orexo

Annual Report 2013

Zubsolv® – now addressing a growing health issue

UNITED STATES	UNITED STATES	REST OF THE WORLD
5 million	**2 million**	**>15 million**
OPIOID DEPENDENT	CURRENTLY DIAGNOSED AS DEPENDENT	OPIOID DEPENDENT

Contents

Orexo – a specialty pharma company

Orexo is a specialty pharmaceutical company with commercial operations in the United States and R&D in Sweden. The company develops improved treatments using its proprietary drug delivery technology. Orexo's main focus is to improve the treatment of opioid dependence, starting with Zubsolv®, a product for maintenance treatment of opioid dependence, launched in the US in September 2013.

Orexo's development expertise is within the area of reformulation technologies, in particular sublingual formulations. Orexo's proprietary commercial portfolio consists of Zubsolv for the treatment of opioid dependence. Zubsolv is currently the only brand marketed by Orexo. Additionaly, the commercial portfolio consists of outlicenced products Abstral® launched in the US, EU and Japan, and Edluar® launched in the US and EU. Revenues are also generated through Orexo's wholly owned subsidiary Kibion in the area of diagnosis of *Helicobacter Pylori*. The company also has a development portfolio of reformulations of approved compounds within areas of unmet medical need as well as commercial and research partnerships with international pharmaceutical company.

The Year in Brief

KEY EVENTS DURING THE YEAR

Q1

- Partner agreement was signed with AstraZeneca for the respiratory disease program OX-CLI.
- Orexo's commercial management structure was strengthened and Nikolaj Sørensen was appointed CEO and Martin Nicklasson Executive Chairman.
- License agreement with Novartis on OX17 for GERD was terminated.
- Orexo sold the commercial rights of Abstral® to Galena Biopharma Inc. in the US for MUSD 15 plus royalties and milestone payments.

Q2

- First patient dosed in a new phase III study aiming at potential future expansion of the clinical indication for Zubsolv®.
- Successful pre-approval inspection (PAI) by the FDA at the Uppsala site.

Q3

- Zubsolv was approved by the FDA for maintenance treatment of opioid dependence in July and launched in September.
- A rebate agreement was signed with CVS Caremark, allowing its commercial Pharmacy Benefit Management (PBM) clients to qualify for rebates, if the PBMs' place Zubsolv in a preferred formulary position.
- Orexo entered a commercial partnership with Publicis Touchpoint Solutions for launch of Zubsolv in the US.
- A US commercial subsidiary, Orexo US Inc., was established in New Jersey, with Robert A. DeLuca as President.
- Henrik Juuel was appointed as new Executive Vice President and CFO.
- Two new and unique Zubsolv clinical studies in addiction medicine were initiated, designed to assess treatment induction, adherence, preference and tolerability (early and long-term).
- Results from the OX51 phase II study showed a significant dose response with no safety concerns for the dose range studied.
- Abstral was re-launched by Galena Biopharma Inc. in the US.
- Abstral was approved in Japan.
- A convertible bond subscribed for by Novo A/S was converted.

Q4

- Abstral was launched in Japan by Kyowa Hakko Kirin Co., Ltd.
- Agreement with Danske Bank for a credit facility of MSEK 200 was signed.
- Trading with Orexo ADRs commenced on OTCQX in the US (under the symbol ORXOY).
- NASDAQ OMX informed that Orexo will advance to the Mid Cap segment as of January 2, 2014.

Key figures

	2013	2012	2011	2010	2009	2008
Net revenues, MSEK	**429.4**	326.3	199.6	210.5	236.1	233.3
Growth, %	**31.6**	63.5	–5.2	–10.8	1.2	204.0
Net earnings for the year, MSEK	**–154.9**	–85.9	–392.0	–89.2	–98.1	–103.1
Earnings per share, before dilution, SEK	**–5.16**	–2.92	–14.43	–3.8	–4.3	–4.8
Cash and cash equivalents, MSEK	**105.6**	228.1	246.9	135.8	87.4	188.2
Shareholders' equity, MSEK	**161.5**	191.1	311.1	468.2	548.7	569.8
Average number of employees	**106**	111	110	105	124	123
Number of employees at year-end	**108**	97	118	105	108	128

CEO's Message

"The steps we took during 2013 have put us in a good position to secure the commercial success of Zubsolv."

Nikolaj Sørensen, President and CEO of Orexo

It is with great pleasure that I look back on 2013, a year in which Orexo took several significant steps forward. These included regulatory approval of Zubsolv® in the US, the establishment of a commercial subsidiary in the US, and the launch of Zubsolv on the US market.

Following the launch in September last year, I am pleased with the initial market penetration. In particular, the market access position has improved considerably, laying a solid foundation for 2014.

Zubsolv has entered a large market, as opioid dependence is of epidemic proportions in the US. We estimate that approximately 5 million people are currently dependent on opioids. More people in the US die from opioid pain relievers than from all illegal drugs and traffic accidents combined, and the number of personal tragedies is endless, underpinning the importance of new and improved treatment such as Zubsolv.

The leading treatment of opioid dependence is products containing buprenorphine/naloxone, like Zubsolv, and the market value for this category of products currently amounts to approximately USD 1.9 billion. The market grew by 10 percent during 2013 in terms of number of prescriptions, and this double-digit growth is likely to continue in the years to come.

The main driver of the continued market growth is the low level of treatment of the people dependent on opioids: about 10 percent currently receive buprenorphine/naloxone treatment. A major barrier to treatment has been lack of financial coverage for treatment and the restricted access to treatment facilities. But the number of patients being treated is set to increase as the Affordable Care Act will provide insurance coverage of treatment. There are also strong incentives for society to encourage a successful treatment of opioid dependence as the societal cost of the disease is high.

During the year, we recruited a strong and experienced team to our US office, which focuses on the commercialization of Zubsolv. This is being done in cooperation with our partner Publicis Touchpoint Solutions (PTS), who made it possible for Orexo to quickly set up a nationwide field force, with limited financial exposure for Orexo.

To take full advantage of the possibilities in a large and growing market, it is crucial that we achieve broad market access through contracts with public and private insurance providers. Our position in this respect improved significantly towards the end of 2013, and negotiations continue to ensure that we gain reimbursement in parity with our competitors.

We recognize that addiction medicine has not been a focus of the pharmaceutical industry and companies previously active in this space have made limited investments in continued clinical development of opioid dependence treatments. However, Orexo is committed to improving treatment for patients suffering from opioid dependence. During 2013, we initiated three studies with the aim of documenting the potential of using Zubsolv in initiation of treatment, documenting patients' adherence to treatment and studying preference for Zubsolv over the main competitor. We are also developing several new alternative formulations of Zubsolv, including new strengths and flavors. Today our focus is on improving the current treatment of opioid dependence through documenting the benefits of Zubsolv. The long-term vision is to change the current treatment paradigm to enable much earlier intervention in the vicious circle of opioid dependence. The overall ambition is to minimize the use of opioids and to improve patients' chances of tapering and stabilizing at the lowest possible dose or achieving full withdrawal. A continuous dedication to improved treatment remains the core of Orexo's strategy and the lever to expanding market reach, while improving treatment and the lives of millions of opioid dependent patients.

I am convinced that these efforts will further strengthen the position of Zubsolv in relation to our competitors long-term. Zubsolv already offers a number of advantages such as fast dissolve time, reduced tablet size, improved taste and higher bioavailability.

While our focus during 2013 was very much on the commercialization of Zubsolv, I am also pleased that our other key product, Abstral, continued to develop positively in Europe, and towards end of the year in the US as well. Orexo's US partner, Galena Biopharma, has already demonstrated that they can drive market share growth, as Abstral reached about five percent share of total prescription in December 2013 – 9 months after the contract was signed. Abstral was also approved and launched in Japan by Kyowa Hakko Kirin and we look forward to a similar success on this market.

I am confident that the steps that we took during 2013 have put us in a good position to secure the commercial success of Zubsolv and over-all long-term business sustainability. All of us are committed to making Orexo a leading provider and a main contributor to improving the treatment of opioid dependence.

Nikolaj Sørensen

President and CEO

Strategy

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

Orexo has four strategic areas of focus:

1) Maximization of the commercial potential of Zubsolv

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

2) Expand the company's presence in addiction treatment through cost efficient research and development

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

3) Continued development towards a fully integrated specialty pharmaceutical company

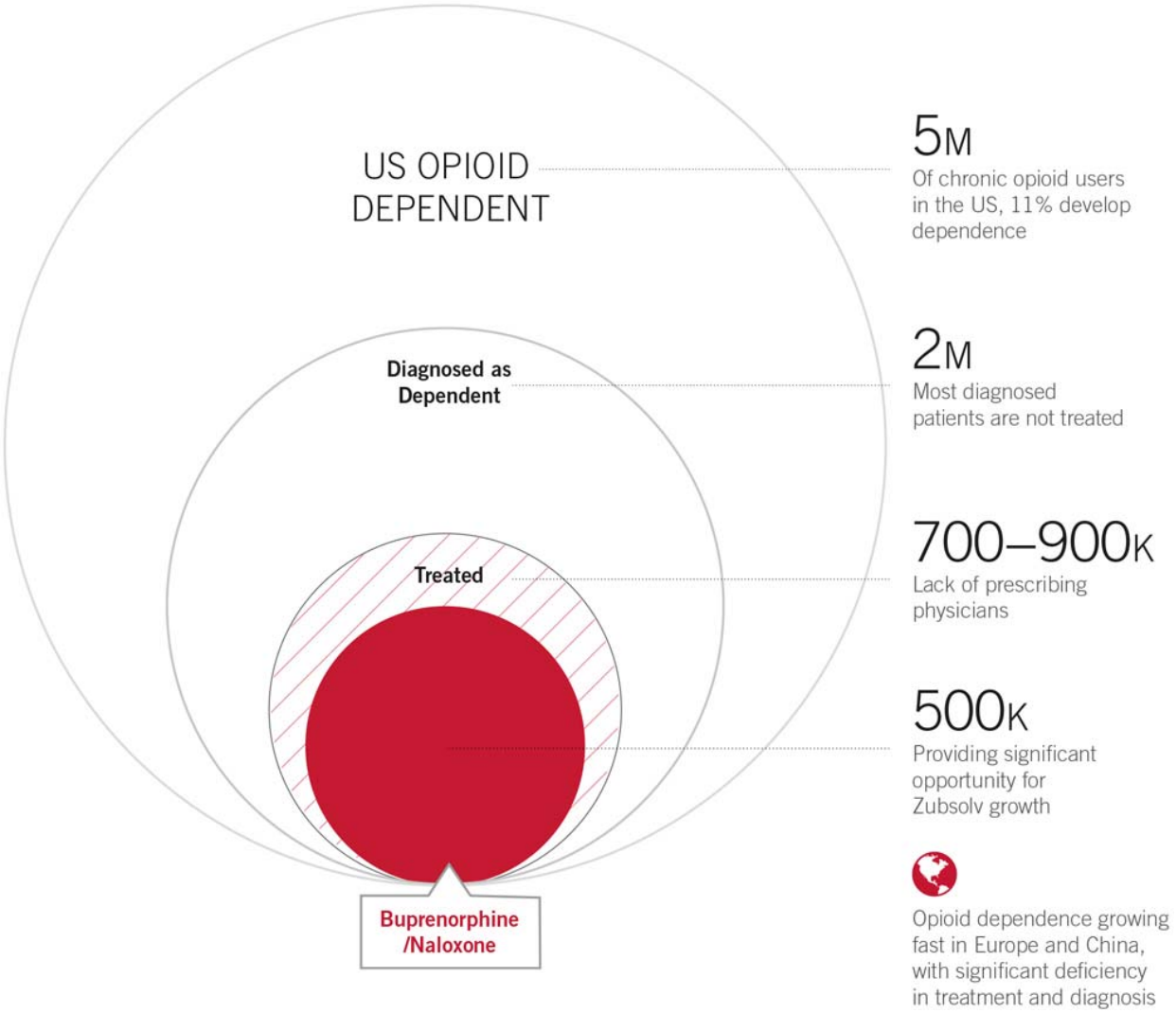
Expand commercial capabilities across the company, but with emphasis on the US and continue to develop the existing commercial partnerships.

4) Create a sustainable profitable company

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

Zubsolv®

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



zubsolv® sublingual tablets (buprenorphine and naloxone) C

Zubsolv was launched on the US market and made available in pharmacies on September 16, 2013

Opioid dependence
A growing health issue

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

The disease is manifested by physical tolerance of opioid medication and withdrawal symptoms, as well as behavioral dependence characterized by the inability to control use or continued use despite negative consequences and social dysfunction. While many people are able to continue functioning and maintain employment, people with opioid dependence report that it affects all areas of their life and particularly intimate and family relationships. The resulting costs to patients, family and society are high, including death, sickness, crime, lost productivity and family disruption.

Opioid dependent patients develop high levels of tolerance and may take increasingly larger doses of their medication to achieve a euphoric effect and reduce withdrawal symptoms. Many abusers begin by taking the opioids orally, but as addiction grows, they demonstrate aberrant behavior, such as crushing the medication for snorting or injecting.

Growing problem

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

Of the 5 million people misusing opioids, less than 20 percent currently receive treatment. There are several reasons for this, of which the most important is the fact that a lack of financial coverage means that many patients find the treatment too expensive. Furthermore, access to treatment is still limited in many areas of the US, and the significant social stigma attached to opioid dependence makes many people reluctant to seek treatment. The number of patients being treated is set to increase as the Affordable Care Act will provide insurance coverage of treatment. Addiction treatment is included as an "essential benefit" under the Affordable Care Act, and insurance companies are obliged to cover essential health-care benefits.

High societal cost

There are also strong incentives for society to encourage the successful treatment of opioid dependence as the societal cost of the disease is high. The cost of prescription opioid abuse, dependence and misuse in the US is estimated to exceed USD 56 billion per year, of which 25 billion is healthcare costs, 26 billion productivity loss and 5 billion crime-related[3]. The average healthcare cost per patient with opioid dependence is 8 times higher compared to nondependent patients.

Furthermore, 15,000 people die from opioid pain relievers each year in the US[4]. Deaths from opioid pain relievers exceed those from all drugs and traffic accidents.

Zubsolv has entered a large and growing market. The current US market of products containing buprenorphine/naloxone amounts to approximately USD 1.9 billion[5], before rebates to payers, co-pay support and other discounts. The market continued to grow by 9 percent in value and 10 percent in volume during 2013[6]. Continued double-digit growth is likely in the years to come, and will be driven by the significant unmet medical need, the growing number of opioid dependent patients as well as the impact of the Affordable Care Act.

[1] Substance Abuse and Mental Health Services Administration, Results from the 2010 National Survey on Drug Use and Health: Summary of National Findings, NSDUH Series H-41, HHS Publication No. (SMA) 11-4658. Rockville, MD: Substance Abuse and Mental Health Services Administration, 2011.
[2] Substance Abuse and Mental Health Services Administration, Results from the 2010 National Survey on Drug Use and Health: Summary of National Findings, NSDUH Series H-41, HHS Publication No. (SMA) 11-4658. Rockville, MD: Substance Abuse and Mental Health Services Administration, 2011.
[3] Birnbaum HG, White AG, Schiller M, et al. Societal costs of prescription opioid abuse, dependence, and misuse in the United States. Pain Medicine. 2011;12:657-667.
[4] Centers for Disease Control and Prevention. Preventing Prescription Painkiller Overdoses. Accessed June 18, 2013. http://www.cdc.gov/injury/pdfs/som_focusarea/NCIPC_FactSheets_PPO_v7.pdf.
[5] WK Weekly, Buprenorphine/Naloxone Market.
[6] WK Weekly, Buprenorphine/Naloxone Market.

Key factors for successful treatment

The successful treatment of opioid dependence always needs to include a combination of medication and counseling. The most important factor for the medication to be effective is that the patient adheres to the treatment, and takes the medication regularly for a sufficient time. This fits very well with the characteristics of Zubsolv, which is easy to administer and has no unpleasant taste or aftertaste. But the medication needs to be part of a comprehensive treatment plan, which includes support and/or counseling that is designed to meet that person's specific needs. This psychosocial support is regarded as at least as important as the medication.

Orexos commercial strategy
Establishing a US commercial subsidiary

In 2013 Orexo became a fully integrated specialty pharmaceutical company when it established a US commercial subsidiary, Orexo US Inc, in Morristown, New Jersey to launch Zubsolv®. In July, Orexo signed a partnership agreement with Publicis Touchpoint Solutions (PTS) that gives Orexo fast and efficient access to healthcare providers treating opioid dependence. PTS has a well-established infrastructure for field force operations – Health Care Liaisons - with all required services and competencies, as well as significant launch experience and an excellent track record in similar disease areas.

Learn more about Zubsolv,
www.zubsolv.com

The partnership is based on a risk sharing arrangement whereby PTS covers the expenses for field operations and recovers its investment as the Zubsolv franchise becomes profitable. This provides PTS with a strong motivation to achieve and surpass sales targets. The agreement also means that Orexo maintains full strategic control of Zubsolv, while limiting direct commercial costs. The agreement expires in December 2016, with no further obligations for either party beyond this date. This gives full long-term flexibility to adjust the commercial strategy to market developments and opportunities.

The partnership with PTS made it possible for Orexo to quickly set up a national field force in the US, enabling a launch of Zubsolv as early as ten weeks after FDA approval. During the launch period the field force comprised approximately 50 Health Care Liaisons, and this number was further increased in January 2014.

Prior to launch, a rebate agreement was signed with CVS Caremark which allows its commercial Pharmacy Benefit Management (PBM) clients to qualify for rebates if Zubsolv is placed in a preferred formulary position. On January 1, 2014, CVS Caremark removed Suboxone Film from the formularies for its commercial clients who participate in the formulary drug exclusion program. For those clients, Zubsolv is the only branded drug covered.

In March, Orexo also entered into a multi-year agreement with UnitedHealth Group® and OptumRx® providing preferred coverage and reimbursement of Zubsolv for treatment of opioid dependence. Zubsolv will become the only buprenorphine/naloxone combination product on all of UnitedHealth's closed and highly managed health plan formularies, inclusive of all brand and generic formulations, i.e. health plans where UnitedHealth decide exactly which pharmaceutical should be prescribed to the patient for it to be reimbursed.

Focus on market access

In order to drive sales of Zubsolv, an important objective is to achieve broad market access through contracts with payers (public and private insurance) that secure reimbursement parity with the competition. At launch, reimbursement for Zubsolv was available to more than 70 percent of the market. For many patients, however, the reimbursement was based on a Tier 3 position, which requires patients to co-pay USD 50-75 for a Zubsolv prescription.

Like all new products on the US market, Zubsolv is subject to reviews, processes and policies for individual commercial and public payers, with the consequence that some payers take more time to consider and grant a competitive position for a new product such as Zubsolv. These reviews typically take longer in the public plans (Medicaid and Medicare), which account for about 30 percent of the market. During the fourth quarter the reimbursement position improved as Zubsolv was moved to Tier 2 in several plans. Zubsolv gained parity reimbursement with its branded competitor in large state Medicaid programs like New York, New Jersey and Tennessee. More importantly, Orexo secured an even better position with several plans starting in January 2014.

Negotiations to ensure improved reimbursement continue, with the objective of gaining at least similar reimbursement to that of the competitors for the majority of the plans within the first year from launch.

To ensure that availability of Zubsolv to patients is not negatively impacted by timelines associated with formulary placement and reimbursement issues, Orexo has, during the launch period, offered a support program. While this support program can reduce net sales during the launch phase Orexo will manage impact as formulary positions improve.

A concentrated prescriber base

The prescriber base for treatment of opioid dependence is highly concentrated. During 2013 about 5 800 physicians accounted for 94 percent of all prescriptions. This means that field promotion and other marketing activities can target a relatively limited and well-known group. The launch of Zubsolv initially targeted 1 000 selected prescribers, and marketing efforts are being expanded as market access improves.

At launch, 40% of physicians specializing in addiction treatment were aware of Zubsolv, which increased to more than 90% in December 2013. The increase in awareness was primarily driven by Health Care Liaison visits, and there is a clear correlation between doctors with frequent visits and the decision to prescribe Zubsolv. Early indications are that nearly all physicians continue to prescribe Zubsolv after the initial prescription.

Expanded offering and reach

Zubsolv is based on Orexo's broad knowledge of sublingual (under the tongue) preparations, and offers a number of advantages compared with the present market leader. Just like the market leader, Zubsolv consists of a combination of buprenorphine and naloxone. The active ingredient, buprenorphine, has documented good efficacy in the treatment of opioid dependence. It eases withdrawal symptoms at the same time as it blocks the euphoric effects of other opioids.

Combining buprenorphine and naloxone (an opioid antidote) in a single tablet counteracts the euphoric effect that may arise following inappropriate intravenous injection of a dissolved tablet. The risk of intravenous abuse is thereby reduced.

Due to a documented enhanced bioavailability, less active medication as in previously approved buprenorphine/naloxone sublingual tablets is needed in Zubsolv tablets to achieve the same active plasma concentration. In addition, Zubsolv offers a number of advantages such as fast dissolve time, reduced tablet size and improved taste. A study[1)] comparing Zubsolv with Suboxone® Film showed that the subjects in the trials preferred Zubsolv over the competitor by a wide margin (80-90 percent in favor of Zubsolv) regarding taste, aftertaste, ease of administration and overall preference.[2)]

Orexo will continue to improve the treatment of patients suffering from opioid dependence. An example of this is the initiation of three clinical studies during 2013. The aim is to document the ability to use Zubsolv in initiation of treatment, document patients' adherence to treatment and to study preference for Zubsolv over the main competitor. The results from two of these studies are expected in the second half of 2014, and the remaining study in 2015. Additionally, Orexo is developing several new alternative formulations of Zubsolv, including new strengths and flavors.

A strong team in place

During 2013 Orexo set up a US subsidiary and recruited a highly competent and experienced team in the US. The US office, with 21 employees at year-end, focuses on the commercialization of Zubsolv in collaboration with PTS. With the establishment of a commercial leadership team in the US, Orexo AB in Sweden focuses its resources on the development of new products, including product extensions of Zubsolv, manufacturing and quality assurance and overall corporate governance.

US manufacturing capacity

Orexo has also established a full supply chain, including stable and scalable manufacturing of Zubsolv in the US. Technology was transferred from the site in Uppsala, Sweden to AAIPharma Services Corp., ensuring dual site manufacturing capability. The site in Uppsala has the capacity for commercial production, but will focus on product development. The full supply chain ensures that commercial needs are met.

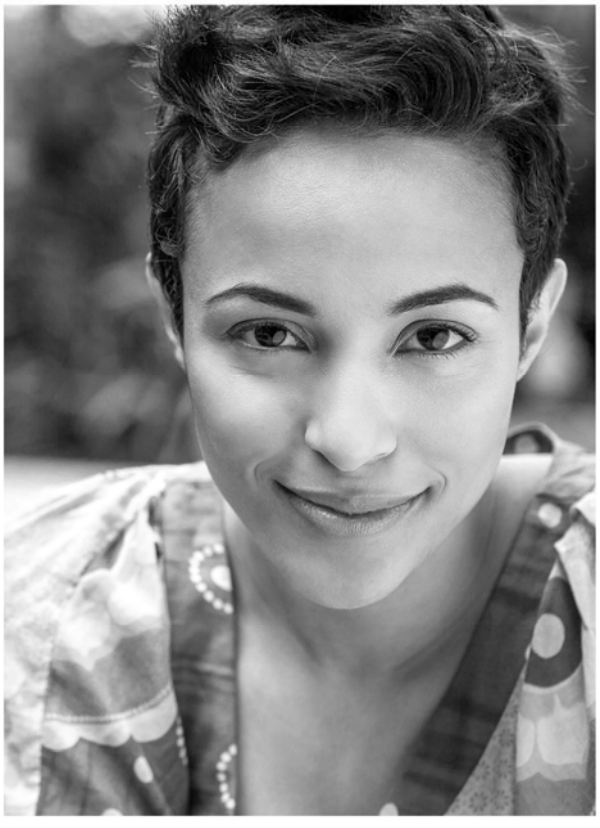
For Zubsolv to develop successfully, it is vital that the product is available at wholesalers and in pharmacies across the US. By year-end more than 13 000 pharmacies had been supplied with Zubsolv.

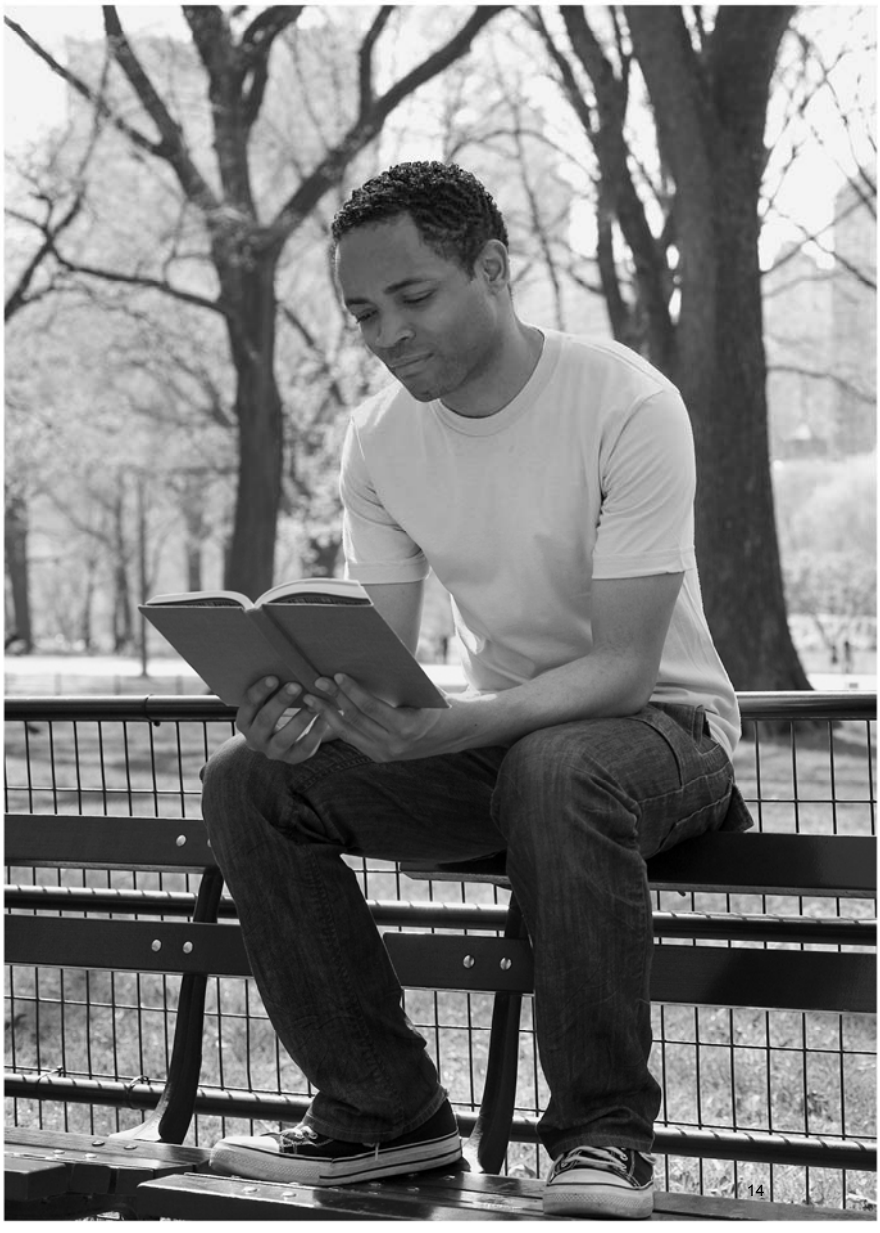
[1)] Internal Orexo data from open label study OX219-005 in Healthy Volounteers; Jönsson M, Fischer A, Tiberg C, et al. A novel buprenorphine/naloxone tablet formulation for the treatment of opioid dependence. Poster presented at: 44th Annual Medical-Scientific Conference of the American Society of Addiction Medicine; April 25-28, 2013; Chicago, IL.

[2)] Internal Orexo data from open label study OX219-005 in Healthy Volounteers; Jönsson M, Fischer A, Tiberg C, et al. A novel buprenorphine/naloxone tablet formulation for the treatment of opioid dependence. Poster presented at: 44th Annual Medical-Scientific Conference of the American Society of Addiction Medicine; April 25-28, 2013; Chicago, IL.

Who is opioid dependent?

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





Other Orexo products

Apart from **Zubsolv®**, through third party agreements or licensing agreements Orexo has five other products on the market. **Abstral®**, a product for rapid relief from breakthrough pain in cancer patients, is marketed by partners. Galena Biopharma has the commercial rights in the US. In Europe and the rest of the world, excluding Japan, the Abstral rights have been transferred to the ProStrakan Group PLC. Orexo's Japanese partner Kyowa Hakko Kirin Co., Ltd. holds the rights for Abstral in Japan.

The specialty pharma company Meda has a global license for **Edluar®**, which is a product for the treatment of short-term insomnia.

The breath tests for diagnosis of the gastric ulcer bacterium *Helicobacter pylori*, **Heliprobe® System** and **Diabact® UBT**, as well as the **IRIS®** analytical instrument are marketed via the subsidiary Kibion.

Abstral®
Treatment of breakthrough pain in cancer patients

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

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

The product was approved in 2008 for sales in Europe. Since then it has been launched in most countries in the EU. In January 2011, Abstral was approved by the U.S. Food and Drug Administration, FDA, and was subsequently launched in the USA in April 2011 by Orexo's partner ProStrakan. In February 2011, Abstral was also approved in Canada.

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

Kyowa Hakko Kirin, which acquired ProStrakan Group PLC in 2012, has the rights for Abstral in all markets except the US, where the rights are held by Galena Biopharma. Orexo sold the rights in the US to Galena Biopharma in March 2013, after having acquired these rights from ProStrakan in 2012. At signing, Galena Biopharma paid Orexo MUSD 10 and an additional MUSD 5 was paid during the third quarter. Galena will pay low double-digit royalties and milestone payments based on pre-specified sales levels. The re-launch of Abstral in the US by Galena Biopharma was initiated in October 2013. The US market for fentanyl-based products for breakthrough pain has stabilized after declining for several years and amounts to approximately USD 360 million (SEK 2.3 billion). Orexo assesses that Abstral has good chances of achieving similar success in the US to that in Europe and by December 2013 Abstral had reached a market share of nearly 5 percent of prescriptions.

During the year, Abstral continued to grow and gain market shares in the EU. Sales in the EU amounted to more than MEUR 53 (MSEK 480), an increase of 29% compared with the previous year. Abstral market share in Europe is about 27%, which makes Abstral the leading fast-acting fentanyl product on this market. Orexo will receive a 15 percent royalty on Abstral sales in Europe, for sales exceeding EUR 42.5 million. During 2013, royalty revenues from Abstral sales amounted to MSEK 246.0 (175.2).

Orexo will in the future also receive royalties on Abstral from other markets where the product is approved. Abstral was approved in Australia in August 2013. In the Middle East, Abstral has been approved in the United Arab Emirates, Bahrain, Kuwait, Lebanon, Oman and Qatar. During 2014, Abstral will be launched in further markets.

Edluar®
Treatment of short-term insomnia

Edluar is an insomnia treatment based on the active ingredient zolpidem. Zolpidem has been used to treat insomnia for a long time. The Edluar tablet is placed under the tongue, where it rapidly dissolves and the active ingredient is absorbed through the mucous membrane.

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

Royalty revenues from Edluar amounted to MSEK 8.7 (6.3) during 2013.

Heliprobe® System, Diabact® UBT, IRIS®
Diagnosis of ulcer bacteria

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

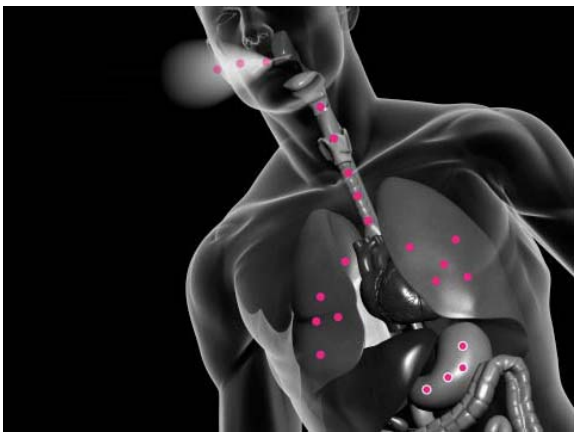
Heliprobe System and Diabact UBT are based on UBT (Urea Breath Test) technology and collect a sample of the patient's exhaled breath. The products complement each other and are adapted to different market segments. The most important competitive advantage compared with other UBT tests is the patent-protected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

IRIS is an instrument that is used for analysis of breath tests such as Diabact UBT. The combination of IRIS and Diabact UBT means that customers can be offered complete systems.

Heliprobe, Diabact and IRIS are marketed by Orexo's subsidiary Kibion. The products are sold in more than 60 countries, and the Middle East and the EU are Kibion's largest markets. During the year, Kibion restructured its distributor network in the Middle East and Northern Africa, leading to fewer and larger distributors, in order to improve efficiency and boost long-term revenue.

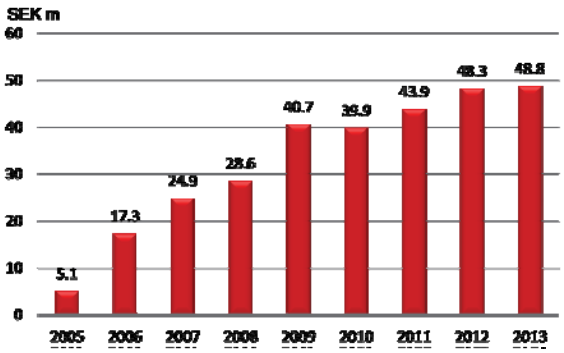
Kibion's sales during 2013 amounted to MSEK 48.8 (48.3). Revenue was negatively impacted by a temporary loss of reimbursement for Heliprobe in Turkey and import restrictions in Saudi Arabia.

Future growth potential is assessed to be good in the light of an expected increase in the use of breath tests, and expansion into new geographical markets.



With UBT, it is possible to detect if the patient is infected by analyzing the patient's breath

Sales of Diabact® UBT, Heliprobe® System and IRIS® in 2013



R&D, development programs, collaboration projects

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

From its own research and development Orexo has developed several products with significant commercial potential, such as Zubsolv®, Abstral® and Edluar®. The development of these has been guided by unmet medical needs.

OX51
Prevention of acute intense pain

The OX51 project aims to develop a new sublingual product for the prevention of acute intense pain in connection with diagnostic or therapeutic procedures.

OX51 is a novel sublingual formulation comprising alfentanil, which has been developed to meet the fast-growing demand for efficient pain management during short-term surgical and invasive diagnostic procedures. The quick onset, absence of sedation and drowsiness, short duration, rapid offset and convenient administration of OX51 make it suitable for prevention of pain for a multitude of surgical and diagnostic procedures.

The market for short-term surgical and diagnostic procedures is large and growing, with over 130 million procedures performed annually in the US and EU. This growth is driven both by improvements in technology and by increasing cost control, which is propelling a shift in such procedures from an inpatient/hospital setting towards an outpatient setting. This shift has created a major need for improving efficient pain management during short-term surgical and diagnostic procedures without full access to all the resources otherwise found in a hospital.

In August 2013, a dose-finding phase II study on OX51 in patients undergoing prostate biopsy was successfully completed. The study, which tested sublingual administration of three different doses of OX51 and placebo, demonstrated a statistically significant dose response with respect to maximal pain experience during the biopsy procedure. Treatment with OX51 was safe and well-tolerated in all dose groups and no effects on local tolerability were observed in any dose group. In addition, OX51 showed no effect on sedation and drowsiness compared to placebo.

The commercial potential of OX51 is estimated to be substantial. Orexo will continue to evaluate how to proceed with OX51 in order to best fulfil this potential.

OX-MPI
Treatment of inflammatory pain

The aim is to develop a completely new class of products, based on Orexo's prostaglandin research. The collaboration with Boehringer Ingelheim, which was initiated in 2005, focuses on specific inhibition of the formation of prostaglandin E2 (PGE2) in different disease processes. The project is proceeding in the preclinical phase with the evaluation of potential clinical strategies.

Boehringer Ingelheim has sole responsibility for all research and development and commercialization of future products. Boehringer Ingelheim makes payments to Orexo when certain milestones are achieved. In addition, there are royalties on future sales.

OX-CLI
Treatment of respiratory tract diseases

Orexo entered into a collaboration agreement with AstraZeneca in January 2013 regarding OX-CLI, a preclinical program for potential new treatment of respiratory tract diseases. Under the agreement AstraZeneca gained the rights to perform extensive preclinical research and evaluation of compounds in Orexo's OX-CLI program. AstraZeneca has an option to acquire all compounds linked to the program, whereby Orexo will receive milestone payments during the development phase and royalty payments based on future revenues. AstraZeneca is responsible for all development costs for the project.

Sustainability

Operations are conducted in line with the company's core values of business focus, respect and drive. Business focus requires the company's goals to be taken into account in all decision making. At Orexo, employees respect each other's skills, views and decisions. Through its drive, the company strives to be dynamic, proactive and innovative.

During 2013, a Business Compliance and Ethics Code, applying to all employees, was implemented to ensure that sustainability permeates the core values and the day-to-day business operations.

Another important framework is the environmental management system based on ISO 14001 that has been in use since 2012. It ensures that the company follows current environmental laws and requirements and has satisfactory internal control.

Attractive employer

Orexo endeavors to be an attractive employer which recruits, retains and develops talented employees. At year-end, Orexo Group had 108 employees (97), including 75 at Orexo AB, 12 at Kibion and 21 at Orexo US Inc. The increase was mainly a consequence of recruitment in connection with the launch of Zubsolv® in the US.

54 percent of the employees were women (57). One of the 8 (8) individuals in the Global Management Team, is a woman (3). Management has extensive experience of the pharmaceuticals industry and competences for all phases of drug development, including commercial operations and business development.

The employees' high level of expertise is a crucial success factor for Orexo. A measure of their competence is that 18 percent of the employees hold doctorates and 68 percent hold other levels of academic degrees. Approximately 38 percent of employees were active in research and development during the year.

To ensure that the employees' high level of competence constantly develops, Orexo has an active exchange of knowledge with international networks and collaboration with academic institutions such as Uppsala University. During the year, operations were conducted in Uppsala Business Park and in New Jersey, USA.

An employee survey is carried out each year in order to capture opinions and to identify relevant areas for improvement.

Work environment

A good work environment is important to ensure work satisfaction. Together with safety delegates appointed by the staff, Orexo conducts an active and systematic health and safety program coordinated by the safety committee.

Risk assessment of working conditions is performed on a regular basis and any incidents and accidents are followed up and the appropriate measures are taken. Occupational health and safety training for all employees continues throughout the year.

All employees are part of an insurance scheme for private healthcare and rehabilitation. In addition to rapid access to care and rehabilitation, the insurance includes a preventive element. Orexo also offers contributions to fitness activities and preventive healthcare and ergonomics through the company health service. Health and fitness activities were intensified during 2013 in a program aimed at raising employee awareness of healthy food and physical exercise.

Sick leave at Orexo Site Sweden decreased to 1.4% (2.1) during 2013.

Performance Management

Orexo has a systematic Performance Management process based on the core values – business focus, respect and drive. Each manager is responsible for identifying departmental objectives that support the overall strategic goals. At the beginning of each fiscal year, the managers and employees jointly set individual targets. The individual targets are evaluated in connection with employee performance reviews ahead of salary reviews.

Sustainable development

Orexo strives to run its operations with the least possible impact on the environment and to be conscious of its use of nature's resources. In order to achieve this, Orexo is active in improving the company's operations in terms of sustainability. Orexo continuously endeavors to limit the use of energy and natural resources through energy efficiency, reduced consumption of disposable materials and improved waste management. In order to reduce the amount of travelling, the company encourages meetings to be held by telephone or on the web. Environmental aspects are taken into account in the procurement of all goods and services, and the aim is to give continuous training to co-workers in sustainable development.

Orexo focuses on developing new products on the basis of its proprietary drug-delivery technology and has its expertise in pharmaceutical formulation, in particular in the area of sublingual formulations. Manufacturing is carried out at the premises in Uppsala Business Park and by contract manufacturers. Since 2007, Orexo has held an environmental permit for its operations in Uppsala to manufacture products by means of physical

processes. An environmental factor evaluation has indicated that Orexo should focus its environmental work on product development, manufacturing and the handling of chemicals. The use of dangerous chemicals was reduced during the year.

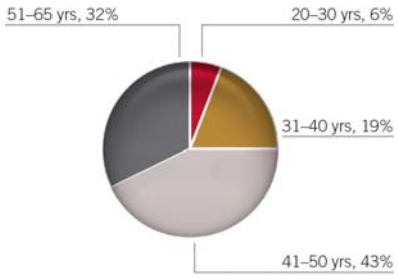
In order to ensure that the company follows current environmental laws and requirements and has satisfactory internal control, the environmental management system based on ISO 14001 is implemented. There are at present no plans to certify the system. An environmental group consisting of representatives from different parts of the company is responsible for the continuous improvement of sustainability work.

An objective set for 2014 is to improve the review of, and cooperation with, current and potential suppliers, from a sustainability perspective.

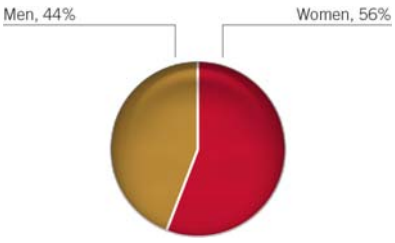
Ethical practice in clinical studies

Orexo conducts clinical studies in collaboration with external experts/organizations. Studies are designed in consultation with the partner in question and continuous assessment is made of risks and benefits. The studies require regulatory approval and regulations and ethical issues in the various countries are taken into account. Since the studies are based on well-known compounds, the risk level is generally lower relative to clinical tests of new molecules.

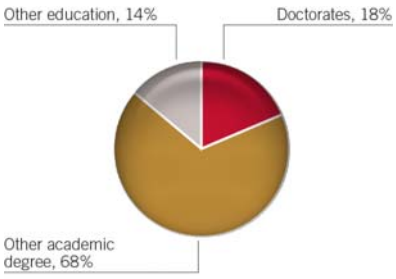
Age distribution



Gender distribution



Level of education



The Orexo Share

The Orexo share is listed on NASDAQ OMX Stockholm and is available as American Depositary Receipts (ADRs) on OTCQX in the US. At year-end, Orexo had a total of 4,881 shareholders, an increase of 36 percent, and the non-Swedish shareholding in the company increased to 51 percent. The Orexo share price rose by 230 percent during the year, enabling inclusion in the Mid Cap segment of NASDAQ OMX on January 2, 2014.

The Orexo share is listed on NASDAQ OMX Stockholm under the symbol ORX and is available in the US as ADRs on OTCQX under the symbol ORXOY. During the year the share price rose by 230 percent and the last price paid in 2013 was SEK 164.00 (49.60). This corresponds to a market capitalization of MSEK 5,392 (1,485). The highest closing price during the year for the Orexo share was SEK 182.00, quoted on December 2. The lowest quotation was SEK 48.50 on January 15.

The development of the Orexo share price during the year enabled inclusion in the Mid Cap segment of NASDAQ OMX, as of January 2, 2014.

Liquidity

In total, 23.2 (13.9) million shares in Orexo were traded in 2013, corresponding to a value of approximately MSEK 2,578 (511). The daily average trading volume was 92,757 shares, corresponding to a value of MSEK 10.3.

Ownership

At year-end, Orexo had 4,881 (3,588) shareholders, of which 613 were registered as legal entities and 4,268 as private individuals. Of the share capital, 49 percent (55) is held by shareholders registered in Sweden and 51 percent (45) by non-Swedish shareholders. The largest proportion of shareholders registered outside Sweden can be found in Denmark at approximately 35 percent. The increase in non-Swedish shareholdings is primarily driven by Novo A/S's increased holdings and new UK and US shareholders.

The shareholder list shown on this page is by shareholder group, where a number of legal entities may be a part of each group.

Convertible bonds

In August 2013, Orexo AB converted convertible bonds subscribed for by Novo A/S amounting to MSEK 111, with a conversion price of SEK 47.50. The number of shares in Orexo thereby increased by 2,460,526 and the participating interest of Novo A/S increased to 29.3% of the capital and votes.

ADR program

In September 2013 Orexo AB launched a sponsored Level 1 ADR program in the US and trading in ADRs began via OTCQX International, which is a segment of the OTCQX market in the US (www.otcmarkets.com), under the symbol ORXOY.

Analysts monitoring Orexo

- **ABG**, Sten Gustafsson
- **Carnegie,** Stefan Waldenlind / Kristofer Liljeberg
- **Edison Group**, Lala Gregorek
- **Erik Penser,** Johan Löchen
- **Guggenheim**, Louise Chen
- **Nordea,** Erik Hultgård
- **Pareto Securities**, Yilmaz Mahshid
- **Pharmium Securities,** Frédéric Gomez
- **Redeye,** Klas Palin

Shareholders at Dec 31, 2013

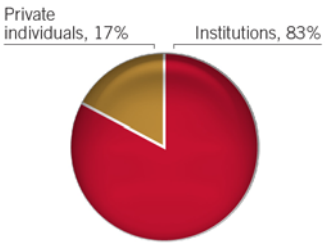
	No. of shares	%
Novo A/S	9,643,184	29.3%
HealthCap	5,532,971	16.8%
Arbejdsmarkedets Tillaegspension (ATP)	1,840,633	5.6%
Orexo AB	1,121,124	3.4%
Brohuvudet AB	900,000	2.7%
Försäkringsaktiebolaget Avanza pension	868,877	2.6%
Handelsbanken (J.P. Morgan EU)	830,096	2.5%
Abingworth	730,802	2.2%
FSP Health Care	547,300	1.7%
Lundqvist, Thomas	495,250	1.5%
JPM Chase NA	386,815	1.2%
Others	9,985,356	30.5%
Total number of shares	**32,882,408**	**100.0%**

Known shareholders in Orexo, source: Euroclear Sweden AB.

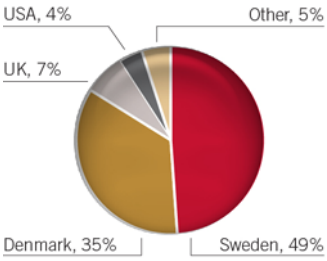
Ownership structure

	No. of shareholders	No. of shares	%
1–500	3,235	568,697	1.7
501–1,000	694	581,715	1.8
1,001–5,000	694	1,605,836	4.9
5,001–10,000	106	812,408	2.5
10,001–15,000	26	332,961	1.0
15,001–20,000	20	357,414	1.1
20,001–	106	28,623,377	87.0
Total	**4,881**	**32,882,408**	**100**

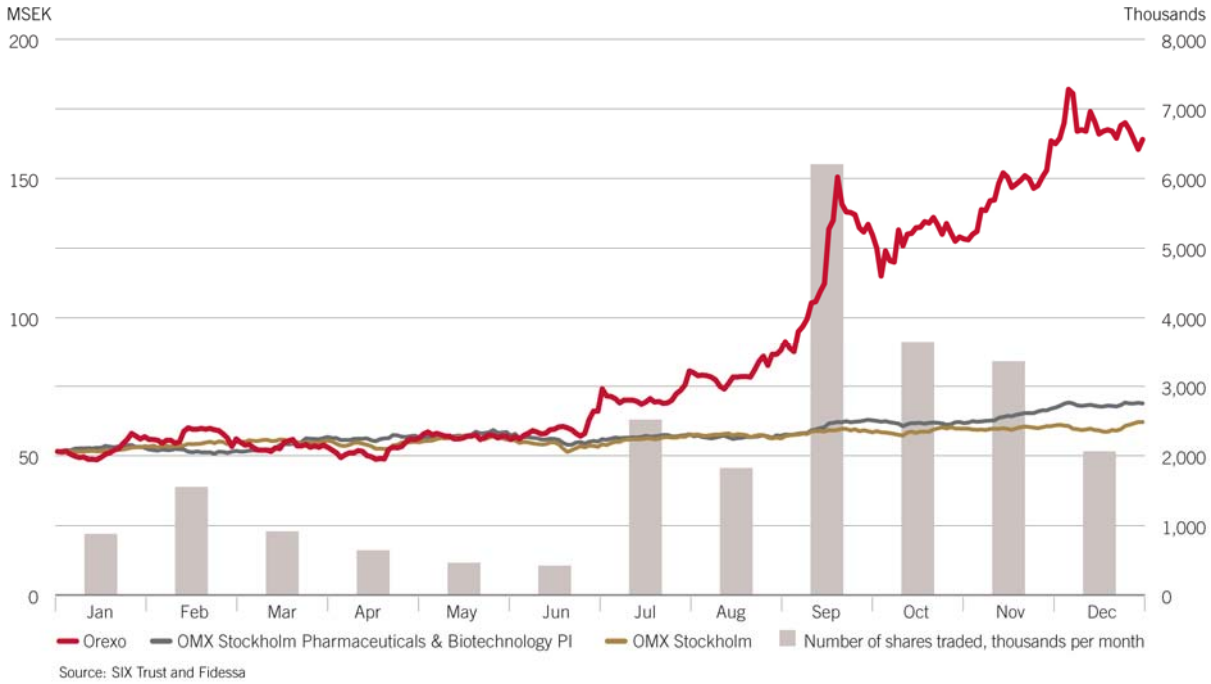
Ownership categories



Ownership dist. per country



Performance in 2013



Source: SIX Trust and Fidessa

Board of Directors' Report

The Board of Directors and the President of Orexo AB (publ), corporate registration number 556500-0600, hereby submit the Annual Report and consolidated financial statements for the fiscal year January 1 – December 31, 2013. Orexo's registered office is in Uppsala, Sweden.

Orexo's operations

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

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

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

In line with this strategy, Orexo has agreements and research collaborations with AstraZeneca and Boehringer Ingelheim, for two preclinical research programs. In order to commercialize previously developed products, Orexo has licensing agreements with Galena Biopharma Inc. (US), Meda (global) and Kyowa Hakko Kirin (global excl. the US).

Orexo's revenues derive from launched products, royalties, licensing agreements, research financing as part of licensing agreements and research collaboration.

In March, Orexo sold the rights to Abstral in the US to Galena Biopharma Inc. Orexo initially received USD 10 million and during the third quarter of 2013 a further USD 5 million was paid in final payment pursuant to the agreement. Furthermore, low double-digit royalties will be paid, and payments will also be made when certain milestones based on predetermined sales levels are reached.

Organization

In order to secure the successful development and launch of Zubsolv in the US, Orexo's commercial management structure was strengthened, and a US commercial subsidiary, Orexo US Inc., was established in New Jersey during the year. The US subsidiary is responsible for the US commercialization of Zubsolv. The US subsidiary has entered a partnership agreement with Publicis Touchpoint Solutions (PTS) for the launch of Zubsolv, where PTS is responsible for the Zubsolv health care and medical liaisons i.e. field operations. The partnership with PTS is a three and a half year agreement and terminates in December 2016. During the year, Orexo focused the development operations on its proprietary development programs, Zubsolv and OX51. Other development programs are run entirely by external partners and Orexo does not provide them with any development resources.

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

Orexo has a Good Manufacturing Practice (GMP) facility for the manufacture of products for clinical trials and small-scale production. For commercial supply, manufacturing is also transferred to partners or contract manufacturers.

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

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

Key Events in 2013

2013 was the year when Zubsolv® (buprenorphine and naloxone) sublingual tablet (CIII) was approved for maintenance treatment of opioid dependence by the US Food and Drug Administration, FDA. The product was launched on the US market and made available in pharmacies on September 16.

Zubsolv®

Zubsolv approved for maintenance treatment of opioid dependence

On July 3, Zubsolv was approved by the US Food and Drug Administration (FDA). Zubsolv is indicated for the maintenance treatment of opioid dependence, and should be used as part of a complete treatment plan, including counseling and psychosocial support.

Commercial partnership with Publicis Touchpoint Solutions (PTS) for launch of Zubsolv in the US

Orexo entered into a commercial partnership with PTS for the launch of Zubsolv in the United States. Orexo maintains overall commercial responsibility as part of the agreement, as well as all rights to Zubsolv in the US market and will consolidate all product revenue through its subsidiary, Orexo US Inc. PTS will be responsible for the execution of all field-based promotion activities through dedicated Health Care Liaisons and medical support to health-care practitioners through deployment of a dedicated medical scientific liaison team. As part of the agreement, the companies are sharing the investment and profits in the commercialization of Zubsolv. After PTS has recovered their investment and agreed return, they will be awarded a single-digit share of the profit until the partnership ends. The partnership is based on a three and a half year contract that ends in December 2016.

A rebate agreement with CVS Caremark

Prior to launch, a rebate agreement was signed with CVS Caremark which allows its commercial Pharmacy Benefit Management (PBM) clients to qualify for rebates if Zubsolv is placed in a preferred formulary position. On January 1, 2014, CVS Caremark removed Suboxone Film from the formularies for its commercial clients who participate in the formulary drug exclusion program. For those clients, Zubsolv is the only branded drug covered.

Zubsolv launched on the US market

Zubsolv® was launched in the US by the company's US subsidiary, Orexo US Inc. and was made available in pharmacies on September 16.

Three clinical Zubsolv studies initiated

Three clinical Zubsolv studies were initiated with the aim to analyze early and long-term usage and how well patients comply with treatment.

The results from two of these studies are expected in the second half of 2014, with the remaining study to be reported in 2015.

Abstral®

US rights to Abstral sold to Galena Biopharma Inc.

In March, Orexo sold the rights of Abstral in the US to Galena Biopharma Inc. Initially Orexo received USD 10 million and during the third quarter of 2013 a further USD 5 million was paid

in final payment pursuant to the agreement. Furthermore, low double-digit royalties will be paid, and payments will also be made when certain milestones based on predetermined sales levels are reached.

Abstral approved and launched in Japan
In September, Abstral was approved by the Japanese authorities. The approval generated a milestone payment by Kyowa Hakko Kirin in the third quarter and in December, Kyowa Hakko Kirin launched Abstral in Japan.

OX51

An OX51 phase II study for the prevention of pain in connection with surgical procedures was completed
A dose-finding study was completed in June in patients undergoing prostate biopsies. The primary aim of the study was to demonstrate an anaesthetic effect in connection with the procedure. The placebo-controlled study, in which three different sublingual doses of OX51 were studied, showed a statistically significant dose response with regard to maximum pain experienced during the procedure. Treatment with OX51 was safe and was well received in all dose groups, and no effect on local tolerability was observed in any dose group. Furthermore, OX51 did not display any sedative effect or drowsiness compared with placebo.

Organization

Orexo's commercial management structure was strengthened and a US commercial subsidiary, Orexo Inc., was established in New Jersey
In February, Nikolaj Sørensen, Chief Commercial Officer of Orexo, was appointed new CEO and Martin Nicklasson, Chairman of the Board, was appointed Executive Chairman. Nikolaj Sørensen replaced Anders Lundström, who stepped down as Chief Executive Officer.

In July, Orexo appointed Henrik Juuel as new Executive Vice President and CFO, to replace Carl-Johan Blomberg.

A US commercial subsidiary, Orexo US Inc., was established in Morristown, New Jersey to lead and execute the launch of Zubsolv®. Robert A. DeLuca was appointed as President of Orexo US Inc. The subsidiary is responsible for the commercialization of Zubsolv.

OX-CLI

Research agreement on OX-CLI entered into with AstraZeneca
In January, Orexo entered into a collaboration agreement with AstraZeneca regarding OX-CLI, a preclinical program for potential new treatment of respiratory tract diseases. Under the agreement, AstraZeneca received the rights to perform extensive preclinical research and evaluation of compounds in Orexo's OX-CLI program, with an option to acquire all compounds linked to the program.

OX17

Agreement on OX17 regarding the GERD program was terminated
In February, the license agreement on OX17 between Novartis AG and Orexo, entered into during 2009, was terminated. Orexo will not continue the development program.

Financials

A sponsored Level 1 ADR program was initiated in the US (symbol ORXOY)
In September, Orexo launched a sponsored Level 1 ADR program in the US and trade in ADRs began via OTCQX International, which is a segment of the OTCQX market in the US (www.otcmarkets.com), under the symbol ORXOY.

Convertible bond subscribed for by Novo A/S was converted
In August, Orexo AB converted convertible bonds, subscribed for by Novo A/S in 2010 amounting to MSEK 111, with a conversion price of SEK 47.50. The number of shares in Orexo thereby increased by 2,460,526 and the participating interest of Novo A/S increased to 29.3% of the capital and votes.

Credit facility of MSEK 200 with Danske Bank
A revolving credit facility amounting to MSEK 200 was signed with Danske Bank during the fourth quarter of 2013. MSEK 100 of this facility was drawn down during the fourth quarter.

Key Events After the End of the Fiscal Year

Orexo advanced from Small to Mid Cap on NASDAQ OMX
The development of the Orexo share price during the year led to the company advancing to the Mid Cap segment of NASDAQ OMX on January 2, 2014.

Additional credit facility from Danske Bank
In order to create more financial flexibility during the launch of Zubsolv, Orexo has increased its short-term loan agreement with Danske Bank by an additional MSEK 70. This facility will be available during the first half of 2014.

An exclusive reimbursement agreement signed with UnitedHealth Group® and OptumRx® for Zubsolv®
Orexo entered into a multi-year agreement with UnitedHealth Group and OptumRx providing preferred coverage and reimbursement of Zubsolv for the treatment of opioid dependence. Beginning on July 1, 2014, Zubsolv will become the only buprenorphine/naloxone combination product on all of UnitedHealth's closed and highly managed health plan formularies, inclusive of all brand and generic formulations.

Financial Performance in 2013

Condensed consolidated statement of operations

MSEK	2013 Jan–Dec	2012 Jan–Dec
Net revenues	**429.4**	**326.3**
Cost of goods sold	–29.3	–27.9
Gross profit	**400.1**	**298.4**
Selling expenses	–125.1	–62.0
Administrative expenses	–126.4	–82.6
Research and development costs	–238.2	–216.2
Other operating income and expenses	–50.1	–17.1
Operating earnings[1]	**–139.7**	**–79.4**
Net financial items	–13.7	–8.2
Earnings after financial items	**–153.4**	**–87.6**
Income tax	–1.5	1.7
Net earnings for the period	**–154.9**	**–85.9**

[1] Includes costs for employee stock options of MSEK 40.0 for the period January-December 2013 (MSEK 9.3 January-December 2012).

Revenues

Net revenues

Net revenues for the year amounted to MSEK 429.4 (326.3).

Net revenues were distributed as follows:

Net revenues

MSEK	2013 Jan–Dec	2012 Jan–Dec
Abstral® – royalty	246.0	175.2
One-time payment Abstral	110.8	29.3
Edluar® – royalty	8.7	6.3
Zubsolv®	7.3	–
ProStrakan AB J/V 50 %	–	8.0
Kibion AB	48.8	48.3
Total revenues from launched products	**421.6**	**267.1**
Partner-financed R&D costs	6.2	23.8
License revenues	1.6	36.7
Other	–	–1.3
Total	**429.4**	**326.3**

Launched products

During the year total revenues from Orexo's launched products increased by 58 percent to MSEK 421.6 (267.1).

Sales of Zubsolv to wholesalers in the USA were approximately MSEK 70 in 2013. It is customary practice in the industry regarding newly launched products, and where there is no reliable historical data, to only recognize revenue corresponding to patient prescriptions. This amounted to MSEK 7.3 in net sales. The net sales were negatively impacted by short-term promotional launch campaigns to enable patients to test the product. The scope of these campaigns will be reduced from January 1st, 2014, increasing the net value per prescription.

Total revenues include one-time payments of MSEK 110.8 related to sale of the rights to Abstral in the USA and approval of Abstral in Japan. Revenues from Abstral, including royalties and one-time payments, amounted to MSEK 356.8 (204.5).

Royalty revenues from Edluar during the year amounted to MSEK 8.7 (6.3).

Kibion's sales for the year amounted to MSEK 48.8 (48.3). The sales during 2013 were affected negatively by a temporary loss of reimbursement of Heliprobe in Turkey and import limitations in Saudi Arabia.

Revenues related to development projects amounted to MSEK 7.8 (60.5). These revenues derived in their entirety from the approval of Abstral in Japan. During the first quarter of 2012, MSEK 36.7, a portion previously recognized as deferred revenue, was taken up as revenue in connection with the discontinuation of the OX-CLI project with Janssen Pharmaceuticals, Inc.

Expenses and earnings

Cost of goods sold

Cost of goods sold amounted to MSEK 29.3 (27.9).

Selling expenses

Selling expenses amounted to MSEK 125.1 (62.0). The increased expenses are due to marketing activities related to Zubsolv in the USA and to the building up of the US subsidiary. Costs related to the field force in the USA are covered by Publicis Touchpoint Solutions in line with the agreement.

Administrative expenses

Administrative expenses amounted to MSEK 126.4 (82.6). Administrative expenses include expenses of a one-time nature related to sales of Abstral® in the USA and to the development of a commercialization strategy in the USA of MSEK 13.9. Other increases in expenses are attributable to the company's ongoing patent litigation regarding Edluar® in the US.

Research and development costs

Research and development costs amounted to MSEK 238.2 (216.2). The costs are for the most part attributable to activities related to clinical studies on Zubsolv® and to preparations for production of Zubsolv. During the second half of 2013, selected Zubsolv clinical studies were capitalized at an amount of MSEK 91.5, which means that the total research costs and development expenditure amounted to MSEK 329.7.

Expenses for the long-term incentive program

The Group's total costs for employee stock option programs amounted to MSEK 40.0 (9.3). The increased costs are primarily due to provisions for social security fees due to the higher price of Orexo shares. The table below illustrates where the costs have been included in the Operating Expences.

MSEK	2013 Jan–Dec	2012 Jan–Dec
Administrative expenses	17.8	5.3
Research and development costs	12.6	2.9
Selling expenses	9.6	1.1
Total costs	**40.0**	**9.3**

Other income and expenses

Other income and expenses amounted to MSEK -50.1 (-17.1). Other expenses include expenses of MSEK 9.1 attributable to the change in the workforce and impairment of MSEK 43.9, carried out during the second quarter, of previously acquired research and development regarding OX-NLA which has been licensed to Meda AB. The remainder of other income and expenses comprises primarily exchange-rate gains/losses.

Depreciation and amortization

Depreciation and amortization amounted to MSEK 6.7 (7.1).

Net financial items

Net financial items amounted to MSEK -13.7 (-8.2). Net financial items include interest expenses of MSEK 9.6 for convertible bonds and expenses related to financing, amounting to MSEK 3.

Income tax

Income tax for the year of MSEK -1.5 (1.7) is mainly attributable to the milestone payment from Kyowa Hakko Kirin Co., Ltd.

Net earnings

Operating earnings amounted to MSEK -139.7 (-79.4).

Financial position

On December 31, 2013, cash and cash equivalents amounted to MSEK 105.6 (228.1) and interest-bearing liabilities to MSEK 241.1 (120.6). Interest-bearing liabilities on December 31, 2012 included a convertible bond amounting to MSEK 111, with a conversion price of SEK 47.50. This convertible bond was converted in August 2013.

A revolving credit facility amounting to MSEK 200 was signed with Danske Bank during the fourth quarter. MSEK 100 of this facility was drawn down during the fourth quarter of 2013.

Furthermore, a fixed and unconditional royalty payment of MGBP 12.5 to be received in June 2014 was discounted and cashed in during the fourth quarter. The fixed royalty amount relates to the restructuring of the Abstral agreement with ProStrakan announced in June 2012. The amount is included in interest-bearing liabilities.

Cash flow from operating activities during the year was MSEK -265.8 (28.7). During the year, the Zubsolv inventory increased by MSEK 358 in value in preparation for the launch.

Shareholders' equity on December 31, 2013 was MSEK 161.5 (191.2). The equity/assets ratio was 21 (40) percent. The royalty payment in accordance with the Abstral agreement, which has been received but not yet fully recognized as revenue, has affected the equity/assets ratio negatively by approximately 12 percentage units.

Cash and cash equivalents, available credit facilities and the value of Orexo's own shares, as well as substantial assets on the balance sheet in the form of accounts receivable and inventories, provide Orexo with a good financial position to carry out the commercialization of Zubsolv in the US.

Investments

Gross investments in tangible and intangible fixed assets amounted to MSEK 107.5 (5.8). The increase in investments comes from the capitalization of selected Zubsolv® clinical studies during the second half of the year amounting to MSEK 91.5 and also an investment in production equipment for the production of Zubsolv.

Parent Company

Net revenues amounted to MSEK 452.3 (272.0). Most of the increase is attributable to internal sales of Zubsolv to Orexo US Inc. Earnings after financial items were MSEK -44.3 (-157.1). Investments in tangible and intangible assets amounted to MSEK 105.9 (5.8). As of December 31, 2013, cash and cash equivalents in the Parent Company amounted to MSEK 48.7 (216.6).

Significant risks and uncertainties

Significant risks are essentially the same for the Parent Company and the Group. The risks may be classified as financial and operational. The financial risks are described in Note 3 on page 42. A summary description of the operational risks attributable to research and development, production, sales and other risks is presented below.

Market risks

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

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

Orexo's products are sold in a highly competitive market, with competition from both other products and other treatment methods, and the launch of new products by competitors is an

inherent market risk. In all markets for Orexo's products there is intensive development of new and improved treatments, which may prove to have a better clinical effect than those of today. Orexo is constantly working to proactively analyze these risks and develop action plans for alternative market scenarios. This is being done together with local external expertise.

R&D does not achieve the expected results
Development of a new product is by nature a complicated and risky process that requires considerable financial resources. Orexo's strategy is to develop improved products at a lower cost, in a shorter period of time and at a lower risk by combining previously known substances with proprietary technologies. The process is controlled by a multidisciplinary organization that handles all critical issues during the development period on the way to an approved product. As Orexo is a relatively small organization, it is necessary to focus on a small number of prioritized projects with high market potential.

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

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

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

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

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

Production process
Production and packing of Orexo's products is done by various external partners and at the company's own facility in Uppsala. This places high demands on methods and processes which must meet "Good Manufacturing Practice" (GMP). Orexo constantly evaluates the fulfilment of GMP both internally and by all strategic subsuppliers. Orexo and its subsuppliers may be inspected by different authorities that have the power to grant approval. Orexo's production comprises highly potent controlled substances. There are strict rules and laws for these regarding manufacturing, storage, handling, freight, import and export, and waste management. Access to pharmaceutical ingredients may be uncertain and entail long delivery times. Orexo must therefore ensure that it can gain access to these substances at an early stage.

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

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

Dependence on key persons
Orexo is dependent on a number of key persons within various different areas. The ability to recruit and retain qualified co-workers is of very great importance for ensuring that there is adequate expertise in the company. Orexo has also outsourced a number of activities critical to the business to external consultants and partners. The best example of this is the commercial partnership that Orexo has entered with Publicis Touchpoint Solutions (PTS), where PTS is responsible for the execution of all field-based Zubsolv activities in the US. Where consultants and partners can not deliver services in time and of the necessary quality, this may have a negative impact on the results of the business.

Incentive programs
Orexo has introduced share-based incentive programs in the form of employee stock options and warrants with the aim of motivating and rewarding key employees through partial ownership, thereby promoting the Group's long-term interests. For more detailed information, see Long-term incentive programs on page 29.

Principles and guidelines for remuneration to senior executives
The Board of Directors proposes that the
Annual General Meeting resolve to approve the Board of Directors' proposal concerning principles and guidelines for the remuneration of the company's management in accordance with what is stated below, to apply until the
Annual General Meeting in 2015. The Board's proposal principally conforms to guidelines previously applied to the remuneration of the company's management. "Management" here refers to the Chief Executive Officer and the other members of the management group, which in addition to the Chief Executive Officer comprises six persons. The Board has appointed a Remuneration Committee to draw up proposals regarding remuneration and other terms of employment for the management.

Motives

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

Fixed salary

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

Variable remuneration

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

Long-term incentive programs

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

Other remuneration and terms of employment

The Chief Executive Officer and the other members of the management are covered by defined-contribution pension plans. The pension premiums paid by the company amount to not more than 20 percent of the Chief Executive Officer's monthly salary, while premiums for the other members of the management amount to between 20 and 25 percent of fixed annual salary. The employment agreement with the Chief Executive Officer may be terminated with six months' notice. Employment agreements with the other members of the management may be terminated with notice of between three and 12 months. The Chief Executive Officer is entitled to severance pay equivalent to six months' salary if employment is terminated by the company. The other members of the management are entitled to severance pay equivalent to between zero and 12 months' salary if employment is terminated by the company.

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

Divergence from guidelines 2014

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

Dividend

The Board of Directors proposes that no dividend is paid for the financial year 2013.

Proposed disposition of earnings

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

Share premium reserve	979,194,649
Retained earnings	–1,019,972,312
Earnings for the year	–45,724,130
Accumulated deficit	**–86,501,793**

The Board proposes that the accumulated deficit be appropriated so that SEK -86,501,793 is carried forward.

Financial Report 2013

Consolidated Statements of Operations

(SEK thousands)

Group	NOTES	2013	2012	2011
Net revenues	6, 23	429,355	326,278	199,614
Cost of goods sold	24	–29,345	–27,875	–28,997
Gross profit		**400,010**	**298,403**	**170,617**
Selling expenses	7, 8, 9, 24, 28	–125,097	–61,983	–50,106
Administrative expenses	7, 8, 9, 24, 25, 28	–126,373	–82,589	–49,561
Research and development costs	7, 8, 9, 24, 28	–238,144	–216,174	–194,411
Other operating income	26	17,664	8,726	8,681
Other operating expenses	24, 26	–67,749	–25,793	–276,723
Operating earnings		**–139,689**	**–79,410**	**–391,503**
Financial income		835	4,082	4,400
Financial expenses	27	–14,547	–12,250	–12,317
Earnings after financial items	27	**–153,401**	**–87,578**	**–399,420**
Income tax	29	–1,535	1,715	7,411
Net earnings for the year		**–154,936**	**–85,863**	**–392,009**
Earnings for the year attributable to:				
Parent Company shareholders		–154,936	–85,863	–392,009
Non-controlling interests		–	–	–
Earnings per share during the year attributable to Parent Company shareholders (expressed in SEK)				
– before dilution	31	–5.16	–2.92	–14.43
– after dilution	31	–5.16	–2.92	–14.43

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

Consolidated Statements of Comprehensive Income

(SEK thousands)

Group	NOTES	2013	2012	2011
Net earnings for the year		**–154,936**	**–85,863**	**–392,009**
Other comprehensive income				
Items that may subsequently be reversed to the statement of operations				
Cash flow hedge	17	–8,755	14,435	–
Exchange-rate differences	17	–1,898	–545	–671
Other comprehensive income for the period, net after tax:		**–10,653**	**13,890**	**–671**
Total comprehensive income for the period		**–165,589**	**–71,973**	**–392,680**
Total comprehensive income attributable to:				
Parent Company shareholders		–165,589	–71,973	–392,680

The notes on pages 39–68 constitute an integral part of this Annual Report.

Consolidated Balance Sheets

(SEK thousands)

Group	NOTES	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
ASSETS				
Fixed assets				
Tangible fixed assets				
Equipment, renovation of the property of others, machinery and computers	7, 9	33,255	35,123	39,241
Intangible fixed assets				
Patents and intellectual property rights, proprietary intangible asset, acquired R&D and goodwill	8, 9	194,779	135,086	150,867
Financial assets				
Derivative instruments		–	18,507	–
Total fixed assets		**228,034**	**188,716**	**190,108**
Current assets				
Inventories	13	383,410	28,318	26,689
Accounts receivable and other receivables	14	55,243	36,654	82,445
Cash and cash equivalents	15	105,643	228,067	246,859
Total current assets		**544,296**	**293,039**	**355,993**
TOTAL ASSETS		**772,330**	**481,755**	**546,101**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity attributable to Parent Company shareholders				
Share capital	16	13,166	11,983	11,946
Other contributed capital	16, 18	1,479,460	1,334,789	1,339,757
Reserves	17	–6,202	4,451	–9,440
Accumulated deficit	16	–1,324,965	–1,170,029	–1,031,162
Total shareholders' equity		**161,459**	**191,194**	**311,101**
Long-term liabilities				
Other provisions	18	9,645	3,997	565
Borrowings	19	104,081	113,572	114,513
Deferred tax liability	29	–	4,071	1,807
Total long-term liabilities		**113,726**	**121,640**	**116,885**
Current liabilities				
Accounts payable and other liabilities	19, 20	497,145	168,921	118,115
Total liabilities		**610,871**	**290,561**	**235,000**
TOTAL SHAREHOLDERS' EQUITY and LIABILITIES		**772,330**	**481,755**	**546,101**

Changes in Consolidated Shareholders' Equity

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

Group	NOTES	Share capital	Other contributed capital	Accumulateddeficit	Reserves	Total shareholders' equity
Opening balance at January 1, 2011	16	**9,361**	**1,106,798**	**–639,153**	**–8,769**	**468,237**
Comprehensive income						
Net earnings for the year				–392,009		–392,009
Other comprehensive income						
Translation differences					–671	–671
Total comprehensive income				**–392,009**	**–671**	**–392,680**
Transactions with shareholders						
Employee stock options, value of employees' services	16		4,139			4,139
New share issues	16	2,585	242,229			244,814
Issue expenses	16		–13,409			–13,409
Total transactions with shareholders		**2,585**	**232,959**			**235,544**
Opening balance at January 1, 2012	16	**11,946**	**1,339,757**	**–1,031,162**	**–9,440**	**311,101**
Comprehensive income						
Net earnings for the year				–85,863		–85,863
Other comprehensive income						
Translation differences					-545	–545
Cash flow hedge	12				18,507	18,507
Deferred tax	12				–4,071	–4,071
Total comprehensive income				**–85,863**	**13,891**	**–71,972**
Transactions with shareholders						
Employee stock options, value of employees' services	16		4,254			4,254
New share issues	16	37	778			815
Buyback of company's own shares	16			–53,004		–53,004
Total transactions with shareholders		**37**	**5,032**	**–53,004**		**–47,935**
Opening balance at January 1, 2013	16	**11,983**	**1,344,789**	**–1,170,029**	**4,451**	**191,194**
Comprehensive income						
Net earnings for the year				–154,936		–154,936
Other comprehensive income						
Translation differences					–1,898	–1,898
Cash flow hedge	12				–11,224	–11,224
Deferred tax	12				2,469	2,469
Total comprehensive income				**–154,936**	**–10,653**	**–165,589**
Transactions with shareholders						
Employee stock options, value of employees' services	16		3,547			3,547
New share issues	16	199	19,217			19,416
Conversion of convertible	16	984	111,907			112,891
Total transactions with shareholders		**1,183**	**134,671**			**135,854**
Closing balance at December 31, 2013	16	**13,166**	**1,479,460**	**–1,324,965**	**–6,202**	**161,459**

1. There are no non-controlling interests.

Consolidated Cash Flow Statements

(SEK thousands)

Group	NOTES	2013	2012	2011
Cash flow from operating activities				
Operating earnings		–139,689	–79,410	–391,503
Interest received		835	4,073	4,400
Interest paid		–6,830	–9,179	–9,297
Other financial items		–4,075	–	–138
Tax paid		–1,535	–	–
Adjustment for non-cash items	34	89,430	23,530	279,354
Cash flow from operating activities before change in working capital		**–61,864**	**–60,986**	**–117,184**
Change in working capital				
Accounts receivable		–18,597	36,986	42,698
Other current receivables		8	4,860	2,737
Inventories		–355,092	–6,063	–18,147
Current liabilities		166,696	50,439	–26,785
Provisions		5,648	3,432	–547
Cash flow from operating activities		**–263,201**	**28,668**	**–117,228**
Investing activities				
Acquisition of tangible and intangible fixed assets		–107,505	–5,767	–4,736
Divestment of machinery and equipment		–	613	–
Acquisition of subsidiaries after deductions for acquired cash and cash equivalents		–	–	–10,298
Divestment of joint venture		–	12,088	–
Cash flow from investing activities		**–107,505**	**6,934**	**–15,034**
Financing activities				
New share issue		19,415	815	244,814
Issue expenses		–	–	–12,798
Borrowings		234,661	–	11,743
Amortization of loans		–3,020	–2,254	–
Buyback of company's own shares	16	–	–53,004	–
Cash flow from financing activities		**251,056**	**–54,443**	**243,759**
Cash flow for the year				
Cash and cash equivalents at beginning of period		228,067	246,859	135,798
Exchange-rate differences in cash and cash equivalents		–2,774	49	–436
Change in cash and cash equivalents		–119,650	–18,841	111,497
Cash and cash equivalents at end of period	15	**105,643**	**228,067**	**246,859**

Parent Company Statements of Operations

(SEK thousands)

Parent Company	NOTES	2013	2012	2011
Net revenues	6, 23	452,321	272,026	140,772
Cost of goods sold		–91,450	–	–
Gross profit		**360,871**	**272,026**	**140,772**
Selling expenses	7, 8, 9, 24, 28	–45,058	–46,826	–22,739
Administrative expenses	7, 8, 9, 24, 25, 28	–109,962	–114,198	–76,291
Research and development costs	7, 8, 9, 24, 28	–228,260	–206,709	–182,478
Other operating income	26	11,247	3,482	3,519
Other operating expenses	24, 26	–16,677	–22,778	–40,185
Operating earnings		**–27,839**	**–115,003**	**–177,402**
Earnings from financial investments				
Interest income	27	1,150	4,274	3,758
Interest expenses	27	–11,275	–13,288	–14,181
Other financial expenses	27	–6,314	–33,056	–255,944
Earnings after financial items		**–44,278**	**–157,073**	**–443,769**
Income tax	29	–1,446	–	–
Net earnings for the year		**–45,724**	**–157,073**	**–443,769**

Parent Company Statements of Comprehensive Income

(SEK thousands)

Parent Company	NOTES	2013	2012	2011
Net earnings for the period		–45,724	–157,073	–443,769
Other comprehensive income for the period, net after tax				
Total comprehensive income for the period		–45,724	–157,073	–443,769
Total comprehensive income attributable to:		–	–	–
Parent Company shareholders		–45,724	–157,073	–443,769

Parent Company Balance Sheets

(SEK thousands)

Parent Company	NOTES	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
ASSETS				
Fixed assets				
Intangible fixed assets				
Patents and intellectual property rights and proprietary intangible asset	8, 9	106,001	3,059	72
Tangible fixed assets				
Equipment, renovation of the property of others, machinery and computers	7, 9	31,453	34,946	39,060
Financial fixed assets				
Shares and participations in subsidiaries and joint ventures	10	202,178	172,168	230,089
Total fixed assets		**339,632**	**210,173**	**269,221**
Current assets				
Inventories	13	303,292	18,489	15,555
Current receivables				
Accounts receivable	14	98,484	18,058	51,847
Tax claims	14	3,080	3,080	2,248
Other receivables	14	3,912	3,232	2,427
Receivables from Group companies	14	64,953	23,310	16,516
Prepaid expenses and accrued income	14	9,071	7,962	47,800
Total current receivables		**179,500**	**55,642**	**120,838**
Cash and cash equivalents	15	48,652	216,553	227,850
Total current assets		**531,444**	**290,684**	**364,243**
TOTAL ASSETS		**871,076**	**500,857**	**633,464**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Restricted shareholders' equity				
Share capital	16	13,166	11,983	11,946
Statutory reserve	16	290,751	290,751	290,751
		303,917	**302,734**	**302,697**
Non-restricted shareholders' equity				
Share premium reserve	16, 18	979,195	844,518	839,497
Accumulated deficit	16	–1,019,972	–862,899	–366,125
Net earnings for the year	16	–45,724	–157,073	–443,769
		–86,501	**–175,454**	**29,604**
Total shareholders' equity		**217,416**	**127,280**	**332,300**
Long-term liabilities				
Other provisions	18	9,645	3,997	565
Long-term liabilities	19	100,000	103,324	99,839
Total long-term liabilities		**109,645**	**107,321**	**100,404**
Current liabilities				
Accounts payable	20	127,846	18,908	21,108
Other liabilities	19, 20	163,318	17,627	20,356
Liabilities to Group companies	20	101,241	104,426	103,119
Accrued expenses and deferred income	20	151,610	125,295	56,177
Total current liabilities		**544,015**	**266,256**	**200,760**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**871,076**	**500,857**	**633,464**
Pledged assets and contingent liabilities				
Pledged assets	21	232,249	44,000	44,000
Contingent liabilities	22	–	8,367	11,295

Changes in Parent Company's Shareholders' Equity

(SEK thousands)

Parent Company	NOTES	Share capital	Statutory reserve	Share premium reserve	Accumulated deficit	Total share-holders' equity
Opening shareholders' equity at January 1, 2011		**9,361**	**290,750**	**606,540**	**–366,125**	**540,526**
Net earnings for the year					–443,769	–443,769
Total transactions recognized directly in shareholders' equity						0
Total recognized income and expenses					**–443,769**	**–443,769**
Employee stock options, value of employees' services	16			4,139		4,139
New share issues	16	2,585		242,228		244,813
Issue expenses	16			–13,409		–13,409
Opening shareholders' equity at January 1, 2012		**11,946**	**290,750**	**839,498**	**–809,894**	**332,300**
Net earnings for the year					–157,073	–157,073
Total transactions recognized directly in shareholders' equity						0
Total recognized income and expenses					**–157,073**	**–157,073**
Employee stock options, value of employees' services	16			4,242		4,242
New share issues	16	37		778		815
Buyback of company's own shares	16				–53,004	–53,004
Opening shareholders' equity at January 1, 2013		**11,983**	**290,750**	**844,518**	**–1,019,971**	**127,280**
Net earnings for the year					–45,724	-45,724
Total transactions recognized directly in shareholders' equity						0
Total recognized income and expenses					**–45,724**	**-45,724**
Employee stock options, value of employees' services	16			3,552		3,552
New share issues	16	199		19,217		19,416
Conversion of convertible loan	16	984		111,908		112,892
Closing shareholders' equity at December 31, 2013		**13,166**	**290,750**	**979,195**	**–1,065,695**	**217,416**

Parent Company Cash Flow Statements

(SEK thousands)

Parent Company	NOTES	2013	2012	2011
Operating activities				
Net earnings before interest expenses and interest income		–27,839	–115,003	–177,402
Interest received		1,150	4,274	3,758
Interest paid		–7,633	–10,217	–11,299
Other financial items		–6,314	–29,136	–255,944
Tax paid		–1,535	–	–
Adjustment for items not included in the cash flow	34	46,922	52,115	382,290
Cash flow from operating activities before change in working capital		**4,751**	**–97,967**	**–58,597**
Change in working capital				
Accounts receivable		–80,426	33,789	–5,293
Other current receivables		–43,432	31,407	18,441
Inventories		–284,803	–2,934	–13,026
Current liabilities		114,475	63,943	–41,785
Provisions		5,648	3,432	–570
Cash flow from operating activities		**–283,787**	**31,670**	**–100,830**
Investing activities				
Acquisition of tangible and intangible fixed assets		–105,941	–5,767	–4,736
Divestment of machinery and equipment		–	613	–
Investment in subsidiary		–32,249	–	–
Divestment of joint venture		–	14,376	–
Cash flow from investing activities		**–138,190**	**9,222**	**–4,736**
Financing activities				
New share issue		19,415	815	244,814
Issue expenses		–	–	–12,798
Borrowings		234,661	–	–
Buyback of company's own shares		–	–53,004	–
Cash flow from financing activities		**254,076**	**–52,189**	**232,016**
Cash flow for the year				
Cash and cash equivalents at beginning of period		216,553	227,850	101,400
Change in cash and cash equivalents		–167,901	–11,297	126,450
Cash and cash equivalents at end of period	15	**48,652**	**216,553**	**227,850**

Notes

(All figures in SEK thousands, unless otherwise stated)

NOTE 1 GENERAL INFORMATION

The principal objective of Orexo AB (publ) 556500-0600, the Parent Company and its subsidiaries (the Group), is to develop new products by combining well-documented pharmaceutical substances and drug delivery technology that the company has invented, developed or acquired. Orexo's business model is to create value through the development and commercialization of new products which have great medical benefits and commercial potential.

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

The Parent Company is listed on NASDAQ OMX Nordic Exchange Stockholm.

The Board of Directors approved these consolidated financial statements for publication on March xx, 2014.

The statements of operations and balance sheets will be presented to the Annual General Meeting on April 15, 2014 for adoption.

NOTE 2 SUMMARY OF IMPORTANT ACCOUNTING POLICIES

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

2.1 Basis for preparation of the financial statements

The consolidated financial statements for Orexo were prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, as well as International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU. They have been prepared in accordance with the cost method.

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

Going concern principle

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

2.1.1 Amendments to accounting policies and disclosures

(a) New and amended standards applied by the Group

The following standards, which are applied by the Group for the first time in the fiscal year commencing on January 1, 2013, have an impact on the Group's financial statements:

- IAS 1 "Presentation of Financial Statements"
- IFRS 13 "Fair Value Measurement"

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

- IFRS 10 "Consolidated Financial Statements"
- IFRS 9, "Financial Instruments"

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

2.2 Consolidated financial information

Subsidiaries

Subsidiaries are all companies in which the Group is entitled to shape financial and operational strategies in a manner that is usually consistent with a shareholding in excess of 50% of the voting rights. The existence and effect of potential voting rights that may currently be utilized or converted must be taken into account when assessing whether the Group exercises a controlling influence over another company.

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

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

Acquisition-related costs are expensed as incurred.

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

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

Goodwill is initially measured as the amount by which the total purchase price and fair value of non-controlling interests exceeds the fair value of identifiable acquired assets and assumed liabilities. If the purchase price is lower than the fair value of the acquired company's net assets, the difference is recognized directly in the statement of operations.

Intra-Group transactions, balance-sheet items and income and expenses for intra-Group transactions are eliminated. Gains and losses resulting from intra-Group transactions and which are recognized in assets are also eliminated. Where necessary, the accounting policies for subsidiaries have been adjusted to guarantee consistent application of the Group's policies.

2.3 Segment reporting

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

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

2.4 Translation of foreign currency

(a) Functional currency and reporting currency

Items included in the financial reports of the different units in the Group are valued in the currency used in the economic environment in which each company mainly operates (functional currency). In the consolidated accounts SEK is used, which is the Parent Company's functional currency and reporting currency.

(b) Transactions and balance sheet items

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

(c) Group companies

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

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

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

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

2.5 Tangible fixed assets

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

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

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

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

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

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

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

2.6 Intangible assets

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

Group intangible fixed assets consist of:

(a) Goodwill

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

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

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

(b) Acquired research and development

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

(c) Patents and rights

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

Patents and rights	3-5 years
IT systems	3 years

(d) Proprietary intangible asset

The proprietary intangible asset consists of clinical studies that are considered to contribute to future economic advantages for the Group. These studies are linked to products that have already been commercialized; other clinical studies are carried as an expense.
The assets have a limited useful life and are recognized at cost less accumulated amortization. Amortization begins when the clinical studies have been completed and economic contribution is considered to begin. Amortization is applied straight-line in an effort to distributethe cost of proprietary intangible assets across their estimated useful life. The following amortization periods are applied:

Proprietary intangible asset	5 years

2.7 Impairment of non-financial assets

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

2.8 Inventories

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

2.9 Financial instruments

Financial instruments are recognized in the balance sheet when the Group becomes a party in accordance with the contractual terms of the instrument. Receivables are recognized in the balance sheet once an

invoice is submitted and the liability recognized once the counterparty has fulfilled its obligations and a contractual obligation to pay exists.

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

- Derivatives used for hedging purposes
- Loan receivables and accounts receivable
- Other financial liabilities

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

During the year, financial instruments only consisted of accounts receivable, loan receivables and derivative instruments. Loan receivables and accounts receivable are financial assets that are not derivatives, that have determined or determinable payments and that are not listed on an active market. These are classified as current assets, if they have a due date of up to 12 months after the balance sheet date. If the due date is more than 12 months after the balance sheet date, the asset is classified as a fixed asset. Loan receivables and accounts receivable are recognized initially at their fair value plus transaction costs and, following the acquisition date, at amortized cost using the effective interest method. Refer also to Notes 11,12, 14 and 15.

2.10 Offset of financial instruments

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

2.11 Cash and cash equivalents

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

2.12 Accounts receivable

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

2.13 Provisions

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

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

2.14 Accounts payable

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

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

2.15 Borrowings

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

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

2.16 Shareholders' equity

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

The following are recognized as "Other contributed capital":

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

2.17 Derivative instruments and hedging measures

Derivative instruments are recognized in the balance sheet on the contract day and at fair value, both initially and upon subsequent revaluations. The method for recognizing the profit or loss that arises upon revaluation depends on whether the derivative is valued as a hedging instrument, and if so, the nature of the item hedged. During the year the Group had hedging instruments in the form of cash flow hedging, which is a hedge of particular risk associated with a recognized asset or liability.

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

The effective portion of any changes in the fair value of a cash flow hedge that meets the conditions for hedge accounting is recognized in other comprehensive income. The gain or loss that derives from the ineffective portion is recognized immediately in the statement of operations.

Information on the fair value of derivative instruments used for hedging purposes is to be found in note 12.

2.18 Current and deferred income tax

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

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

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

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

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

As Orexo has historically made losses, no value of the loss carry-forwards has been recognized in the balance sheet. Note 30 presents, amongst other things, the estimated accumulated loss carry-forwards for tax purposes in the Group.

2.19 Employee benefits

(a) Pension obligations

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

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

Prepaid fees are recognized as an asset.

(b) Share-based payments

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

- including all market-related conditions,
- excluding any effect of service conditions and non-market-related vesting conditions (for example, the employee remains employed at the company for a stipulated period of time), and excluding the effect of conditions that are not vesting conditions,
- including internal operational targets approved by the Board.

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

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

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

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

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

Sale of goods
Revenues from the sale of goods are recognized on the date of delivery to the customer, that is, the date on which ownership rights are transferred to the customer, who thereby assumes the financial risk. The subsidiaries Kibion, Wagner Analysen Technik GmbH and Orexo Inc are the companies where there is sale of goods. Pharmaceuticals purchased from Kibion and Wagner Analysen Technik may not be returned. Pharmaceuticals purchased from Orexo may be returned. The Group applies common pharmaceutical industry practice for newly launched products where there is no reliable historical data, which means that only revenues corresponding to patient prescriptions are recognized.

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

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

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

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

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

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

NOTE 3 FINANCIAL RISK MANAGEMENT

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

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

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

3.1 Currency risks
Orexo's financial statements are prepared in SEK. The Group sells its products in countries other than Sweden and receives revenues in currencies other than SEK, primarily USD, EUR and GBP. The company has a commercial entity, Orexo Inc., in the US. Orexo Inc. incurs costs in USD. The company runs several clinical trials in the US and these are paid for by Orexo AB in USD. The revenues and expenses in foreign currencies give rise to transaction exposure. The Group also has assets (accounts receivable) and liabilities (accounts payable) in foreign currencies, as well as investments in the form of net wealth in foreign subsidiaries, resulting in translation exposure.

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

The Group has the option of hedging transaction exposure. The financial policy permits exchange-rate hedging instruments to be used to eliminate or minimize the currency risks arising in the Group. The hedging must always be linked to a confirmed underlying exposure. The permitted hedging instruments are currency futures, acquired currency

options (call and put options), currency accounts and loans in foreign currency.

A significant part of Orexo's operating expenses are also in currencies other than SEK, primarily USD, and hence provide some natural hedging. During the 2013 fiscal year, sales in USD accounted for 29 percent (2) of net revenues, with sales in EUR accounting for 11 percent (36) and sales in GBP for 47 (40). During the same period, 57 percent (36) of total operating expenses were in foreign currency with 83 percent (68) in USD, 13 percent (18) in EUR and 4 percent (12) in GBP.

To limit the currency risk, concluded agreements should include a currency adjustment clause whenever possible. In currencies in which the Group has flows in the same currency, the flows are to be matched to the greatest extent possible.

A change in value of USD against SEK of 10 percent entails a change in revenues of approximately MSEK 12.5 and in expenses of about MSEK 27.9. The corresponding change in EUR entails a change in revenues of approximately MSEK 4.9 and in expenses of about MSEK 4.9, and in GBP a change in revenues of approximately MSEK 20.3 and in expenses of about MSEK 1.5. The large effect of the change in the value of USD on earnings is due to the fact that during 2013 the Group launched Zubsolv in the US and thus had large expenses in this currency.

Translation exposure arises when the Group's shareholders' equity is affected by exchange-rate fluctuations when the foreign subsidiaries' assets and liabilities are translated to SEK. This exposure is not currently hedged. A 10 percent movement in EUR entails an impact on equity of approximately MSEK 0.8 and a 10 percent movement in USD entails an impact on equity of approximately MSEK 3.2.

3.2 Interest-rate risk

The primary objective of Orexo's interest-rate risk management is to reduce the negative effects of interest-rate movements on net earnings. To reduce the impact of interest-rate movements on earnings, Orexo mainly uses short-term interest rate durations and matches the interest rate duration on financial assets and liabilities to the greatest extent possible. At year-end, all of Orexo's cash and cash equivalents were held in bank accounts with a short-term interest rate duration.

According to Orexo's financial policy, any financial investments not held in bank accounts must be invested in financial instruments with high liquidity and low credit risk.

The Group had interest-bearing liabilities totaling MSEK 241.1 on December 31, 2013. The interest-bearing liabilities relate to bank loans and a sold receivable. MSEK 100 relates to a credit facility from Danske Bank. This loan has a variable interest rate. The remaining part of the liability relates to a sold receivable to Nordea of a fixed royalty payment of MGBP 12.5 that should have been received in June 2014, but was discounted and received during Q4 2013. The fixed royalty payment waspart ofthe restructured agreement with ProStrakan that was announced in June 2012. The interest for this loan was deducted when the loan was disbursed.

The impact on earnings of a change in interest rates of 0.5 percent would entail an increase/decrease of MSEK 1.2.

3.3 Credit risk and counterparty risk

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

For the Group, there are mainly three categories of payment flows in which credit risks could arise: in the subsidiaries Orexo Inc's, Kibion's and Wagner Analysen Technik's sales to distributors, the payment flows from Orexo's license agreements with other parties and investment of excess cash in bank or financial instruments.

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

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

Accounts receivable are continuously monitored, with checks performed on customer invoices due for payment. Of total accounts receivable at December 31, 2013, the three largest customers accounted for 26 percent. No other single customer accounted for more than 2 percent of total accounts receivable. Note 14 presents the amounts due.

The Group's financial transactions shall only be carried out with banks or financial instruments with an official rating not below A- (long-term rating according to Standard & Poor's).

3.4 Financing risk

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

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

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

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

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

At December 31, 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Accounts payable	27,323	–	–
Accrued costs	51,852	–	–
Borrowings	11,621	11,539	129,130

3.5 Commercial market risk

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

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

Orexo's products are sold in a highly competitive market, with competition from both other products and other treatment methods and the launch of new products by competitors is an inherent market risk. In all markets for Orexo's products there is intensive development of new and improved treatments, which may prove to have a better clinical effect than those of today. Orexo is constantly working to proactively analyze these risks and develop action plans for alternative market scenarios. This is being done together with local external expertise. The leadtimes within manufacturing and the associated need to manufacture well in advance of sales in themselves creates a risk of later product write-offs. Orexo is constantly striving to optimize inventory levels and the pace of manufacturing against updated sales forecasts.

3.6 Capital structure

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

The Group's capital is assessed on the basis of its equity/assets ratio. The equity/assets ratio at December 31, 2013, 2012 and 2011 is presented in the table next:

	2013	2012	2011
Shareholders' equity	161,459	191,194	311,101
Total assets	772,330	481,755	546,101
Equity/assets ratio	**21%**	**40%**	**57%**

The royalty payment in accordance with the Abstral® agreement, which has been received but not yet entered as a revenue, has negatively affected the equity/assets ratio by approximately 12 percent.

NOTE 4 ACCOUNTING POLICIES OF THE PARENT COMPANY

4.1 Basis for preparation of the financial statements

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

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

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

Presentation forms

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

4.2 Segment reporting

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

4.3 Shares and participations in subsidiaries

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

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

4.4 Financial instruments

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

4.5 Group and shareholders' contributions

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

Group contributions are recognized on the basis of their financial implications, meaning that Group contributions that are granted or received for the purpose of reducing the Group's total tax are recognized either as an appreciation of the value of shares and participations or as an expense in the statement of operations. Group contributions received and which may be compared to dividends are recognized as dividends from Group companies in the statement of operations. Group contributions granted, which may be compared to a shareholders' contribution, are recognized in line with the principle for shareholders' contributions above with due consideration of the effect on current tax.

4.6 Deferred income tax

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

4.7 Leasing

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

4.8 Financial guarantees

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

NOTE 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

5.1 Critical estimates and assessments for accounting purposes

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

(a) Impairment testing of goodwill

Regarding goodwill, an assessment is made of the asset's annual value decline or when there is an indication that the carrying amount of goodwill exceeds the recoverable amount. Goodwill, whose value has declined, must be impaired down to the recoverable amount that goodwill is deemed to have on the basis of the information available. The recoverable amount is defined as the higher of the net sales value and the value in use. The value in use is estimated by means of a discounted cash flow method based on future expected incoming and outgoing payments. Material differences in assessments of the future anticipated cash flows and the discounted rate of interest used could result in different valuations for an asset. For further information, refer to Note 8.

At December 31, 2013, goodwill amounted to26,403(25,827).

(b) Impairment testing of acquired research and development

Research and drug development are characterized by significant operative risks. Several factors affect the probability of a drug project resulting in an approved preparation. The risk of not reaching the market diminishes as a project passes through the various phases in the research and

development process. As of December 31, 2013, the Group has one acquired R&D project in the clinical phase.

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

During the year, acquired R&D was impaired in accordance with the above by 43,923.

At December 31, 2013, acquired R&D amounted to 62,277 (106,200).

(c) Royalty revenues

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

(d) Revenues from sale of goods

The Group applies common pharmaceutical industry practice for newly launched products, whereby the Group only recognizes revenues corresponding to patient prescriptions, despite the fact that revenues actually arise when the goods are sold to the wholesaler. This is done because there is no reliable historical data, as the product was launched during autumn 2013. The product may be returned, but as only patient prescriptions are recognized, there is no risk that there will be returns related to recognized revenues.

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

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

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

Orexo’s research, collaboration and commercialization agreements with Boehringer Ingelheim guarantee future revenues to Orexo and give Orexo the option of marketing products within the framework of the project in certain countries in conjunction with Boehringer Ingelheim. On this basis, it is the assessment of the company that the licensing agreement does not imply that the asset has been divested, which is why it remains recognized in Orexo’s balance sheet.

(b) Research and development

Costs attributable to research are expensed as they arise. Costs attributable to development projects are recognized as intangible assets in the balance sheet in cases in which these costs may be expected to generate future financial benefits. Other development costs are expensed as they arise. Development costs that are expensed are not recognized as an asset in subsequent periods. For 2013, these costs amounted to 238,144 (216,174).

As Orexo has now begun to independently conduct and finance development projects through to later phases, it is assessed that some of the Group’s development expenditures meet the requirements stated in IAS 38 and may therby be recognized as an asset. For 2013 the Group has recognized three technical studies as assets amounting to 91,474. Executive Management believes that these studies will be a strong tool for the sales organization and that it will add significant value to the Zubsolv product.

(c) Revenue recognition

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

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

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

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

(d) Deferred tax receivables

Orexo has significant loss carry-forwards as historically the company has made losses. No value of the loss carry-forwards has been recognized in the balance sheet, as it is difficult to assess when the losses can be set off against surpluses. The loss carry-forwards for tax purposes in the Group amounted to MSEK 1,373 (1,139) at December 31, 2013.

NOTE 6 SEGMENT INFORMATION

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

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

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Sales distributed geographically						
Sweden	10,615	10,798	12,098	12,032	54,494	56,411
UK	247,220	207,409	73,466	243,808	204,472	70,628
Other EU countries	6,684	9,524	13,634	–	–	5,407
East Asia	23,325	14,549	6,641	20,383	12,233	5,970
US	106,107	48,335	54,637	176,098	827	975
Other countries	35,405	35,663	39,138	–	–	1,381
Total	**429,356**	**326,278**	**199,614**	**452,321**	**272,026**	**140,772**

The company's three largest customers combined account for 82 percent (81) of the company's net revenues. They contribute 56 (63) percent, 22 (15) percent and 4 (3) percent, respectively.

Assets and investments outside Sweden amount to MSEK 1.3 (0.1).

NOTE 7 TANGIBLE FIXED ASSETS

Group	Equipment and machinery	Computers	Renovation of others' property	Art and non-depreciable equipment	Financial leasing	Total
Fiscal year 2011						
Opening balance	10,938	130	30,204	–	–	41,666
Purchases	4,100	673	–	–	–	4,773
Increase through business combinations	183	–	–	–	–	183
Depreciation	–5,345	–224	–1,809	–	–	–7,378
Exchange-rate differences	–3	–	–	–	–	–3
Closing balance	**9,873**	**579**	**28,395**	**394**	**–**	**39,241**
At December 31, 2011						
Cost	33,124	2,804	36,174	394	1,894	74,390
Accumulated depreciation and impairment	–23,251	–2,225	–7,779	–	–1,894	–35,149
Carrying amount	**9,873**	**579**	**28,395**	**394**	**–**	**39,241**
Fiscal year 2012						
Opening balance	9,873	579	28,395	394	–	39,241
Purchases	2,840	–	–	–	–	2,840
Disposal	–604	–	–	–	–	–604
Depreciation	–4,306	–236	–1,809	–	–	–6,351
Exchange-rate differences	–3	–	–	–	–	–7
Closing balance	**7,800**	**343**	**26,586**	**394**	**–**	**35,123**
At December 31, 2012						
Cost	31,893	1,564	36,174	394	1,894	71,919
Accumulated depreciation and impairment	–24,093	–1,221	–9,588	–	–1,894	–36,796
Carrying amount	**7,800**	**343**	**26,586**	**394**	**0**	**35,123**
Fiscal year 2013						
Opening balance	7,800	343	26,586	394	0	35,123
Purchases	2,037	616	–	–	–	2,653
Disposal	–	–	–	–	–	–
Depreciation	–2,481	–231	–1,809	–	–	–4,521
Exchange-rate differences	–	–	–	–	–	–
Closing balance	**7,356**	**728**	**24,777**	**394**	**0**	**33,255**
At December 31, 2013						
Cost	33,650	2,099	36,174	394	1,894	74,211
Accumulated depreciation and impairment	–26,294	–1,371	–11,397	–	–1,894	-40,956
Carrying amount	**7,356**	**728**	**24,777**	**394**	**0**	**33,255**

31 453 of the intangible fixed assets are attributable to Parent Company.

Leasing expenses amounting to 648 (678) (288) for the leasing of equipment, machinery and computers are included in the statement of operations.

NOTE 8 INTANGIBLE FIXED ASSETS

Group	Goodwill	Acquired R&D	Patents and rights	Proprietary intellectual property asset	Distribution rights	Other	Total
Fiscal year 2011							
Opening balance	17,679	388,487	1,033	–	0	218	407,417
Purchases	–	–	–	–	–	–	–
Increase through business combinations	16,025	–	–	–	–	–	16,025
Amortization	–	–	–310	–	–	–146	–456
Impairment	–	–271,238	–	–	–	–	–271,238
Exchange-rate differences	–256	–639	14	–	–	–	–881
Closing carrying amount	**33,448**	**116,610**	**737**	**–**	**0**	**72**	**150,867**
At December 31, 2011							
Cost	33,448	435,062	13,265	–	2,707	729	485,211
Accumulated amortization and impairment	–	–318,452	–12,528	–	–2,707	–657	–334,344
Carrying amount	**33,448**	**116,610**	**737**	**–**	**0**	**72**	**150,867**
Fiscal year 2012							
Opening balance	33,448	116,610	737	–	0	72	150,867
Purchases	–	–	–	–	–	3,059	3,059
Disposal	–7,042	–	–	–	–	–	–7,042
Amortization	–	–	–748	–	–	–72	–820
Impairment	–	–10,159	–	–	–	–	–10,159
Exchange-rate differences	–579	–251	11	–	–	–	–819
Closing carrying amount	**25,827**	**106,200**	**0**	**–**	**0**	**3,059**	**135,086**
At December 31, 2012							
Cost	26,406	435,062	13,265	–	2,707	3,788	481,228
Accumulated amortization and impairment	–579	–328,862	–13,265	–	–2,707	–729	–346,142
Carrying amount	**25,827**	**106,200**	**0**	**–**	**0**	**3,059**	**135,086**
Fiscal year 2013							
Opening balance	25,827	106,200	0	–	0	3,059	135,086
Purchases	–	–	11,940	91,474	–	1,301	104,715
Disposal	–	–	–	–	–	–	–
Amortization	–	–	–1,622	–	–	-53	–1,675
Impairment	–	–43,923	–	–	–	–	–43,923
Exchange-rate differences	576	–	–	–	–	–	576
Closing carrying amount	**26,403**	**62,277**	**10,318**	**91,474**	**–**	**4,307**	**194,779**
At December 31, 2013							
Cost	26,406	435,062	25,205	91,474	–	5,089	583,236
Accumulated amortization and impairment	–3	–372,785	–14,887	–	–	–782	–388,457
Carrying amount	**26,403**	**62,277**	**10,318**	**91,474**	**–**	**4,307**	**194,779**

Goodwill at December 31, 2013

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

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

Goodwill	2013	2012	2011
Noster System	10,639	10,639	10,639
ProStrakan	–	0	7,042
Wagner Analysen Technik	15,764	15,188	15,767
	26,403	**25,827**	**33,448**

Impairment testing of goodwill

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

An annual test of the impairment requirement for the goodwill item attributable to the acquisition of Noster System AB has been carried out. Recoverable amounts for the cash-generating operations are calculated based on estimated future cash flows. Cash flow for 2014 is based on budget. Cash flows for the period 2015–2018 are based on Executive Management's forecasts, assessments and market plans. Cash flows beyond this period are extrapolated on the basis of an estimated growth rate of 2.5 percent (2.5), which is based on management's expectations for market development. The assessment of operating margins is based on previously achieved results combined with management's expectations of market trends. Future cash flows were discounted to the present value by applying a rate before tax of 10 percent (10). The estimated value in use exceeds the carrying amount by a comfortable margin.

Impairment testing of the goodwill attributable to the subsidiary acquired during the year, Wagner Analysen Technik GmbH, was carried out. Recoverable amounts for the cash-generating operations are calculated

based on estimated future cash flows. Cash flow for 2014 is based on budget. Cash flows for the period 2015–2018 are based on Executive Management's forecasts, assessments and market plans. Cash flows beyond this period are extrapolated on the basis of an estimated growth rate of 2.5 percent, which is based on management's expectations for market development. The assessment of operating margins is based on previously achieved results combined with management's expectations of market trends. Future cash flows were discounted to the present value by applying a rate before tax of 10 percent. The estimated value in use exceeds the carrying amount.

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

The discount rate could be raised by 2 percentage points without leading to any impairment requirement for the goodwill items.

Proprietary intangible asset at December 31, 2013

The proprietary intangible asset amounting to 91,474 (0) is attributable to clinical studies which are seen as contributing to future financial advantages for the Group. Amortization begins when the clinical studies have been completed and the economic contribution is considered to begin. The clinical studies have not yet been concluded and thus no amortization has been applied.

Impairment testing Proprietary intangible asset

In order to identify any impairment requirements, the value of these assets is tested annually and furthermore on other occasions in the event there are indications of impairment. Management's assessment so far is that the studies do not yet indicate any impairment requirements.

Acquired R&D at December 31, 2013

Acquired R&D amounting to 62,277 (106,200) is attributable to the acquisition of Biolipox AB in 2007.

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

Impairment testing of Acquired R&D

The value of acquired R&D projects is tested once a year to determine any impairment requirements, and also on other occasions if there are indications that impairment is necessary. As with previous years, the recoverable amount was calculated per acquired R&D project. The calculations were performed on the basis of an assessment of future cash flows, with the key variables comprising license revenues, residual development costs, royalties and gross margins. Future cash flows were adjusted in line with the probability estimate applied as the available industry standard, and subsequently calculated at present value. The present value calculation was performed on the basis of a discount rate, which was set by Executive Management at 10 percent (10) before tax.

Research and drug development are characterized by significant operative risks. The risk that a project will not result in a product that reaches the market diminishes as the project passes through the various phases of the development process. The R&D projects acquired by the company are all in the early phases. If a project is closed down, the result is impairment and removal of the project from the balance sheet. During the year, acquired R&D was impaired by MSEK 43.3.

The sensitivity to changes in certain variables was analyzed to support impairment testing. If the discount rate were to increase by 2 percentage points, the recoverable amounts would continue to exceed the carrying amounts by a healthy margin. If SEK were to strengthen by 10 percent against USD and EUR, the recoverable amount of the acquired R&D projects would decline, but not to the extent that any impairment would be required. Regarding the other underlying variables, Executive Management believes that these variables may change within reasonably conceivable limits without the recoverable amount falling below the carrying amount.

Parent Company	2013	2012	2011
Accumulated cost			
Opening cost	12,367	9,308	9,308
Purchases during the year	104,564	3,059	–
Disposals and scrapping	–	–	–
Closing accumulated cost	116,931	12,367	9,308
Accumulated amortization according to plan			
Opening amortization according to plan	–9,308	–9,236	–9,090
Amortization during the year according to plan	–1,622	–72	–146
Disposals and scrapping	–	–	–
Closing accumulated amortization according to plan	–10,930	–9,308	–9,236
Carrying amount	**106,001**	**3,059**	**72**

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

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

NOTE 9 DEPRECIATION/AMORTIZATION AND IMPAIRMENT

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Tangible fixed assets						
Sales	96	115	75	–	–	8
Administration	1,892	2,119	2,554	1,892	2,119	2,554
Research and development	2,533	4,117	4,749	2,516	4,103	4,679
Total tangible fixed assets	**4,521**	**6,351**	**7,378**	**4,408**	**6,222**	**7,241**
Intangible assets						
Sales	–	–	132	–	–	–
Administration	–	72	146	–	72	146
Research and development	53	749	178	–	–	–
Cost of goods sold	1,622			1,622		
Other operating expenses	43,923	10,159	271,238	–	–	–
Total intangible assets	**45,598**	**10,980**	**271,694**	**1,622**	**72**	**146**
Total depreciation/amortization and impairment	**50,119**	**17,331**	**279,072**	**6,030**	**6,294**	**7,387**

NOTE 10 SHARES IN SUBSIDIARIES AND JOINT VENTURES

Holding Dec 31, 2013	Corp. Reg. No.	Reg. office	Number of shares	Shareholding	Cost	Accumulated impairment	Carryingamount
Pharmacall AB	556569-1739	Uppsala	1,000	100%	100	0	100
Kibion AB	556610-9814	Uppsala	321,279	100%	38,172	38,172	0
Noster System AB	556530-9217	Uppsala	606,520	100%	10,600	9,888	712
Biolipox AB	556588-3658	Stockholm	12,883,944	100%	505,773	335,944	169,829
Pharmakodex Ltd	05268159	UK	684,664	100%	82,245	82,245	0
Wagner Analysen Technik GmbH	20929	Germany	6	100%	10,202	0	10,202
Orexo US Inc	0101013414	USA	100	100%	32,249	0	32,249

Noster System AB and Wagner Analysen Technik GmbH are indirect holdings.

In 2013, shares in subsidiaries were impaired by MSEK 2.2. This decrease is attributable to the impairment of shares due to the liquidation of the subsidiary Pharmacodex Ltd.

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

Change in carrying amount

2011	Opening carrying amount	Cost	Sales	Impairment	Write-off	Closing carrying amount
Pharmacall AB	100	–	–	–	–	100
Kibion AB	–	–	–	–	–	–
ProStrakan AB	18,296	–	–	–	–	18,296
Biolipox AB	505,773	–	–	335,944	–	169,829
Orexo UK	–	–	–	–	–	–
Pharmakodex Ltd	80,594	–	–	38,731	–	41,863
Total	**604,763**	**–**	**–**	**374,675**	**–**	**230,088**
2012						
Pharmacall AB	100	–	–	–	–	100
Kibion AB	–	–	–	–	–	–
ProStrakan AB	18,296	–	18,296	–	–	–
Biolipox AB	169,829	–	–	–	–	169,829
Orexo UK	–	–	–	–	–	–
Pharmakodex Ltd	41,863	–	–	39,624	–	2,239
Total	**230,088**	**–**	**18,296**	**39,624**	**–**	**172,168**
2013						
Pharmacall AB	100	–	–	–	–	100
Kibion AB	–	–	–	–	–	–
Orexo US Inc	–	32,249	-	–	–	32,249
Biolipox AB	169,829	–	–	–	–	169,829
Pharmakodex Ltd	2,239	–	–	–	2,239	–
Total	**172,168**	**32,249**	**–**	**–**	**2,239**	**202,178**

NOTE 11 FINANCIAL INSTRUMENTS BY CATEGORY

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

December 31, 2012				
Assets in the balance sheet				
Accounts receivable and other receivables (excluding interim receivables)		17,549		17,549
Cash and cash equivalents		228,067		228,067
Derivative instruments	18,507			18,507
Total	**18,507**	**245,616**		**264,123**
Liabilities in the balance sheet				
Borrowings (excl. liabilities in respect of financial leasing)			120,642	120,642
Accounts payable and other liabilities (excl. non-financial liabilities)			127,821	127,821
Total			**248,463**	**248,463**

December 31, 2011				
Assets in the balance sheet				
Accounts receivable and other receivables (excluding interim receivables)		56,853		56,853
Cash and cash equivalents		246,859		246,859
Total		**303,712**		**303,712**
Liabilities in the balance sheet				
Borrowings (excl. liabilities in respect of financial leasing)			120,933	120,933
Accounts payable and other liabilities (excl. non-financial liabilities)			52,479	52,479
Total			**173,412**	**173,412**

NOTE 12 DERIVATIVE INSTRUMENTS

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Currency future contracts – cash flow hedges	–	18,507	–	–	–	–
Total	**–**	**18,507**	**–**	**–**	**–**	**–**

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

At December 31,2013, there were no hedged transactions.

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

NOTE 13 INVENTORIES

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Raw materials	305,685	22,233	18,426	303,292	18,489	15,555
Finished products	77,725	6,085	8,263	–	–	–
Total	**383,410**	**28,318**	**26,689**	**303,292**	**18,489**	**15,555**

The large increase in inventories is attributable to the building up of inventories for the launch of Zubsolv.

Group
The cost of inventories expensed is included in the items "Cost of goods sold" and "Research and development costs" and amounted to 21,790 (37,367) (43,116).

Parent Company
The cost of inventories expensed is included in the items "Cost of goods sold" and "Research and development costs" and amounted to 83,895 (8,742) (13,603).

NOTE 14 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Accounts receivable	36,146	17,549	56,853	98,484	18,058	51,847
VAT receivable	4,433	6,167	8,906	3,912	3,231	1,570
Other receivables	3,525	4,423	4,784	68,033	26,391	19,622
Prepaid rents	5,606	4,917	5,294	4,956	4,917	5,270
Other interim receivables	5,533	3,600	6,609	4,115	3,045	42,529
Total	**55,243**	**36,656**	**82,446**	**179,500**	**55,642**	**120,838**

Group
Impairment losses on accounts receivable amounted to 0 (157) (53). There have been no impairments of remaining accounts receivable. The carrying amount corresponds to fair value since all receivables are current and are due within one year

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

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

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
SEK	4,586	3,507	3,026	2,638	15,348	32,511
USD	3,767	1,386	23,263	80,103	592	1,009
EUR	27,578	12,611	30,032	15,743	2,118	18,327
Other currencies	215	45	532	–	–	–
Total	**36,146**	**17,549**	**56,853**	**98,484**	**18,058**	**51,847**

Accounts receivable due
At December 31, 2013, accounts receivable amounting to 5,733 (2,983) (19,149) fell due for payment without any impairment requirement being considered necessary. These apply to a few independent customers who have previously settled their overdue invoices. An age analysis of these accounts receivable is presented below:

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Less than 43 days	5,006	1,268	3,324	–	63	814
44 days and older	727	1,715	15,825	–	64	–
Total	**5,733**	**2,983**	**19,149**	**–**	**127**	**814**

NOTE 15 CASH AND CASH EQUIVALENTS

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Cash and bank balances	105,643	228,067	246,859	48,652	216,553	227,850
Total	**105,643**	**228,067**	**246,859**	**48,652**	**216,553**	**227,850**

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

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
A1-	105,643	228,067	246,859	48,652	216,553	227,850
Total bank balances and short-term bank deposits	**105,643**	**228,067**	**246,859**	**48,652**	**216,553**	**227,850**

NOTE 16 SHARE CAPITAL AND OTHER CAPITAL CONTRIBUTIONS

Shares outstanding
As of December 31, 2013, the number of shares outstanding in the company was 32,911,908, of which all were common shares. All shares carry one voting right. The quotient value of each share is 0.4. The change in the number of shares during the year is shown in the table below. All shares issued have been fully paid for. The Parent Company bought back 1,121,124 Orexo shares on Nasdaq OMX Nordic Exchange Stockholm during 2012. The total amount that was paid for the shares was MSEK 53. The shares are held as the company's own shares. All shares issued by the Parent Company have been fully paid for.

Shares outstanding at December 31, 2011	**29,865,495**
Subscription for shares through exercise of employee stock opitions	80,837
Shares outstanding at December 31, 2012	**29,946,332**
Subscription for shares through conversion of convertible	2,460,526
Subscription for shares through exercise of employee stock opitions	505,050
Shares outstanding at December 31, 2013	**32,911,908**

During the year 3,000 employee stock options were exercised. These had not yet been registered as shares at the end of the year.

Authorization from the Annual General Meeting
At the Annual General Meeting on April 11, 2013, the Board received authorization to issue new shares against payment in kind. However, such issue must never result in the company's issued share capital or number of shares in the company, at any time, increasing by more than a total of 10 percent, or cause the company's share capital to exceed the maximum allowed share capital according to the articles of association. The authorization has not been utilized.

Development of share capital

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

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

Share-based payments

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

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

At December 31, 2013, there were a total of 2,663,035 options outstanding, providing an entitlement to subscription of 2,660,511 new shares in Orexo and the exchange of 2,524 options against shares in Orexo[1]. Each option issued by Biolipox AB provides entitlement to exchange it for one share in Orexo AB and a corresponding number of shares is held by the independent company Pyrinox AB.

The table below shows a summary of the changes in the number of options outstanding during the period January 1, 2013 to December 31, 2013, split across each category.

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

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

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

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

Average subscription price per category

Category	Outst. Jan 1, 2013	Additional	Allotted	Redeemed	Forfeited	Outst. Dec 31, 2013	Redeemable
Employee stock options[1], Orexo AB	42.46	–	65.10	39.27	42.67	56.47	52.51
Board stock options, Orexo AB	34.05	52.4	–	–	35.98	48.62	45.37
Warrants, Orexo AB	12.7	–	–	12.7	–	–	–
Hedge warrants, Orexo AB	9.2	–	–	–	9.2	–	–
Employee stock options, Biolipox AB	0.25	–	–	0.25	–	0.25	0.25
Hedge warrants, Biolipox AB	0.25	–	–	0.25	–	0.25	0.25

[1] In calculating the average exercise price, options not yet allotted have not been included as no exercise price for these has been set. 829,667 options relate to the 2011/2021 program, see the preceding table.

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

Allotment during the year

905,000 performance shares were allotted free of charge during 2013. Of these performance shares, 452,500 are time-based and 452,500 are share-price based performance shares.

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

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

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

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

Performance criterion 1

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

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

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

Performance criterion 2

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

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

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

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

Forfeited options during the year

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

Allotment of options 2002–2013 – distribution according to position at the company

The total allotment within Orexo's employee stock options program for the years 2002–2013 (including options allotted within Biolipox ahead of its acquisition), for subscription for a total of 1,795,360 shares, is distributed as follows:

- Board members: 215,688 shares, for which subscription has been made for 0 shares.
- President/CEO: 410,000 shares, for which subscription has been made for 0 shares.
- Other senior executives: 617,500 shares, for which subscription has been made for 7,500 shares.
- Other employees: 1,810,439 shares, for which subscription has been made for 1,250,767 shares.

Allotment of warrants for the period 2002–2013, providing entitlement to a total of 376,250 shares, is distributed as follows:

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

Costs related to company option programs

The company's expenses for the employee stock option program for the full-year 2013 amounted to MSEK 40.0 (9.3). Of these expenses, MSEK 17.8 (5.3) is attributable to the CEO and other administrative personnel, MSEK 12.6 (2.9) to research and development personnel and MSEK 9.6 (1.1) to sales-related personnel. The increased expenses are primarily attributable to provisions for social security fees due to the rise in value of Orexo's shares.

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

Detailed description of changes during the year

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

Type of security	Number of shares to which securities provide entitlement at Jan 1, 2013[1]	Supplement during the year	Allotment during the year	Redeemed during the year	Forfeited during the year	Number of shares to which securities provide entitlement at Dec 31, 2013	Subscription price (SEK)	Program runs until	Number of shares and voting rights[2]
Approved and allotted options									
Employee stock options 2004	62,500	–	–	–44,250	–	18,250	18.1	June 30, 2014	
Employee stock options 2005:I	6,750	–	–	–6,750	–	–	18.1	Dec 31, 2013	
Employee stock options 2005/2006[3]	33,100	–	–	–500	–	32,600	113	Dec 31, 2015	
Employee stock options 2006/2016[4]	43,775	–	–	–500	–	43,275	119	Dec 31, 2016	
Employee stock options 2007/2017	90,666	–	–	–58,666	–	32,000	44	Dec 31, 2017	
Board stock options 2008/2015	2,953	–	–	–	–	2,953	0.4	Dec 31, 2015	
Employee stock options 2008/2018	99,375	–	–	–41,300	–	58,075	51	Dec 31, 2018	
Board stock options 2009/2016	4,259	–	–	–	–	4,259	0.4	Dec 31, 2016	
Board stock options 2010/2017	6,755	–	–	–	–2,397	4,358	0.4	Dec 31, 2017	
Board stock options 2011/2018	4,118	–	–	–	–	4,118	0.4	Dec 31, 2018	
Warrants	**10,000**	**–**	**–**	**–10,000**	**–**	**–**	**12.7**	Dec 31, 2013	
Performance-based incentive program 2011/2021	500,000	–	–	–183,333	–316,667	–	44.4	Feb 16, 2021	
Performance-based incentive program 2011/2021	195,000	–	–	–24,500	–	170,500	47.8	Feb 16, 2021	
Performance-based incentive program 2011/2021	230,000	–	–	–70,000	–30,000	130,000	29	Feb 16, 2021	
Performance-based incentive program 2011/2021	165,000	–	–	–12,000	–8,000	145,000	25.6	Feb 16, 2021	
Performance-based incentive program 2011/2021	70,000	–	–	–21,000	–	49,000	26.4	Feb 16, 2021	
Board stock options 2012/2017	270,000	–	–	–	–270,000	–	36.3	Dec 31, 2017	
Performance-based incentive program 2011/2021	–	–	300,000	–	–	300,000	51.8	Feb 16, 2021	
Performance-based incentive program 2011/2021	–	–	330,000	–	–	330,000	56.8	Feb 16, 2021	
Performance-based incentive program 2011/2021	–	–	30,000	–	–	30,000	59.3	Feb 16, 2021	
Performance-based incentive program 2011/2021	–	–	160,000	–6,667	–	153,333	75.6	Feb 16, 2021	
Performance-based incentive program 2011/2021	–	–	20,000	–	–	20,000	131.6	Feb 16, 2021	
Performance-based incentive program 2011/2021	–	–	25,000	–	–	25,000	123.5	Feb 16, 2021	
Performance-based incentive program 2011/2021	–	–	40,000	–	–	40,000	130.5	Feb 16, 2021	
Board stock options 2013/2018	–	–	200,000	–	–	200,000	52.4	Dec 31, 2018	
Subtotal	**1,794,251**	**–**	**1,105,000**	**–479,466**	**–627,064**	**1,792,721**			
Approved, unallotted options									
Performance-based incentive program 2011/2021	380,000	449,667	–	–	–	829,667	–	Feb 16, 2021	
Options intended for the hedging of Employee stock options [5]	78,000	–	–	–	–78,000	–	9.2		
Subtotal	**2,252,251**	**449,667**	**1,105,000**	**-479,466**	**–705,064**	**2,622,388**			
Options attributable to the acquisition of Biolipox									
Employee stock options BX OP V	574	–	–	–115	–	459	0.25	Dec 31, 2014	No dilution
Employee stock options BX OP VIII	2,639	–	–	–574	–	2,065	0.25	Dec 31, 2015	No dilution
Employee stock options BX OP IX	1,090	–	–	–1,090	–	–	0.25	Dec 31, 2016	No dilution
Hedge options	39,373	–	–	–1,250	–	38,123	0.25	Dec 31, 2016	No dilution
Subtotal	**43,676**	**–**		**–3,029**	**–**	**40,647**			
Total number of securities in share-based incentive programs	**2,295,927**	**449,667**	**1,105,000**	**–482,495**	**–705,064**	**2,663,035**			

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

Changes in number of outstanding options 2012

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

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

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

Exercised during the year

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

Allotment during the year

235,000 performance shares were allotted during 2012. Of these performance shares, 165,000 were allotted free of charge in February 2012 and 70,000 performance shares were allotted free of charge in March. Of these performance shares, 117,500 are time-based and 117,500 are share-price based performance shares. The exercise price for the performance shares that were allotted in February was set at SEK 25.60 and the exercise price for the performance shares that were allotted in March was set at SEK 26.40.

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

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

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

Performance criterion 1

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

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

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

Performance criterion 2

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

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

The 2012/2017 Board shareholder program was adopted in 2012. As a result of the successful acquisition of the American rights for Abstral® and the continued development program process for Zubsolv®, Orexo has created the foundation for establishing a successful commercial presence in the USA. In order to succeed in this work in the best possible way, it is considered necessary to tie the members of the Board closer to the company. In order to compensate, remunerate and motivate the members of the Board to assist through the extra work that this work for change involves, it was decided to adopt this Board shareholder program.
In August 270,000 Board options were allotted free of charge. These were allotted to independent members of the Board. A condition for

entitlement to acquire new shares through the exercise of performance shares is that certain vesting conditions are fulfilled. The exercise price for these has been set at SEK 36.30. The final date for exercising the options is December 31, 2017.

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

Changes in number of outstanding options 2011

	Opening Jan 1, 2011	Change	Closing Dec 31, 2011	Redeemable
Options directed at employees				
Of which:				
Approved and allotted employee stock options	719,566		719,566	
Exercised		–9,000	–9,000	
Forfeited		–219,150	–219,150	
Allotted		975,000	975,000	
Total			**1,466,416**	**436,874**
Approved and allotted Board stock options	60,920		60,920	
Allotted May 2011		14,641	14,641	
Exercised		–14,555	–14,555	
Total			**61,006**	**27,407**
Approved and allotted warrants	10,000		10,000	
Total			**10,000**	**10,000**
Approved, unallotted employee stock options	470,000	–470,000	0	
Approved at Extraordinary General Meeting 2011[2]		565,000	565,000	
Total			**565,000**	**–**
Warrants held by subsidiaries for cash flow hedging of social security fees	78,000		78,000	
Total			**78,000**	**78,000**
Total options directed at employees	**1,338,486**	**841,936**	**2,180,422**	
Employee stock options utilized from Biolipox AB (non-diluting, included in newly issued shares in conjunction with acquisition of Biolipox)	117,582		117,582	
Forfeited		–8,651	–8,651	
Exercised		–33,988	–33,988	
Warrants taken over from Biolipox for cash flow hedging of social security fees (non-diluting)	61,873	–17,700	44,173	
Total options from Biolipox	**179455**	**–60,339**	**119,116**	**119,116**
Total options directed at employees	**1,517,941**	**781,597**	**2,299,538**	

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

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

Exercised during the year
For the period January–December 2011, 23,555 employee stock options from Orexo's options programs were exercised. During the period January–December 2011, 33,988 of Biolipox's employee stock options were also exercised, whereby the holders exchanged their options for 33,988 Orexo shares, which had been held by the independent company Pyrinox AB. The exercise of options did not require Orexo to issue additional shares.

Allotment during the year
In 2011, Orexo introduced a performance-based, long-term incentive program which, prior to exercise, includes performance shares providing entitlement to subscribe for a total of 1,540,000 shares in Orexo. The right to acquire new shares through exercise of performance shares shall, for each employee, be subject to vesting criteria. Of the total number of performance shares allotted, 50 percent of the performance shares shall be vested according to time and internal operational criteria ("time-based performance shares") and 50 percent shall be vested according to share price performance and relative share performance ("share-price based performance shares"). Of these performance shares, 500,000 were allotted free of charge to the President in March 2011, 245,000 performance shares were allotted free of charge to senior managers in April 2011 and 230,000 performance shares were allotted to senior executives in October 2011. Of these performance shares, 487,500 are time-based and 487,500 are share-price based. The issue price for the performance shares allotted in March was established at SEK 44.40, the issue price for the performance shares allotted in April was established at SEK 47.80 and the issue price for the performance shares allotted in October was established at SEK 29. The final exercise date for the options is February 16, 2021.

The market value of the time-based portion of the shares was determined using the Black&Scholes method, while a Monte Carlo simulation was used for the share-price based portion. The market value of the options allotted in March is SEK 20.25 for the time-based portion and SEK 13.37 for the share-price based portion. For the options allotted in April, the market value is SEK 19.19 for the time-based portion and SEK 12.41 for the share-price based portion and, for the options allotted in October, the market value is SEK 8.23 for the time-based portion and SEK 6.15 for the share-price based portion.

- risk-free rate of interest: 1.11–1.35 percent
- expected volatility: 35 percent
- estimated dividend: SEK 0

Performance criterion 1
For any vesting of Share-Price Based Performance Shares to occur, the increase in the Share Price shall correspond to the amounts set forth below. The increase in the Share Price as set forth below shall be calcu-

lated for a period not exceeding five years, meaning that the Share Price must have been achieved within a continuous five-year period.

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

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

Performance criterion 2

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

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

In May 2011, 14,641 Board options were allotted, providing entitlement to a total of 14,641 shares in Orexo. These Board options have been allotted free of charge to Board members elected at the 2011 Annual General Meeting. Vesting takes the form of 25 percent on the day after the publication of Orexo's interim report for Q1 and 25 percent after the publication of the interim reports for each of the quarters from Q2 to Q4 during the mandate period for the 2011 fiscal year. Board members' right to request exercise comes into effect from two years after the 2011 Annual General Meeting onwards. The final exercise date for Board options is December 31, 2018 and the subscription price amounts to SEK 0.40 per share. The market value, computed using the Black & Scholes method, totaled SEK 43.33 per option on the allotment date. Volatility is based on the estimated future volatility of the share at the valuation date using the historical volatility of the company and other companies with similar operations as a basis.

- share price: SEK 43.70
- lifetime: 7 years
- exercise price on subscription: SEK 0.40
- risk-free rate of interest: 1.52 percent
- expected volatility: 35 percent
- estimated dividend: SEK 0

NOTE 17 RESERVES

	Translation reserve	Hedge reserve	Total
Opening balance at January 1, 2011	**–8,769**		**–8,769**
Exchange-rate differences	–671		–671
Opening balance at January 1, 2012	**–9,440**		**–9,440**
Exchange-rate differences	–545		–545
Cash flow hedge		18,507	18,507
Tax, cash flow hedge		-4,071	–4,071
Opening balance at January 1, 2013	**–9,985**	**14,436**	**4,451**
Exchange-rate differences	–1,898		–1,898
Cash flow hedge		–11,224	–11,224
Tax, cash flow hedge		2,469	2,469
Closing balance at December 31, 2013	**–11,883**	**5,681**	**–6,202**

NOTE 18 PROVISIONS

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Estimated costs, social security fees, employee stock options	9,645	3,997	565	9,645	3,997	565
Total	**9,645**	**3,997**	**565**	**9,645**	**3,997**	**565**

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

NOTE 19 BORROWINGS

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Bank loan, long-term portion	104,081	10,248	10,456	100,000	–	–
Convertible bonds, long-term portion	–	103,324	99,839	–	103,324	90,947
Total	**104,081**	**113,572**	**110,295**	**100,000**	**103,324**	**90,947**

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Bank loan, short-term portion	136,993	2,247	1,746	134,631	–	–
Convertible bonds, short-term portion	–	8,892	8,892	–	8,892	8,892
Total	**136,993**	**11,139**	**10,638**	**134,631**	**8,892**	**8,892**

MSEK 100 of the liability relates to a credit facility from Danske Bank. Collateral for this credit facility is chattel mortgages of MSEK 200 and the pledging of the Parent Company's shareholding of MSEK 32.2 in Orexo Inc. The terms of this credit facility involve usual covenants. MSEK 134.7 relate to a sold receivable to Nordea of a fixed royalty payment of MGBP 12.5 which should have been paid in June 2014, but was discounted and received during Q4 2013. The fixed royalty payment relates to the restructured agreement with ProStrakan that was announced in June 2012. MSEK 6.4 is the subsidiary Kibion AB's financing of the acquisition of Wagner Analysen Technik GmbH. Collateral for this bank loan comprises the pledging of Kibion's shares by the Parent Company, see Note 21. There are no covenants in the terms of lending or the Parent Company guarantee.

The convertible bond was converted in August 2013.

The convertible bond is recognized in the balance sheet as follows:

Nominal value of convertible bonds issued on April 7, 2010	**111,150**
Shareholders' equity portion	–10,005
Liability portion at issue on April 7, 2010	95,167
Interest expenses	8,733
Interest paid	–
Liability portion at December 31, 2010	**103,900**
Interest expenses	11,774
Interest paid	–6,943
Liability portion at December 31, 2011	**108,731**
Interest expenses	11,963
Interest paid	–8,479
Liability portion at December 31, 2012	**112,215**
Interest expenses	9,569
Interest paid	–8,892
Conversion of convertible	–112,893
Liability portion at December 31, 2013	**0**

NOTE 20 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	Group			Parent Company		
	2013	**2012**	**2011**	**2013**	**2012**	**2011**
Accounts payable	138,009	19,790	27,323	127,846	18,908	21,108
VAT liability	–	–	129	–	–	–
Employee withholding tax	3,374	2,174	2,533	1,723	2,003	2,335
Deduction, social security fees	1,685	3,663	2,106	1,428	3,505	1,874
Deduction, special salary tax	2,781	3,491	3,251	2,530	3,229	2,993
Other current liabilities	197,080	12,203	15,247	258,880	113,318	116,273
Accrued salaries	11,497	7,377	3,479	6,348	7,377	2,828
Accrued vacation pay	9,281	8,336	8,352	8,557	7,529	7,553
Accrued social security fees	3,645	3,804	3,843	3,417	3,550	3,365
Other interim liabilities	37,169	9,408	51,852	34,982	8,162	42,431
Deferred income	92,624	98,675	0	98,304	98,675	0
Total	**497,145**	**168,921**	**118,115**	**544,015**	**266,256**	**200,760**

NOTE 21 PLEDGED ASSETS

	Group			Parent Company		
	2013	**2012**	**2011**	**2013**	**2012**	**2011**
Chattel mortgages for bank commitment	200,000	44,000	44,000	200,000	44,000	44,000
Pledging of all shares in Kibion AB	17,927	12,518	12,513	–	–	–
Pledging of all shares in Orexo Inc	–	–	–	32,249	–	–
Total	**217,927**	**56,518**	**56,513**	**232,249**	**44,000**	**44,000**

NOTE 22 CONTINGENT LIABILITIES

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Additional purchase price, Inflazyme	40,800	44,020	45,503	–	–	–
Guarantee commitment	–	–	–	–	8,367	11,295
Total	**40,800**	**44,020**	**45,503**	**–**	**8,367**	**11,295**

In conjunction with the acquisition of Inflazyme, an additional purchase price was agreed that would be conditional on certain goals being achieved. This additional purchase price was initially recognized as a provision and contingent liability, as the latter was not deemed to be a likely payment. In 2010, the Inflazyme project was downgraded, which means that the full additional purchase price is now recognized as a contingent liability amounting to MSEK 40.8.

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

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

Orexo has collateral with Danske Bank comprising chattel mortgages of MSEK 200 and the pledging of all shares in Orexo Inc.

Orexo also has collateral in Nordea, comprising the pledging of all the shares in Kibion.

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

NOTE 23 DISTRIBUTION OF REVENUES

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Sales, products	56,128	56,301	59,771	77,277	–	278
Royalties	254,723	181,466	72,568	254,723	181,466	72,568
License revenues	112,377	29,263	33,012	112,377	29,263	33,012
Partner-financed R&D costs	6,127	23,848	35,148	6,192	13,060	7,406
Other	–	35,400	–885	1,752	48,237	27,508
Total	**429,355**	**326,278**	**199,614**	**452,321**	**272,026**	**140,772**

NOTE 24 COSTS BY TYPE OF COST

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Raw materials and consumables	21,790	37,367	43,116	83,895	8,742	13,603
Other external costs	347,810	221,659	160,005	269,456	244,558	158,445
Personnel costs	166,998	138,057	117,605	132,026	120,758	103,527
Depreciation/amortization and impairment	50,111	17,331	279,072	6,030	16,453	46,117
Total	**586,709**	**414,414**	**599,798**	**491,407**	**390,511**	**321,692**

During the year, acquired R&D projects were impaired by 43,923.

NOTE 25 AUDITORS' FEES

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Audit assignment						
PWC	2,145	1,127	970	1,788	1,078	847
Silver Levene	52	128	114	–	–	–
Non-auditing assignments						
PWC	–	380	658	–	380	658
Tax advice						
PWC	696	293	387	631	293	387
Other services						
PWC	589	296	327	589	296	166
Total	**3,482**	**2,224**	**2,456**	**3,008**	**2,047**	**2,058**

NOTE 26 EXCHANGE-RATE DIFFERENCES

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

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Other operating income	11,757	4,131	6,233	9,271	762	1,597
Other operating expenses	–10,158	–5,160	–5,485	–7,587	–1,965	–1,454
Total	**1,599**	**–1,029**	**748**	**1,684**	**–1,203**	**143**

NOTE 27 FINANCIAL INCOME AND EXPENSES

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Interest expenses						
Bank loans	–895	–285	–177	-702	–	–
Convertible bond	–9,570	–11,963	–11,774	-9,570	–11,963	–11,774
Group	–	–	–	-994	–1,311	–2,231
Other	–10	–22	–231	-9	–14	–177
Interest income						
Bank	811	4,120	4,278	787	3,973	3,488
Group	–	–	–	362	299	267
Other	27	–27	125	1	2	4
Financial expenses						–
Impairment of shares in subsidiaries	–	–	–	-2,239	–29,136	–255,944
Sale of joint venture	–	–	–	-	–3,920	–
Other	–4,075	–	–138	-4,075	–	–
Financial income						
Sale of joint venture	–	9	–	-	9	–
Total	**–13,712**	**–8,168**	**–7,917**	**-16,439**	**-42,070**	**–266,367**

Financial expenses in the Parent Company are attributable to the loan agreements with Nordea and Danske Bank and to the impairment of shares in the subsidiary Pharmakodex Ltd.

NOTE 28 REMUNERATION TO EMPLOYEES

Average number of employees

Group	2013 Average number of employees	Of whom men	2012 Average number of employees	Of whom men	2011 Average number of employees	Of whom men
Sweden	83	31	104	42	104	39
US	17	12	–	–	–	–
Germany	6	4	7	4	6	4
Total for Group	**106**	**47**	**111**	**46**	**110**	**43**

Parent Company	2013 Average number of employees	Of whom men	2012 Average number of employees	Of whom men	2011 Average number of employees	Of whom men
	72	28	92	36	96	36
Total for Parent Company	**72**	**28**	**92**	**36**	**96**	**36**

Costs and remuneration to all employees and Board	Group 2013	Group 2012	Group 2011	Parent Company 2013	Parent Company 2012	Parent Company 2011
Salaries, remuneration and social security fees						
Salaries and other remuneration to the Board, President and Global Management	18,270	21,545	16,286	12,933	20,061	14,935
Salaries and other remuneration to other employees	69,650	58,592	56,241	46,699	46,924	46,723
Pension cost for the Board, President and Global Management[1]	2,214	2,806	2,596	1,833	2,550	2,273
Pension cost for other employees[1]	9,331	11,868	11,412	8,597	10,811	10,431
Social security fees for the Board, President and Global Management[2]	30,327	7,388	5,616	28,445	6,922	5,114
Social security fees for other employees[2]	30,455	25,518	18,824	28,741	22,513	15,968
Other personnel costs	8,218	12,762	9,710	6,245	12,027	8,897
Total	**168,465**	**140,479**	**120,685**	**133,493**	**121,808**	**104,341**

[1] Pertains in its entirety to defined-contribution pension plan.
[2] Of which 36,454 (5,025) (1,028) pertains to estimated costs for social security fees for employee stock option program.

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

The Board's Remuneration Committee comprises Martin Nicklasson, Michael Shalmi and Raymond Hill. The Remuneration Committee convenes as needed and is charged with the task of preparing decision data for the Board regarding wages, salaries and bonuses, as well as the task of making decisions on certain issues regarding remuneration paid to the President and other senior executives who, in addition to the President, comprise six persons. The Remuneration Committee held 4 (2) meetings during the year.

Guidelines approved by the 2013 Annual General Meeting
Reasons
Orexo shall offer market terms so that the company can recruit and retain skilled personnel. Remuneration to the President and other senior executives shall comprise fixed salary, variable remuneration, long-term incentive programs, pension and other customary benefits. Remuneration is based on the individual's commitment and performance in relation to previously established goals, both individual goals and company-wide goals. Individual performance is continuously evaluated.

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

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

Long-term incentive programs
Orexo has adopted share-based incentive programs that are designed to promote the company's long-term interests by motivating and rewarding the company's senior executives. For a description of the company's long-term incentive programs, see Note 16 and the company website, www.orexo.com.

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

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

Deviation from guidelines
The Board is entitled, if it assesses that it is justified in an individual case, to give a member of the Board an assignment to carry out work for the company over and above the work involved in the Board assignment, whereupon the member of the Board may be granted reasonable compensation.

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

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

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

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

Costs and remuneration to the Board, President and senior executives 2012

SEK thousands	Basic salary/ Board fees	Variable remuneration	Other benefits	Pension costs	Share-based payment	Other remuneration	Total remuneration
Board of Directors							
Martin Nicklasson, Chairman	433	–	–	–	–	–	433
Scott Myers, Board member	100	–	–	–	–	–	100
Michael Shalmi, Board member	100	–	–	–	–	–	100
Raymond Hill, Board member	144	–	–	–	20	–	164
Staffan Lindstrand, Board member	136	–	–	–	–	–	136
Kristina Schauman, Board member	167	–	–	–	–	–	167
Subtotal	**1,080**	–	–	–	**20**	–	**1,100**
President and CEO							
Anders Lundström, President and CEO	3,969	1,224	45	622	1,950	–	7,810
Other senior executives (7)	11,354	2,379	10	1,928	1,582	–	17,253
Total	**16,403**	**3,603**	**55**	**2,550**	**3,552**	–	**26,163**

For 2013, provisions for variable remuneration to senior executives were made in the amount of MSEK 2.3.

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

Other senior executives, as of December 31, 2013 refers to the 6 people presented on page 74.

The number of shares and options held by the President and senior executives is shown in the information regarding the Board on page 79 and Management on page 80. Refer to Note 16 for a description of share-based remuneration.

In conjunction with the evaluation of different commercial alternatives for the introduction of
Zubsolv on the American market, the Chairman of the Board assumed the role of Executive Chairman of the Board for a period of time. This assignment as Executive Chairman of the Board involved considerably more extensive work than that involved in the normal Chairman of the Board assignment. The Chairman of the Board was allotted 200,000 Chairman of the Board options in the Chairman of the Board program 2012/2017 as compensation for this.

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

Board members and senior executives

	2013 Number on the closing date, of whom men		2012 Number on the closing date, of whom men		2011 Number on the closing date, of whom men	
Group (incl. subsidiaries)						
Board members	11	91%	12	92%	11	91%
President and other senior executives	8	87%	7	71%	7	71%
Parent Company						
Board members	6	83%	6	84%	6	100%
President and other senior executives	5	80%	6	67%	7	71%

NOTE 29 INCOME TAX

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Current tax for the year	–1,535	–	–	–1,446	–	–
Current tax attributable to previous years	–	–	–	–	–	–
Deferred tax	–	1,715	7,411	–	–	–
Total	**–1,535**	**1,715**	**7,411**	**–1,446**	**0**	**0**
Difference between the Group's tax expense and tax expense based on the current tax rate						
Recognized pre-tax earnings	–154,936	–85,835	–392,009	–45,724	–157,073	–443,769
Tax under current tax rate	34,086	22,575	102,943	10,059	41,310	116,711
Tax effect of non-deductible costs	–2,341	–3,598	–78,200	–2,831	–11,250	–99,223
Tax effect of changed tax rate	–	–48,956	–	–	–37,314	–
Tax effect of deductible costs not charged to earnings	–	–	3,366	–	–	3,366
Tax effect of non-deductible income	–	–	2	–	–	21,041
Increase in unrecognized deferred tax asset	31,745	29,979	–28,111	7,228	7,254	–41,895
Decrease in deferred tax liability due to temporary differences	–	1,715	7,411	–	–	–
Tax on earnings for the year according to the statement of operations	**–1,535**	**1,715**	**7,411**	**–1,446**	**0**	**0**

Tax rate
The current tax rate is the tax rate for income tax in the Group.
The approximated tax rate is 22.0 percent (26.3).

NOTE 30 DEFERRED INCOME TAX

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

In 2011, some of the acquired R&D was impaired, resulting in a reduction in the netted loss carry-forwards in Biolipox.

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Deferred income tax						
Deferred tax assets						
– related to netted loss carry-forwards in Biolipox	27,931	27,931	27,931	–	–	–
– related to other loss carry-forwards	282,220	250,475	280,454	198,182	190,954	198,208
Loss carry-forwards not asset recognized	–310,151	–278,406	–308,385	–198,182	–190,954	–198,208
Deferred tax liability						
– to be paid after more than 12 months	–	–1,566	–1,807	–	–	–
– to be paid within 12 months	–	–2,505	–	–	–	–
– to be paid after more than 12 months and related to temporary differences in acquired R&D	–27,931	–27,931	–27,931	–	–	–
Deferred income tax, net	**0**	**4,071**	**1,807**	**0**	**0**	**0**

Recognized deferred tax liabilities amounted to 4,071 at the beginning of the year and 0 at year-end. The deferred tax liabilities relate to cash flow hedging.

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

Loss carry-forward in the Group amounted to MSEK 1,373 (1,139). There is no time limit restriction on when it can be applied.

Gross changes in respect of deferred tax are as follows:

	2013	2012	2011
Opening balance	**4,071**	**1,807**	**8,912**
Tax on amortization of intellectual property rights in the Group	–	–1,807	–7,105
Tax on cash flow hedging	–4,071	4,071	–
Closing balance	**–**	**4,071**	**1,807**

NOTE 31 EARNINGS PER SHARE

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

	Group		
	2013	2012	2011
Earnings used for the calculation of earnings per share before dilution	–154,936	–85,863	–392,009
Average number of shares before dilution	30,018,262	29,448,932	27,167,225
Earnings per share before dilution (SEK per share)	–5.16	–2.92	–14.43
Options outstanding	2,663,035	2,245,927	2,299,538

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

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

NOTE 32 SHARE DIVIDEND

No dividend was paid in 2013. The Board will propose to the Annual General Meeting on April 15, 2014 that no dividend is paid for the 2013 fiscal year.

NOTE 33 UNDERTAKINGS

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

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

The Orexo Group has three rental agreements. Orexo AB has entered into a rental agreement that runs until December 31, 2014. Orexo Inc's rental agreement runs until December 31, 2019 and Wagner Analysen Technik's rental agreement runs until December 31, 2015.

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

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Falls due for payment within one year	17,224	15,091	15,091	15,091	15,091	15,091
Falls due for payment later than one year but within five years	7,263	15,091	30,182	–	15,091	30,182
Falls due for payment later than 5 years	1,771	–	–	–	–	–
Total	**26,258**	**30,182**	**45,273**	**15,091**	**30,182**	**45,273**

NOTE 34 DISCLOSURES ON THE CASH FLOW STATEMENT

	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Adjustments for items not included in cash flow comprise the following:						
Depreciation/amortization and impairment	50,556	17,331	279,072	6,030	16,453	382,061
Employee stock options, value of employees' services	40,001	9,279	3,111	40,001	9,267	3,111
Financial expenses, convertible bond	–1,127	–3,071	–2,882	–1,899	–3,071	–2,882
Impairment, shares in subsidiaries	–	–	–	2,239	29,466	–
Other	–	–9	53	551	–	–
Total	**89,430**	**23,530**	**279,354**	**46,922**	**52,115**	**382,290**

During the year, the convertible debenture to Novo A/S was converted. This has not had any effect on the cash flow.

NOTE 35 RELATED PARTY TRANSACTIONS

Purchases and sales between Group companies

The following transactions took place between the companies in the Group:	2013	2012	2011
Forward invoicing of costs, which are recognized as net revenues			
Biolipox AB	–	45,388	50,869
ProStrakan AB	–	451	1,275
Kibion AB	1,404	3,404	2,986
Sale of goods and services			
Biolipox AB	1,600	–	–
Orexo Inc	77,277	–	–
Wagner Analysen Technik GmbH	3,168	1,182	322
Orexo UK Ltd	–	–	1,172
Pharmakodex Ltd	–	1,008	774
Kibion AB	412	364	460
Pharmacall	–	2	–
Total	**83,861**	**51,799**	**57,858**

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

Liability to related party
The convertible debenture issued by Orexo to Novo A/S in April 2010 was converted in August 2013.

The following transactions have taken place between Orexo and Novo A/S in respect of the convertible loan	2013
At the beginning of the year	112,216
Interest paid during the year	–8,892
Interest expenses	9,569
Conversion of convertible	–112,893
At year-end	0

Remuneration and obligations in respect of pensions and similar benefits to Board members and the President, see Note 28.

No other transactions with related parties have taken place.

NOTE 36 BUSINESS COMBINATIONS

Business combinations in 2011
On August 1, Orexo AB obtained a controlling influence and thus control over the acquired German company Wagner Analysen Technik GmbH. The company was acquired by Orexo AB's subsidiary Kibion AB and consolidated in the Orexo Group as of the same date.

The acquisition strengthens Kibion's operation and creates significant opportunities for future growth and thus a stronger independent unit.

The goodwill of MSEK 16.0 that arose through the acquisition relates to the synergy effects that are expected to be attained by Kibion AB's and the acquired company Wagner Analysen Technik GmbH's operations.

The acquired company contributed net revenues of MSEK 4.6 and a net loss of MSEK -0.2 for the period August 1 to December 31, 2011.

Had the acquisition taken place on January 1, 2011, the Group's net revenues would have been MSEK 2.6 higher and net earnings for the period MSEK -3.5 lower.

The acquisition was financed through a bank loan.

The acquisition also includes additional conditional payments based on sales revenues.

The Group has made a provision corresponding to the expected outcome. There is a ceiling regulating the size of the additional purchase price, which has been set at a maximum of MEUR 4.

The cost is MSEK 14.3. Costs related to the acquisition amount to MSEK 0.8 and are recognized under administrative expenses.

Acquired net assets and goodwill (MSEK):	
Purchase price	10.0
Additional purchase price	4.3
Total purchase price	**14.3**
Fair value of acquired net assets	–1.7
Goodwill	**16.0**

The assets and liabilities included are as follows (MSEK):	Fair value	Acquired carrying amount
Tangible fixed assets	0.1	0.1
Inventories	0.6	0.6
Current receivables	7.2	7.2
Cash and cash equivalents	0.2	0.2
Current liabilities	–9.8	–9.8
Acquired net assets	**–1.7**	**–1.7**

The Group assesses that the additional purchase price included in the calculation of goodwill will not be paid. However, this does not affect the value of the goodwill, as impairment testing shows that there is no impairment requirement.

NOTE 37 EVENTS AFTER THE CLOSING DATE

Orexo advanced from Small to Mid Cap on NASDAQ OMX.

Additional credit facility agreement with Danske Bank was signed.

Reimbursement agreement with UnitedHealth Group® and OptumRx® for Zubsolv® was signed.

NOTE 38 INFORMATION ABOUT OREXO AB (PUBL)

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

The statements of operations and balance sheets will be subject to adoption at the Annual General Meeting to be held on April 15, 2014.

Assurance of the Board of Directors and President

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

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

Uppsala, March XX, 2014

Orexo AB (publ)

Martin Nicklasson
Chairman of the Board

Raymond Hill
Board Member

Staffan Lindstrand
Board Member

Scott Myers
Board Member

Kristina Schauman
Board Member

Michael Shalmi
Board Member

Nikolaj Sørensen
President

Our audit report was submitted on March XX, 2014.

PricewaterhouseCoopers AB

Lars Kylberg
Authorized Public Accountant

Mikael Winkvist
Authorized Public Accountant

Auditor's Report

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

Report on the annual accounts and consolidated accounts
We have audited the annual accounts and consolidated accounts of Orexo AB for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 7-66.

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

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

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

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

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Orexo AB for the year 2013.

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

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

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

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

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

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

Uppsala, March xx, 2014

PricewaterhouseCoopers AB

Lars Kylberg
Authorized Public Accountant

Mikael Winkvist
Authorized Public Accountant

Definitions of key figures

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

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

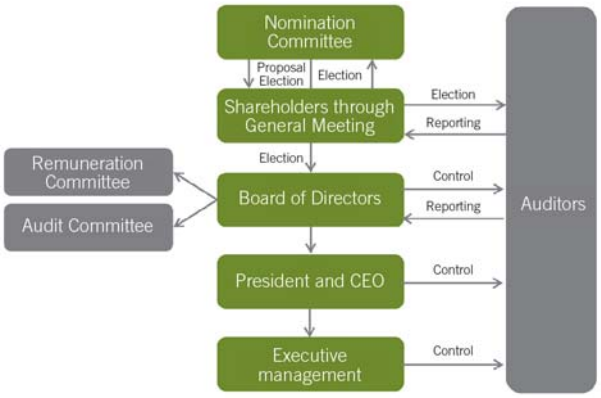
Corporate Governance Report for Orexo AB (publ)

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

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

The company's auditors have reviewed this report.

Corporate Governance at Orexo



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

External regulations influencing corporate governance

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

Internal rules of significance for corporate governance

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

Shareholders

Orexo's share has been listed on NASDAQ OMX Stockholm since 2005. On January 2, 2014, Orexo advanced to the Mid Cap segment. At year-end, the total number of shares amounted to 32,882,408 (29,946,332), distributed among 4,881 (3,588) shareholders. The 10 largest shareholders held 64 (62) percent of the outstanding shares, management 0.1 (2) percent and other shareholders 35.9 (36) percent. At December 31, 2013, two shareholders each held shares representing 10 percent or more of the company – Novo A/S, 29.3 percent and HealthCap, 16.8 percent. Non-Swedish shareholders accounted for approximately 51 (45) percent of the total number of shares. Institutions and industrial owners hold the majority of shares. At year-end, 83 (81) percent of shares were held by legal entities, and 17 (19) percent by private individuals. On November 13, the share was made available in the US as an ADR on the OTCQX market.

Articles of Association

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

General Meeting of Shareholders

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

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

Annual General Meeting 2013

The Annual General Meeting was held on Thursday, April 11, 2013 in Uppsala. At the Meeting:

- The balance sheet and income statement for the Parent Company and the Group for the 2012 fiscal year were adopted.
- Raymond G. Hill, Staffan Lindstrand, Scott Myers, Martin Nicklasson, Kristina Schauman and Michael Shalmi were re-elected as Board members and Martin Nicklasson was elected as Executive Chairman of the Board.
- The Annual General Meeting granted Board members and the President discharge from liability for the 2012 fiscal year.
- A resolution was adopted that fees for Board members should amount to a total of SEK 1,500,000, with SEK 600,000 paid to the Chairman of the Board, SEK 150,000 to each of the other Board members, and a total of SEK 150,000 distributed between the members of the Audit Committee, so that the Chairman of the committee receives SEK 100,000 and SEK 50,000 is distributed between the other committee members for their work on the committee. The fee may be invoiced by a company in such a way that it is cost-neutral for Orexo.
- A resolution was adopted in accordance with the Board's proposal concerning authorization of the Board to approve a new issue of shares against payment in kind.
- A resolution was adopted in accordance with the proposal to adopt a performance-based, long-term incentive program 2013/2018 directed to the chairman of the board.
- A resolution was adopted to extend the latest time for making an offer to participate in the company's performance-based, long-term incentive program 2011/2021.
- The Board's motion concerning principles and guidelines for remuneration and other terms of employment for senior executives was approved.
- The motion concerning terms of reference for the Nomination Committee was approved.

Complete information about the 2013 Annual General Meeting can be found at www.orexo.com.

Extraordinary General Meeting on August 6, 2013

An Extraordinary General Meeting of Orexo was held on Tuesday, August 6, 2013 in Uppsala. At the meeting:

- A resolution was adopted regarding amendment of the performance-based, long-term incentive program 2011/2021, issue of warrants with the right to subscribe for new shares and approval of disposal of the warrants. For further information on the resolutions and all the terms and conditions of the Board shareholder program, please refer to Orexo's website, www.orexo.com.

Annual General Meeting 2014

The Annual General Meeting of Orexo will be held on Tuesday, April 15, 2014, at 4:00 p.m. at the company's premises at Virdings allé 32 A, Uppsala, Sweden.

Nomination Committee

The 2013 Annual General Meeting adopted a resolution that the Company should have a Nomination Committee. The Nomination Committee represents the company's shareholders. It is tasked with creating the best possible basis for the General Meeting's resolutions regarding the election of Board members and Board fees and with submitting proposals concerning, for example, the appointment of auditors and auditors' fees. The Nomination Committee comprises representatives of the three largest shareholders in terms of voting rights on the final banking day in August 2013, in addition to the Chairman of the Board. The composition of the Nomination Committee was announced on Orexo's website and in a press release on October 15, 2013. The Committee held 2 (1) meetings during the year.

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

Nomination Committee for the 2014 Annual General Meeting

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

Combined, the Nomination Committee represents about 49 percent of the number of shares and votes in the company, based on shareholder data at the time of appointment.

Board of Directors

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

At year-end, Orexo's Board of Directors consisted of Executive Chairman Martin Nicklasson and Board members Raymond G. Hill, Staffan Lindstrand, Michael Shalmi, Kristina Schauman and Scott Myers. For a more detailed description of Board members, please refer to page 76.

The work of the Board

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

In addition to the statutory Board meeting, at least six scheduled Board meetings must be held. At the Board meeting during which the annual audit is to be considered, the Board meets with the auditors without the presence of employees of the company.

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

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

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

During the year, the Board held 14 (15) meetings, of which 8 (6) were telephone conferences or meetings by circulation. The Board mainly addressed and resolved on issues concerning the company's strategic direction, the status of projects, licensing of projects, the follow-up of financial performance, financing, investment matters, external reporting, budget planning and follow-up, the ADR program, and naturally the approval and launch of Zubsolv®. These issues are addressed by the Board in its entirety, or in certain instances by Executive Management. Orexo's auditor participated at the Board meeting that approved the financial statements and presented the audit at this meeting.

Remuneration of the Board

The Annual General Meeting resolved that Board fees should amount to SEK 1,500,000, of which SEK 600,000 was to be paid to the Executive Chairman of the Board, SEK 150,000 to each of the other Board members, and a total of SEK 150,000 to be divided among the members of the Audit Committee so that the Chairman of the committee receives SEK 100,000 and the other committee members share SEK 50,000.

Composition of the Board

Name	Function	Independent	Elected	Present at Board meetings	Present at Remuneration Committee	Present at Audit Committee
Martin Nicklasson	Chairman of the Board	■	2012	12/14	4/4	-
Scott Myers	Board member	■	2012	10/14	–	-
Kristina Schauman	Board member	■	2012	14/14	-	5/5
Michael Shalmi	Board member	■	2010	13/14	4/4	–
Raymond G. Hill	Board member	■	2008	12/14	4/4	-
Staffan Lindstrand	Board member	■	2002	14/14	–	4/5

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

Composition of the Board

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

members elected by the Meeting have been deemed to be independent in relation to Orexo and its management and all of these members, with the exception of two, have also been deemed to be independent in relation to the company's largest shareholders.

Audit Committee

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

Remuneration Committee

The Remuneration Committee is tasked with addressing matters concerning salaries and other terms of employment, pension benefits and bonus systems, including any allocation of warrants under the terms of approved incentive programs for the President and the senior executives and managers, as well as remuneration issues based on principle. The Committee shall meet as often as required. The above issues are addressed by the Committee and the Board makes resolutions on the basis of the proposals from the Committee. The Committee should comprise the requisite knowledge and expertise to deal with issues related to the remuneration of senior executives. The Remuneration Committee comprises Martin Nicklasson (Chairman), Michael Shalmi and Raymond G. Hill. During the year, the Remuneration Committee was convened on 4 (2) occasions.

Evaluation of the Board's work

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

President and Global Management Team

The President leads the work of the Executive Management Team and the extended Global Management Team and makes decisions in consultation with the rest of the management. At the end of 2013, Executive Management consisted of three people and the extended Global Management Team consisted of seven people. Both the Executive Management Team and Global Management Team hold regular meetings under the supervision of the President.

Deviation from the Swedish Code of Corporate Governance

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

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

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

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

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

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

Control environment

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

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

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

Risk assessment

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

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

Control activities

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

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

Information and communication

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

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

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

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

Follow-up

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

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

Further information about Orexo's corporate governance

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

- Articles of Association
- Information about the Swedish Code of Corporate Governance
- Information from General Meetings of previous years
- Information from the Nomination Committee
- Information about remuneration principles for senior executives
- Corporate governance reports from 2008 onwards
- Information for the 2014 Annual General Meeting (convening notice, Nomination Committee proposals, presentation of the work of the Nomination Committee, etc.)

Auditor's Report on the Corporate Governance Statement

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

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2013 on pages 72-75 and that it has been prepared in accordance with the Annual Accounts Act.

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

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

Uppsala, March XX, 2014
PricewaterhouseCoopers AB

Lars Kylberg
Authorized Public Accountant

Mikael Winkvist
Authorized Public Accountant

Board of Directors

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

Board member since 2012
M.Sc. Pharm. PhD and Associate Professor at the Faculty of Pharmacy, Uppsala University.
Other appointments: Chairman of the Board of Basilea Pharmaceutica Ltd. and Farma Holding AS and Board member of Pozen Inc., Oasmia AB and Biocrine AB. Member of the Royal Academy of Engineering Sciences (IVA).
Previous appointments: CEO at Swedish Orphan Biovitrum AB 2007-2010. Astra/AstraZeneca 1978–1989 and 1991–2007, among other responsible for global drug development and marketing and business development within AstraZeneca Ltd., and CEO of AstraZeneca Sweden AB. CEO of Astra Hässle AB and responsible for R&D within KABI.
Holds 7,000 shares and stock options entitling to 200,000 shares.*

2. Raymond G. Hill (b. 1945)

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

3. Kristina Schauman (b. 1965)

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

4. Scott Myers (b. 1966)

Board member since 2012.
BA in Biology and MBA in Finance.
Other appointments: CEO at Aerocrine AB.
Previous appointments: VP, Head of European Mid-Markets at UCB, senior positions at Johnson & Johnson including Senior Vice President and General Manager of McNeil Specialty Products.
Does not hold any shares in Orexo.

5. Staffan Lindstrand (b. 1962)

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

6. Michael Shalmi (b. 1965)

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

* As per December 31, 2013

Management

EM, *Member of Executive Management*
GMT, *Member of Global Management Team*

1. Nikolaj Sørensen (b. 1972)*

Chief Executive Officer since February 2013, employed since 2011.
M.Sc. Business and Economics.
Previous appointments: International commercial experience of the pharmaceuticals industry from Pfizer and Boston Consulting Group (BCG).
Board member of the Swedish Pharmaceutical Industry Association (LIF).
Holds 16,770 shares and stock options entitling to 410,000 shares.*

2. Henrik Juuel (b. 1965)*

EVP and Chief Financial Officer since 2013.
M.Sc. Economics and Business Administration.
Previous appointments: Extensive relevant experience from senior international management positions within the life science industry, including senior finance positions for Novo Nordisk and positions as CFO for NNE Pharmaplan and GN Resound.
Other apppointments: Board member at Baslev A/S.
Holds 10,000 shares and stock options entitling to 100,000 shares.*

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

President of Orexo U.S. Inc. since 2013.
R. Ph.
Other appointments: Treasurer and Trustee – Academy of Managed Care Pharmacy Foundation, Member of the St. John's College of Pharmacy Advisory Board, Academy of Managed Care Pharmacy and the American and New Jersey Pharmacists Associations.
Previous appointments: Extensive experience establishing commercial operations in the U.S. with a combined background in market access, marketing, and sales. Has held leadership positions at multinational pharmaceutical companies including Sanofi-Aventis, Schering-Plough, Berlex, Pharmacia and most recently served as Chief Commercial Officer at Archimedes Pharmaceuticals.
Holds stock options entitling to 225,000 shares.*

4. Jesper Lind (b. 1960)

Chief Operating Officer since November 2013.
M.Sc. Chemical Engineering.
Previous appointments: Extensive senior global pharmaceutical manufacturing and supply chain experience from AstraZeneca, Pharmacia Biosensor and Alfa-Laval.
Holds stock options entitling to 40,000 shares.*

5. Åsa Holmgren (b. 1965)

Head of Regulatory Affairs since 2008.
M.Sc. Pharm.
Previous appointments: Extensive experience of several major pharmaceutical companies, including AstraZeneca, and mainly international, strategic assignments within Regulatory Affairs.
Holds stock options entitling to 70,000 shares.*

6. Peter Edman (b. 1954)

Chief Scientific Officer since 2012.
Ph.D. and Associate Professor in Biochemistry
Previous appointments: Extensive experience from senior positions within research and development at Sobi, Biovitrum, AstraZeneca, Astra and Pharmacia. Director at the Swedish Medical Product Agency. Professor in Pharmaceutical Formulation and, for several years, Adjunct Professor in Drug Delivery.
Holds 5,000 shares and stock options entitling to 125,000 shares.*

7. Michael Sumner (b. 1965)

Chief Medical Officer since 2013.
MB BS, MRCP (UK), MBA
Previous appointments: Extensive experience within the pharmaceutical industry from Novartis Pharmaceuticals, Aventis Behring, Novo Nordisk and most recently held the position of Vice President Clinical and Medical Affairs at Shire.
Other appointments: Scientific Advisory Board Firststring Research Inc.
Holds stock options entitling to 50,000 shares.*

* As per December 31, 2013

Financial Information in Brief

The tables below present financial information for the Orexo Group for the fiscal years 2009 to 2013.

Statement of operations information	2013	2012	2011	2010	2009
Net revenues	429.4	326.3	199.6	210.5	236.1
Cost of goods sold	–29.3	–27.9	–29.0	–26.3	–23.6
Gross profit	**400.0**	**298.4**	**170.6**	**184.2**	**212.5**
Selling expenses	–125.1	–62.0	–50.1	–35.2	–39.3
Administrative expenses	–126.4	–82.6	–49.6	–46.8	–46.3
Research and development costs	–238.1	–216.2	–194.4	–161.1	–222.2
Other operating income and expenses	–50.1	–17.1	–268.0	–22.8	–3.8
Operating earnings	–139.7	–79.4	–391.5	–81.8	–99.1
Net financial items	–13.7	–8.2	–7.9	–7.5	2.1
Earnings after financial items	**–153.4**	**-87.6**	**–399.4**	**–89.3**	**–96.9**
Income tax	–1.5	1.7	7.4	–	–1.1
Net earnings for the year	**–154.9**	**–85.9**	**–392.0**	**–89.3**	**–98.1**

Balance sheet information	2013	2012	2011	2010	2009
Intangible fixed assets	194.8	135.2	150.9	407.4	447.0
Tangible fixed assets	33.3	35.1	39.2	41.7	45.8
Financial fixed assets	–	18.5	–	–	–
Inventories	383.4	28.3	26.7	8.0	8.4
Accounts receivable	36.1	17.5	56.9	99.2	31.8
Other current assets	19.1	19.1	25.5	20.6	28.9
Cash and bank balances	105.6	228.1	246.9	135.8	87.4
Total assets	**772.3**	**481.8**	**546.1**	**712.7**	**649.3**
Shareholders' equity	161.5	191.2	311.1	468.2	548.6
Interest-bearing liabilities	241.1	120.6	120.9	103.9	16.0
Non-interest-bearing liabilities and provisions	369.7	170.0	114.1	140.6	84.7
Total shareholders' equity and liabilities	**772.3**	**481.8**	**546.1**	**712.7**	**649.3**

Cash flow information					
Cash flow from operating activities before changes in working capital	–61.9	–61.0	–117.2	–49.4	–79.3
Cash flow from changes in working capital	–201.3	89.7	–	6.4	–54.6
Cash flow from operating activities	–263.2	28.7	–117.2	–43.0	–133.9
Acquisition of tangible and intangible assets	–107.5	–5.8	–4.7	–3.4	–3.2
Acquisition of subsidiaries	–	–	–10.3	–	24.7
Sale of tangible assets	–	0.6	–	–	–
Sale of joint venture	–	12.1	–	–	–
Cash flow after investing activities	–370.7	35.6	–132.3	–46.4	–112.4
Funds from issue of convertible bonds	–	–	–	111.2	–
Amortization of loans	–3.0	–2.3	–	–16.0	–
Borrowings	234.7	–	11.7	–	16.0
New share issues	19.4	0.8	232.0	–	0.1
Buyback of shares	–	–53.0			
Cash flow for the year	–119.6	–18.9	111.5	48.8	–96.3
Cash and cash equivalents at year-end	105.6	228.1	246.9	135.8	87.4

Key figures

	2013	2012	2011	2010	2009
Growth in net revenues, %	31.6	63.5	–5.2	–10.8	1.2
Margins and profitability					
Gross margin, %	93.2	91.4	85.5	87.5	90.0
Profit margin, %	–35.7	–26.8	–200.1	–42.4	–41.0
Operating margin, %	–32.5	–24.3	–196.1	–38.8	–42.0
Return on total capital, %	–24.4	–13.9	–52.7	–11.9	–13.7
Return on shareholders' equity, %	–88.3	–32.8	–77.7	–17.9	–17.0
Return on capital employed, %	–48.1	–19.9	–63.3	–14.2	–15.7
Capital structure					
Working capital, net, MSEK	78.5	–92.8	1.7	–2.7	5.3
Working capital, net/net revenues, %	–1.7	–14.0	–0.2	0.6	–9.5
Operating capital, MSEK	296.9	83.7	185.2	436.3	477.2
Capital turnover rate, multiple	225.6	242.7	64.2	46.1	55.0
Shareholders' equity, MSEK	161.5	191.2	311.1	468.2	548.6
Net debt, MSEK	–135.4	–107.5	–125.9	–31.9	–71.4
Debt/equity ratio, multiple	154	63	39	22.2	–
Equity/assets ratio, %	20.9	39.7	57.0	65.7	84.5
Current ratio	109.5	173.5	301.4	188.3	233.7
Employees					
Average number of employees	106	111	110	105	124
Number of employees at year-end	108	97	118	105	108
Personnel expenses, MSEK	167.0	138.1	117.6	120.3	128.6
Data per share					
Before dilution					
Average number of shares, thousands	30,018	29,449	27,167	23,403	22,715
Number of shares at end of period, thousands	31,791	28,825	29,865	23,404	23,401
Earnings per share after tax, SEK	–5.16	–2.92	–14.43	–3.81	–4.3
Shareholders' equity, SEK	5.08	6.63	10.42	20.01	23.4
Cash flow from operating activities per share, SEK	–8.77	0.97	–4.32	–1.84	–5.90
Dividend, SEK	–	–	–	–	–
After dilution					
Average number of shares, thousands	32,449	32,101	29,706	25,501	23,801
Number of shares at end of period, thousands	32,977	31,645	32,371	25,943	24,488
Earnings per share after tax, SEK	–5.16	–2.92	–14.43	–3.81	–4.3
Shareholders' equity, SEK	4.90	6.04	9.61	18.05	22.4
Cash flow from operating activities per share, SEK	–8.11	0.89	–4.32	–1.84	–5.90

Other Information

2014 Annual General Meeting
The Annual General Meeting of Orexo AB will be held on Tuesday, April 15, 2014 at 4:00 p.m. at Orexo AB, Virdings allé 32A in Uppsala, Sweden.

Registration, etc.
Shareholders who wish to participate in the meeting must be recorded in the share register maintained by Euroclear Sweden AB on Wednesday April 9, 2014, and notify Orexo of their intention to attend the meeting not later than on Wednesday April 9, 2014 by post to Orexo AB, P.O. Box 303, SE-751 05 Uppsala, Sweden, by telephone +46 (0) 18 780 88 00, by telefax +46 (0) 18 780 88 88, or by e-mail to beata.augenblick@orexo.com.

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

Shareholders whose shares are registered in the name of a nominee/custodian must temporarily re-register their shares in their own names to be entitled to participate in the meeting. Shareholders must inform their nominee/custodian of such re-registration well before Wednesday April 9, 2014, by which date such re-registration must have been executed.

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

Financial calendar 2014

Annual Report	March 25, 2014
Annual General Meeting	April 15, 2014, at 4:00pm CET
Interim Report, January–March	April 25, 2014
Interim Report, January–June	July 11, 2014
Interim Report, January–September	October 22, 2014

Contact Investor Relations
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Glossary

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

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

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

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

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

CLI
Cysteinyl Leukotriene Inhibitor.

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

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

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

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

Gastroscopy
Examination of the stomach, oesophagus or duodenum.

GMP
Good Manufacturing Practice.

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

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

Mucoadhesive
Something which sticks to the surface of the mucosa.

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

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

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

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

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

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

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

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

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

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

Rhinitis
Hay fever.

Sublingual
Beneath the tongue.

Transmucosal
Administration of a drug through the mucosa.

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