

Orexo AB (publ.)

– Interim report, January-March 2010

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Uppsala, May 5, 2010

Orexo AB (publ) – Interim report, January-March 2010

Further strong sales development for Abstral

- Net revenues amounted to MSEK 36.4 (114.9).¹⁾
- Abstral royalty increased to MSEK 8.5 (1.3)
- Abstral approved in Italy and TUEP 650 in milestones received
- The loss after tax was MSEK 27.6 (profit: 26.3).
- The loss per share before dilution was SEK 1.18 (profit: 1.20).
- The loss per share after dilution amounted to SEK 1.18 (1.15).
- Cash and cash equivalents at the end of the quarter totaled MSEK 50.4 (148.2).
- As per April 7 cash position amounted to MSEK 161.

¹⁾ References made in this interim report pertain to the Group unless otherwise stated. Figures in parentheses pertain to the year-earlier period.

KEY EVENTS DURING THE FIRST QUARTER OF 2010

Orexo strengthens financial and strategic position

On March 15, it was announced that Novo A/S would make an investment in Orexo through a combined transaction encompassing a convertible bond issue in the amount of MSEK 111 and through the acquisition of two major blocks of shares from existing shareholders. Payment for the convertible bond issue was made on April 7, 2010 after which the cash position was approximately MSEK 161, but had no effect on the financial position on March 31. The conversion price of the convertible bonds was set at 25 per cent premium to the closing share price on March 12, 2010. The issue was approved by an Extraordinary General Meeting (EGM) on March 31. For detailed terms and conditions of the issue, refer to Note 7. The EGM also resolved to elect Michael Shalmi from Novo A/S as a new Board member, instead of Johan Christenson, who was discharged.

Abstral approved in Italy

Orexo's Abstral product was granted EU approval in Italy, which is a key market and a milestone payment of MSEK 6.3 was received.

Registration application for Abstral filed in Canada

The registration application for Abstral in Canada was submitted in February 2010 by ProStrakan's Canadian partner, Paladin Labs Inc., which was accepted for final review by Health Canada, the Canadian Government Department with responsibility for public health. The registration application has been assigned high priority by Health Canada and will thus be reviewed within 180 days.

Registration application for KW-2246 (Abstral) filed in Japan

New Drug Application (NDA) for KW-2246 (Abstral) in Japan was submitted in February 2010 by Orexo's partner Kyowa Hakko Kirin Co., Ltd. The drug will be marketed by Kyowa Hakko Kirin and Hisamitsu Pharmaceutical Co., Inc.

KEY EVENTS AFTER THE CLOSE OF THE PERIOD**Novo transaction completed**

Following approval by the extraordinary general meeting of the convertible bond issue to Novo A/S, the bond issue in the amount of SEK 111,150,000, and Novo's acquisition of existing shares corresponding to 10.7 per cent of the total number of shares and votes in Orexo, have now been completed.

As a consequence, the election of Michael Shalmi as new board member, replacing Johan Christenson, has now become effective

Orexo's 2010 Annual General Meeting was held on April 21

Orexo's Annual General Meeting (AGM) resolved to reelect Monica Caneman, Michael Shalmi, Raymond Hill, Staffan Lindstrand, Bengt Samuelsson, Peter Lindborg och Kjell Strandberg as members of the Board and to reelect Håkan Åström as Chairman of the Board until the end of the next AGM.

The AGM resolved to adopt a Board member share plan that includes the issuance of 30,000 warrants. The program, which is described in detail in Note 3, entails that participating Board members will receive 50 per cent of the Board fee in cash and will be allocated Board shares, the value of which at the time of allocation shall correspond to 50 per cent of the Board fee remuneration.

The AGM resolved to authorize the Board to decide on the issue of new shares at a maximum of 10 per cent of shares outstanding.

Operations

"During the first quarter of the year, we experienced strong growth in sales of Abstral to end customers in Europe. Abstral continued to grow sales in all markets and is now the market leader in cancer pain drugs in the UK.

Another key event during the period was securing approval for Abstral in Italy, and has potential to become one of the major Abstral markets in Europe. During the remainder of the year, we expect further approval in several important markets, including the USA.

Through Novo Growth Equity, Novo A/S has become a new, strategic shareholder in part through an investment in a convertible loan and in part through the acquisition of shares from existing shareholders. Novo investment is based on that Orexo has achieved substantially results through the years which has resulted in that we now have three launched products developed on our own on the market." says Torbjörn Bjerke, President and CEO.

The period in figures; January 1 – March 31, 2010

Condensed consolidated statement of operations

MSEK	3 months	3 months	12 months
	2010	2009	2009
	Jan-March	Jan-March	Jan-Dec
Net revenues	36.4	114.9	236.1
Cost of goods sold	-6.4	-5.7	-23.6
Gross profit	30.0	109.3	212.5
Selling expenses	-7.4	-9.3	-39.3
Administrative expenses	-8.8	-10.8	-46.3
Research and development costs	-41.9	-66.1	-224.2
Other operating income and costs	1.3	-2.9	-1.8
Operating profit/loss*	-26.7	20.1	-99.1
Net financial items	-0.9	6.1	2.1
Profit/loss after financial items	-27.6	26.2	-96.9
Tax	0.0	0.1	-1.1
Net profit/loss for the period	-27.6	26.3	-98.1

* Includes the costs of personnel stock options in the amount of MSEK 1.7 for the period January-March 2010 (MSEK 1.1 January-March 2009).

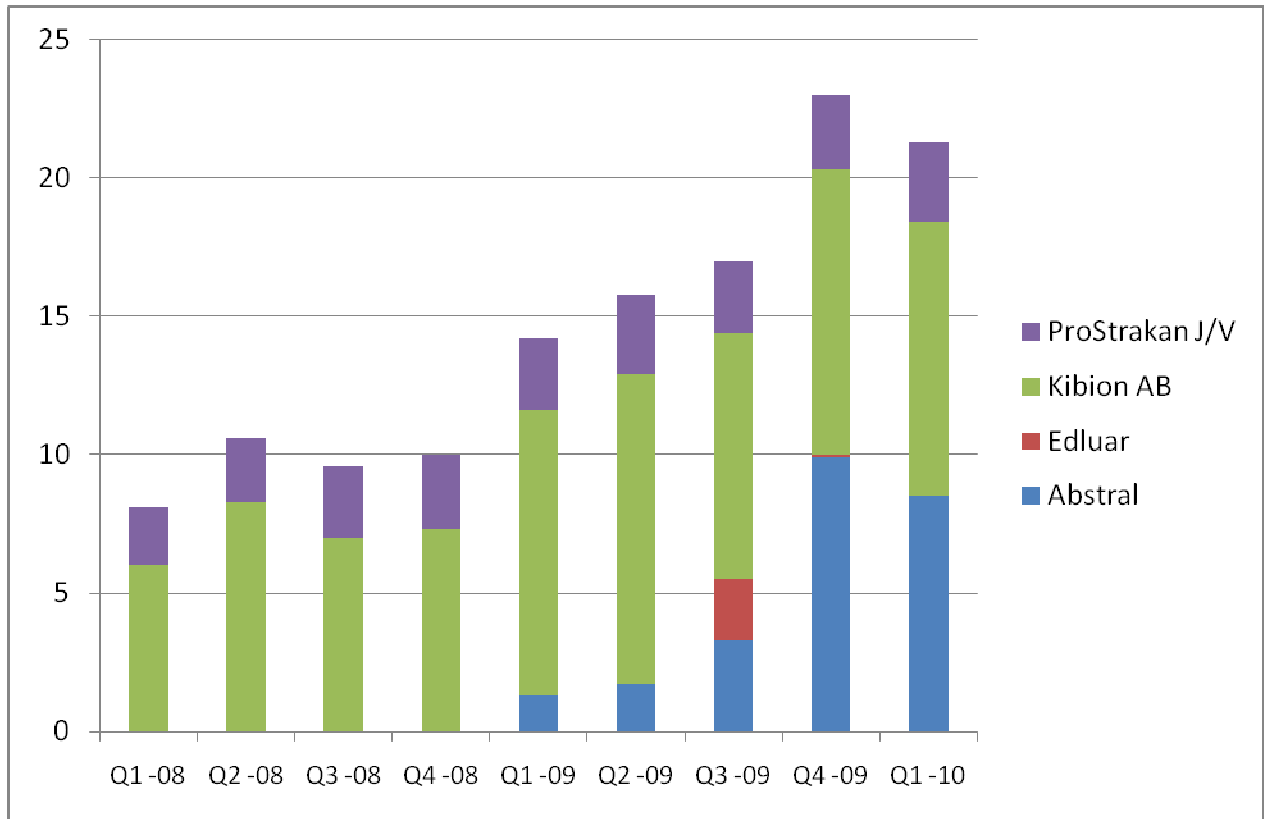
Revenues

Net revenues

Consolidated net revenues for the period January-March 2010 amounted to MSEK 36.4 (114.9). Higher revenues in the year-earlier period were primarily related to revenues from the partnership with Meda and nonrecurring compensation for the approval of Edluar in the US and Abstral™ in Spain and France.

Royalty revenues from marketed products excluding license revenues increased with over 50 percent compared to first quarter 2009

MSEK



Royalty revenues from Abstral amounted to KEUR 916 in the first quarter, or MSEK 8.5, compared with MSEK 1.3 in the year-earlier period. Royalty revenues in the preceding quarter were KEUR 965 (or MSEK 9.9). The IMS audited in-market sales volume of Abstral in the European countries where the product has been launched increased in Q1 2010 compared to Q4 2009. Taken together this suggests some inventory build-up towards the end of last year to accommodate the fast sales ramp in countries recently having launched the product. A more comprehensive update on actual numbers will be given when ProStrakan announces their Q1 results on May 19.

Kibion AB's sales would have increased by 4 per cent if the Euro had remained unchanged, but declined in SEK to MSEK 9.9 (MSEK 10.3).

ProStrakan AB's sales rose to MSEK 5.9 (5.1), of which 50 per cent was recognized in Orexo's revenues. Abstral's sales through ProStrakan AB increased to MSEK 1.7 (MSEK 0.5).

License revenues amounted to MSEK 6.3 (88.5) and pertained to the approval of Abstral in Italy. License revenues from the year-earlier period primarily pertained to outlicensing of the pain drug Edluar to Meda and compensation for the approval of Edluar in the US.

Net revenues were distributed as follows:

MSEK	Jan-March 2010	Jan-March 2009	Jan-Dec 2009
Abstral - royalty	8,5	1,3	16,2
Edluar - royalty	-	-	2,3
Kibion AB	9,9	10,3	40,7
Prostrakan AB J/V 50%	2,9	2,6	10,8
Total revenue from launched products	21,3	14,0	70,0
Funded R&D costs	8,8	12,4	46,4
License revenues	6,3	88,5	119,5
Other	-	-	0,2
Totalt	36,4	114,9	236,1

Expenses and earnings*Selling expenses*

Selling expenses for the period January-March 2010 amounted to MSEK 7.4 (9.3).

Selling expenses include business development expenses relating to the licensing out of Orexo's projects, phase IV studies and operations in Kibion AB and the joint venture company ProStrakan AB. Lower year-on-year costs were primarily attributable to lower costs in the business development division.

Administrative expenses

Administrative expenses for the period January-March 2010 amounted to MSEK 8.8 (10.8). Lower expenses were related to cost cuts that were implemented in 2009 and that achieved full effect as of January 1, 2010.

Research and development costs

Research and development costs for the period January-March 2010 amounted to MSEK 41.9 (66.1).

MSEK 8.8 (12.4) of these costs were invoiced during the period.

Lower costs were primarily related to the development of our product portfolio, which thus required less external research activities, but also to the cost cuts that were implemented in 2009 and that achieved full effect as of January 1, 2010.

Expenses for the company's employee stock options program

The company's expenses for the employee stock options program for the first quarter totaled MSEK 1.7, compared with MSEK 1.1 for the year-earlier period.

Other revenues and expenses

Other revenues and expenses for the period January-March 2010 amounted to MSEK 1.3 (loss: 2.9).

Depreciation/amortization

Depreciation/amortization for the period January-March was MSEK 2.0 (2.5).

Net financial items

Net financial items for the period January-March 2010 totaled a shortfall of MSEK 0.9 (pos: 6.1). Net financial items include interest expenses of MSEK 0.1, and unrealized losses in the share price and other credit expenses. Net financial items for the year-earlier period included revenues of MSEK 5.6 that were attributable to the fact that the second installment payment in conjunction with the acquisition of PharmaKodex entailed that this be categorized as an embedded derivative, which is valued at its market value via the statement of operations, resulting in a positive earnings effect of a declining stock market price.

Tax

Tax revenues (deferred tax) for the period January-March 2010 amounted to MSEK 0.0 (0.1).

Earnings

Orexo posted an operating loss for the period January-March 2010 of MSEK 26.7 (profit: 20.1). The loss after net financial items was MSEK 27.6 (profit: 26.2) and the loss after taxes totaled MSEK 27.6 (profit: 26.3).

Financial position

Group cash and cash equivalents at March 31, 2010 amounted to MSEK 50.4 (148.2) and at April 7 to approximately MSEK 161. During the period, a loan from Nordea AB was amortized by MSEK 16, which was instead replaced by a bank overdraft facility of MSEK 35. No credit had been utilized at March 31, 2010. Payment of the direct new issue, which is described in the report, was not made until April, 2010 and thus had no impact on the financial position at March 31.

Cash flow from operating activities for the period January-March 2010 amounted to a shortfall of MSEK 19.7 (neg: 62.6). Cash flow after financing resulted in a deficit of MSEK 33.8 (neg: 38.0).

Shareholders' equity at March 31, 2010 totaled MSEK 519.2 (633.5). The equity/assets ratio was 87 per cent (82).c

Investments

Gross investments in tangible fixed assets during the period January-March 2010 totaled MSEK 1.3 (0.1).

Product portfolio

Please visit our web: www.orexo.com.

Parent Company

Most of the Group's business is carried out in the Parent Company, Orexo AB. Net revenues for the period January-March 2010 totaled MSEK 24.7 (98.5), with the loss after financial items amounting to MSEK 24.3 (gain: 32.4). Investments totaled MSEK 1.3 (0.1). Cash and cash equivalents in the Parent Company at March 31, 2010 totaled MSEK 15.1 (17.9), with current investments amounting to MSEK 0.0 (0.0).

Significant risks and uncertainties

Significant risks and uncertainties are shown in the Annual Report 2009. Since the Annual Report was issued, significant changes occurred as described below.

Financial risks

The convertible issue that has been carried out raised MSEK 111 before expenses resulting in a reduction of Orexo's financial risks.

Given the lower cost base 2010, the convertible bond of MSEK 111 issued to Novo A/S in April 2010 and credit facilities of MSEK 35, the Board estimates that current financing is sufficient to pursue the operations.

Group cash and cash equivalents amounted to MSEK 50.4 at March 31, 2010 and approximately MSEK 161 at April 7.

Share and market value

Orexo's share traded at SEK 43.9 at March 31, 2010. The company's market capitalization, based on the number of shares outstanding on March 31, 2010, amounted to MSEK 1,027.3.

Future reporting dates

Interim report, January-June 2010 _____ August 20, 2010
Interim report, January-September 2010 _____ November 10, 2010
Year-end report for 2010 _____ February 16, 2011

Uppsala, May 5, 2010

Orexo AB (publ)

Torbjörn Bjerke, President and CEO

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SEB Enskilda	Gustaf Vahlne

Review report

We have reviewed the appended report for the period January 1 to March 31, 2010 for Orexo AB (publ). The Board of Directors is responsible for the preparation and fair presentation of this interim report in accordance with the Annual Accounts Act and IAS 34. Our responsibility is to express an opinion on this interim report based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, as issued by FAR. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different direction and is substantially more restricted in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

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

Uppsala, May 5, 2010
PricewaterhouseCoopers AB

Leonard Daun
Authorized Public Accountant

CONSOLIDATED STATEMENT OF OPERATIONS

	Notes	3 months 2010 Jan-March	3 months 2009 Jan-March	12 months 2009 Jan-Dec
Net revenues		36,437	114,948	236,104
Cost of goods sold	2	-6,400	-5,681	-23,650
Gross profit		30,037	109,267	212,454
Selling expenses	2	-7,439	-9,350	-39,261
Administrative expenses	2	-8,785	-10,844	-46,308
Research and development costs	2	-41,840	-66,119	-224,216
Other operating income		2,048	2,651	8,239
Other operating expenses	2	-709	-5,520	-9,991
Operating profit/loss		-26,688	20,085	-99,083
Financial income		22	6,141	4,868
Financial expense		-904	-6	-2,726
Financial items – net		-882	6,135	2,142
Pre-tax profit/loss		-27,570	26,220	-96,941
Income tax		5	100	-1,138
Net profit/loss for the period		-27,565	26,320	-98,079
Profit/loss for the period attributable to:				
Parent company shareholders		-27,565	26,320	-98,079
Minority interests		-	-	-
Earnings/loss per share, attributable to Parent Company shareholders during the period (SEK per share):				
Earnings/loss per share, before dilution, SEK		-1.18	1.20	-4.32
Earnings/loss per share, after dilution, SEK		-1.18	1.15	-4.32

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	Notes	3 months 2010 Jan-March	3 months 2009 Jan-March	12 months 2009 Jan-Dec
Net profit/loss for the period		-27,565	26,320	-98,079
Other comprehensive income				
Hedging of net investments		-	2,852	2,329
Translation differences		-2,559	-5,916	-7,574
Other comprehensive income for the period, net after tax		-2,559	-3,064	-5,245
Total comprehensive income for the period		-30,124	23,256	-103,324
Total comprehensive income attributable to: Parent Company's shareholders		-30,124	23,256	-103,324

**CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY
Attributable to the Parent Company's shareholders**

	Share capital	Other contributed capital	Accumulated loss	Translation differences	Total	Total share- holders' equity ¹⁾
Opening balance, January 1, 2009	8,647	1,012,964	-451,828	-	569,783	569,783
Total comprehensive income for the period	-	-	29,172	-5,916	23,256	23,256
Employee stock options, vested amount	-	1,103	-	-	1,103	1,103
New issues	340	38,981	-	-	39,321	39,321
Closing balance, March 31, 2009	8,987	1,053,048	-422,656	-5,916	633,463	633,463
Opening balance, January 1, 2010	9,360	1,094,453	-549,907	-5,245	548,661	548,661
Total comprehensive income for the period	-	-	-27,565	-2,559	-30,124	-30,124
Employee stock options, vested amount	-	689	-	-	689	689
Closing balance, March 31, 2010	9,360	1,095,142	-577,472	-7,804	519,226	519,226

1) There are no minority interests

CONSOLIDATED BALANCE SHEET

	Notes	2010 March 31	2009 March 31	2009 Dec. 31
ASSETS				
Fixed assets				
Tangible fixed assets		45,345	48,824	45,814
Goodwill		17,987	16,030	17,987
Acquired R&D		424,516	427,619	427,030
Other intangible fixed assets		1,769	2,953	1,982
Total fixed assets		489,617	495,426	492,813
Current assets				
Inventories		8,781	14,845	8,440
Accounts receivable and other receivables		45,143	108,238	59,622
Tax receivables		3,891	2,117	1,045
Cash and cash equivalents		50,432	148,187	87,414
Total current assets		108,247	273,387	156,521
Total assets		597,864	768,813	649,334
SHAREHOLDERS' EQUITY AND LIABILITIES				
	3			
Share capital		9,360	8,987	9,360
Capital contributions		1,095,142	1,053,048	1,094,453
Reserves		-7,804	-5,916	-5,245
Accumulated losses		-577,472	-422,656	-549,907
Total shareholders' equity		519,226	633,463	548,661
Long-term liabilities				
Provisions		12,187	10,295	11,114
Long-term liabilities, interest-bearing		-	-	12,800
Deferred tax liability		9,334	10,088	9,791
Total long-term liabilities		21,521	20,383	33,705
Current liabilities				
Current liabilities, non-interest-bearing		57,117	114,967	63,768
Current liabilities, interest-bearing		-	-	3,200
Total liabilities		78,638	135,350	100,673
Total shareholders' equity and liabilities		597,864	768,813	649,334

**CONSOLIDATED CASH-FLOW
STATEMENTS**

	Notes	3 months 2010 Jan-March	3 months 2009 Jan-March	12 months 2009 Jan-Dec
Operations				
Operating profit/loss before interest expense and interest income		-26,688	20,085	-99,083
Interest income		22	534	759
Interest expense		-198	-6	-397
Tax paid		-	-	-1,389
Other financial expenses		-706	-	-
Adjustment for non-cash items	4	3,632	13,988	20,834
Cash flow from operations before changes in working capital		-23,938	34,601	-79,276
Change in working capital				
Accounts receivable		4,260	-53,642	-2,963
Other current receivables		7,373	7,134	6,143
Inventories		-341	-863	5,542
Current liabilities		-7,644	-50,156	-64,487
Provisions		1,073	295	1,114
Long-term liabilities		-457	-	-
Cash flow from operations		-19,674	-62,631	133,927
Investing activities				
Acquisition of machinery and equipment		-1,331	-121	-2,588
Divestment of machinery and equipment		-	-	2
Acquisition of subsidiaries		-	24,695	24,695
Cash flow after investments		-21,005	-38,057	-111,818
Change in financing				
New share issue		-	75	90
Loans raised		-	-	16,000
Amortization of loans		-12,800	-	-
Cash flow after financing activities		-33,805	-37,982	-95,728
Cash flow for the year				
Cash and cash equivalents, beginning of period		87,414	188,220	188,220
Exchange-rate differences in cash and cash equivalents		-3,177	-2,051	-5,078
Changes in cash and cash equivalents		-33,805	-37,982	-95,728
Cash and cash equivalents, close of period		50,432	148,187	87,414

KEY FIGURES

	3 months 2010 Jan-March	3 months 2009 Jan-March	12 months 2009 Jan-Dec
Operating margin, %	-73	17	-42
Profit margin, %	-76	23	-41
Return on total capital, %	-4	3	-14
Return on equity, %	-5	4	-17
Return on capital employed, %	-5	4	-16
Debt/equity ratio, multiple	0	0	0
Equity/assets ratio, %	87	82	85
Current ratio, %	189	238	234
Acid ratio, %	174	225	221
Average number of shares, before dilution	23,401,252	21,900,642	22,714,784
Average number of shares, after dilution	23,584,321	22,963,839	23,801,489
Number of shares, after full dilution	24,392,275	24,574,059	25,326,775
Number of shares, before dilution	23,401,252	22,467,137	23,401,252
Number of shares, after dilution	23,584,321	23,530,334	24,487,957
Earnings/loss per share, before dilution, SEK	-1.18	1.20	-4.32
Earnings/loss per share, after dilution, SEK	-1.18	1.15	-4.32
Shareholders' equity per share before dilution, SEK	22.19	28.20	23.45
Shareholders' equity per share after dilution, SEK	22.02	26.92	22.41
Number of employees at close of period	103	122	108
Average number of employees	104	123	124
Shareholders' equity	519,226	633,463	548,661
Capital employed	519,226	633,463	564,661

DEFINITIONS

Refer to the annual report for 2009

PARENT COMPANY BALANCE SHEET

KSEK	Notes	3 months 2010 Jan-March	3 months 2009 Jan-March	12 months 2009 Jan-Dec
Net revenues		24,672	98,498	208,183
Cost of goods sold		-	-	-
Gross profit		24,672	98,498	208,183
Selling expenses		-3,847	-3,684	-16,588
Administrative expenses		-8,296	-8,180	-42,260
Research and Development expenses		-37,031	-54,407	-192,463
Other operating income		981	1,820	3,574
Other operating expenses		-287	-4,693	-6,203
Operating profit/loss		-23,808	29,354	-45,757
Earnings from financial investments				
Interest income		9	162	230
Interest expenses		-197	-2	-2,543
Other financial income		-	2,852	6,269
Other financial expenses		-295	-	-
Profit/loss after financial items		-24,291	32,366	-41,801
Tax		-	-	-1,390
Net profit/loss for the period		-24,291	32,366	-43,191

PARENT COMPANY BALANCE SHEET

KSEK	Notes	2010 March 31	2009 March 31	2009 Dec. 31
ASSETS				
Fixed assets				
Tangible fixed assets		45,112	48,360	45,523
Intangible fixed assets		327	473	363
Shares in subsidiaries/joint ventures		606,414	606,441	606,414
Total fixed assets		651,853	665,274	652,300
Current assets				
Inventories		1,651	6,456	1,385
Accounts receivable and other receivables		31,025	101,011	76,729
Tax receivables		3,408	1,733	728
Cash and bank balances		15,098	17,946	12,790
Total current assets		51,182	127,146	91,632
Total assets		703,035	782,420	743,932
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES				
	5			
Restricted equity		300,111	299,738	300,111
Non-restricted equity		323,344	381,982	347,029
Total shareholders' equity		623,455	681,720	647,140
Long-term liabilities				
Provisions		1,475	548	813
Borrowings		-	-	12,800
Total long-term liabilities		1,475	548	13,613
Current liabilities, non-interest-bearing		78,105	100,152	79,979
Current liabilities, interest-bearing		-	-	3,200
Total liabilities		79,580	100,700	83,179
Total shareholders' equity and liabilities		703,035	782,420	743,932
Pledged assets		44,000	-	16,000
Contingent liabilities		6,050	11,050	6,050

Notes

1. Accounting policies

This year-end report was prepared pursuant to IAS 34. Orexo applies IFRS as approved by the EU.

The accounting principles stated below are the same as those applied in the preparation of the 2009 Annual Report.

The Parent Company's financial statements were prepared in accordance with RFR 2.2 (Swedish Financial Accounting Standards Council's recommendation) and chapter 9 of the Swedish Annual Accounts Act.

New and amended accounting policies as of 2010

No new or revised IFRS have come into effect that are expected to have any significant impact on the Group.

2. Costs distributed by type of cost

	2010	2009	2009
	Jan-March	Jan-March	Jan-Dec
Raw materials and supplies	8,611	9,455	41,503
Other external costs	27,275	46,537	162,469
Personnel costs	27,336	37,107	128,619
Depreciation and impairment	1,950	4,414	10,838
TOTAL	65,172	97,513	343,429

Research and development costs encompass costs for personnel, employee stock options, premises, external costs for clinical trials, pharmaceutical registration and laboratory services, the depreciation/amortization of equipment, acquisition of patents and other intangible assets. All development costs recognized in the balance sheet pertain to assets that were acquired through business combinations.

3. Shareholders' equity

Shares outstanding

The number of shares outstanding at March 31, 2010, was 23,401,252, all of which were common shares. All shares carry entitlement to one vote each.

During the period January-March, there was no change in the number of shares outstanding.

Options

At March 31, there were a total of 1,667,547 options outstanding that carry rights to new subscription of 1,461,023 shares in Orexo and the exchange for 206,524 options for shares in Orexo¹. Each option issued by Biolipox AB provides entitlement for exchange for one share in Orexo AB, and a corresponding number of shares is held by the independent company Pyrinox AB.

The list below shows the change in the number of options during the period January 1, 2010 to March 31, 2010 distributed among each category.

	Opening 1/1 2010	Change	Closing 31/3 2010
Employee-related options			
<i>Of which:</i>			
<i>Decided and allotted employee stock options</i>	876,316		876,316
<i>Expired</i>		-8,500	-8,500
<i>Total</i>			867,816
<i>Decided and allotted Board options</i>	35,207		35,207
<i>Total</i>			35,207
<i>Decided and allotted warrants</i>	10,000		10,000
<i>Total</i>			10,000
<i>Decided but not allotted employee stock options 2009</i>			
<i>Opening balance, as approved by the 2009 Annual General Meeting</i>	470,000		470,000
<i>Total</i>			470,000
<i>Warrants held by subsidiaries as cash-flow hedging for social security fees</i>			
	78,000		78,000
<i>Total</i>			78,000
Total options to employees	1,469,523	-8,500	1,461,023
<i>Employee stock options utilized from Biolipox AB (no dilution effect, included in newly issued shares in conjunction with acquisition of Biolipox)</i>			
	196,107	-52,906	143,201
<i>Warrants utilized from Biolipox AB for cash-flow hedging of social security fees (no dilution effect)</i>			
	80,323	-17,000	63,323
Total options from Biolipox	276,430	-69,906	206,524
Total options to employees	1,745,953	-78,406	1,667,547
Other options			
<i>Warrants related to supplemental payment in conjunction with acquisition of Biolipox AB</i>			
	926,000	-926,000	-
Total options outstanding	2,671,953	-1,004,406	1,667,547

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 refer to the number of shares for which each option may be exchanged after recalculation.

During the period January-March 2010, no employee stock options from Orexo's options program were exercised. During the period January-March 2010, 52,679 of Biolipox' employee stock options were exercised, entailing that holders exercised their options in exchange for 52,679 shares held by the independent company Pyrinox AB. Exercise did not entail any new share issues by Orexo.

On January 1, 2010, the 926,000 warrants pertaining to the additional purchase consideration for the Biolipox acquisition expired. They could have been exercised if certain events had occurred before December 31, 2009, although since these events never occurred, the warrants expired.

Costs for the program pertain to the expected cost of the value of employee earnings during the period, as measured at market value on the date of distribution, and to the portion of estimated social security expenses related to the increase in value that were earned during the period. The company will have to pay social security expenses on gains that may arise in connection with the exercise of employee stock options, calculated as the difference between the redemption price of the employee stock options and the market value of the share. All things being equal, this means that a rise in the share price during the quarter increases the costs of the estimated social security fees.

The social security fees that may arise due to the employee stock option have been hedged financially and thus also in terms of cash flow through the issuance of warrants to a subsidiary of Orexo. This hedging does not qualify for hedge accounting in accordance with IFRS.

New program approved at AGM

The AGM also approved a Board member shareholder program comprising the issuance of 30,000 warrants and the approval of the disposal of the warrants within the framework of the Board shareholder program. Board members who participate in Orexo's Board member shareholder program receive 50 per cent of their Board fees and any fees for committee work in cash, and are allotted Board member shares in an amount that, on the allotment date, is equal in value to 50 per cent of the Board fee and any fees for committee work. Entitlement to acquire shares pursuant to the Board member stock program is contingent on the Board member remaining on the Board for all or part of the mandate period. Each Board program share may be used to acquire one share in Orexo in return for payment of a strike price set in relation to the quotient value of the Orexo share.

4. Cash flow

Adjustment for items not included in cash flow

	2010	2009	2009
	Jan-March	Jan-March	Jan-Dec
Depreciation/amortization and impairment	1,950	4,414	10,503
Estimated costs for employee stock options program	1,682	1,129	8,203
Translation differences	-	-14	-
Hedging of net investment	-	2,852	-
Unrealized change in value of derivatives	-	5,607	-
Other	-	-	2,128
Total	3,632	13,988	20,834

5. Shareholders' equity

Changes in the Parent Company's shareholders' equity

	2010	2009	2009
	Jan-March	Jan-March	Jan-Dec
Opening shareholders' equity, balance sheet	647,140	609,194	609,194
Net profit/loss for the period	-24,291	32,366	-43,191
Subscription for shares through the exercise of warrants	-	75	-
New share issues	-	39,246	90
New warrant issues	-	-	74,356
Employee stock options, vested value for employees	606	839	6,691
Closing amount	623,455	681,720	647,140

6. Pledged assets and contingent liabilities

In the acquisition of Inflazyme in November 2007, a supplemental payment was agreed contingent on certain goals being met. MSEK 10.7 of the supplemental payment is reported as a provision and MSEK 37.1 was reported as a contingent liability, since the latter is not assessed as a probable payment based on pharmaceutical development statistics. The supplemental payment was adjusted for changes in exchange rates during the year. As cash-flow hedging for social security fees pertaining to the employee stock options issued by Biolipox, warrants were issued to Pyrinox AB. Orexo has pledged to handle any deficits exceeding the cover provided by the warrants during their lifetime through December 31, 2016.

Orexo acquired the British drug company PharmaKodex in February 2009. This corporate acquisition also includes conditional payments based on revenues from licenses for the current PharmaKodex' program and technologies, as well as being based on payments for certain milestones, which are not reported as a liability.

The overdraft facility of MSEK 35 that was secured from Nordea during the quarter led to a rise in chattel mortgages to MSEK 44 and pledging all shares of Kibion AB.

7. Events after the end of the period

In April 2010, the Group subscribed for a convertible loan. The convertible bonds have a conversion price of SEK 47.50 which implies a premium of approximately 25 per cent to the closing price of Orexo's shares on March 12, 2010 of SEK 37.90, and is structured with an option, providing Orexo with the right to convert the convertible bond once the company's share price exceeds the conversion price by 50 per cent during a certain period. The convertible bond issue has a fixed rate coupon of 8 per cent per annum. If not converted, the bond will be repayable in full on March 31, 2015.

Pursuant to IFRS, the convertible bond will be classified in part as a liability and in part as shareholders' equity, the allocation of which will be based on market interest rates for an equivalent loan, where the loan consists of TSEK 100,577 and shareholders equity of TSEK 10,573.

Note

Orexo AB publ. discloses the information provided herein pursuant to the Securities Markets Act. The information was provided for public release on May 5, 2010, at 8:00 a.m. CET. This report has been prepared in both Swedish and English. In the event of any discrepancy in the content of the two versions, the Swedish version shall take precedence.
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