Directors for the Extraordinary General Meeting on November 13, 2007

Orexo and the principal shareholders in Biolipox have reached an agreement according to which part of the consideration for Biolipox shall consist of a deferred payment corresponding to 926,000 shares in the form of warrants entitling to subscription for an equal number of shares in Orexo. The shareholders in Biolipox can only exercise the warrants if an out-licensing agreement is entered into for any of the projects BLX-NLA, BLX-CLI or BLX-2477, or if a milestone payment is received for the project BLX-MPI. If none of these events has occurred by December 31, 2009, the warrants will be expired.

The Company's principal shareholder, HealthCap, which represents approximately 36 percent of the shares and votes in the Company, proposes the following:

- that Laurent Ganem and Antoine Papiernik are elected new members of the board of directors in Orexo,
- that Bengt Samuelsson is elected new deputy member of the board of directors in Orexo, and
- that Håkan Åström is re-elected chairman of the board of directors of Orexo.

Zsolt Lavotha resigns as a member of the board of directors of Orexo. The resolution of the extraordinary shareholders' meeting in accordance with the proposal shall be conditional upon that the Acquisition is completed.

Information regarding the proposed members and deputy member of the board of directors:

Laurent Ganem, born 1958, MD, MBA. Head of Healthcare and Biotechnology at Apax Partners, France. Member of the boards of Biolipox AB, Capio AB, Corevalve Corporation, DBV Technologies, Galapagos NV, Hybrigenics, Neurotech, Newron SpA and Vedici.

Antoine Papiernik, born 1966, MBA. Manager Partner at Sofinnova, France. Member of the boards of Addex Pharmaceuticals Ltd, Biolipox AB, Corevalve Corporation, Diatos SA, Eos (Ethical Oncology Service) SpA, Fovea Pharmaceuticals SA, Movetis, Stentys S.A.S and Spinevision.

Bengt Samuelsson, born 1934, MD, PhD. Professor at Karolinska Institutet. Received the Nobel Prize in Medicine in 1982 for his research on arachidonic acid. Member of the board of Biolipox AB, Biotage AB, Cardoz AB, LTB4 Sweden and Nicox SA.

Endo Announces Update on Phase III-program for Orexo's Pain Product Rapinyl®

Endo Pharmaceuticals has on November 1, 2007, in connection with the announcement of its interim report, informed that the company, due to the continued challenge of recruiting cancer patients in its Phase III placebo-controlled efficacy trial of the sublingual fentanyl tablet for the treatment of breakthrough cancer pain, has decided that it will conduct an interim statistical analysis of this trial. This interim analysis will be conducted as soon as possible when a pre determined number of patients (based upon a statistical calculations) with evaluable data have completed the trial. Endo Phamaceuticals will provide further updates when this analysis is completed.

Orexo Enters into Distribution Agreement with Hospira in Asia for Pain Product Rapinyl®

Orexo and the specialty pharmaceuticals and medication delivery company Hospira Inc. ("Hospira") have entered into a distribution agreement that grants Hospira exclusive rights to market and sell Rapinyl® in Asia Pacific markets, including Australia and New Zealand.

Extraordinary Shareholders' Meeting on November 13, 2007

Orexo's board of directors is convening an extraordinary shareholders' meeting on November 13, 2007 at 10.00 p.m. in Salénhuset at Norrlandsgatan 15 in Stockholm, Sweden. The board of directors has proposed that the extraordinary shareholders' meeting authorizes the board of directors to resolve to issue, in connection with the Acquisition and without preferential rights for the shareholders, at one or more occasions, not more than 8,560,000 new shares and to issue warrants. The company's share capital could be increased by not more than SEK 3,424,000 as a consequence of such issues of shares and warrants. Payment for the newly issued shares shall be made in kind, consisting of shares and options of Biolipox. The authorization shall be valid not longer than until the next annual shareholders' meeting.

Orexo Enters into Agreement regarding Acqusition of Biolipox

Orexo and the majority shareholders in Biolipox have reached an agreement according to which Orexo shall acquire Biolipox. For more information regarding the Acquisition, see the section "Orexo's Acquisition of Biolipox"

Orexo Reports Positive Results in Comparative Clinical Phase III-trials for Sublinox™ (OX 22)

During October, Orexo completed the clinical Phase III-program for Sublinox (*OX 22*) by performing efficiency, local tolerance and safety study on patients with sleep disturbances with positive results. The effect trials show that Sublinox™ (*OX 22*) acts as a 30 percent faster sleep aid than what Ambien® does for patients suffering from sleep disturbances. The study also shows that patients remain asleep throughout the night. The study strengthens existing documentation that Sublinox™ (*OX 22*) is a safe and effective treatment for temporary insomnia.

Orexo Commences Phase I-trials for its Incontinence Treatment

Orexo is commencing clinical Phase I-trials for OX 19. OX 19 contains the active substance desmopressin and the product is based on Orexo's sublingual tablet preparation in which rapid dissolution in the oral cavity is combined with rapid absorption of the active substance across the oral mucosa. Following the development of several formulations, Orexo has selected a lead formulation for which bioavailability trials will now be conducted and are expected to be finalized at the end of 2007.

Orexo Broadens its Product Portfolio in Pain Relief - Commences Two New Development Projects

Orexo adds two new projects to its product portfolio. These innovations will considerably strengthen Orexo's position in pain relief, in respect of, for example, one product for treatment of severe chronic pain with an abuse-proof administration of opioids and a new fast acting product for treatment of severe acute pain.

Prospects and Financial Targets

Orexo does not make any forecasts regarding future earnings or traditional financial targets, since the Company and the greater part of its products are in a development phase and the nature of the industry makes its operations difficult to forecast. However, prospects of a more operational nature are presented below.

- Orexo's management intends to further intensify the Company's development programs in the years to come.
- Orexo considers establishing its own sales organisation in selected European markets outside the Nordic region.
- Orexo's management anticipates that a license agreement for OX 17 may be entered into within the next six to eight months.
- Orexo's mangement anticipates that Sublinox™ (*OX 22*) may be out-licensed during 2008.

Orexo's management believes that Orexo could generate revenues from royalties on product sales at the earliest in 2008. Based on the factors set out above, excluding out-licensing of new products, Orexo's management believes that the Company could generate a positive cash flow from operations before investments at the earliest in 2010.

OREXO - THE DRUG DELIVERY MARKET

Overview

The science of drug delivery can be summarized as the process of ensuring that the active compound of a pharmaceutical product is optimally delivered to a patient or an intended disease site. Drug delivery technologies are numerous and can range from tablets or liquids to more advanced technologies such as those designed to deliver pharmacologically active compounds transmucosally, transdermally, pulmonarily, or intranasally. Drug delivery technologies are widely applicable and are often applied to currently marketed pharmaceuticals as well as new active compounds in development stages. Many registered used pharmaceuticals exhibit suboptimal properties such as toxicity, side effects, low efficacy, slow onset of action, the need for frequent dosing, or administration only by injection. Improvement of such properties is a great opportunity and has a great commercial potential for the drug delivery companies. Modern drug delivery technology also offers an opportunity to develop pharmaceuticals that are designed to penetrate only certain cells within the body (e.g. cancer cells). Irrespective of format, drug delivery technologies provide the opportunity to make pharmaceuticals safer, more efficient and more convenient, all areas of unmet therapeutic need.

Traditional drug delivery companies often offer their technologies as a service to pharmaceutical companies, typically receiving payments and royalties on product sales from the pharmaceutical companies for their services. More recently, certain drug delivery companies, such as Orexo, have started to develop their own proprietary pharmaceuticals for unmet therapeutic needs by utilizing their own drug delivery technologies.

The overall global pharmaceutical market had sales just over USD 600 billion in 2006, a 6.5 percent increase as compared to 2005[8]. Sales of pharmaceutical products incorporating drug delivery technologies are difficult to estimate depending on how drug delivery is defined. Nexium (AstraZeneca), Seretide (GlaxoSmithKline) and Effexor SR (Wyeth), pharmaceuticals that are included on the IMS list of the worlds most sold pharmaceuticals 2006, are all based on some kind of advanced drug delivery technology[9]. According to the management of Orexo, this clearly shows the important role of drug delivery in developing a successful pharmaceutical product.

Orexo's current focus is on dry formulations, which is the most commonly used formulation for pharmaceuticals. Orexo has developed products and product candidates within the transmucosal and oral drug delivery market segments.

Development and Regulatory Environment

Orexo believes that the pharmaceutical development process based on drug delivery has several advantages compared to the traditional pharmaceutical development process. In general, pharmaceuticals developed through the drug delivery process as compared to pharmaceuticals that are developed through the traditional development process have a shorter time to market, lower development costs and lower development risks. The differences between the two development processes are summarized and further explained below.

The table below is intended to illustrate the differences that Orexo's management believes exist between Orexo's business model and the business models of biotechnology and traditional drug discovery and development companies. The chart is intended only as an expression of management's belief and should be read in conjunction with the sections "Forward-Looking Statements" and "Orexo - Risk Factors".

Factor	Development of Proprietary Pharmaceuticals through Biotechnology and Traditional Drug Discovery and Development	Development of Proprietary Pharmaceuticals through Drug Delivery Technologies (Orexo)
Development risk	High	Low
Development cost	High	Low - Medium
Development time	Long	Short
Probability for early stage partnering	Low	High
Probability for late stage partnering	High	High
Commercial potential	High	Medium - High
Potential profit stream, short term	Low	High
Potential profit stream, long term	High	High

[8] Source: IMS Health.
[9] Source: IMS Health.

Product Development through Traditional Drug Discovery and Development

Traditional drug discovery and development is a long, expensive and risky process. Drug discovery and development companies generally have to commit significant resources and time to identify and then prove that a new chemical entity ("NCE") is safe to be administered as a pharmaceutical and that it has the medical effect intended. A summary of the process is described below:

- *Pre-clinical Phase.* By utilizing multiple basal technologies and scientific approaches such as gene technology, pharmaceutical companies often initially endeavor to identify the cause of a disease or condition and identify a target upon which a pharmaceutical may act to diagnose, improve or detect the disease or condition. Once such a target has been validated, developers seek to produce the safest and most efficacious active compound possible by conducting experiments both *in vitro* and in animals. The selected active compounds then have to pass substantial toxicological, cancerogenecity and mutagenicity studies before the developer may submit the dossier to the appropriate regulatory body, such as the European regulatory authority, European Medicines Agency ("EMEA") or the U.S. Food and Drug Administration ("FDA"), seeking approval to conduct clinical trials on humans.

- *Formulation Development.* Formulation development is carried out in parallel with clinical development. This phase supports the development of the products to optimize the desired effects of the final product.

- *Clinical Phase I - III.* Drug development is a highly structured process divided into three phases which are designed to prove the safety of the new pharmaceutical, determine dosage requirements and, predominantly in the later phases, prove its efficacy. This process requires increasingly large, complex, expensive and time consuming clinical trials. During clinical Phase I, the product candidate is initially given to a small number of healthy human subjects or patients and tested for safety, tolerance, absorption, metabolism, distribution and excretion. During clinical Phase II, additional studies are conducted in a larger, but still relatively limited, patient population to verify that the product candidate has the desired effect and to identify optimal dosage levels. Furthermore, possible adverse effects and safety risks are identified simultaneously as the efficacy of the product candidate for specific targeted diseases is studied in more detail. During clinical Phase III, trials are undertaken to further evaluate dosage, to provide statistically significant evidence of clinical efficacy and to further study the safety in an expanded patient population at multiple clinical trial sites. Phase III trials may require several hundreds or thousands of patients and are therefore the most expensive and time consuming clinical trials to conduct. Once these trials are concluded, the developer submits all the pharmaceutical, pre-clinical and clinical trial documentation to the regulator to seek approval to market the NCE as a pharmaceutical.

- *Regulatory Review.* Having received the dossier of information from the developer, the regulator reviews all the information related to the safety of the NCE and whether the effect claimed by the developer on the proposed label can be substantiated by the results of the clinical trials. The regulator then has the option to decide to approve the NCE as requested, ask for changes to the claims made by the developer, ask for more information or clinical trials, or refuse to approve the NCE for sale.

Product Development through the Use of Drug Delivery Technologies

Pharmaceutical companies utilizing new drug delivery technologies often seek to improve the suboptimal therapeutic characteristics of well documented active compounds that have already received regulatory approval. In doing so, these companies are able to utilize the significant existing knowledge about the safety and efficacy of the active compound as a basis for the documentation for the new formulation. This enables companies that focus on developing pharmaceuticals based on new formulations to develop novel, proprietary pharmaceuticals more quickly, at substantially lower costs and with lower development risks compared to traditional drug discovery and development. A summary of the process is described below:

- *Pre-clinical Phase.* By using already used and established compounds with a great documentation regarding effect and safety, the pre-clinical documentation may be reduced significantly and is not as time consuming as within traditional drug discovery and development.

- *Formulation Development.* It is not necessary to perform costly research of active compounds that are used by drug delivery-companies to discover targets and develop new active compounds, as they are already known. Once new formulations have been designed and optimized in relation to desired characteristics, the product candidate is validated and documented in the clinical phase.

- *Clinical Phase.* Before clinical trials may be conducted, approval is always required from the appropriate regulatory authority. Unlike the extensive Phase I to Phase III clinical trial process required for pharmaceuticals that undergo traditional drug discovery and development, drug delivery companies can use applicable parts of the existing safety and efficacy documentation for the active compound when designing regulatory approval programs for new pharmaceuticals based on new formulations. Drug delivery companies can generally avoid having to perform large and expensive clinical trials which provide statistical support for the safety and efficacy of the pharmaceutical. Only the new characteristics that the new pharmaceutical inherits needs to be documented, which normally shortens the clinical process substantially.

- *Regulatory Review.* A company developing an improved pharmaceutical formulation has access to all public regulatory documentation for the active compound in addition to the proprietary information generated in connection with the development of the new formulation. The regulator reviews all the bibliographic information related to the safety of the active compound and decides based on the documentation obtained for the new formulation, whether the pharmacological effect claimed by the developer on the proposed label can be substantiated by the results of the clinical trials. The regulator has the option to decide to approve the application as requested, ask for changes to the claims made by the developer, ask for more information or clinical trials, or refuse to approve the reformulation for sale.

Key Drivers of the Drug Delivery Market

Orexo's management believes that, despite the constant advances being made in the medical and pharmaceutical sciences, there are a number of significant unmet therapeutic needs in the pharmaceutical market that can be met through the application of drug delivery technologies. Orexo's management believes that the following factors have been, and will continue to be, major drivers in the expansion of the drug delivery market:

- *An increasing need for drug delivery technologies to improve pharmaceutical characteristics and thus to increase the product differentiation in the tougher competition.* Orexo's management believes that there is a strong demand for drug delivery technologies that can overcome the limitations of existing pharmaceuticals (such as, for example, inconvenient administration) as well as new active compounds in development. Advanced drug delivery technologies have the potential to overcome the dissolution and absorption problems of active compounds that are difficult to administer, enabling them to be commercialized as therapies. In a number of the most successful pharmaceuticals currently on the market, such as Nexium, for acid-related diseases (AstraZeneca), specific drug delivery technologies are utilized.

- *A need to improve patient compliance.* Many patients with common chronic diseases are required to take their medication daily, often involving multiple doses and multiple pharmaceuticals, which complicates the treatment compliance. Industry sources estimate that up to 12 percent of patients fail to take their medication as directed and estimate that nearly 8-10 percent of all hospitalizations in the United States are related to poor treatment compliance, which results in significant extra cost for the health care system[10]. New drug formulations constitute an important factor in improving medical treatment by allowing, for example, for once a day medication and so called "on demand" treatment. This, in addition to giving clinical benefits to the patients, provides a substantial cost saving potential for the health care system.

- *An increasing desire to improve product lifecycle management.* Major pharmaceutical companies need to protect their product franchises and expand their product portfolios in order to fully exploit the value of their products and their investments. The use of drug delivery technologies has allowed many of these companies to extend their period of patent protection and to improve the therapeutic characteristics of their products. One example is Seloken®ZOC (AstraZeneca), for high blood pressure, vascular spasm and migraine, where drug delivery technologies improved the lifecycle of the product with over ten years.

[10] Source: B.K. Redman, The ethics of leadership in pharmacy, Am. J. Health-Syst. Pharm., 1995;52 and R.B. Haynes, Interventions for helping patients to follow prescriptions for medication, Cochrane Library Document.

Geographical Markets

Orexo's most important markets are the United States, the EU and South East Asia. In addition, no individual country or area contributes more than 10 percent of the total consolidated sales. The sales figures are based on the country in which the customer is active. There are no sales among the geographic areas.

	Group			Parent Company		
	2006	**2005**	**2004**	**2006**	**2005**	**2004**
	(SEK thousand)					
Sales Distributed Geographically						
Nordic region……	5,231	3,045	2,987	5,307	4,541	2,987
Other EU countries……...	78,669	1,900	472	71,877	1,175	472
South East Asia (primarily Japan)……	2,294	282	11,657	1,845	282	11,657
United States……	39,188	57,125	71,525	39,188	57,125	71,525
Other countries…….	6,574	-	74	-	-	74
Total	131,956	62,352	86,715	118,217	63,123	86,715

OREXO - BUSINESS

Overview

Orexo is a pharmaceutical company that develops new pharmaceuticals within areas that currently shows large therapeutic needs. By using its broad knowledge platforms in medicine and pharmacology, Orexo aims to enhance the therapeutic value of existing pharmaceutical substances further. New patented pharmaceuticals can be developed by combining well documented pharmaceutical substances with Orexo's proprietary, patented drug delivery methods and unique expertise in dry preparations.

Orexo's development work is carried out with a commercial approach and the Company has so far chosen to focus on tablet-based, active compounds to, *inter alia*, enable absorption over the oral mucosa. This patented method enables a fast dissolution and efficient absorption of the active compound with a minimal part of the active compound being swallowed. In that way new efficient pharmaceuticals may be created within therapy areas such as for example acute pain and insomnia.

Orexo's management believes that the Company operates in a highly attractive segment of the pharmaceutical industry characterized by significantly shorter development times, lower development costs and lower development risks as compared to traditional drug discovery and development, which focuses on the discovery and development of new active compounds. Orexo's management believes that the Company has an extensive portfolio of patents that protect its products and technologies.

Orexo commenced its operations in 1995 and is based in Uppsala, Sweden, where Orexo has established a close collaboration with Uppsala University. The Company's first product Diabact® UBT, for diagnostics for *Helicobacter pylori* infection, was commercialized in 2000 and is sold on various markets. The subsidiary Kibion, in which the business for Diabact® UBT is conducted, was founded in 2005. Kibion acquired Noster System in 2006 and the product portfolio was thereby expanded with the breath test HeliProbe™ System. Rapinyl®, developed for treatment of breakthrough pain in cancer patients, is the product candidate that has been advanced to the latest stage in development. It is based on the Company's drug delivery technology for sublingual absorption. Rapinyl® was out-licensed in Japan 2003, in North America 2004 and in Europe 2005, and is in registration phase in Europe, clinical development Phase III in North America and clinical Phase II in Japan. Distribution agreements for Rapinyl® were entered into in 2006 for Russia and other countries in the former Soviet Union, Bulgaria and Romania.

In 2006 the medical technology company Doxa AB ("Doxa") and Orexo initiated a co-operation in order to develop an, according to the management of Orexo, unique drug delivery technology that, *inter alia*, will enable a slow and controlled release of pharmaceutical substances.

Orexo entered into a joint venture agreement with ProStrakan on August 1, 2007 regarding an equally owned sales company for the Nordic market. The sales company will as a general rule have Nordic sales rights for both Orexo's and ProStrakan's portfolios, including both future and already marketed products, except for Diabact® UBT and HeliProbe™ System that also in the future will be marketed and sold by Kibion.

As of September 30, 2007 Orexo had 74 full-time employees, the majority of whom were engaged in Research and Development.

The Company has currently two commercialized products, three product candidates in late clinical development phase, of which one is licensed to Europe, Japan and the United States and filed for registration in Europe, one product candidate in early clinical development phase as well as three product candidates in formulation phase.

Orexo's portfolio of pharmaceutical products and product candidates include:

- *Diabact® UBT and HeliProbe™ System.* Diabact® UBT is Orexo's first commercialized product. Diabact® UBT is like HeliProbe™ System a breath test that is used for diagnosing the stomach ulcers bacteria *Helicobacter pylori*. Breath tests are recommended by *Helicobacter pylori* expert groups in Europe as the first choice and the most reliable non-invasive test for confirming an active *Helicobacter pylori* infection. By using breath tests, the patient can avoid undergoing a gastroscopic examination that is regarded as unpleasant by many. Benefits for society are that the medical examination is fast and less expensive than gastroscopy.

Distribution and marketing agreements regarding Diabact® UBT have been entered into with respect to a number of markets primarily in Europe, for example for Austria, Germany, Finland, Serbia and the United Kingdom. A license agreement has been entered into with Kyowa Hakko with respect to the Japanese market. Distribution and marketing agreements regarding HeliProbe™ System have been entered into in approximately forty countries in Asia, Eastern Europe and the Middle East.

- *Rapinyl® for treatment of acute pain in cancer patients*. Rapinyl® is developed for treatment of breakthrough cancer pain as first indication. Rapinyl® is based on Orexo's lead technology, the sublingual technology, where a tablet is placed under the tongue which rapidly disintegrates into small units that adhere to the mucous membrane and thereafter is rapidly absorbed into the blood stream over the oral mucosa. This technology results in rapid dissolution and rapid predictable onset of action ("on demand" characteristics).

  Orexo has entered into license agreements regarding Rapinyl® with Endo Pharmaceuticals for North America, Kyowa Hakko for Japan and Strakan for Europe. Orexo has entered into distribution agreements for Russia and other countries in the former Soviet Union, Bulgaria and Romania with Gedeon Richter Plc. ("Gedeon Richter") and distribution agreements for South East Asia, including Australia and New Zeeland, have been entered into with Hospira. Endo Pharmaceuticals initiated Phase III-studies in December 2005 for Rapinyl®. Rapinyl® is under registration for the European market.

- *Sublinox™ (OX 22) for treatment of insomnia.* Sublinox™ (*OX 22*) is also based on the sublingual technology with a tablet that is placed under the tongue for rapid and efficient absorption of the active compound. Sublinox™ (*OX 22*) is designed with the aim of improving currently available sedative and hypnotic agents by, among other things, reducing the time between tablet administration and sleep onset. Sublinox™ (*OX 22*) has also been designed to reduce the variability in plasma concentration exhibited by current therapeutic alternatives which are known to affect sleep onset time, quality and duration of sleep and cause "day after" effects.

  Phase I- and II-studies have been conducted with positive results that proves Sublinox™ (*OX 22*) medical potential for "on demand" medication of insomnia. Based on the great market and its strong growth together with the profile that Sublinox™ (*OX 22*) has shown, Orexo's management believes that the prospects for the product are reasonable. Orexo has during 2007 completed a Phase III-program by performing efficiency, local tolerance and safety study on patients with Sublinox (*OX 22*). The study shows that Sublinox (*OX 22*) acts 30 percent faster than Ambien® as a sleep aid for patients suffering from sleep disturbances. The study also shows that patients remain asleep throughout the night and strengthens existing documentation that Sublinox (*OX 22*) represents a safe and effective treatment for temporary insomnia.

- *OX 17 for treatment of gastro esophageal reflux disease ("GERD")*. GERD is a disease that causes recurrent acid reflux together with aching stomach and great pain in the gullet. OX 17 is a combination, for which patent applications have been filed, of two well documented active compounds that both are inhibitors of gastric acid secretion: a histamine type 2 receptor antagonist ("H2-receptor antagonist") and a proton pump inhibitor ("PPI"). Patents have been granted in Australia, China, Europe and New Zeeland. A completed clinical trial program for OX 17 confirms that the acid secretion is efficiently inhibited following the first dose. Efficient inhibition of the acid may thereafter be maintained as long as the symptoms require treatment. This is a favorable and unique clinical profile for pharmaceuticals intended for treatment of GERD. Orexo presented clinical results on the "Digestive Disease Week" conference in Los Angeles, United States, in May 2006. During 2006, Orexo has initiated a Phase III-program to further document the product's unique characteristics and further strengthen the product profile and the product's competitiveness. This program is estimated to be finalized during the first half of 2008.

  Contacts with the regulatory authorities in Europe and the United States have indicated that OX 17 may be approved either as a pharmaceutical only available on prescription or directly as a pharmaceutical that may be sold without prescription (so called OTC) for treatment of GERD. The possibility to register OX 17 as a pharmaceutical that may be sold without prescription could result in a broader position for OX 17, which has caused Orexo to further investigate such commercial strategy and potential, and to invite more companies for discussions regarding licensing for both the prescription market and the global and commercially attractive OTC-market. According to Orexo's management, a license agreement is expected to be entered into during the next coming six to eight months.

- *OX 19 for treatment of daytime and nocturnal incontinence*. In addition to targeting nocturnal incontinence, OX 19 also targets "on demand" treatment of daytime incontinence for women with an over-active bladder. OX 19 has recently entered clinical Phase I. This study is estimated to be finalized in December 2007 and will determine the feasibility of continuing the development of OX 19.

- *OX 40 for acute treatment of moderate to severe migraine*. The formulation and development plan for OX 40 is designed to prove a rapid and predictable onset of action, which is a prerequisite for an efficient "on demand" treatment. OX 40 is in the formulation phase and is, according to Orexo, deemed to have great potential. Orexo expects that the Company will be able to initiate a Phase I-study during mid year 2008.

- *OX 30 (fentanyl) for treatment of moderate to severe chronic pain.* OX 30 is developed with a new oral drug delivery technology based on bioceramics developed in cooperation with Doxa. This new patented technology platform has been developed to enable a slow and controlled release of opoids. According to Orexo's management the technology also has potential to reduce the probability for abuse of addictive pharmaceuticals. OX 30 is presently in the formulation phase.

- *OX 23 for treatment of moderate to severe acute pain.* OX 23 is based on Orexo's sublingual tablet technology, which combines rapid dissolution with rapid onset of action and predictable effects. OX 23 is currently in the formulation phase.

Orexo is continuously trying to identify new product candidates within the prioritized areas central nervous system ("CNS") and cancer supportive care. Orexo has initiated collaboration with the medical technology company Doxa to develop innovative pharmaceuticals based on an, according to Orexo's management, unique drug delivery technology that, *inter alia*, will enable a slow and controlled release of pharmaceutical substances. The initial and primary application area will be a new, improved pharmaceutical for the treatment of pain (OX 30).

Business Model and Strategy

Orexo is a pharmaceutical company that develops new pharmaceuticals within areas that currently shows great therapeutic needs. The Company's business model is based on innovative drug delivery, where well documented pharmaceutical substances are given improved characteristics by new drug formulations and offer treatment of new diseases. Orexo's strategy includes the following key elements:

- *Focus on addressing unmet therapeutic needs*. Orexo aims to continue to exploit its multidisciplinary capabilities to assess areas of therapeutic need that can be met by combining existing, well documented active compounds with its patented drug delivery technologies and the Company's expertise in dry formulations to create novel, proprietary pharmaceuticals.

- *Seek high returns on pharmaceutical development investment*. Orexo's business model may offer a shorter development time, lower risks of clinical failure and lower development costs in connection with development of novel proprietary pharmaceuticals as compared to pharmaceuticals developed through traditional drug discovery and development. Thus, Orexo's management believes that the Company will be able to generate high returns on its development investments.

- *Licensing strategy*. Orexo's organization and business model is based on that the products shall be developed by Orexo or by Orexo together with partners so far in development that the Company receives an optimal value in relation to each single product's potential and risk. Such optimal value is usually achieved following clinical Phase II when the expected effect has been documented. Some products may be developed by the Company through late stage clinical trials in order to seek higher upfront, milestone and royalty payments from prospective partners.

- *Retain certain marketing rights and establish a focused, specialty sales organization in selected European markets including the Nordic region*. On August 1, 2007 Orexo entered into a joint venture agreement with ProStrakan regarding an equally owned sales company for the Nordic market. The sales company will initially have Nordic sales rights for Orexo's and ProStrakan's portfolios, including both future and already marketed products, except for Diabact® UBT and HeliProbe™ System that also in the future will be marketed and sold by Kibion.

Orexo believes that with certain financial investments and resources, the Company can establish its own sales organization for certain products in selected European markets outside the Nordic region. Orexo continuously evaluates how to pursue the commercialization of its products.

- *Continue to broaden and develop new technology platforms and products*. To enhance its ability to compete, Orexo aims to continuously identify and develop products based on patented drug delivery technologies and, when appropriate, in-license or acquire new active compounds and new drug delivery technologies. Orexo's management believes that such a strategy will allow for the Company to expand its expertise in drug delivery technologies that can address unmet therapeutic needs and enable the Company to further broaden its product portfolio.

Competitive Advantages

Orexo's management believes that the Company's business model has a number of strengths that have underpinned its success to date and that will enable it to implement its objective of becoming a successful pharmaceutical company with revenues consisting of, *inter alia*, milestone payments and royalties from collaborating partners and Orexo's own sale of products. Orexo's strengths include:

- *Ability to develop new proprietary pharmaceuticals faster at lower development costs and with lower development risks as compared to pharmaceuticals developed through traditional drug discovery and development*. Orexo aims to continue to exploit the Company's multidisciplinary capabilities to assess areas of therapeutic need that can be met by combining existing, well documented active compounds with its patent protected drug delivery technologies. By following this strategy, Orexo's management believes that it will be able to develop novel pharmaceuticals faster at lower development costs and with lower development risk as compared to pharmaceuticals developed through traditional drug discovery and development.

- *Advanced stage and balanced product portfolio*. Orexo's management believes that it has a strong, well balanced product portfolio. The Company has today two products on the market, Diabact® UBT and HeliProbe™ System. The Company's European partner, Strakan, has filed Rapinyl® for registration in Europe and the Company's partner in North America, Endo Pharmaceuticals, has announced that it intends to file an application for registration of Rapinyl® for North America during the first half of 2008. Orexo has two more product candidates, Sublinox™ (*OX 22*) and OX 17 in late clinical development phase and one product candidate, OX 19, in early clinical development phase. Orexo further has three product candidates, OX 40, OX 23 and OX 30, in formulation phase. Orexo also has several other projects in pre-project phase.

- *Proven ability to commercialize Orexo's products through license or partnership agreements*. Orexo has entered into license agreements for Rapinyl® with Endo Pharmaceuticals for North America, Kyowa Hakko for Japan, and Strakan for Europe and distribution agreements for Russia and other countries in the former Soviet Union, Bulgaria and Rumania with Gedeon Richter. Orexo's subsidiary, Kibion, has entered into distribution agreements for Diabact® UBT in European markets and elsewhere and has licensed the Diabact® UBT technology to Kyowa Hakko for Japan. Distribution and marketing agreements have been entered into regarding HeliProbe™System in approximately forty countries in Asia, Eastern Europe and the Middle East.

- *Leading expertise in dry formulations*. Dry formulations are the most common formulations used for pharmaceuticals, and Orexo's management believes that the Company has a leading expertise in this area.

- *Strong drug delivery technologies platform*. Orexo has a number of patented drug delivery technologies and new drug delivery technologies for which patent applications have been filed, which can be applied to several pharmaceutical compounds. These technologies include sublingual mucoadhesive tablets, fast dissolving tablets, pharmaceutical formulations of compounds that are difficult to dissolve, powder for administration via the nasal mucosa, and methods for optimizing the dissolution of pharmaceuticals in small liquid volumes.

- *Strong intellectual property portfolio*. Orexo has pursued an active intellectual property strategy to protect its innovations. Orexo has applied for patent protection for 17 patent families/inventions with respect to more than 160 granted patents and approximately 80 patent applications in evaluation phase. These patents and patent applications cover new formulations, new routes of administration, novel medical use or product combinations. Orexo has a rigorous selection process for new projects. One of the fundamental

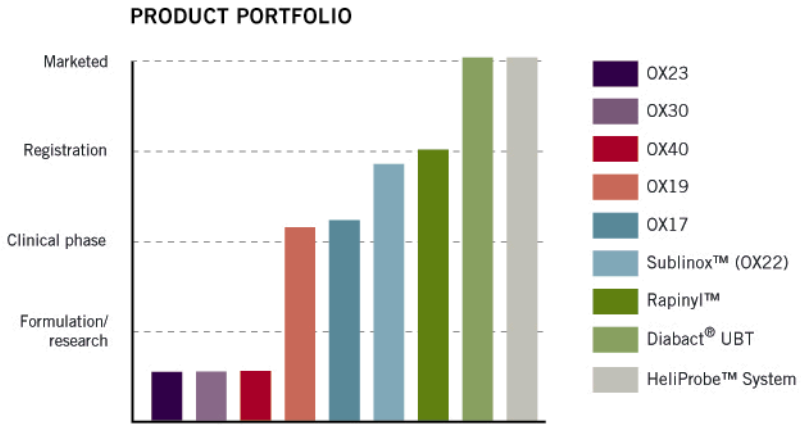
determinants of a project's attractiveness is the potential for the Company to create patent protection around the application of Orexo's technology and the anticipated novel pharmaceutical. By obtaining such intellectual property rights, Orexo strengthens the commercialization platform for its products. Orexo's management believes that the Company has a broad portfolio of proprietary technologies and expertise to develop new pharmaceuticals.

- *Focused regulatory strategy*. In traditional drug discovery and development, the regulatory process is generally both lengthy and costly, requiring a number of pre-clinical and clinical trials. Orexo uses well documented active compounds that have substantial clinical trial history and known side effects, which enables streamlined and effective documentation programs to obtain approval from the regulatory authorities. This strategy involves a careful and early evaluation of the regulatory requirements in each project and ongoing discussions with regulatory authorities to enable the Company to carry out a streamlined clinical program that meet the expected requirements of the relevant regulatory authorities.

- *Experienced management team*. Orexo has a highly experienced management, which has been responsible of or participated in completion of a number of pre-clinical and clinical studies, registrations and commercializations of products on the global market. Members of Orexo's management have complementary backgrounds in Research and Development, clinical development, regulatory affairs, sales and marketing, finance and general management, with experience gained from global companies such as AstraZeneca, Pfizer, Pharmacia, Sanofi-Aventis and Wyeth as well as the Swedish Medical Product Agency (*Sw. Läkemedelsverket*).

Current Product and Project Portfolio

Orexo currently has the following commercialized products, product candidates which have been filed for registration or which are being prepared for the regulatory review phase, clinical development phase product candidates and advanced formulation development projects.



Orexo is continuously trying to identify new product candidates within the prioritized areas CNS and cancer supportive care. Orexo has also initiated a collaboration with the medical technology company Doxa to develop innovative pharmaceuticals based on an, according to Orexo's management, unique drug delivery technology that, *inter alia*, will enable a slow and controlled release of pharmaceutical substances. The initial and primary application area will be a new, improved pharmaceutical for the treatment of pain (OX 30).

Diabact® UBT and HeliProbe™ System - Diagnostic Pharmaceuticals for Detection of Helicobacter Pylori Infection

Overview

Diabact® UBT and HeliProbe™ System are diagnostic breath tests for the detection of *Helicobacter pylori* infection. The bacterium infects the stomach's mucous membrane and is a critical factor in the incidence of stomach ulcers. The *Helicobacter pylori* infection has also been shown to be associated with a substantially increased risk of stomach cancer. Diabact® UBT and HeliProbe™ System are based on the same test principle. The patient swallows a tablet or capsule containing urea. If the patient has the bacteria in the stomach, the bacteria degrade the urea, and the patient will exhale waste products that can be measured in the exhaled air.

The marketing of Diabact® UBT and HeliProbe™ System is carried out by Kibion, a wholly owned subsidiary of Orexo. Kibion was established in 2005 and during 2006 Kibion proved that the company has the products required to become the market leader, and an organization that is able to manage rapid growth. During the financial year 2006, Kibion reported sales of SEK 17.3 million, as compared to SEK 5.1 million for the financial year 2005. The strong increase in sales was partly related to the acquisition of Noster System and partly to favorable sales growth for Kibion's product Diabact® UBT.

Market and Medical Need

Helicobacter pylori is a bacterium that colonizes the stomach of about half of the worlds population[11]. In countries with a high standard of living, the bacteria are significantly less common than in developing countries, where the majority is infected[12]. Breath tests are recommended by *Helicobacter pylori* expert groups in Europe as the first choice and the most reliable non-invasive test for demonstrating an active infection.

Competition

There are several methods for diagnosing whether patients are infected by the *Helicobacter pylori* bacteria. A traditional method has been gastroscopy, which entails inserting a probe into the stomach for a visual assessment and taking a tissue sample. There are also other non-invasive methods, such as breath tests. Other methods include blood and stool tests.

Competitive Advantages

The primary advantages of Diabact® UBT are that it is reliable, simple and painless. The patient does not have to undergo a gastroscopic examination that is regarded as unpleasant by many. The tablet contains biological substances and can be swallowed with water and no mixing of solutions is required. The breath test can be taken already after ten minutes. The result is more cost effective healthcare, since time consuming preparation steps are eliminated. The test is analyzed in a central laboratory, and the results are available within two to three days.

The breath test HeliProbe™ System is also user friendly for both patients and healthcare personnel. The greatest advantage with the test is the rapid result. The test results are available already after 15-20 minutes after the patient has swallowed the urea capsule, which contains a weak radioactive dosage that permits immediate analysis.

Partners and License Agreements

Distribution and marketing agreements regarding Diabact® UBT have been entered into with respect to a number of markets primarily in Europe, for example for Austria, Germany, Finland, Serbia and the United Kingdom. A license agreement has been entered into with Kyowa Hakko with respect to the Japanese market. Distribution and marketing agreements regarding HeliProbe™ System has been entered into in approximately forty countries in Asia, Eastern Europe, and the Middle East.

[11] Source: Marshall BJ, Helicobacter pylori, the etiologic agent for peptic ulcer. JAMA 1995;274:1064-1066.
[12] Source: Marshall BJ, Helicobacter pylori, the etiologic agent for peptic ulcer. JAMA 1995;274:1064-1066.

Rapinyl® - Treatment of Acute Pain in Cancer Patients

Overview

Orexo's most advanced product candidate, Rapinyl®, is based on Orexo's sublingual technology and contains the potent analgesic compound fentanyl. Rapinyl® is intended to provide fast, effective and safe relief of moderate to severe acute cancer breakthrough pain.

Market and Medical Need

Approximately 80 percent of all cancer patients suffer at times from acute pain requiring immediate treatment[13]. Total sales of pain medication amounted to USD 27 billion in 2006, of which pharmaceuticals for the treatment of cancer related pain accounted for more than USD 10 billion[14]. The market for breakthrough pain amounted to USD 1.3 billion in 2006[15].

Competition

Treatment of acute cancer pain is currently dominated by conventional tablets and mixtures containing morphine. The disadvantages of these tablets and mixtures are that they take a long time (approximately 30-45 minutes) to reach effect, and that the effect is difficult to predict, because the reduced intestinal function in these patients slows the absorption of the medicine. A fentanyl-containing "lollipop" has been available for a couple of years and a new mucosal product is introduced in the United States, both marketed by Cephalon Inc. Both Biodelivery Sciences International Inc. and Aradigm Corporation have products under development that could compete with Rapinyl®.

Competitive Advantages

The Rapinyl® tablet is based on fentanyl and designed for fast dissolution into small units of carriers that adhere to the sublingual mucosa whereby the active compound dissolves. This allows the pharmaceutical to rapidly and effectively permeate the sublingual mucosa to enter the bloodstream. The result is a rapid and more predictable onset of action as compared to products that must be swallowed in order for the pharmaceutical to enter the bloodstream by passing through the stomach. The product is further easy to dose, store and handle and it has a strong patent protection.

Partners and License Agreements and Project Status

License agreements regarding Rapinyl® have been entered into with Endo Pharmaceuticals for North America, Kyowa Hakko for Japan, and Strakan for Europe. Distribution agreements for Russia and other countries in the former Soviet Union, Bulgaria and Romania have been entered into with Gedeon Richter and distribution agreements for South East Asia, including Australia and New Zeeland, have been entered into with Hospira.

In January 2003, Orexo licensed the marketing rights for Rapinyl® in Japan to Kyowa Hakko, which is a Japanese research based pharmaceutical and biotech company. When concluding the license agreement, Orexo received a one time payment of USD 1.0 million. In addition, Orexo has received two milestone payments of in total USD 2.5 million for granting of patents and obtaining of positive statements of opinion from the Japanese supervisory authority regarding the clinical test program for Rapinyl®. Pursuant to the agreement, additional milestone payments of in total USD 5.0 million shall be paid when the clinical tests are finalized and the Japanese supervisory authority has approved Rapinyl®. Moreover, Orexo is entitled to single digit royalties based on future sales.

In August 2004, Orexo licensed the development and marketing rights for Rapinyl® in North America to Endo Pharmaceuticals, which is a leading American pharmaceuticals company specializing in treatments of alleviation of pain. When concluding the license agreement, Orexo received a one time payment of USD 10.0 million and may, according to the agreement, receive additional payments of in total USD 61.3 million and royalties amounting to a two-figured percentage rate based on future sales. Of the potential payments of USD 61.3 million, USD 6.5 million is related to fulfillment of development milestones, USD 15.6 million consists of three payments of license fees, each amounting to USD 5.2 million, to be annually paid in advance as from the forth

[13] Source: Daut RL, Cleeland CS. The prevalence and severity of pain in cancer. Cancer 1982;50:1913-1918.
[14] Source: Decision Resources Inc.
[15] Source: Datamonitor Pipeline insight: Breakthrough pain 11, 2006.

quarter of 2006, and USD 39.2 million shall be paid in the event certain sales targets are achieved. The annual license fee shall be offset against accrued royalties during the same period. If an annual royalty payment exceeds USD 5.2 million, no further annual payments shall be made to Orexo in accordance with the agreement. Orexo has during the third quarter of 2005 received a development milestone payment of USD 6.5 million and during the fourth quarter of 2006 a license payment of USD 5.2 million.

Moreover, the license agreement contains customary provisions, including guarantees, provisions on indemnification for damage and termination. The agreement is in force until the later of the expiry of the patent or the expiry of any market exclusivity. Endo Pharmaceuticals may, under certain conditions, terminate the agreement. The notice period is six months. Endo Pharmaceuticals may be forced to pay a termination fee of a maximum of USD 1.5 million to Orexo.

Endo Pharmaceuticals initiated Phase III studies in December 2005 for Rapinyl® and has announced that it intends to file an application for registration regarding Rapinyl® for North America during the first half of 2008. Endo Pharmaceuticals announced on November 1, 2007 together with the release of its interim report, that due to the continued challenge of recruiting cancer patients in its Phase III-, placebo-controlled efficacy trial of Rapinyl®, Endo Pharmaceuticals has decided that it will conduct an interim statistical analysis of this trial. This interim analysis will be conducted as soon as possible when a pre-determined number of patients with evaluated data have completed the trial. Endo Pharmaceuticals will provide updated information when this analysis is completed

In January 2006 Orexo and Strakan entered into a license agreement that gives Strakan exclusive rights to register and market Rapinyl® on the European market. Orexo has received a one time payment of EUR 5.0 million as compensation for the license rights. In addition, Orexo is entitled to license and milestone payments for achieved development and sales milestones. These revenues may amount to an additional EUR 17.0 million. When Strakan commences to sell Rapinyl® on the European market, Orexo will receive double digit percentage rate royalties. According to the joint venture agreement regarding a joint sales company entered into between Orexo and ProStrakan, the royalty rate on sales of Rapinyl® on the Nordic market shall be reduced by 50 percent during the term of the joint venture agreement. During the third quarter of 2006, Orexo received a milestone payment of EUR 2.0 million in connection with Strakan's filing of an application for registration with EMEA.

The license agreement contains customary provisions, including guarantees, provisions on indemnification for damage and termination. The agreement is in force until the later of (i) ten years following the date of commercialization of Rapinyl® in any of the designated countries in the agreement, (ii) the expiry of the patents or (iii) the expiry of certain protection of information and market exclusivity. Following filing of an application for registration with EMEA, Strakan has the right to terminate the agreement with a notice period of 90 days.

Strakan has during 2007 announced that Rapinyl® will be reviewed by EMEA's Committee for Medical Products for Human Use ("CHMP"), since the member states involved in the examination of Rapinyl® could not agree on a unanimous decision in the European registration process. The time for CHMP's resolution process is difficult to estimate, but, according to Orexo's management, it is likely that it will extend into 2008.

Sublinox™ (OX 22) - Treatment of Temporary Insomnia

Overview

Sublinox™ (*OX 22*) has been developed by Orexo to meet unmet therapeutic needs that affect many temporary insomnia sufferers.

Market and Medical Need

The ever-increasing longevity and thereby growing population of seniors have resulted in an increased number of people who suffer from sleep disturbances[16]. Many of them currently receive no treatment. The global insomnia market amounted to USD 6.0 billion in 2006[17].

[16] Source: Ohayon MM, Shapiro CM. Tenses of insomnia epidemiology, J Psychosomatic Res. 2002;53:525-527.
[17] Source: Datamonitor.

Competition

If and when launched, Sublinox™ (*OX 22*) will compete will several products for the treatment of sleep disturbances. Sanofi-Aventis is currently the market leader in this area. Other important companies in the market are Sepracor Inc and King Pharmaceuticals Inc.

Competitive Advantages

Sublinox™ (*OX 22*) offers ”on demand” treatment of temporary insomnia and helps the patient fall asleep rapidly and remain asleep throughout the night. It is based on the well documented substance zolpidem and Orexo’s sublingual technology[18]. Its primary competitive advantages include its faster onset of action, predictable effect and no “day after” effects. According to the management of Orexo, Sublinox™ (*OX 22*) is protected by strong patents.

Project Status

Clinical studies have been conducted with positive results that proves Sublinox™ (*OX 22*) medical potential for “on demand” medication of insomnia. Based on the size of this large commercial market and its strong continuous growth together with the clinical profile that Sublinox™ (*OX 22*) has shown, Orexo’s management believes that the prospects for Sublinox™ (*OX 22*) are reasonable. Orexo has during 2007 completed a Phase III-program by performing an efficiency, local tolerance and safety study on patients with Sublinox (*OX 22*). The study showed that Sublinox (*OX 22*) acts 30 percent faster than Ambien® as a sleep aid for patients suffering from sleep disturbances. The study also shows that patients remain asleep throughout the night and strengthens existing documentation that Sublinox (*OX 22*) represents a safe and effective treatment for temporary insomnia. The completed Phase III-program will, together with the further clinical documentation prepared by Orexo, form the basis for the application of registration that Orexo intends to file with to the FDA. Due to long turn around time at the FDA a time for pre-NDA-meeting has not been granted until in January 2008. After that it will take approximately 60 days before an application can be approved.

OX 17 - GERD

Overview

OX 17 is a product candidate intended for treatment of GERD, a disease that causes recurrent acid reflux together with aching stomach and great pain in the gullet.

Market and Medical Need

About 15-20 percent of the world’s population over the age of 18 is estimated to suffer from GERD[19]. The disease is currently treated primarily with acid inhibiting products, some of which are H2-receptor antagonists and some PPIs. The market for the former category was valued at USD 3 billion in 2006 and the latter at over USD 25 billion in 2006[20].

Competition

When OX 17 is commercialized, it will face competition from existing acid inhibiting products as well as products currently under development. The next generation of PPIs is currently under development, but the trials to date have not been successful.

Competitive Advantages

The H2-receptor antagonists result in maximal acid inhibitory effect within two hours of intake. However, the acid inhibitory effect obtained with a H2-receptor antagonist declines significantly during the following days. PPIs have a proven ability to offer long term control of stomach acidity and thus symptom relief. However, due to the PPIs mechanism of action, the onset is relatively slow and four to five days often transpire before maximal acid inhibitory effect is achieved. In OX 17, a H2-receptor antagonist and a PPI are combined in one tablet, which results in a unique profile with fast onset of action and effect that is also maintained over time.

[18] Source: Ambien Prescribing Information, March 2007.
[19] Source: Jones R., Gastroenterology.
[20] Source: IMS Health.

Project Status

A completed clinical trial program confirms that the acid secretion is efficiently inhibited following the first dose. Efficient inhibition of the acid may thereafter be maintained as long as the symptom requires treatment. This is a favorable and unique clinical profile for pharmaceuticals intended for treatment of GERD. Orexo presented clinical results on the "Digestive Disease Week" conference in Los Angeles, the United States, in May 2006.

During 2006, Orexo has initiated a Phase III-program to document the product's unique characteristics and further strengthen the product profile and its competitiveness. This program is estimated to be finalized during the first half of 2008. Contacts with the regulatory authorities in the United States and Europe has indicated that OX 17 may be approved both as a pharmaceutical only available on prescription and directly as a pharmaceutical that may be sold without prescription (OTC) for treatment of reflux diseases. The possibility to register OX 17 as a pharmaceutical that may be sold without prescription could result in a broader position for OX 17, which has caused Orexo to further investigate such commercial strategy and potential, and to invite additional companies for discussions regarding licensing for both the prescription market and the global and commercially attractive OTC-market. Negotiations are carried out with a number of large international pharmaceutical companies and an agreement is, according to Orexo's management, expected to be signed during the next six to eight months.

Patent applications for the combination concept have been granted in Australia, China, Europe and New Zeeland and a patent application is pending for the North American market.

OX 19 - Treatment of Daytime and Nocturnal Incontinence

Overview

OX 19 is indented to offer an efficient treatment of daytime and nocturnal incontinence. A diagnosis of incontinence includes urgency incontinence (abrupt desire to void that can not be suppressed) and stress incontinence (small leakage in situations with increased intra abdominal pressure) and represents a large social handicap.

Market and Medical Need

The risk of developing urinary incontinence is high. Studies show that up to 20 percent of the world's population above the age of 20 will suffer from some kind of incontinence inconveniences[21]. Despite the large number of pharmaceutical products available, there are still large unmet needs[22]. The market for incontinence was valued at USD 2 billion in 2004[23]. Growth is expected to be strong as many products are in a late development phase (Phase II/III)[24].

Competition

The lack of effective treatment options has impeded development in the area and to date few companies have invested in developing new pharmaceuticals for incontinence.

Competitive Advantages

OX 19 is based on Orexo's sublingual tablet technology and incorporates the active compound desmopressin, a synthetic analogue of the natural hormone arginine vasopressin that acts as an anti-diuretic and decreases urine production. If the results from the clinical studies of OX 19 are positive, OX 19 could be the first product candidate in a series of peptide based product candidates that Orexo intends to try to develop. Its expected advantages include fast onset of action and predictable effect. OX 19 is part of Orexo's development ambition of developing patent protection for oral peptide administration.

Project Status

A clinical study has been initiated during 2007 and this study is estimated to be finalized in December 2007.

[21] Source: Datamonitor 06.
[22] Source: Datamonitor 06.
[23] Source: IMS Health.
[24] Source: Datamonitor 06.

OX 40 - Treatment of Migraine Overview

OX 40 is intended to offer acute treatment of moderate to severe migraine.

Market and Medical Need

Migraine is characterized by recurrent attacks of severe pain, usually on one side of the head. It may be preceded by flashes and other visual phenomena and accompanied by nausea, vomiting, or dizziness. The attacks vary in frequency from daily occurrences to once every few years. Migraine affects women three times as often as men and is frequently inherited[25].

An estimated 15-18 percent of the female population and 6-8 percent of the male population suffer from migraine headaches, which corresponds to about 74 million people in the seven largest pharmaceutical markets[26]. The total market was valued to USD 3.4 billion in 2005, which was an increase of almost 10 percent as compared to the preceding year[27].

Competition

If OX 40 is commercialized, the product will face competition from several pharmaceuticals. However, as 80 percent of the patients are unhappy with their treatment and only 20-40 percent of the patients are fully treated, there is a large potential of improvement of the migraine treatment[28].

Competitive Advantages

OX 40 is a tablet that is based on a well documented triptan. Its expected advantages include improved absorption of the active substance, which is essential for fast and effective relief from migraine symptoms. OX 40 is part of Orexo's patent strategy for sublingual products.

Project Status

The development plan for OX 40 is made in order to show fast and predictable onset of action, which is an essential characteristic for effective "on demand" medication. During the third quarter of 2007, a preparatory study was conducted for the planned Phase I trials, using a tablet based on the well documented substance sumatriptan.

Orexo's management believes that OX 40 offers great potential. Accordingly, Orexo has worked concurrently with a number of other well established triptants. A preliminary evaluation indicates that these triptants could better meet the desired product profile. Thus the continued formulation development in the project will concentrate on these triptants. Orexo expects to be able to commence a Phase I trial during the middle of 2008 with a sublingual formulation of a triptan.

OX 30 (fentanyl) - Treatment of moderate to severe chronic pain

OX 30 is developed with a new oral drug delivery technology based on bioceramics developed in cooperation with Doxa. OX 30 is based on a new patented technology platform developed to enable a slow and controlled release of opoids. According to Orexo's management, the technology also has the potential to reduce the abuse of addictive pharmaceuticals. OX 30 is presently in the formulation phase.

OX 23 - Treatment of moderate to severe acute pain

OX 23 is based on Orexo's sublingual tablet technology which combines rapid dissolution with rapid onset of action and predictable effects. OX 23 is in the formulation phase.

Drug Delivery Technologies

Orexo has invented, developed or acquired a number of proprietary drug delivery technologies. Patented technologies include sublingual mucoadhesive tablet preparations where a fast dissolving tablet is placed under the tongue. Other technologies include fast dissolving tablets, preparations of pharmaceutical substances with a

[25] Source: Headache disorders and public health. WHO/MSD/MBD/OO.9.
[26] Source: Scrip Report 2004.
[27] Source: Scrip Report 2005. Datamonitor 2006.
[28] Source: Datamonitor 2006.

low solubility, powder preparations for administration of pharmaceuticals via the nasal mucosa and methods for optimizing the dissolution of the active compounds in small volumes of liquid.

Sublingual Mucoadhesive Tablet Preparation

Orexo's lead technology, the sublingual dosage form, was originally developed for the treatment of acute pain in cancer patients (Rapinyl®). The sublingual tablet combines the properties of fast dissolution in the oral cavity with rapid site specific absorption of the active compound over the oral mucosa. Several of Orexo's current product candidates are based on its sublingual tablet technology. The sublingual tablet consists of three different components: a carrier, mucoadhesive micro particles (carrier of units) and the active compound. These components are mixed and then compressed into a tablet (see the illustration below). When administered, the tablet is placed under the tongue where it rapidly disintegrates into ordered units of carrier with mucoadhesive micro particles and the active compound on the surface. The units adhere to the sublingual mucosa due to the presence of mucoadhesive and the carrier particles and the active compound dissolve simultaneously, after which the active compound is rapidly absorbed over the mucosa.

In general, the advantage of the technology as compared to other drug delivery technologies includes:

- Rapid onset of action, allowing for "on demand" treatment;
- Avoidance of first pass metabolism and creation of higher bioavailability;
- Avoidance of variability in bioavailability due to gastric passage (acid sensitive, gastric emptying);
- Improved absorption of poorly absorbed compounds; and
- Relatively cost effective manufacturing process.

Orexo's sublingual mucoadhesive tablet technology has been utilized in Rapinyl®, Sublinox™ (*OX 22*), OX 19 and OX 40 and Orexo's management believes that the Company can apply the technology to other active compounds. The mucoadhesive tablet differs from ordinary orally administered pharmaceuticals and tablets in that the active compound is not absorbed in the intestine of the patient but instead primarily over the oral mucosa. Orexo will continue to develop and improve its technologies for sublingual drug delivery. Orexo will also continue to evaluate other active compounds to which it can apply its sublingual mucoadhesive tablet technology.

Oral Fast Dissolving Tablet

Orexo has significant experience with dry mixture methods combined with a tablet formulation designed for momentary disintegration to improve the dissolution of active compounds that are difficult to dissolve in water. In order to be absorbed, all pharmaceuticals require that the active compound be dissolved in the fluids at the site of absorption. The oral fast dissolving tablet is designed for fast dissolution in the gastrointestinal tract of the patient. The technology is currently used in Diabact® UBT, a product for the diagnosis of *Helicobacter pylori* infection, and in OX 17, for treatment for GERD. Orexo's management believes that the oral fast dissolving tablet technology can be applied to other pharmaceuticals as well. Orexo's management believes that the technology offers the following advantages:

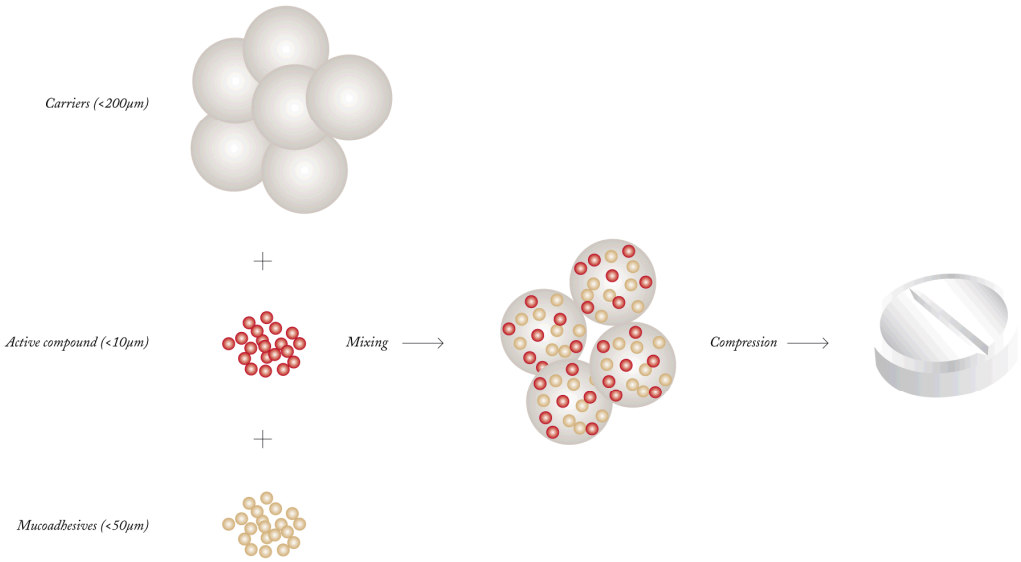
- *Increased bioavailability.* With a tablet that rapidly disintegrates into many much smaller units, the surface area presented to water in the gastrointestinal tract is increased significantly. This increases both the rate of dissolution and the absorption over the intestinal mucosa.
- *Shorter time to onset.* By using a special mixture technique and increasing the rate of dissolution, the technology allows for faster and more complete absorption in the intestine, resulting in a faster onset of action.

Combination Products

Novel combinations of active compounds can represent a powerful approach to meet therapeutic needs that are not addressed by existing pharmaceuticals independently. OX 17 (H2-receptor antagonist/PPI) reflects such an approach, where two active compounds, by a dual mechanism of action, improve upon existing pharmacological treatments of GERD. Orexo's proprietary formulation technology further enhances the combination of the active compounds.

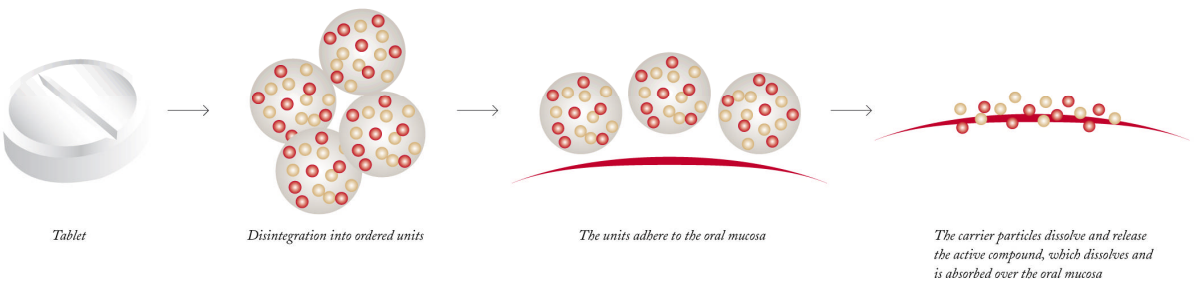
Unique formulation technology

SUBLINGUAL MUCOADHESIVE TABLET



Unique formulation technology

RAPID DISSOLUTION AND ABSORPTION



New Technologies

During 2006, Orexo initiated collaboration with the medical technology company Doxa. The objective of the collaboration is to develop new, innovative pharmaceuticals based on an, according to Orexo's management, unique drug delivery technology. This technology is based on ceramic carriers and allows slow and controlled

release of pharmaceutical substances. The initial product will be a new, improved pharmaceutical for the treatment of pain.

Orexo owns the rights to products based on this technology for all pharmaceutical and medical applications while Doxa has the corresponding ownership rights for orthopedic and dental applications. The patents will be developed in collaboration between Doxa and Orexo. Orexo will own the new technology and its patent protections. Orexo will make a milestone payment in the amount of SEK 4.0 million to Doxa at the time the first patent is approved. Orexo will make further milestone payments of SEK 10.0 million each at the first approval for commercialization of each new pharmaceutical product based on the jointly developed technology that has been approved by a regulatory authority in the EU, Japan or the United States. Furthermore, Doxa and Orexo will mutually receive royalties on the other party's product sales and licensing revenues from each new pharmaceutical product.

Competition

Orexo's principal competitors are pharmaceutical companies with products targeting the same therapeutic needs as Orexo's products and product candidates. See the "Competition" subsection under each of the products and product candidates described in the section "Orexo - Business - Current Product and Project Portfolio" for a discussion of the competitive situation for Orexo in its various product markets. In addition, in cases where Orexo aims to partner with pharmaceutical companies to assist those companies in extending their product lifecycles, Orexo's competitors will include other drug delivery technology companies.

Suppliers

The Company's suppliers comprise mainly large international suppliers, which supply raw materials and goods for use in the Company's different products and projects. These raw materials and goods consist principally of substances frequently used in dry formulation pharmaceutical development and active compounds. The Company currently uses a number of different suppliers and Orexo's management believes that the Company is not dependent on any particular supplier for its products or projects.

Sales and Marketing

Sales of Diabact® UBT and HeliProbe™ System are carried out by distributors. See the section "Orexo - Business - Current Product and Project Portfolio - Diabact® UBT/HeliProbe™ System - Diagnostic Pharmaceutical for Detection of Helicobacter Pylori Infection - Partners and License Agreements".

In August 2007 Orexo entered into a joint venture agreement with ProStrakan regarding an equally owned sales company for the Nordic market. The business operations will be carried out by ProStrakan's existing Swedish subsidiary, ProStrakan AB, of which Orexo received 50 percent of the shares through a directed share issue of SEK 17.9 million. The sales company will initially trade under the name of ProStrakan AB. ProStrakan AB will as a general rule sell all products of ProStrakan and Orexo on the Nordic market, except for Diabact® UBT and HeliProbe™ System that also in the future will be marketed and sold by Kibion. ProStrakan AB currently has three commercialized products, Tostrex®, Rectogesic® and Droperidol®. According to the joint venture agreement, the royalty rate on sales of Rapinyl® on the Nordic market that Orexo is entitled to according to the license agreement with Strakan, shall be reduced by 50 percent during the term of the joint venture agreement.

Orexo's management believes that with certain financial investments and resources, the Company can establish its own sales organization for certain products in selected European markets outside the Nordic region. Orexo continually evaluates how to pursue the commercialization of its products. Orexo's marketing strategies for a product in a geographic market may include both the securing of partnership agreements with selected pharmaceutical companies and the establishment of its own sales organization or a combination of these. Having its own sales organization could result in Orexo being able to better control the Company's revenue stream and achieve higher profit margins from product sales and limit the Company's dependence on out-licensing partners. For each of its products and markets, Orexo's management carefully evaluates which marketing strategy that it deems most appropriate.

Academic Collaborations

Orexo has close co-operations with a number of universities in Sweden and abroad. Orexo has, in particular within the field of research relating to the gastrointestinal area and through clinical trials, established co-operations with several academic institutions, including primarily the University of Wisconsin at Milwaukee, the

United States, the University Hospital in Helsinki, Finland, and the Universities of Gothenburg and Uppsala, Sweden.

Manufacturing

Orexo owns a clinical manufacturing plant in leased facilities in Uppsala where the Company manufactures Diabact® UBT, Rapinyl®, Sublinox™ (*OX 22*), OX 17, OX 19, OX 40, OX 23, OX 30 and new product candidates for clinical trials and up to pilot scale. Orexo's management does not intend for the Company to have its own production facilities for the commercial production of Orexo's products, with the exception of Diabact® UBT. Instead, Orexo plans to outsource full-scale production of its products through license agreements entered into with strategic partners and through contract manufacturing, which, according to Orexo's management, is the best way to use the Company's assets and competences.

Human Resources

As of September 30, 2007, Orexo had 74 full-time employees, six of which were temporary employees and nine of which were employed by Orexo's subsidiary Kibion. Of the Company's employees, 48 were engaged in Research and Development and included mainly galenic pharmacists, analytical chemists, clinicians and specialists in regulatory affairs and intellectual property. Of Orexo's 74 employees, twelve hold Ph.D. degrees and 39 hold other advanced degrees. Of these employees, 47 were women and 27 were men. Orexo is not bound by any collective bargaining agreement. The average age of Orexo's employees is 42.4 years and the median age is 42.0 years. Orexo has not experienced any work stoppages. Orexo's management believes that relations with the employees are good. The Company has had very low staff turnover with only five employees having resigned since Orexo commenced business operations in 1995.

Future staff recruitments are anticipated to be modest in short to medium term, and are expected to mainly be in the area of product development. Orexo's core operations require highly skilled and experienced personnel. Orexo's management believes that being headquartered in Uppsala, where several pharmaceutical, biotechnology and other life science companies are situated, is beneficial when seeking to employ such personnel. See the section "Orexo - Risk Factors - Orexo's success is dependent on key personnel".

Orexo's management believes that Orexo has sufficient personnel and Research and Development capacity to handle its current product pipeline, but that it could need to expand its organization in order to enable the pursuit of more projects in parallel.

While Orexo's core competences are within research, development, clinical studies and regulatory affairs, the Company also has international, commercial and operational competence.

Facilities

Orexo's corporate headquarters and centre of operations are located at Virdings allé 32 A in Uppsala, Sweden, where Orexo leases combined office, Good Manufacturing Standard production facilities and laboratory premises. The rented area is as of the date of this prospectus 6,148 m^2 and will increase gradually during the period 2007 to 2009 and will in 2009 be approximately 7,000 square meters. The lease term expires on December 31, 2014 subject to extensions for additional three year periods if notice of termination is not given twelve months prior to expiry. Orexo is unilaterally entitled to terminate the lease agreement not later than December 31, 2010 for removal as per December 31, 2011. According to the lease agreement the Company has options to lease additional facilities, which shall be exercised not later than on July 1, 2008.

In addition to the foregoing, Orexo leases certain other minor premises. Orexo's production facility at Kungsgatan 109 in Uppsala has been approved by the Swedish Medical Product Agency (*Sw. Läkemedelsverket*) and complies with international quality requirements (GMP) for production of non-sterile pharmaceuticals. The Company has also applied for approval with the Swedish Medical Product Agency regarding the facilities on Virdings allé 32 A in Uppsala and Orexo expects to receive such approval during the end of 2007 or in the beginning of 2008. Orexo does not own any real property. Orexo's management believes that, based on the Company's current expansion plans, the Company's facilities are adequate. See the section "Background and Reasons".

OREXO - SHARE CAPITAL

Share Capital

The Company's share capital is expressed in Swedish kronor and is distributed among the shares issued by the Company with a quota value expressed in Swedish kronor. The share capital in Orexo, as of the date of this prospectus, is SEK 5,584,500, divided into 13,961,250 shares. Thus, the quota value of each share is SEK 0.40. Following completion of the Acquisition, Orexo's share capital will, provided that the 926,000 warrants issued in the Issue In Kind are exercised, be SEK 9,007,258, divided into 22,518,145 shares, each with a quota value of SEK 0.40.

Development of the Share Capital

The table below sets forth the changes in the share capital of Orexo since the incorporation of the Company and up to the registration of the new shares in connection with the Acquisition:

Year	Transaction	Change in number of shares	Change in share capital (SEK)	Total number of shares	Total share capital (SEK)	Quota value (SEK)
1994	Incorporation	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	8,830	883,000	25,030	2,503,000	100
2003	New issue	6	600	25,036	2,503,600	100
2003	New issue	9,242	924,200	34,278	3,427,800	100
2004	New issue (1)	2,298	229,800	36,576	3,657,600	100
2004	New issue (2)	376	37,600	36,952	3,695,200	100
2005	New issue (3)	1,337	133,700	38,289	3,828,900	100
2005	Share split (4)	9,533,961	-	9,572,250	3,828,900	0.4
2005	New issue (5)	3,700,000	1,480,000	13,272,250	5,308,900	0.4
2005	New issue (6)	20,250	8,100	13,292,500	5,317,000	0.4
2006	New issue (7)	592,250	236,900	13,884,750	5,553,900	0.4
2007	New issue (8)	76,500	30,600	13,961,250	5,584,500	0.4
2007	Issue In Kind(9)	8,556,895	3,422,758	22,518,145	9,007,258	0.4

1) Issue of new preference shares of series P2 to certain 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 of August 5, 2004.

2) Issue of new preference shares of series P2 to shareholders and directors wishing to subscribe for shares on the same terms as Catella Fokus and the principal shareholders pursuant to a resolution of the board of directors of August 31, 2004.

3) Issue of 1,337 new shares through the exercise of warrants. The warrants were issued as units together with shares issued under 1) and 2) above.

4) The 250:1 share split was resolved upon by the annual shareholders' meeting held on April 20, 2005 and implemented in connection with the listing of Orexo's shares in November 2005.

5) Issue of new shares in connection with the listing of Orexo's shares in November 2005.

6) Issue of 20,250 new shares through the exercise of warrants.

7) Issue of 269,000 new shares through the exercise of employee stock options and underlying warrants, issue of 281,500 new shares through the exercise of warrants and issue of 41,750 new shares through the exercise of hedge warrants.

8) Issue of 38,500 new shares through the exercise of employee stock options and underlying warrants and issue of 38,000 new shares through the exercise of warrants.

9) Including exercise of the 926,000 warrants issued in the Issue In Kind.

Authorisation to Issue New Shares

On April 23, 2007, the annual shareholders' meeting in Orexo resolved to authorize the board of directors to issue, on one or more occasions, not more than 1,380,000 new shares with payment in kind. Such authorization is valid until the annual shareholders' meeting of 2008.

On November 13, 2007 the extraordinary shareholders' meeting in Orexo resolved to authorize the board of directors, in connection with the Acquisition and without preferential rights for the shareholders, to resolve to issue not more than 8,560,000 new shares and to issue warrants. The Company's share capital can be increased

by not more than SEK 3,424,000 as a consequence of such issues of shares and warrants. Payment for the newly issued shares shall be made in kind, consisting of shares and options in Biolipox. The authorization shall be valid not longer than until the next annual shareholders' meeting.

Orexo's board of directors has not been given any authorization to issue new shares, convertibles or warrants other than as set out above.

Warrants and Employee Stock Options

As of September 30, 2007 warrants outstanding entitle, in aggregate, to subscription for 934,775 shares in Orexo, corresponding to an increase of the share capital of SEK 373,910 and an increase of the shareholders' equity of SEK 36.1 million. A more detailed description of the Company's outstanding warrants and employee stock options is set forth on pages 69-72 of this prospectus.

OREXO - SHAREHOLDERS

As of September 30, 2007 the number of shareholders in Orexo was 1,436. The table below sets forth the largest shareholders as of September 30, 2007.

Shareholders	Number of shares	Percentage of capital and votes
HealthCap[1]	5,012,000	35.90
Fjärde AP-Fonden	1,321,200	9.46
Nordea Fonder[2]	771,300	5.52
Catella Fondförvaltning[3]	739,800	5.30
Carnegie Funds	575,159	4.12
Thomas Lundqvist	495,250	3.55
Tredje AP-fonden	300,000	2.15
Christer Nyström	293,500	2.10
H. Lundén Kapitalförvaltning (Eikos)	250,000	1.79
Gamla Livförsäkringsbolaget SEB Trygg Liv	215,600	1.54
Fidelity Funds	205,150	1.47
Swedbank Robur[4]	201,100	1.44
Others	3,581,191	25,65
Total	13,961,250	100

1) 3,667,250 shares are held by HealthCap 1999 ORX Holding AB, 1,097,085 shares are held by HealthCap Sidefund ORX Holding AB, 193,000 shares are held by HealthCap GbR ORX Holding AB and 54,665 shares are held by Odlander, Fredrikson & Co AB.

2) 399,965 shares are held by Nordea Allemansfond Alfa, 286,495 shares are held by Nordea Allemansfond Beta, 58,500 shares are held by Nordea Nordic Equity Hedge Fund, 13,940 shares are held by Nordea Allemansfond Olympia and 12,400 shares are held by Nordea Investment Fund.

3) 340,000 shares are held by Catella Fokus, 272,600 shares are held by Catella Case, 100,000 shares are held by Catella Europafond, 26,200 shares are held by Team Catella Tennisfond and 1,000 shares are held by Ikano Svensk Aktiefond.

4) 129,100 shares are held by Swedbank Robur Småbolagsfond Sverige and 72,000 shares are held by Swedbank Robur Småbolagsfond Norden.

Shareholders' Agreements

To the knowledge of Orexo's board of directors, there are no shareholders' agreements or similar agreements between the shareholders in the Company aiming at creating a joint influence over the Company. The board of directors does not have any knowledge of any shareholders' agreements or similar agreements that may result in a change of control of the Company.

OREXO - BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

Board of Directors

According to the Company's articles of association the board of directors shall consist of not less than three and not more than eight directors, including the chairman of the board of directors. At the extraordinary shareholders' meeting held on November 13, 2007, the Chief Executive Officer Zsolt Lavota resigned as director of the board of directors in the Company and Laurent Ganem and Antoine Papiernik were appointed new directors of the board of directors and Bengt Samuelsson was appointed new deputy director of the Company for the time until the next annual shareholders' meeting. The resolution is conditional upon the completion of the Acquisition. After the completion of the Acquisition the board of directors will consist of Håkan Åström (chairman), Monica Caneman, Johan Christenson, Laurent Ganem, Hans Peter Hasler, Staffan Lindstrand, Antoine Papiernik, John Sjögren and Kjell Strandberg and Bengt Samuelsson as deputy director.

At present, Orexo's board of directors is composed of eight directors including the chairman. The current board of directors was appointed at the annual shareholders' meeting on April 23, 2007 for the time until the end of the annual shareholders' meeting 2008. Orexo's current board of directors does not have any deputy directors. The current directors of Orexo, including the years of their original election, year of birth and position, are set fourth below:

Name	Director since	Born	Position
Håkan Åström	2003	1947	Chairman
Monica Caneman	2004	1954	Director
Johan Christenson	2002	1958	Director
Hans Peter Hasler	2005	1956	Director
Zsolt Lavotha	2003	1950	Director
Staffan Lindstrand	2002	1962	Director
John Sjögren	2005	1933	Director
Kjell Strandberg	2003	1938	Director

Håkan Åström. Chairman and director since 2003. M.Sc. Bus. Adm. Dr. Åström is chairman of the boards of directors of Affibody Holding AB, Biolipox AB, Biovitrum AB, Ferrosan A/S, Sanos Bioscience A/S and TopoTarget A/S, and director of the board of directors of the Karolinska Institute and the fund-raising foundation Växthuset för barn. Dr. Åström holds an Honorary Doctorate in Medicine at the Sahlgrenska Academy in Gothenburg.

In the past five years, Dr. Åström has been, but is no longer, Chief Executive Officer and chairman of the board of directors of Pharmacia AB (currently Pfizer Health AB), chairman and director of the board of directors of Medicon Valley Capital Management AB, chairman of the board of directors of ACO Hud Nordic AB and Pharmacia Holding AB, as well as director of the board of directors of ACO Hud AB, Active Biotech AB, Medicon Valley Capital Two General Partner AB, SLS Venture GP AB and SLS Venture Two GP AB.

Shareholding and holding of options in Orexo: 17,000 shares and warrants entitling to 21,250 shares.

Monica Caneman. Director since 2004. M.Sc. Bus. Adm. Ms. Caneman is chairman of the boards of directors of Electronic Transaction Group Nordic AB, Electronic Transaction Group Nordic Holding AB and Linkmed AB. Ms. Caneman is also director of the board of directors of CityMail Group AB, EDB Business Partner ASA, Investment AB Öresund, Lindorff Group AB, Nordisk Energiförvaltning ASA, Poolia AB, Schibstedt ASA, SJ AB, SOS International AS, Svenska Dagbladets AB, Svenska Dagbladet Holding AB and Xponcard Group AB. Ms. Caneman is further director and Chief Executive Officer of Monica Caneman Konsult AB. Ms. Caneman has worked within Skandinaviska Enskilda Banken for 25 years, where she has held various senior management positions, *inter alia,* as Executive Vice President.

In the past five years, Ms. Caneman has been, but is no longer, chairman of the board of directors of Cognos Technical Services AB, EDT A/S, Frico AB, Interverbum Holding AB, Point International A/S and TurnIT AB. Ms. Caneman has also been, but is no longer, director of the board of directors of Acando Europe AB, Akademikerkliniken HJ AB, Home Properties AB, I.A.R. Systems AB, Munksjö Sweden AB, NOCOM AB, Nya Livförsäkringsaktiebolaget SEB TryggLiv and Rezidor Hotel Group AB.

Shareholding and holding of options in Orexo: 18,750 shares and employee stock options entitling to 11,500 shares.

Johan Christenson. Director since 2002. M.D., Ph.D. Dr. Christenson is a partner of HealthCap and director of the board of directors of Cerenis SA, CoreValve Inc, HealthCap AB, HealthCap AEROC Holding AB, HealthCap Annex Fund 1-11 GP AB, HealthCap GbR ORX Holding AB, HealthCap Sidefund ORX Holding AB, HealthCap XC Holding AB, HealthCap III Sidefund GP AB, HealthCap IV GP AB, Healthcap 1999 GP AB, HealthCap 1999 ORX Holding AB, Ibid AB, NeuroNova AB, Resistentia Pharmaceuticals AB and Ultrazonix Holding AB. Prior to joining HealthCap, Dr. Christenson was responsible for SEB Företagsinvest's (the venture capital arm of Skandinaviska Enskilda Banken) healthcare portfolio. Dr. Christenson has senior management experience as Project Director at Astra Pain Control and as Global Product Director and member of the management team for AstraZeneca's Pain Control Therapy Area. Dr. Christenson has four years of clinical specialist training in pediatrics and pediatric neurology.

In the past five years, Dr. Christenson has been, but is no longer, chairman of the board of directors of Cale Access AB and Kibion AB. Dr. Christenson has further been, but is no longer, deputy director of the board of directors of Global Genomics AB. Dr. Christenson has also been, but is no longer, partner in JAT - Idéolgerna HB and Jemedicom HB.

Shareholding and holding of options in Orexo: 241 shares through The OFCO Clubs.

Hans Peter Hasler. Director since 2005. Commercial Diploma, Marketing Manager Certificate. Mr. Hasler is Senior Vice President of Global Neurology and International of BiogenIdec and since 2005 Mr. Hasler is deputy chairman and director of the board of directors of Santhera Pharmaceuticals. Mr. Hasler has served as Senior Vice President, Head of Global Strategic Marketing in Wyeth-Ayerst Pharmaceuticals. Between 1993 and 2001, Mr. Hasler held various senior management positions at Wyeth. Prior to joining Wyeth, Mr. Hasler was Head of the Pharma Division at Abbott, Switzerland.

Shareholding and holding of options in Orexo: employee stock options entitling to 11,500 shares

Zsolt Lavotha. Director since 2003 and President and Chief Executive Officer since 2004. B.Sc. Biomedicine and Chemistry. Mr. Lavotha is director of the board of directors of Jerini AG and Pantarhei Bioscience BV. Previously, Mr. Lavotha was President and Chief Executive Officer of Lavipharm Corporation. Mr. Lavotha has 30 years of experience in the pharmaceutical field and has worked for several multinational pharmaceutical companies, such as Pfizer and Wyeth, where Mr. Lavotha held senior positions including Chief Executive Officer of Africa, Europe, and the Middle East.

In the past five years, Mr. Lavotha has been, but is no longer, director of the board of directors of Abeille Pharmaceuticals Inc., Medivir AB, NeuroNova AB and Zonagen Inc.

Shareholding and holding of options in Orexo: 125,250 shares.

Staffan Lindstrand. Director since 2002. M.Sc. in Engineering. Mr. Lindstrand is a partner of HealthCap and director of the board of directors of Aerocrine AB, Biotage AB, Creative Peptides Sweden AB, HealthCap AB, HealthCap AEROC Holding AB, HealthCap Annex Fund I-II GP AB, HealthCap GbR ORX Holding AB, HealthCap ORX Holding AB, HealthCap XC Holding AB, HealthCap III Sidefund GP AB, HealthCap IV GP AB, HealthCap 1999 GP AB, NeuroNova AB, OxThera AB and XCounter AB. Prior to joining HealthCap in 1997, Mr. Lindstrand gained over ten years of investment banking experience, mainly with Aros Securities.

In the past five years, Mr. Lindstrand has been, but is no longer, director of the board of directors of Biotage Sweden AB, Cale Access AB, Clinical Data Care in Lund AB, Global Genomis GP AB, Inion Ltd., NeuroNova Partners AB, Personal Chemistry AB, Resistentia Pharmaceuticals AB and Wilnor AB.

Wilnor AB applied for bankruptcy in July 2001. The bankruptcy was registered on January 7, 2004.

Shareholding and holding of options in Orexo: 963 shares through The OFCO Clubs.

John Sjögren. Director since 2005. Ph.D. Associate Professor, Adjunct Professor in industrial pharmacy at Uppsala University from 1973 to 1999. Dr. Sjögren is director of the board of directors of Calabar AB and Calabar International AB. Dr. Sjögren has conducted pharmaceutical research at Astra Hässle in various senior

positions between 1959 and 1999 and was member of the senior management board at Astra Hässle from 1984 to 1997.

In the past five years, Mr. Sjögren has been, but is no longer, director of Neopharma AB.

Shareholding and holding of options in Orexo: employee stock options entitling to 11,500 shares.

Kjell Strandberg. Director since 2003. M.D., Ph.D. Dr. Strandberg is Professor in pharmacotherapeutics and chairman of the board of directors and Chief Executive Officer of Kjell Strandberg Consulting AB and director of the board of directors of Innate Pharmaceuticals AB and the Foundation for Pharmaceutical Medicine. Mr. Strandberg is chairman of the NDA Regulatory Science Advisory Board and was previously Director General of the Swedish Medical Products Agency (*Sw. Läkemedelsverket*). Mr. Strandberg is member of the Royal Academy of Engineering Sciences.

In the past five years, Mr. Strandberg has been, but is no longer, director of the board of directors of the Swedish Institute for Health Economics and the National Strategic Foundation for Research in Pharmacy and Clinical Pharmacology.

Shareholding and holding of options in Orexo: 2,550 shares and employee stock options entitling to 7,500 shares.

Management

The following table sets forth the names of the members of Orexo's management, their respective year of employment, year of birth and position.

Name	Year of employment	Born	Position
Zsolt Lavotha	2004	1950	President and Chief Executive Officer
Claes Wenthzel	2005	1962	Executive Vice President and Chief Financial Officer
Thomas Lundqvist	1995	1951	Executive Vice President and Chief Innovation Officer
Göran Smedegård	2003	1948	Vice President of Business Development
Lena Söderström	2005	1960	Managing Director of Kibion
Mona Cunningham	2004	1964	Senior Manager Human Resources

Zsolt Lavotha. See above under the board of directors.

Claes Wenthzel. Executive Vice President and Chief Financial Officer. B.Sc. Bus. Adm. Mr. Wenthzel joined Orexo in 2005. Mr. Wenthzel is director of the board of directors of ProStrakan AB, Stille AB, Stockholm Asset Management AB and WenCon AB. Prior to joining Orexo, Mr. Wenthzel has among other things served as Vice President and Chief Financial Officer in Perbio Science AB and Louis Gibeck AB, which companies at such time were listed on the OMX Nordic Exchange Stockholm. Mr. Wenthzel has a broad operational and financial experience from international companies.

In the past five years, Mr. Wenthzel has been, but is no longer, director of the board of directors and Executive Vice President in Perbio Science Invest AB, director of the board of directors of Atos Medical Holding AB, HyClone AB and Perbio Science Project AB as well as deputy director of the board of directors of Informationskultur Mogensen AB.

Shareholding and holding of options in Orexo: 3,000 shares through WenCon AB and employee stock options entitling to 41,250 shares.

Thomas Lundqvist. Executive Vice President and Chief Innovation Officer. M.Sc. Pharm. Mr. Lundqvist is one of Orexo's founders. Mr. Lundqvist was director of the board of directors of Orexo between 1995 and 2003 and Chief Executive Officer between 1997 and 2002 and between December 2003 and April 2004. Mr. Lundqvist is also deputy director of the board of directors of Pharmacall. Mr. Lundqvist has a long experience within development of new pharmaceuticals. Prior to joining Orexo, Mr. Lundqvist held the position of Chief Executive

Officer in NeoPharma Production AB. In addition, Mr. Lundqvist has more than ten years of experience from working at the Swedish Medical Product Agency (*Sw. Läkemedelsverket*).

Shareholding and holding of options in Orexo: 495,250 shares and employee stock options entitling to 15,000 shares.

Göran Smedegård. Vice President of Business Development. Ph.D. and Associate Professor in Physiology. Mr. Smedegård is also partner of Avancia Life Science Consulting HB. Prior to joining the Company in 2003, Mr. Smedegård was Senior Investment Manager in the venture capital fund Innoventus of which he was a co-founder. Mr. Smedegård began his career as a researcher at Pharmacia and has since gained more than 25 years of experience serving in leading positions at major pharmaceutical companies within, *inter alia*, business development at Pharmacia and AstraZeneca.

In the past five years, Mr. Smedegård has been, but is no longer, director of the board of directors of Got A Gene AB.

Shareholding and holding of options in Orexo: employee stock options entitling to for 16,000 shares.

Lena Söderström. Managing Director of Kibion. M.Sc. Biomedicine and Executive MBA. Ms. Söderström joined the Company in 2005 and has more than 20 years of experience in the pharmaceutical field from different leading positions within quality control, manufacturing, project management and strategic marketing. Ms. Söderström's most recent position was Director of Business Development at Fresenius Kabi AB from 2002 to 2005.

Shareholding and holding of options in Orexo: 1,000 shares and employee stock options entitling to 20,500 shares.

Mona Cunningham. Senior Manager of Human Resources. Studies at the University of Uppsala. Ms. Cunningham joined the Company in 2004. Ms. Cunningham has experience from management positions within marketing and sales from several major life science companies as well as from smaller, entrepreneurial businesses.

Shareholding and holding of options in Orexo: 200 shares and employee stock options entitling to 30,500 shares.

Other Information regarding the Directors and the Management

None of the above directors or members of the management has a family relationship with any other director or member of the management. There are no conflicts of interest between the obligations of the directors or the members of the management in relation to Orexo and their private interests and other obligations.

Apart from what is set forth above, none of the above directors or members of the management has during the last five years been involved in any bankruptcies, receiverships or liquidations in a capacity as director or deputy director of a company or member of the management of a company. None of the directors or members of the management above has been convicted of fraudulent conduct during the last five years or been subject to any public incrimination or sanctions by statutory or regulatory authorities and none of the directors or the members of the management has been disqualified by a court from acting as a member of administrative, management or supervisory bodies of a company or from acting in the management or otherwise from conducting the affairs of a company during the last five years. The office address of the directors and members of the management is c/o Orexo AB, Virdings Allé 32A, 751 05 Uppsala, Sweden.

Zsolt Lavotha, the President and Chief Executive Officer of Orexo, is not resident in Sweden. Since the Company's business is international, the President and Chief Executive Officer and other members of the management are required to spend a substantial part of their time outside Sweden. Hence, the board of directors believes that the place of residence of the President and Chief Executive Officer is not of any importance for the Company's business.

The Swedish Code of Corporate Governance

The Swedish Code of Corporate Governance (the "Code") applies to all Swedish companies listed on the OMX Nordic Exchange Stockholm with a market value exceeding SEK 3 billion. At the moment, Orexo is not obliged to comply with the Code. However, the Code comprises a part of Orexo's guidelines for corporate governance and Orexo applies the Code in essential parts with regard to the work of the board of directors. In the event the Code becomes binding for Orexo, the Company will comply with the Code.

Committees of the Board of Directors

Orexo's board of directors has appointed an audit committee, a product development committee and a remuneration committee.

Orexo's audit committee consists of Dr. Håkan Åström, Ms. Monica Caneman and Mr. Staffan Lindstrand. The audit committee reviews Orexo's quarterly reports and submits the final version of such reports to the board of directors for approval and publication. The audit committee meets before each quarterly report and when deemed necessary. The Company's auditor participates in the meetings of the audit committee once or twice per year.

Orexo's product development committee consists of Dr. Johan Christenson, Dr. John Sjögren and Dr. Kjell Strandberg. The product development committee shall meet two to three times a year, or when otherwise requested, to assist in developing criteria for prioritizing between new product ideas for Orexo's development portfolio.

Orexo's remuneration committee consists of Dr. Håkan Åström, Dr. Johan Christenson and Mr. Hans Peter Hasler. The remuneration committee meets when necessary to establish and review matters regarding salaries, other terms and conditions of employment, pension benefits and bonus plans of the Chief Executive Officer and officers reporting to him, as well as remuneration matters of principle nature.

Orexo's Auditors

At Orexo's annual shareholders' meeting held on April 22, 2004 Öhrlings PricewaterhouseCoopers AB was appointed auditor of the Company with Mr. Leonard Daun as auditor in charge for the time until the end of the annual shareholders' meeting of 2008. Mr. Daun was born in 1964 and became an authorized public accountant in 1995. Mr. Daun is a member of FAR SRS. The total compensation paid to the auditor in respect of the financial year 2006 was SEK 2,285,000 related to Orexo and SEK 2,225,000 related to the parent company. The address of Öhrlings PricewaterhouseCoopers AB is P.O. Box 179, 751 04 Uppsala.

Remuneration

The fees to the board of directors, including fees to the chairman of the board of directors, are resolved upon by the annual shareholders' meeting, or when necessary, by an extraordinary shareholders' meeting. Fees are also paid for work in the committees of the board of directors. The remuneration to the President and Chief Executive Officer as well as the other members of Orexo's management may consist of fixed salary, variable remuneration, long term incentive programs, pension and other benefits.

The total compensation to the board of directors for the financial year 2006, including salaries, pension payments and other benefits, amounted to SEK 1.7 million, of which SEK 0.5 million consisted of compensation to the chairman of the board of directors and SEK 1.2 million consisted of compensation to the other directors.

The annual shareholders' meeting held on April 23, 2007 resolved that the fees to the board of directors in Orexo for the time until the annual shareholders' meeting of 2008 should amount to SEK 1.85 million to be allocated as follows: SEK 0.5 million to the chairman of the board of directors, SEK 0.3 million to Hans Peter Hasler, SEK 0.15 million to each of the other directors that are not employed by the Company and SEK 0.3 million to be equally allocated among the members of the remuneration, product development, and auditing committee for work performed in these committees.

The President and Chief Executive Officer Zsolt Lavotha's fixed salary for 2006 amounted to SEK 4.6 million, including benefits and cost compensation. In addition, Zsolt Lavotha received a bonus from Orexo of SEK 5.5 million in 2006.

The total remuneration for the financial year 2006 paid to the other members of the management of Orexo, presented on pages 66-67 of this prospectus, amounted to SEK 6.0 million, consisting of fixed salary of SEK 5.0

million, other benefits of SEK 0.2 million, and bonus of SEK 0.8 million. In addition, pension payments amounted to SEK 1.1 million.

The management is entitled to benefits under defined pension contribution plans, which are lower than the premium level of the plan for supplementary pensions for salaried employees and which amounts, in average, to approximately 17 percent of the fixed yearly salary. The President and Chief Executive Officer is not entitled to any pension benefits under the defined pension contribution plans.

The employment agreement of the President and Chief Executive Officer may be terminated by the Company with twelve months notice. The President and Chief Executive Officer may terminate the employment agreement with immediate effect in the event of a substantial breach by the Company under the employment agreement or if a third party acquires more than 50 percent of the shares in Orexo and the President and Chief Executive Officer is not appointed President and Chief Executive Officer in the merged or sold company. The employment agreements of the other members of the management are subject to termination with a notice period of three to twelve months. The monthly salary shall be paid during the entire notice period. The President and Chief Executive Officer is entitled to a redundancy payment of SEK 4.5 million if the President and Chief Executive Officer terminates his employment in accordance with the above. There are no agreements on redundancy payment for the management other than as described above.

The number of shares and warrants that are held by the President and Chief Executive Officer and the other members of the management of the Company are set forth on pages 65-67 of this prospectus.

Orexo has not given any loans to, or placed any guarantees or securities for the benefit of, its directors, members of the management or auditors. None of the directors, members of the management or auditors have either directly, or indirectly through closely related companies or immediate family, been engaged in business transactions with Orexo that are, or were not, on arm's length basis.

Share Based Incentive Plans

Orexo has introduced share based incentive plans, consisting of warrants and employee stock options, designed to promote the Company's long term interests by motivating and rewarding certain members of the management, other employees, directors and certain other collaborators and business partners of the Company. Approximately 60 individuals have participated in Orexo's share based incentive plans since 2002.

As of the date of this prospectus, employee stock options and warrants entitling holders to 934,775 new shares in Orexo are outstanding under the Company's incentive plans. Title to the warrants is transferred to the holder directly through the acquisition, whereas the employee stock options vest in three equal installments over a three year period, provided that the holder remains either employed by or a director of Orexo on such date.

The table below sets forth all warrants and employee stock options outstanding under Orexo's incentive plans as of September 30, 2007.

Type of securities	Number of securities (employee stock options/warrants)[1]	Number of shares into which the securities may be exercised[2]	Exercise price (SEK)	Percentage of shares and votes[3]
Issued and allocated				
Employee Stock Options 2002	174	43,500	9.2	0.3 %
Employee Stock Options 2003	10	2,500	12.7	0.0 %
Employee Stock Options 2004	313	78,250	18.1	0.5 %
Employee Stock Options 2005:I	27	6,750	18.1	0.0 %
Employee Stock Options 2005:II	133	33,250	53.6	0.2 %
Employee Stock Options to new directors[4]	92	23,000	53.6	0.2 %
Employee Stock Options 2005/2006	396.2	99,050	113	0.7 %
Employee Stock Options 2006/2016	5,000	5,000	118	0.0 %
Employee Stock Options 2006/2016	156,975	156,975	119	1.1 %
Warrants	85	21,250	9.2	0.1 %
Warrants	21	5,250	36.2	0.0 %
Warrants	40	10,000	12.7	0.1 %
Subtotal	**-**	**484,775**	**-**	**3.3 %**
Issued but not allocated				
Employee Stock Options 2007/2017[5]	372,000	372,000	-	2.5 %
Warrants to hedge social security cost[6]				
Warrants used for hedging of the Employee Stock Options 2002	312	78,000	9.2	0.5 %
Total number of securities under the incentive plans	-	**934,775**	-	**6.3 %**

1) One-third of the employee stock options vest per year.
2) Following a 250:1 share split, carried out in November 2005.
3) On a fully diluted basis after exercise of warrants.
4) Call options on warrants structured so that the call options should from a tax perspective be treated as so called employee stock options, which is a tax concept that means that potential gain is taxed as income.
5) The exercise price for the employee stock options shall correspond to the market price of the shares in Orexo at the time of allocation of the options. The exercise price for the underlying warrants is SEK 4.0.
6) Warrants held by Orexo's subsidiary Pharmacall that are intended as a hedge of the cash flow against the social security expenses that may arise under the employee stock option plans.

Employee Stock Option Plans

Orexo's employee stock option plans consist of call options for warrants with the right to subscribe for shares in Orexo. To secure delivery under the option agreements and as a hedge of the cash flow against the social security expenses to be borne by Orexo upon exercise of the employee stock options, Orexo has issued warrants with the right to subscribe for shares in the Company to its wholly-owned subsidiary Pharmacall.

Employee Stock Options 2002

The employee stock options under this plan have been granted to employees and other key individuals free of charge. The employee stock options vested in three equal installments on each of the first three anniversaries of October 1, 2002. The employee stock options expire on December 31, 2012 and the exercise price is SEK 9.2 per share. Upon full exercise of the employee stock options and warrants for hedging outstanding under this plan, the equity will be increased by approximately SEK 1.1 million, of which SEK 48,600 will be allocated to the share capital and the number of shares will be increased by 121,500 shares.

Employee Stock Options 2003

The employee stock options under this plan have been granted to employees and other key individuals free of charge. The employee stock options vested in three equal installments on each of the first three anniversaries of October 1, 2003. The employee stock options expire on December 31, 2013 and the exercise price is SEK 12.7 per share. Upon full exercise of the employee stock options outstanding under this plan, the equity will be increased by approximately SEK 30,000, of which SEK 1,000 will be allocated to the share capital and the number of shares will be increased by 2,500 shares.

Employee Stock Options 2004

The employee stock options under this plan have been granted to employees and other key individuals free of charge. The employee stock options vested in three equal installments on each of the first three anniversaries of August 1, 2004. The employee stock options expire on June 30, 2014 and the exercise price is SEK 18.1 per share. Upon full exercise of the employee stock options outstanding under this plan, the equity will be increased by approximately SEK 1.4 million, of which SEK 31,300 will be allocated to the share capital and the number of shares will be increased by 78,250 shares.

Employee Stock Options 2005:I

The employee stock options under this plan have been granted to employees free of charge. The employee stock options vest in three equal installments on each of the first three anniversaries of January 1, 2005. The employee stock options expire on December 31, 2013 and the exercise price is SEK 18.1 per share. Upon full exercise of the employee stock options outstanding under this plan, the equity will be increased by approximately SEK 0.1 million, of which SEK 2,700 will be allocated to the share capital and the number of shares will be increased by 6,750 shares.

Employee Stock Options 2005:II

The employee stock options under this plan have been allocated to a member of the management free of charge. The employee stock options vest in three equal installments on each of the first three anniversaries of September 30, 2005. The employee stock options expire on September 30, 2015 and the exercise price is SEK 53.6 per share. Upon full exercise of the employee stock options outstanding under this plan, the equity will be increased by approximately SEK 1.8 million, of which SEK 13,300 will be allocated to the share capital and the number of shares will be increased by 33,250 shares.

Employee Stock Options to New Directors

The employee stock options under this plan have been allocated to two newly elected directors free of charge. The employee stock options vest in three equal installments on each of the first three anniversaries of September 30, 2005. The employee stock options expire on September 30, 2015 and the exercise price is SEK 53.6. Upon full exercise of the employee stock options outstanding under this plan, the equity will be increased by approximately SEK 1.2 million, of which SEK 9,200 will be allocated to the share capital and the number of shares will be increased by 23,000 shares.

Employee Stock Options 2005/2006

The employee stock options under this plan have been allocated to employees free of charge. The employee stock options vest in three equal installments on each of the first three anniversaries of December 31, 2005. The employee stock options expire on December 31, 2015 and the exercise price is SEK 113 per share. Upon full exercise of the employee stock options outstanding under this plan, the equity will be increased by approximately SEK 11.2 million, of which SEK 39,620 will be allocated to the share capital and the number of shares will be increased by 99,050 shares.

Employee Stock Options 2006/2016

The employee stock options under this plan have been allocated to employees free of charge. The employee stock options vest in three equal installments on each of the first three anniversaries of the allocation. The employee stock options expire on December 31, 2016. The exercise price shall be determined as the market value of Orexo's shares at the time of allocation. The exercise price for allocated employee stock options with the right to subscribe for 5,000 shares and which were allocated in August 2007 has been determined to SEK 118 per share and the subscription price for allocated employee stock options with the right to subscribe for 156,975

shares and which were allocated in February 2007 has been determined to SEK 119 per share. Upon full exercise of the employee stock options allocated under this plan, the equity will be increased by approximately SEK 19.3 million, of which SEK 64,790 will be allocated to the share capital and the number of shares will be increased by 161,975 shares.

Employee Stock Options 2007/2017

In April 2007, Orexo implemented an employee stock option plan under which the board of directors was authorized to allocate employee stock options with the right to subscribe for not more than 372,000 shares in Orexo to employees free of charge. None of these employee stock options has been allocated as of September 30, 2007. The exercise price shall be determined as the market value of Orexo's shares at the time of allocation.

Warrants

In 2002, Orexo issued warrants with the right to subscribe for shares in Orexo to Pharmacall. These warrants have been transferred to certain directors and members in the management on, according to the board of directors, arm's length terms. The warrants are exercisable until December 31, 2012 at an exercise price of SEK 9.2 per share. Upon full exercise of outstanding warrants, the equity will be increased by approximately SEK 0.2 million, of which SEK 8,500 will be allocated to the share capital and the number of shares will be increased by 21,250 shares.

In 2003, Orexo issued warrants with the right to subscribe for shares in Orexo to Pharmacall. These warrants have been transferred to five former employees in Kibion in exchange for such employees' warrants in Kibion. The warrants are exercisable until June 1, 2009 at an exercise price of SEK 36.2 per share. Upon full exercise of outstanding warrants, the equity will be increased by approximately SEK 0.2 million, of which SEK 2,100 will be allocated to the share capital and the number of shares will be increased by 5,250 shares.

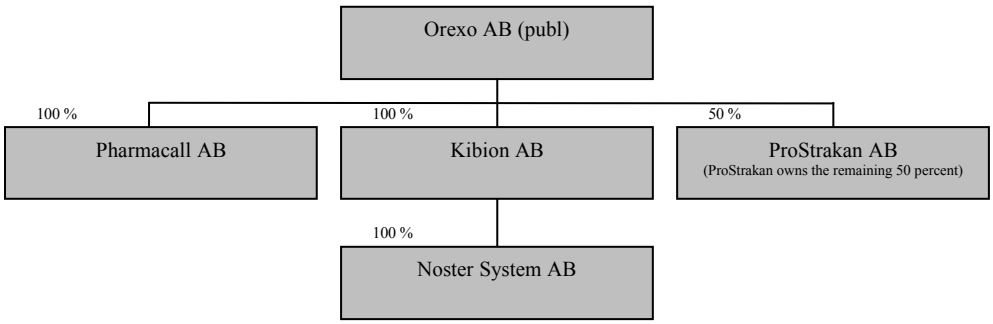
Orexo has entered into a consultancy agreement according to which the consultant is entitled to receive warrants with the right to subscribe for in total 10,000 shares. These warrants are exercisable until December 31, 2013 at an exercise price of SEK 12.7 per share. Upon full exercise of these warrants, the equity will be increased by approximately SEK 127,000, of which SEK 4,000 will be allocated to the share capital and the number of shares will be increased by 10,000 shares.

OREXO - LEGAL ISSUES AND SUPPLEMENTARY INFORMATION

Legal Structure and Organisation

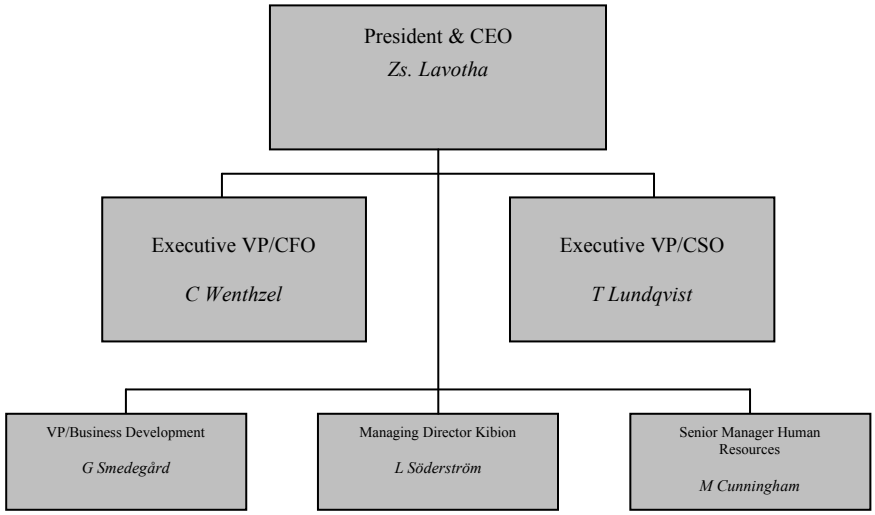
Orexo is a public limited company incorporated and registered in Sweden according to Swedish law with its registered office in Uppsala. Orexo's corporate form of business is governed by the Swedish Companies Act (2005:551). The Company was incorporated on November 18, 1994 and was registered with the Swedish Companies Registration Office on November 25, 1994. Orexo's registration number is 556500-0600. The object of Orexo's business is set forth in section 3 of the articles of association.

Orexo owns all 1,000 shares in Pharmacall (registration number 556569-1739) and all 321,279 shares in Kibion (registration number 556610-9814) and 1,000 shares in ProStrakan AB (registration number 556662-3038) which is 50 percent of all shares in ProStrakan AB. Kibion owns all 606,520 shares in Noster System (registration number 556530-9217). Pharmacall, Kibion and Noster System have their registered offices in Uppsala. ProStrakan AB has its registered office in Malmö. Pharmacall was founded in 1999 and has been used to hold warrants to subscribe for shares in Orexo that have been issued in connection with Orexo's share based incentive plans. Kibion was founded in 2001 and Orexo acquired Kibion in 2003. The previous business of Kibion, based on cell penetrating peptide technology, was sold during 2005. At present, all business relating to Diabact® UBT is conducted in Kibion. During 2006 Kibion acquired Noster System with the product HeliProbe™ System. ProStrakan AB was founded on April 14, 2004, as a sales company to ProStrakan for ProStrakan's products on the Nordic market.



Orexo's operations are focused on the administration and execution of drug delivery technologies and product development. Orexo manages this process by allocating the Research and Development efforts to be performed internally and externally through discovery, development and pharmaceutical collaborations with other research companies, contract research organizations and academic institutions.

The current operational structure of Orexo is shown in the chart below.



Material Agreements

Orexo has not entered into any agreement of material importance for the Company's business other than the agreements described in the sections "Orexo - Business - Rapinyl® - Treatment of Acute Pain in Cancer Patients - Partners and License Agreement and Project Status", "Orexo - Business - New Technologies", "Orexo - Business - Sales and Marketing" and "Orexo - Business - Facilities".

Intellectual Property Rights

Orexo's management believes that Orexo has a strong intellectual property portfolio, with a number of granted patents and pending patent applications.

Orexo has applied for patent protection for 17 patent families/inventions with respect to more than 160 granted patents and approximately 80 patent applications in evaluation phase.

For most of these inventions, Orexo has used the Patent Cooperation Treaty ("PCT") system with a view to obtaining broad protection. Most of these PCT applications have been nationally (or in the case of European Patent Convention applications, regionally) filed so as to cover in most instances all major markets in Australia, Europe, Japan, North America, New Zealand and others. The PCT applications PCT/GB2006/000481, PCT/GB2006/001115, PCT/GB2006/001133 and PCT/GB2006/001132 listed below are about to be nationally filed.

Orexo has an active patent strategy with a patent portfolio covering the following areas: new formulations, new routes of administration, new use and new combinations. The Company aims to secure intellectual property protection for its inventions and products in all major markets. In most countries the term awarded a granted patent is 20 years from the date of application (which is usually about a year after the priority dates listed below).

The Company has been granted patents for the inventions described below. The product or product candidate to which the respective invention relates is indicated below in italics.

(i) Pharmaceutical composition, pursuant to EP0324725, priority date January 13, 1988; granted in France, Germany, Switzerland and the United Kingdom.

(ii) Diagnostic preparation for detection of ongoing Helicobacter pylori infection, pursuant to PCT/SE95/01212, priority date November 2, 1994; granted in Australia, Austria, Belgium, Canada, Denmark, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Monaco, the Netherlands, New Zealand, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States. *Diabact® UBT.* (The EPO patent (from which the above patents in Austria, Belgium, Denmark, France,

Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, Switzerland and the United Kingdom are pursuant) is the subject of an opposition that was filed in May 2005. Orexo does not believe that the opposition will have a major effect on the marketing of Diabact® UBT.)

(iii) Preparation for the detection of urease activity in the gastric tract, pursuant to PCT/SE97/00659, priority date April 30, 1996; granted in Australia, Bulgaria, China, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, New Zealand, Poland, Spain, Sweden and the United Kingdom. Applications have also been filed and are pending in Canada, Hungary and Japan. *Diabact® UBT.*

(iv) Device for trapping and assaying carbon dioxide and method of use, pursuant to PCT/SE97/02011, priority date December 9, 1996; granted in Australia, Austria, Belgium, Canada, China, France, Germany, Hungary, Ireland, Italy, Japan, Mexico, the Netherlands, New Zealand, Portugal, Russia, South Korea, Spain, Sweden, Switzerland, the United Kingdom and the United States. *Diabact® UBT.*

(v) Fentanyl composition for the treatment of acute pain, pursuant to PCT/SE99/01688, priority date September 24, 1998; granted in Australia, Austria, Belgium, China, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Israel, Italy, Luxembourg, Mexico, Monaco, the Netherlands, New Zealand, Portugal, Russia, Slovakia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. Applications have also been filed and are pending in Brazil, Bulgaria, Canada, the Czech Republic, Hungary, Japan, Norway, Poland and South Korea. *Rapinyl®*.

(vi) Pharmaceutical composition for the treatment of acute disorders, pursuant to PCT/SE99/01687, priority date September 24, 1998; granted in Australia, Austria, Belgium, China, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Mexico, Monaco, Netherlands, New Zealand, Portugal, Russia, Slovakia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. Applications have also been filed and are pending with the EPO and in Brazil, Bulgaria, Canada, the Czech Republic, Estonia, Hong Kong, Hungary, Israel, Norway, Poland, South Korea and the United States. *OX 19, Rapinyl®, Sublinox™ (OX 22*) and *OX 40.*

(vii) Gastric acid secretion inhibiting composition, pursuant to PCT/SE02/00757, priority date April 18, 2001; granted in Australia, Austria, Belgium, China, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Monaco, Netherlands, New Zealand, Portugal, Spain, Sweden, Switzerland, Turkey and the United Kingdom. Patent applications have been filed with the EPO and in Canada, Hong Kong and the United States. *OX 17.*

(viii) Sublingual composition based on carrier particles with low water-solubility, pursuant to PCT/SE2004/000037, priority date January 31, 2003; granted in Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Germany, Denmark, Estonia, Finland, France, Greece, Hong Kong, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Monaco, FYR Macedonia, Netherlands, Portugal, Romania, Slovenia, Slovakia, Spain, Sweden, Switzerland, Turkey and the United Kingdom. Applications have also been filed and are pending in Australia, Canada, China, India, Israel, Japan, Mexico, New Zealand, Norway, Poland, Russia, South Korea and the United States.

Patent applications have also been filed for the following inventions:

(i) Gastric acid secretion inhibiting composition, pursuant to PCT/SE2003/01598, priority date October 16, 2002. Patent applications have been filed with the EPO and in Australia, Canada, China, Hong Kong, India, Israel, Japan, Mexico, New Zealand, Norway, Poland, Russia, South Korea and the United States. *OX 17.*

(ii) New pharmaceutical formulations useful in the treatment of insomnia, pursuant to PCT/GB2005/004147, priority date October 27, 2005. Patent applications have been filed with the EPO and in Japan and the United States. *Sublinox™ (OX 22*).

(iii) New pharmaceutical compositions useful in the transmucosal administration of drugs, pursuant to PCT/GB2006/000481, priority date February 10, 2005. A patent application has been filed via the PCT.

(iv) New pharmaceutical compositions useful in the treatment of migraine, pursuant to PCT/GB2006/001115, priority date March 28, 2005. A patent application has been filed via the PCT.

(v) New pharmaceutical compositions useful in the treatment of pain, pursuant to PCT/GB2006/001133, priority date March 28, 2005. A patent application has been filed via the PCT.

(vi) New pharmaceutical compositions useful in the treatment of Parkinson's disease, pursuant to PCT/GB2006/001132, priority date March 28, 2005. A patent application has been filed via the PCT.

Furthermore, Orexo has filed the following priority establishing applications (unpublished):

(i) Carrier for drug delivery, U.S. patent application No. 60/853777, filed on October 24, 2006.

(ii) Dosage form and method, U.S. patent application No. 60/854076, filed on October 25, 2006.
(iii) New pharmaceutical compositions, U.S. patent application No. 60/872496, filed on December 4, 2006.

Orexo's patents are prosecuted in several countries and thus become subject to several examination proceedings which may give rise to different objections. As a matter of practice, the applicant is generally given the opportunity to respond to such objections by amending or clarifying the application. In such instances, the patent may still be granted but the scope of the protection may be affected and the extent of protection of a granted patent may thus vary between different jurisdictions. For a discussion regarding risks associated with Orexo's intellectual property, see the section "Orexo - Risk Factors - Risks Associated with Orexo's Intellectual Property".

Insurance

Orexo holds insurance policies covering the group in respect of property and business interruption, with sums insured up to the full value of its equipment and other assets. The indemnity period for business interruption is 12 months. Orexo also holds insurance policies covering Orexo in respect of general liability and litigation. Orexo also has a directors and officers liability insurance policy and a business travel and transport insurance policy. Orexo is a member of the Pharmaceutical Insurance Association and is covered by the association's product liability insurance relating to side effects of pharmaceuticals. The type and amounts of insurance that Orexo holds are, according to the management of Orexo, adequate for the operation of its business.

Environmental

Orexo conducts pharmaceutical Research and Development in its facilities in Sweden. As a result, Orexo is subject to Swedish Environmental Code regulations. Orexo's policy is to conduct its business with as little impact as possible on the environment.

Orexo has previously been informed by the Swedish Environmental and Health Protection Committee (*Sw. Miljö- och hälsoskyddsnämnden*) that the Company's business operations require a permit and has been requested to apply for such permit. Orexo applied for such permit in May 2007. The application was published on May 29, 2007. During June 2007, Orexo received a statement from the Swedish Board of Environmental and Health Issues and "VA" and "Avfallskontoret" in Uppsala County setting forth that their proposal is to grant Orexo the permit.

Orexo's management believes that Orexo is in substantial compliance with applicable material environmental, health and safety laws and regulations and provides workplaces for employees that are safe and environmentally sound.

Legal Proceedings

Doxa and Orexo have claimed contradictory opinions regarding the agreed technical scope of the project included in Doxa's and Orexo's co-operation, described in the section "Business - Drug Delivery Technology - New Technologies", and the range of the license rights granted by Doxa to Orexo. Orexo claims that not only sintrade-ceramics but also ceramics based on Doxas's current platform technology regarding calcium aluminate are included in the project as well as Orexo's license rights. Doxa claims that the scope of the project and license rights are limited to sintrade-ceramics. Orexo's management believes that the Company has good possibilities to reach a satisfactory solution of these questions, either through a settlement with Doxa or through a decision by an arbitration tribunal.

Apart from the above, Orexo is not aware of any current or threatened litigation or disputed claims, arbitration or regulatory authority actions or legal proceedings against it that have had or would reasonably be expected to have a material effect on its financial condition or which would reasonably be expected to materially affect Orexo's operations or assets. Orexo is not aware of any circumstances that might give rise to any litigation, claim, arbitration, action or proceeding that would reasonably be expected to have such a material effect.

Regulatory Matters

Overview

Orexo's business is subject to significant government regulation. Regulatory authorities around the world administer numerous laws and regulations regarding the development, production and sale of pharmaceuticals, and also review the quality, safety and efficacy of pharmaceutical products. Clinical and non-clinical development of pharmaceutical products is subject to extensive controls. These regulatory requirements are important in determining whether a compound can be developed into a marketable product and the amount of time and expenses associated with such development.

Product Legislation and Other Regulations

The United States

Pharmaceutical products are in the United States subject to extensive regulation by the FDA, including regulations that govern the quality, safety, efficacy, labeling, storage, record keeping, advertising, promotion of products and filing of documentation related to the product. The steps required before a new human pharmaceutical product can be marketed or shipped commercially in the United States include completion of pre-clinical laboratory and animal testing, the approval of an investigational new drug application before clinical trials may begin, completion of adequate and well controlled human clinical trials to establish the safety and efficacy of the pharmaceutical for its proposed intended use, completion of manufacturing process validation and, for new pharmaceuticals, the FDA must approve a new drug application, commonly referred to as a "NDA".

Satisfaction of FDA pre-market approval requirements for new pharmaceuticals typically takes several years and the actual time required for FDA action on an NDA may vary considerably depending on various factors, including the characteristics of the pharmaceutical, whether the FDA needs more information than is originally provided in the NDA, and whether or not the FDA is satisfied with the evidence submitted. However, if the FDA has previously approved pharmaceuticals with the same active compounds as in Orexo's reformulated product candidates, this approval process may be shorter.

EU

In the EU, there are three main procedures for applying for marketing authorization of a new pharmaceutical: the centralized procedure, the mutual recognition procedure and the decentralized recognition procedure.

Under the centralized procedure, applications are made to EMEA for an authorization, which is valid across all EU member states. The centralized procedure is currently mandatory for medicinal products manufactured using biotechnological processes, for orphan medicines as well as new active substances for which the therapeutic indication is the treatment of AIDS, cancer, neurodegenerative disorder or diabetes and optional for other innovative pharmaceutical products.

Under the mutual and the decentralized recognition procedures, such registrations are based on an evaluation made in a single EU member state, which is accepted by other member states' national regulatory authorities.

Related Party Transactions

Consultancy Agreements

Orexo has entered into consultancy agreements with Porten Pharmaceutical AB, which is owned by Dr. Christer Nyström, a former director of Orexo, and Yvonne Håkansson (Dr. Christer Nyström's wife). The agreement with Porten Pharmaceutical AB was entered into in October 1997 and remains in force until further notice. The agreement relates to expert services regarding quality assurance, pharmaceutical development and manufacture as well as management of patent preparation. The maximum fee payable under the agreement for any three month period is SEK 216,000 exclusive of VAT. Aggregate fees under the agreement relating to the financial year ended December 31, 2006 amounted to SEK 700,000 exclusive of VAT. As of September 30, 2007, the aggregate accrued fees under the agreement for the current financial year amounted to SEK 500,000 exclusive of VAT.

Orexo has also entered into a consultancy agreement with Avancia Life Science Consulting HB, a partnership were Göran Smedegård and Cecilia Gustavsson Örn (Göran Smedegård's cohabitee) are partners. The agreement involves *inter alia* strategic market studies, market estimations and prognosis regarding the market development.

Total fees according to the agreement with respect to the financial year 2006 amounted to SEK 70,750. No fees have been paid during 2007 under the agreement.

Orexo previously had an agreement with Kjell Strandberg Consulting AB, a company owned by Kjell Strandberg, director of Orexo. The agreement was concluded in February 2004 and expired on December 31, 2004. The total remuneration under the agreement in the financial year 2004 amounted to SEK 22,000.

The amounts above are exclusive of Orexo's reimbursements for the consultants' expenses.

Acquisition of Kibion and Sale of the Cell Penetrating Technology

In September 2003, Orexo acquired all the outstanding shares and the majority of the outstanding warrants with the right to subscribe for new shares in Kibion (formerly CePeP AB) in order to obtain control over Kibion's cell penetrating peptide technology. The acquisition was structured as an issue of new shares in Orexo against payment in kind consisting of all outstanding shares in Kibion. The shareholders in Kibion, including the founders Ülo Langel and Dr. Mattias Hällbrink, thereby became shareholders in Orexo.

During the fourth quarter of 2004, Orexo resolved to change its strategy and to focus on other technologies than the cell penetrating peptide technology. However, Orexo believed that it would be difficult to sell this technology and thus the entire value of the goodwill attributable to this business was written down in the annual financial statements of 2004. In May 2005, Orexo sold the cell penetrating peptide technology to Ülo Langel and Dr. Mattias Hällbrink. The transaction was carried out through a transfer of Orexo's cell penetrating peptide technology from Kibion to a newly established subsidiary, CePeP II AB. Following such asset transfer, CePeP II AB was sold to a company owned by Ülo Langel and Dr. Mattias Hällbrink at a purchase price of SEK 9.5 million.

Documents Available for Inspection

Orexo's articles of association, the annual report and the auditors report for the financial years 2004, 2005 and 2006, the interim reports for the first nine months of 2006 and 2007 and other published information, to which reference is made in this prospectus, are available electronically on the Company's website www.orexo.se. The documents are also available, upon request, at the Company's offices at Virdings allé 32 A, 751 05 Uppsala. Financial information regarding Orexo's subsidiaries can be ordered from Orexo.

OREXO - ARTICLES OF ASSOCIATION

The articles of association were adopted at the annual shareholders' meeting held on April 27, 2006.

1 § Name
The corporate name of the company is Orexo AB. The company is a public company (publ).

2 § Registered office
The company's registered office shall be situated in the municipality of Uppsala.

3 § Object of the company's business
The object of the company's business is to conduct, directly or indirectly, research and development, manufacturing, marketing and sale of pharmaceutical products and diagnostic compounds, to manage real and movable property and any other activities compatible therewith.

4 § Share capital and shares
The share capital shall be not less than SEK five million (5,000,000) and not more than SEK twenty million (20,000,000). The number of shares shall be not less than twelve million five hundred thousand (12,500,000) and not more than fifty million (50,000,000).

§ 5 VPC company
The company's shares shall be registered in a securities register pursuant to the Swedish Financial Instruments Accounts Act (1998:1479).

6 § Financial year
The company's financial year comprise 1 January - 31 December.

7 § Board of directors
The board of directors shall consist of not less than three (3) and not more than nine (9) members with not more than three (3) deputy members.

8 § Auditors
The company shall have not less than one (1) and not more than two (2) auditors with not more than two (2) deputy auditors. An authorized public accountant or a registered public accounting firm shall be appointed as auditor and, when applicable, deputy auditor.

The board of directors has the right, for the time until the end of the next annual shareholders' meeting, to appoint one or several special auditors to review the board of directors' report in connection with new issues of shares with payment in kind, or by way of set-off or otherwise with conditions and merger plans. Such special auditor shall be an authorized public accountant or a registered public accounting firm.

9 § Notice of shareholders' meetings
Notices of ordinary shareholders' meetings and extraordinary shareholders' meetings at which matters regarding amendments to the articles of association are to be addressed, shall be issued not earlier than six (6) weeks and not later four (4) weeks before the shareholders' meeting. Notices of other extraordinary shareholders' meetings shall be issued not earlier than six (6) weeks and not later than two (2) weeks before the shareholders' meeting.

Notices of shareholders' meetings shall be published in Post- och Inrikes Tidningar and in Svenska Dagbladet.

10 § Shareholders' rights to participate in the shareholders' meeting
Shareholders who wish to participate in the shareholders' meeting must be listed in printouts or other representation of the entire share register concerning the circumstances five weekdays before the meeting, and must notify the company not later than 4 pm the day set forth in the notice of the meeting. The last-mentioned day must not be a Sunday, other public holiday, a Saturday, Midsummer Eve, Christmas Eve or New Years Eve and not fall earlier than the fifth weekday before the meeting.

11 § The attendance of third parties at the shareholders' meeting
The board of directors may resolve that a person who is not a shareholder in the company, on terms and conditions determined by the board of directors, has the right to attend or otherwise observe the negotiation at the meeting.

12 § Collection of proxies
The board of directors may collect proxies on the company's expense according to the procedure set forth in Chapter 7 Section 4, second paragraph, of the Swedish Companies Act.

13 § The shareholders' meeting
Shareholders' meetings shall be held in Uppsala or Stockholm.

The following matters shall be addressed at the annual shareholders' meeting:
1. Election of a chairman for the meeting;
2. Preparation and approval of the voting list;
3. Approval of the agenda;
4. Election of one or two persons who shall approve the minutes of the meeting;
5. Determination of whether the meeting has been duly convened;
6. Presentation of the annual report and the auditor's report and the consolidated financial statements and the auditor's report on the consolidated financial statements;
7. Resolution regarding the adoption of the income statement and the balance sheet, and the consolidated income statement and the consolidated balance sheet;
8. Resolution regarding allocation of the company's profit or loss in accordance with the adopted balance sheet;
9. Resolution regarding discharge of the members of the board of directors and the managing director from liability;
10. Determination of the number of members and deputy members of the board of directors and, when applicable, number of auditors and deputy auditors;
11. Determination of fees for the board of directors and, when applicable, the auditors;
12. Election of the members, deputy members and chairman of the board of directors and, when applicable, auditors and deputy auditors; and
13. Other matters which are set out in the Swedish Companies Act or in the company's articles of association.

BIOLIPOX - BUSINESS

Overview

Biolipox is a research intensive pharmaceutical company that is developing new treatments for inflammatory diseases. Among these, there are several widespread diseases such as asthma, COPD, rhinitis, pain and arthritis. Biolipox has identified several possible new treatment principles, which form the basis for the development of new classes of pharmaceuticals for these diseases.

The company's leading-edge scientific expertise is research regarding the endogenous substance arachidonic acid and its transformation to biologically active mediators, such as prostaglandins and leukotrienes. Such mediators are important for the occurrence of many different inflammatory diseases. This well established research area has, *inter alia*, given rise to well known pharmaceuticals such as the common pain and inflammatory reducing Aspirin and Naproxen and the asthma pharmaceutical Singulair.

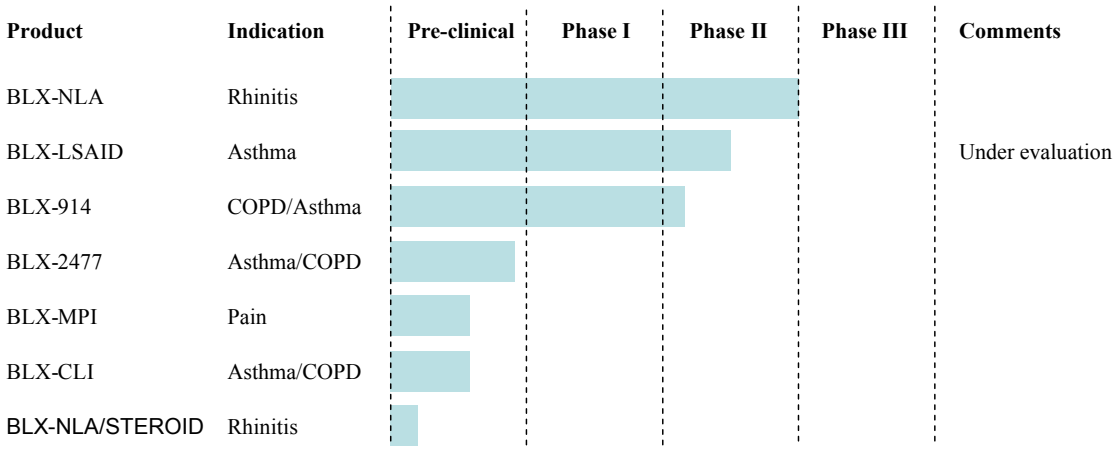
Biolipox originates from research at Karolinska Institutet that has a lengthy tradition of conducting research on arachidonic acid, which was proven when the Professors Bengt Samuelsson and Sune Bergström were awarded the Nobel Prize in medicine for the work regarding the discovery of prostaglandins and leukotrienes. The company's business is located at the campus of Karolinska Institutet, which, according to the management of Biolipox, involves unique possibilities to successful cooperation and scientific networks.

As of September 30, 2007 Biolipox had 52 employees, of which 45 persons were engaged in Research and Development and seven persons were engaged in finance, business development and management.

Biolipox combines, according to the management of Biolipox, unique research with broad competence within all phases of drug discovery and development to create commercially attractive projects.

Product Portfolio

The product portfolio currently consists of five projects: NLA Nasal Spray (BLX-NLA) that is in clinical phase and four projects in pre-clinical phase (BLX-2477, BLX-MPI, BLX-CLI and BLX-NLA/STEREOID). In addition, Biolipox has recently acquired two clinical projects, PDE-inhibitors (BLX-914) and LSAIDs™ (Leukocyte Selective Anti-Inflammatory Drugs) (BLX-LSAID).



BLX-NLA *- Rapid onset of action for treatment of allergic and non-allergic rhinitis*

Biolipox is developing NLA Nasal Spray, with the active ingredient cetirizine, for the treatment of allergic and non-allergic rhinitis. Clinical Phase II programs have shown that treatment with NLA Nasal Spray gives significant relief of rhinitis symptoms. The effect is comparable to the effect of a steroid (budesonide) in nasal spray. The effect of the treatment is seen already after 5 to 10 minutes. With a rapid onset of action, therapy can be initiated "on demand" and the patient can thereby avoid continuous preventive treatment that increases the

risk of side effects. Local nasal treatment also reduces the risk of systematic side effects, such as sedation. Biolipox has developed, according to the management of Biolipox, a unique formulation aiming at decreasing the local irritating characteristics of cetrizine. A final formulation has been chosen and is currently tested in a clinical Phase II program, which will be completed in December 2007.

Through a good effect and a rapid onset of action, BLX-NLA offers, according to Biolipox' management, a new treatment strategy for rhinitis (”on demand” instead of preventive).

BLX-LSAID *- For treatment of moderate to severe asthma*

The LSAID-program consists of non steroid anti-inflammatory compounds, which have shown good effects in pre-clinical asthma models. Clinical programs have shown effect on certain parameters in patients with asthma. The program has been acquired from Inflazyme and is currently being evaluated.

BLX-914 *- For treatment of COPD and asthma*

The program has been acquired from Inflazyme. The aim of the program is to develop an orally active product that blocks the enzyme PDE4, present in many inflammatory cells and in respiratory tract. Several companies have, in clinical programs with different PDE4 inhibitors, shown positive treatment effects for COPD and asthma. However, no compound has reached the market so far, mainly because of the side effects, primarily nausea. BLX-914 has shown good effects in pre-clinical models of COPD and asthma, and clinical programs have not shown an increased frequency of nausea compared to placebo. Biolipox plans to start clinical Phase II programs during 2008. The development is initially focused on asthma, and following positive results in treatment of this disease, clinical development of BLX-914 is also planned for treatment of COPD.

BLX-914 uses a well established mechanism of action and has, according to Biolipox' management, an advantageous side effect profile that has the potential to meet a large medical need of patients with COPD and asthma.

BLX-2477 *- A new class of pharmaceuticals for asthma and COPD*

Biolipox was founded based on the discovery of a new group of mediators, eoxins, that are produced from arachidonic acid, primarily by cells in the respiratory tract. Production of eoxins is initiated by well known inflammatory mediators that are released in connection with for example allergy and asthma. Eoxins have powerful pro inflammatory effects and release of eoxins in the lungs may be important for the inflammation seen in connection with asthma and COPD. The aim of the project is to develop a new class of pharmaceuticals for asthma and COPD, but also other inflammatory diseases may be treated by this new class of anti-inflammatory pharmaceuticals. Several series of molecules are developed in parallel, and the first product candidate is currently in a pre-clinical safety program to enable commencement of clinical Phase I program during 2008.

According to Biolipox' management, BLX-2477 offers an oral non-steroidal anti-inflammatory treatment as an attractive alternative for large groups of patients.

BLX-MPI *- Selective prostaglandin inhibitors for pain, inflammation and rheumatoid arthritis.*

The aim of the project is to develop a new efficient pharmaceutical for pain, inflammation and rheumatoid arthritis, which by a more selective mechanism is expected to have less side effects than existing pharmaceuticals as the traditional NSAID pharmaceuticals (for example Magnecyl, Naproxen and Brufen) and the COX2-inhibitors (inhibitors of cyclooxygenase) (such as Vioxx and Celebrex). The mechanism is based on the discovery of a specific enzyme, prostaglandin (PG) E synthase (mPGES), which is necessary for the production of prostaglandin PGE_2, an endogenous substance that is central to various inflammatory processes. Several series of molecules are developed in parallel to obtain the optimal properties for a pharmaceutical and a patent portfolio with potential drug candidates has been established.

Since 2005, the project is developed in collaboration with Boehringer Ingelheim GmbH in Germany. According to the research collaboration and license agreement Biolipox is, in addition to a payment in connection with signing of the agreement, entitled to payments for development work and additional milestone payments upon fulfillment of certain pre-determined targets. The total remuneration may amount to EUR 250 million. Should a product be commercialized, Biolipox is entitled to royalties on the sales. Biolipox has marketing and sales rights for the Nordic and Baltic regions.

The aim of BLX-MPI is to develop an efficient and more secure treatment of widespread diseases such as rheumatoid arthritis and pain.

***BLX-CLI** - A new generation of pharmaceuticals for treatment of asthma, COPD and rhinitis*

Biolipox develops an oral dual effect pharmaceutical with both bronchodilatory and anti-inflammatory properties. Studies on animals that do not have the relevant target protein have shown a significantly reduced inflammatory response in different asthma and COPD models. The project is based on a mechanism related to arachidonic acid and Biolipox has identified own molecules that have shown good effects in different pharmacological models. A patent portfolio with potential product candidates has been established.

BLX-CLI is an oral product with both bronchodilatory and anti-inflammatory properties that, according to Biolipox' management, offers a new treatment opportunity for diseases with a large medical need such as asthma and COPD.

***BLX-NLA/STEROID COMBINATION** - A combination product for rapid onset of action and the possibility to treat severe rhinitis*

A combination pharmaceutical with NLA and a steroid (cortisone) in the same nasal spray is included in Biolipox' patent portfolio and has the potential of being developed into a pharmaceutical with better effect on rhinitis than the existing alternatives on the market.

Biolipox' Acquisition of Assets from Inflazyme

Biolipox and Inflazyme, a Canadian bio-pharma company located in Vancouver and listed on the Toronto Stock Exchange, have entered into an agreement whereby Biolipox acquired the majority of Inflazyme's assets for CAD 11 million, plus a potential royalty payment. The assets include Inflazyme's research and development programs on the PDE inhibitors, the LSAIDs™ and its Protein Therapeutics Technology. Biolipox will initially pay CAD 4 million immediately upon closing of the transaction. The remaining CAD 7 million shall be paid in connection with the fulfillment of the following milestones: (i) CAD 1.5 million upon a decision to initiate a Phase II clinical study with a PDE inhibitor, (ii) CAD 2.5 million upon a decision to initiate a Phase III study with a PDE inhibitor, (iii) CAD 3 million upon a decision to initiate a Phase III clinical study with LSAID™, and (iv) a royalty of 1.25 percent on net sales of the first PDE inhibitor commercialized. Inflazyme may also receive up to 35 percent of the proceeds from the subsequent sale of the Protein Therapeutics technology if these assets are sold within twelve months from closing of the transaction.

The board of directors of Biolipox is responsible for the information concerning Biolipox on pages 9-10 and 81-83 in this prospectus. The board of directors of Biolipox consists of Håkan Åström (chairman), Rigele Abilock, Magnus Björkholm, Laurent Ganem, Björn Odlander, Antoine Papiernik, Bengt Samuelsson and Birgit Stattin-Norinder. Information regarding the directors of the board of directors is available on Biolipox' website www.biolipox.com. The information is intended to give an overview of Biolipox and does not intend to give a complete description of Biolipox. The board of directors of Biolipox hereby assures that it has taken every reasonable precaution to ensure that the information in this prospectus, to its knowledge, is in accordance with factual circumstances and that nothing that would change the meaning of that information has been left out.

Stockholm, November 22, 2007

Biolipox AB (publ)
The board of directors

GLOSSARY

Term	*Explanation*
Agonist	A pharmacologically active compound that causes a biological effect by mimicking the regulatory effects of the endogenous signaling compound.
Bioavailability	The fraction of an administered dose that is recovered in plasma in unchanged form.
Desmopressin	A synthetic analogue of the endogenous peptide hormone Arg-vasopressin.
Drug delivery	The process through which a pharmaceutical receives the composition and form that enables the active compound to function in an optimal way.
Fentanyl	An opioid with similar effects on living organisms as morphine but with less hypnotic activity. Used mainly within anesthesia and analgesia.
First pass metabolism	The intestinal and hepatic degradation or alteration of a pharmaceutical administered orally, after absorption, removing some of the active compound before it enters the general blood circulation.
Gastro Esophageal Reflux Disease (GERD)	Severe heartburn caused by stomach acid refluxing, or splashing, through the hiatus up into the gullet.
Helicobacter pylori	A bacterium that has been implicated in the development of, *inter alia*, gastric ulcers.
Histamine	A physiologically active compound found in plant and animal tissue that is released from cells in the immune system as part of an allergic reaction.
In vivo	In living organisms.
In vitro	In the laboratory.
Mucoadhesive	Something tending to adhere to the mucosa.
Mucosa	A membrane lining all body passages.
On demand	This means that the pharmaceutical can be administered when needed.
Pharmacological properties	The characteristics or properties of a pharmaceutical, especially those that make it medically effective.
Peptides	A sequence of amino-acids.
Pre-clinical programs	*In vitro* and *in vivo* experiments that are conducted in order to determine whether a pharmaceutical candidate has the desired pharmacokinetic properties. In addition, the pharmaceutical candidate's safety profile is studied by conducting toxicological studies. Finally, clinical development plans are developed for product candidates that show the strongest potential.
Product candidate	A pharmaceutical product under development.
Sublingual	Situated beneath the tongue.
Urea	A water soluble compound that is the major nitrogenous end product of protein metabolism and is the chief nitrogenous component of the urine in mammals and other organisms. Urea is also referred to as carbamide.

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