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

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Uppsala, August 20, 2010

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Abstral sales continue to show strong growth

Key events during the period

- Net revenues amounted to MSEK 65.5 (144.6). 1)
- Cash flow from operating activities was MSEK 11.2 (-74.4).
- Abstral royalty increased to MSEK 19.5 (3.0).
- The loss after tax was MSEK 62.9 (loss: 30.5). The loss per share was SEK 2.69 (loss: 1.38).
- Cash and cash equivalents at the end of the period totaled MSEK 190.9 compared with MSEK 87.4 at the beginning of the period.
- Orexo entered into an alliance and license agreement for new drugs to treat respiratory diseases with Ortho-McNeil-Janssen Pharmaceuticals, Inc. and Janssen Pharmaceutica NV (collectively "OMJ"). This agreement will bring a research funding contribution of up to MUSD 21.5 (MSEK 167) over the first three years, including an upfront payment of MUSD 10 (MSEK 77.8) which will cover all future development cost for Orexo. In addition, Orexo will be entitled to total development milestone payments of up to MUSD 564 (MSEK 4,390), plus additional sales milestones for each program.
- Issue of convertible loan of SEK 111,150,000 to Novo A/S completed.

Second quarter

- Net revenues amounted to MSEK 29.1 (29.6). 1)
- Cash flow from operating activities was MSEK 27.7 (-11.8).
- The loss after tax was MSEK 35.3 (loss: 56.8). The loss per share was SEK 1.51 (loss: 2.53).

1) References made in this interim report pertain to the Group unless otherwise stated. Figures in parentheses relate to the same period in 2009.

KEY EVENTS DURING THE SECOND QUARTER OF 2010

Orexo enters into an alliance and license agreement for new drugs to treat respiratory diseases
Orexo entered a research and development alliance and license agreement with Ortho-McNeil-Janssen Pharmaceuticals, Inc. and Janssen Pharmaceutica NV (collectively "OMJ"). The licenses granted to OMJ under the agreement include worldwide licenses to Orexo's ongoing OX-CLI and OX-ESI programs focusing on discovering and developing innovative small-molecule treatments for asthma, chronic obstructive pulmonary disease, and other inflammatory diseases. In addition, OMJ will add a third internal program focusing on discovering and developing innovative small-molecules against an undisclosed target to the alliance on the same financial terms.

- For Orexo, the alliance will bring a research funding contribution of up to MUSD 21.5 (MSEK 167) over the first three years, including an upfront payment of MUSD 10 (MSEK 77.8).
- Upon the successful development and commercialization of all three initial alliance programs for multiple indications, Orexo will be entitled to total development milestone payments of up to MUSD 564 (MSEK 4,390), plus additional sales milestones for each program. Commercialized products will also provide royalties.
- OMJ will be responsible for all clinical development and commercialization activities, including costs.

Orexo status report regarding review of Abstral
On June 2, the US Food and Drug Administration ("FDA") extended by three months the review period under the Prescription Drug User Fee Act ("PDUFA") for the registration application for Abstral™. The FDA issued the extension following its earlier request for additional information on the Abstral Risk Evaluation and Mitigation Strategy ("REMS"). ProStrakan has submitted this additional information to the FDA.

Convertible loan transaction from Novo A/S 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 was completed, together with Novo's acquisition of existing shares corresponding to 10.7 per cent of the total number of shares and votes in Orexo.

KEY EVENTS AFTER THE PERIOD

In a separate announcement today, Orexo reported that it is launching the next step in its strategy, new development programs and changing of CEO. The full press release can be found at www.orexo.com.

On August 10, 2010, Orexo announced that Robin Wright would be appointed as new Head of Finance and Strategy, replacing Claes Wenthzel who will be leaving the company as of August 20, 2010.

Operations

”In the second quarter of the year, the launch of Abstral continues to be successful. Abstral sales to end customers were up approximately 30% compared to the first quarter of 2010: invoiced sales were up approximately 17 %, measured in number of tablets. Abstral is a leading product for the treatment of breakthrough pain in cancer patients across several major European countries.

The most important occurrence during the period was the announcement of the partnership with Ortho-McNeil-Janssen Pharmaceuticals, Inc. and Janssen Pharmaceutica NV, which are a part of the Johnson & Johnson Group. The agreement is not only one of the largest discovery stage license deals ever completed in the international arena but also validates the quality of the work at Orexo, the acquisition of Biolipox AB in 2007 and the communicated strategy to partner pre clinical assets with Big Pharma to reduce cost burdens while retaining major parts of the upside.

Clinical trials with OX219 have been initiated. The aim is to develop a patent-protected sublingual tablet for treatment of opioid dependence, with improved characteristics relative to the current market leader Suboxone® which generates revenues of approximately US$1 billion per year. OX219 is also the first program into the clinic in line with our new strategy to develop a proprietary pipeline of specialist products.

Meda AB has informed Orexo that they will further develop the nasal cetirizine NLA product to complement Meda’s allergy product portfolio. The next stage of development of NLA is a clinical phase III program, for which the full cost will be carried by Meda AB.

As previously communicated, the total cost base for 2010 is projected to range between SEK 200-220 million”, says Torbjörn Bjerke, President and CEO.

The period in figures; January 1 – June 30, 2010

Condensed consolidated statement of operations

MSEK	3 months 2010 Apr-June	3 months 2009 Apr-June	6 months 2010 Jan-June	6 months 2009 Jan-June	12 months 2009 Jan-Dec
Net revenues	**29.1**	**29.6**	**65.5**	**144.6**	**236.1**
Cost of goods sold	-6.9	-6.5	-13.3	-12.2	-23.6
Gross profit	**22.2**	**23.1**	**52.2**	**132.4**	**212.5**
Selling expenses	-8.8	-9.5	-16.2	-18.8	-39.3
Administrative expenses	-10.5	-11.3	-19.3	-22.1	-46.3
Research and development costs	-36.3	-58.9	-78.1	-125.0	-224.2
Other operating income and expenses	1.4	1.1	2.7	-1.7	-1.8
Operating loss*	**-32.0**	**-55.4**	**-58.7**	**-35.3**	**-99.1**
Net financial items	-3.3	-1.5	-4.2	4.6	2.1
Loss after financial items	**-35.3**	**-56.9**	**-62.9**	**-30.7**	**-96.9**
Tax	0.0	0.1	0.0	0.2	-1.1
Net loss for the period	**-35.3**	**-56.8**	**-62.9**	**-30.5**	**-98.1**

** Includes the costs of personnel stock options in the amount of MSEK 1.8 for the period January-June 2010 (MSEK 3.7 January-June 2009*

Revenues

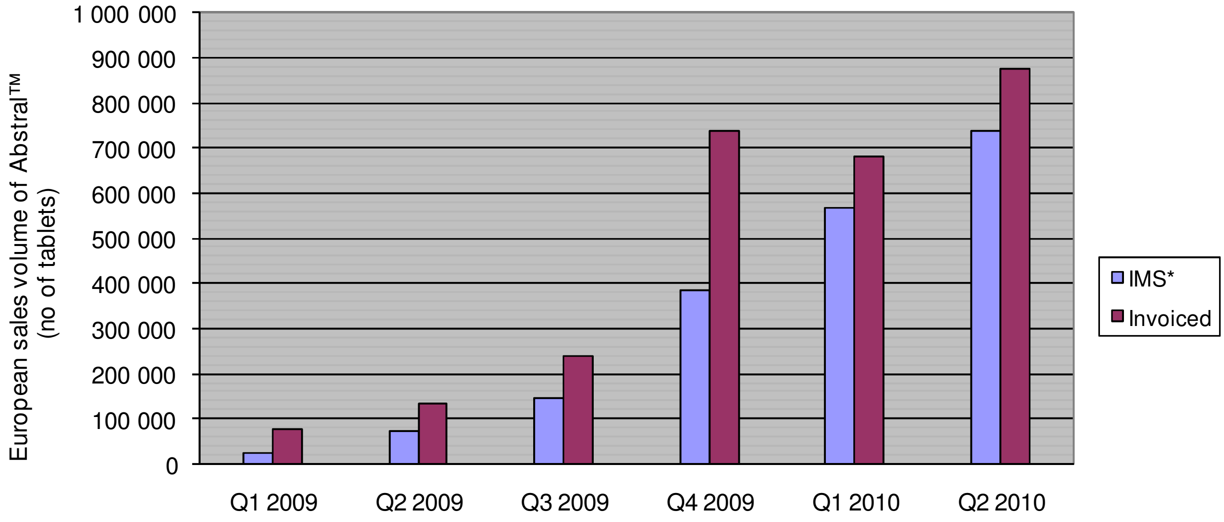
Net revenues

Consolidated net revenues for the period January-June 2010 amounted to MSEK 65.5 (144.6). Higher revenues in the year-earlier period were primarily related to milestone revenues from the partnership with Meda and non-recurring compensation for the approval of Edluar in the US in the first quarter of 2009.

For the period April-June 2010, consolidated net revenues totaled MSEK 29.1 (29.6).

During the second quarter, Orexo entered an alliance and license agreement with Ortho-McNeil-Janssen Pharmaceuticals Inc. The research alliance funding component of this agreement runs initially for three years. The non-recurring compensation of MUSD 10 (MSEK 77.8) received on signing of the agreement will be distributed on a straight–line basis over that three-year period. This means that although cash flow for the quarter was positively impacted by the payment, only revenues corresponding to one month were recognized during the period. In addition, Orexo receives and recognizes compensation for the research alliance on a continuous basis over the period.

Royalty revenues from marketed products, excluding license revenues, increased by more than 50 per cent compared with the first six months of 2009



IMS refers to IMS audited sales data, which are statistical estimates of actual in-market sales of the product to pharmacies and hospitals. Invoices referes to sales invoiced by our partner ProStrakan Group plc to wholesalers.

Royalty revenues from Abstral amounted to MSEK 19.5 in the first six months, compared with MSEK 3.0 in the year-earlier period. Royalty revenues for the period April–June 2010 totaled MSEK 11 . According to IMS statistics, figures for numbers of tablets sold from distributors to end customers increased by more than 30 percent during Q2 compared to Q1 2010.

Kibion AB's sales were largely flat on a constant currency basis, with sales converted into SEK of MSEK 19.7 (21.5). This slight reduction is principally due to the weakening of the Euro in 2010 compared to the same period 2009.

ProStrakan AB's sales rose to MSEK 11.8 (10.9), of which 50 per cent was recognized as sales by Orexo. Abstral's sales through ProStrakan AB grew to MSEK 1.7 (0.5).

License revenues amounted to MSEK 8.4 (89.3) and related to the approval of Abstral in Italy. License revenues from the year-earlier period primarily related to milestone compensation for the approval of Edluar in the US.

Royalty revenues from Edluar during the period were nil, due mainly to the fact that sales of Edluar in the first half were still supplied from inventory sold at the end of 2009. The sales trend for Edluar in the US remains positive albeit from a low base, growing by +45 % in Q2 compared to Q1 2010, resulting in total sales of 1 MUSD during Q2.

Net sales were distributed as follows:

MSEK	Apr-June 2010	Apr-June 2009	Jan-June 2010	Jan-June 2009	Jan-Dec 2009
Abstral - royalty	11.0	1.7	19.5	3.0	16.2
Edluar - royalty	0.0	0.0	0.0	0.0	2.3
ProStrakan AB J/V 50%	3.0	2.9	5.9	5.5	10.8
Kibion AB	9.8	11.2	19.7	21.5	40.7
Total revenue from launched products	***23.8***	***15.8***	***45.1***	***30.0***	***70.0***
R&D funding from partners	3.1	13.0	11.9	25.3	46.4
License revenues	2.1	0.8	8.4	89.3	119.5
Other	0.1	0.0	0.1	0.0	0.2
Total	**29.1**	**29.6**	**65.5**	**144.6**	**236.1**

Expenses and earnings

Selling expenses

Selling expenses for the period January-June 2010 amounted to MSEK 16.2 (18.8) and for the period April-June 2010 to MSEK 8.8 (9.5).

Selling expenses included business development expenses relating to the outlicensing of Orexo's projects, phase IV studies, and operations in Kibion AB and the joint venture company ProStrakan AB.

Administrative expenses

Administrative expenses for the period January-June 2010 amounted to MSEK 19.3 (22.1). Lower expenses were related to cost cuts implemented in 2009 and that achieved full effect as of January 1, 2010. For the April-June 2010 period, administrative expenses amounted to MSEK 10.5 (11.3).

Research and development costs

Research and development costs for the period January-June 2010 amounted to MSEK 78.1 (125.0). MSEK 12.1 (25.3) of these costs were reinvoiced during the period. Research and development costs for the period April-June 2010 amounted to MSEK 36.3 (58.9).

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 period January-June totaled MSEK 1.8, compared with MSEK 3.7 for the year-earlier period.

Other revenues and expenses

For the period January-June 2010, other revenues and expenses, primarily consisting of exchange-rate gains/losses, were MSEK 2.7 (loss: 1.7) and for the period April-June 2010 were MSEK 1.4 (1.1).

Depreciation/amortization

Depreciation/amortization for the period January-June 2010 amounted to MSEK 4.0 (6.7) and for the period April-June 2010 to MSEK 2.0 (2.3).

Net financial items
Net financial items for the period January-June 2010 totaled an expense of MSEK 4.2 (income: 4.6). Net financial items include interest expenses of MSEK 2.9 related to the convertible loan, and unrealized losses in the share price and other credit expenses. Net financial items for the year-earlier period included income of MSEK 3.9 that was attributable to the fact that the second instalment payment in conjunction with the acquisition of PharmaKodex entailed that this be categorized as an embedded derivative, resulting in a positive earnings effect of a declining stock market price.

Tax
Tax revenues (deferred tax) for the period January-June 2010 amounted to MSEK 0.0 (0.2).

Earnings
The operating loss for the period January-June 2010 was MSEK 58.7 (loss: 35.3). The loss after net financial items was MSEK 62.9 (loss: 30.7) and the loss after tax was MSEK 62.9 (loss: 30.5).

For the period April-June 2010, the operating loss totaled MSEK 32.0 (loss: 55.4). The loss after net financial items was MSEK 35.3 (loss: 56.9) and the loss after tax was MSEK 35.3 (loss: 56.8).

Financial position
At June 30, 2010, cash and cash equivalents amounted to MSEK 190.9 (137.2), while the corresponding figure at March 31, 2010 was MSEK 50.4. The increase is attributable mainly to the non-recurring compensation from Ortho-McNeil-Janssen Pharmaceuticals Inc and to the convertible bond loan issued by Orexo during the quarter.

The convertible bond issue, which took place on April 7, has been recognized in the form of a liability share and an equity share, based on the fair value of the liability share. The division into both of these components was based on market interest rates of 10.5 per cent calculated from the option pricing model for the equity component.
Related transaction expenses were allocated proportionally to both of these components in relation to how the issue proceeds were distributed.
The convertible bond has a conversion rate of SEK 47.50, entailing a premium of about 25 per cent compared with the closing rate on March 12, 2010 of SEK 37.90, and is connected to an option that entitles Orexo AB to convert the loan when the share price exceeds the conversion rate by 50 per cent during a certain period. The convertible bond bears an annual rate of interest of 8 per cent. If the loan is not converted to shares, it shall be repaid not later than March 31, 2015.

Cash flow from operating activities for the period January-June 2010 amounted to MSEK 11.2 (neg: 74.4). Cash flow after financing was MSEK 104.3 (neg: 50.7). During the period, current liabilities rose by MSEK 88. One of the reasons for this increase is the non-recurring compensation of MUSD 10, which has been retained to be distributed over a three-year period.

Cash flow from operation activities for the period April- June 2010 amounted to MSEK 27,7 (-11,8). Cash flow after financing was MSEK 138,1 (-12,7).

At June 30, 2010, shareholders' equity totaled MSEK 498.8 (581.6). The equity/assets ratio was 65 per cent (84 per cent).

Current funds will support all the three new development programs outlined below through clinical Phase I, and at least one of these programs through to approval, even in the absence of additional milestones from partnered discovery and development programs. Accordingly, it is the Board's assessment that the current level of financing is sufficient to pursue operations.

Investments

Gross investments in tangible fixed assets during the period January-June 2010 amounted to MSEK 2.1 (1.1) and for the period April-June 2010 to MSEK 0.8 (0.9).

Product portfolio

Three new development programs

A Phase I clinical study with OX219 has been initiated. Two additional new development programs, OX51 and OX27, targeted for different pain indications, have been initiated and will enter the clinic in Q4 2010 and in Q1 2011 respectively. Further information is presented in a separate release on 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-June 2010 totaled MSEK 39.9 (110.1), with the loss after financial items amounting to MSEK 59.5 (loss: 24.9). Investments totaled MSEK 2.1 (1.1). Cash and cash equivalents in the Parent Company at June 30, 2010 totaled MSEK 161.0 (9.4), with current investments amounting to MSEK 0.0 (0.0).

Significant risks and uncertainties

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

Financial risks

As a result of the implementation of the convertible loan, generating proceeds of MSEK 111 before expenses, and of the revenues in conjunction with the outlicensing of the OX-CLI and OX-ESI projects to Ortho-McNeil-Janssen Pharmaceuticals, Inc. and Janssen Pharmaceutica NV (collectively "OMJ"), Orexo's financial risks have decreased significantly.

Share and market value

Orexo's share traded at SEK 40.9 at June 30, 2010. The company's market capitalization, based on the number of shares outstanding on June 30, 2010, amounted to MSEK 957.1.

Future reporting dates

Interim report, January-September 2010 ________________________________November 10, 2010
Year-end report for 2010____February 16, 2011

Statement of assurance by the Board of Directors

The Board of Directors and President hereby affirm that the six-month interim report provides an accurate overview of the operations of the Company and Group, as well as their financial position and earnings, and describes significant risks and uncertainties faced by the company and the companies included in the Group.

Uppsala, August 20, 2010

Orexo AB (publ)

Håkan Åström Board Chairman	Monica Caneman Board member	Michael Shalmi Board member
Raymond Hill Board member	Staffan Lindstrand Board member	Bengt Samuelsson Board member
Kjell Strandberg Board member	Peter Lindborg Board member	Torbjörn Bjerke President and CEO

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Nordea	Patrik Ling
Pharmium Securities	Frédéric Gomez
Redeye	Klas Palin and Björn Fahlén
SEB Enskilda	Gustaf Vahlne

Review report

We have reviewed the appended report for the period January 1 to June 30, 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 interim 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, August 20, 2010
PricewaterhouseCoopers AB

Leonard Daun
Authorized Public Accountant

CONSOLIDATED STATEMENT OF OPERATIONS

	Notes	3 months 2010 Apr-June	3 months 2009 Apr-June	6 months 2010 Jan-June	6 months 2009 Jan-June	12 months 2009 Jan-Dec
Net revenues		29,071	29,623	65,508	144,571	236,104
Cost of goods sold	2	-6,881	-6,521	-13,281	-12,202	-23,650
Gross profit		**22,190**	**23,102**	**52,227**	**132,369**	**212,454**
Selling expenses	2	-8,778	-9,469	-16,217	-18,819	-39,261
Administrative expenses	2	-10,488	-11,286	-19,273	-22,130	-46,308
Research and development costs	2	-36,330	-58,874	-78,170	-124,993	-224,216
Other operating income		1,876	2,394	3,924	5,045	8,239
Other operating expenses	2	-487	-1,268	-1,196	-6,788	-9,991
Operating loss		**-32,017**	**-55,401**	**-58,705**	**-35,316**	**-99,083**
Financial income		42	169	64	4,628	4,868
Financial expense		-3,333	-1,718	-4,237	-42	-2,726
Financial items – net		**-3,291**	**-1,549**	**-4,173**	**4,586**	**2,142**
Pre-tax loss		**-35,308**	**-56,950**	**-62,878**	**-30,730**	**-96,941**
Income tax		-	115	5	215	-1,138
Net loss for the period		**-35,308**	**-56,835**	**-62,873**	**-30,515**	**-98,079**
Loss for the period attributable to:						
Parent Company shareholders		-35,308	-56,835	-62,873	-30,515	-98,079
Minority interests		-	-	-	-	-
Loss per share attributable to Parent Company shareholders during the period (SEK per share)**:**						
Loss per share, before dilution, SEK		-1.51	-2.53	-2.69	-1.38	-4.32
Loss per share, after dilution, SEK		-1.51	-2.53	-2.69	-1.38	-4.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months 2010 Apr-June	**3 months 2009 Apr-June**	**6 months 2010 Jan-June**	**6 months 2009 Jan-June**	**12 months 2009 Jan-Dec**
Loss for the period	**-35,308**	**-56,835**	**-62,873**	**-30,515**	**-98,079**
Other comprehensive income					
Hedging of net investments	-	-2,980	-	-128	2,329
Exchange-rate differences	4,333	5,655	1,774	-261	-7,574
Other comprehensive income for the period, net after tax	**4,333**	**2,675**	**1,774**	**-389**	**-5,245**
Total comprehensive income for the period	**-30,975**	**-54,160**	**-61,099**	**-30,904**	**-103,324**
Total comprehensive income attributable to:					
Parent Company shareholders	-30,975	-54,160	-61,099	-30,904	-103,324

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

	Share capital	Other capital contributed	Accumulated loss	Translation differences	Total	Total shareholders' equity [1]
Opening balance, January 1, 2009	**8,647**	**1,012,964**	**-451,828**	**-**	**569,783**	**569,783**
Total comprehensive income for the period	-	-	-30,643	-261	-30,904	-30,904
Employee stock options, vested amount	-	3,359	-	-	3,359	3,359
New issues	340	38,996	-	-	39,336	39,336
Closing balance, June 30, 2009	**8,987**	**1,055,319**	**-482,471**	**-261**	**581,574**	**581,574**
Opening balance, January 1, 2010	**9,360**	**1,094,453**	**-549,907**	**-5,245**	**548,661**	**548,661**
Total comprehensive income for the period	-	-	-62,873	1,774	-61,099	-61,099
Employee stock options, vested amount	-	1,230	-	-	1,230	1,230
Convertible bond – equity share	-	10,005	-	-	10,005	10,005
Closing balance, June 30, 2010	**9,360**	**1 ,105,688**	**-612,780**	**-3,471**	**498,797**	**498,797**

1) *There are no minority interests*

CONSOLIDATED BALANCE SHEET

	Notes	2010 June 30	2009 June 30	2009 Dec 31
Assets				
Fixed assets				
Tangible fixed assets		44,296	47,988	45,814
Goodwill		17,682	16,030	17,987
Acquired R&D		428,690	432,175	427,030
Other intangible fixed assets		1,680	2,559	1,982
Total fixed assets		**492,348**	**498,752**	**492,813**
Current assets				
Inventories		7,527	8,184	8,440
Accounts receivable and other receivables		67,520	49,868	59,622
Tax receivables		7,257	2,753	1,045
Cash and cash equivalents		190,853	137,178	87,414
Total current assets		**273,157**	**197,983**	**156,521**
Total assets		**765,505**	**696,735**	**649,334**
SHAREHOLDERS' EQUITY AND LIABILITIES	3			
Share capital		9,360	8,987	9,360
Capital contributions		1,105,688	1,055,319	1,094,453
Reserves		-3,471	-261	-5,245
Accumulated losses		-612,780	-482,471	-549,907
Total shareholders' equity		**498,797**	**581,574**	**548,661**
Long-term liabilities				
Provisions		12,086	682	11,114
Long-term liabilities, interest-bearing		88,599	-	12,800
Long-term liabilities, non-interest-bearing		-	10,053	-
Deferred tax liability		9,917	10,750	9,791
Total long-term liabilities		**110,602**	**21,485**	**33,705**
Current liabilities				
Current liabilities, non-interest-bearing		146,627	93,676	63,768
Current liabilities, interest-bearing		9,479	-	3,200
Total liabilities		**266,708**	**115,161**	**100,673**
Total shareholders' equity and liabilities		**765,505**	**696,735**	**649,334**

CONSOLIDATED CASH-FLOW STATEMENTS

	Notes	3 months 2010 Apr-June	3 months 2009 Apr-June	6 months 2010 Jan-June	6 months 2009 Jan-June	12 months 2009 Jan-Dec
Operations						
Operating loss before interest expense and interest income		-32,017	-55,401	-58,705	-35,316	-99,083
Interest income		42	169	64	703	759
Interest expense		-2,930	-36	-3,128	-42	-397
Tax paid					-	-1,389
Other financial expenses		-403	-	-1,109	-	-
Adjustment for non-cash items	4	-898	245	2,734	14,233	20,834
Cash flow from operations before changes in working capital		**-36,206**	**-55,023**	**-60,144**	**20,422**	**-79,276**
Changes in working capital						
Accounts receivable		-7,961	59,489	-3,701	5,847	-2,963
Other current receivables		-17,782	-1,755	-10 ,409	5,379	6,143
Inventories		1,254	6,661	913	5,798	5,542
Current liabilities		87,919	-21,625	83,475	-71,781	-64,487
Provisions		-101	134	972	192	1,114
Long-term liabilities		583	306	126	543	-
Cash flow from operations		**27,706**	**-11,813**	**11,232**	**-74,444**	**-133,927**
Investing activities						
Acquisition of machinery and equipment		-785	-931	-2,116	-1,052	-2,588
Divestment of machinery and equipment		-	2	-	2	2
Acquisition of subsidiaries		-	-	-	24,695	24,695
Cash flow after investments		**26,921**	**-12,742**	**9,116**	**-50,799**	**-111,818**
Change in financing						
New share issue		-	15	-	90	90
Proceeds from issue of convertible bond		111,150	-	111,150	-	-
Loans raised		-	-	-	-	16,000
Amortization of loans		-	-	-16,000	-	-
Cash flow from financing activities		**138,071**	**-12,727**	**104,266**	**-50,709**	**-95,728**

Cash flow for the year					
Cash and cash equivalents, beginning of period	50,432	148,187	87,414	188,220	188,220
Exchange-rate differences in cash and cash equivalents	2,350	1,718	-827	-333	-5,078
	138,071	-12,727	104,266	-50,709	-95,728
Cash and cash equivalents, close of period	**190,853**	**137,178**	**190,853**	**137,178**	**87,414**

Key figures

	3 months 2010 Apr-June	3 months 2009 Apr-June	6 months 2010 Jan-June	6 months 2009 Jan-June	12 months 2009 Jan-Dec
Operating margin, %	-1	-187	-90	-24	-42
Profit margin, %	-1	-192	-96	-21	-41
Return on total capital, %	-5	-8	-9	-4	-14
Return on equity, %	-7	-9	-12	-5	-17
Return on capital employed, %	-5	-9	-10	-6	-16
Debt/equity ratio, multiple	20	0	20	0	0
Equity/assets ratio, %	65	84	65	84	85
Current ratio, %	175	211	175	211	234
Acid ratio, %	170	203	170	203	221
Average number of shares, before dilution	23,401,252	22,467,248	23,401,252	22,183,945	22,714,784
Average number of shares, after dilution	25,931,333	23,556,612	25,058,878	23,273,309	23,801,489
Number of shares, after full dilution	26,707,433	24,484,169	26,707,433	24,484,169	25,326,775
Number of shares, before dilution	23,401,252	22,467,471	23,401,252	22,467,471	23,401,252
Number of shares, after dilution	25,939,748	23,556,835	25,939,748	23,556,835	24,487,957
Earnings/loss per share, before dilution, SEK	-1.51	-2.53	-2.69	-1.38	-4.32
Earnings/loss per share, after dilution, SEK	-1.51	-2.53	-2.69	-1.38	-4.32
Shareholders' equity per share before dilution, SEK	21.31	25.89	21.31	25.89	23.45
Shareholders' equity per share after dilution, SEK	19.12	24.69	19.12	24.69	22.41
Number of employees at close of period	100	128	100	128	108
Average number of employees	99	128	102	126	124
Shareholders' equity	498,797	581,574	498,797	581,574	548,661
Capital employed	596,875	581,574	596,875	581,574	564,661

DEFINITIONS

Refer to the annual report for 2009

PARENT COMPANY STATEMENT OF OPERATIONS

KSEK	Notes	3 months 2010 Apr-June	3 months 2009 Apr-June	6 months 2010 Jan-June	6 months 2009 Jan-June	12 months 2009 Jan-Dec
Net revenues		15,199	11,615	39,871	110,113	208,183
Cost of goods sold		-	-	-	-	-
Gross profit		**15,199**	**11,615**	**39,871**	**110,113**	**208,183**
Selling expenses		-3,767	-3,817	-7,614	-7,501	-16,588
Administrative expenses		-12,605	-10,524	-20,901	-18,704	-42,260
Research and development expenses		-32,135	-51,784	-69,166	-106,191	-192,463
Other operating income		1,345	449	2,326	2,269	3,574
Other operating expenses		-263	-246	-550	-4,939	-6,203
Operating loss		**-32,226**	**-54,307**	**-56,034**	**-24,953**	**-45,757**
Earnings from financial investments						
Interest income		23	50	32	212	230
Interest expenses		-2,983	-24	-3,180	-26	-2,543
Other financial income		-	-	-	-	6,269
Other financial expenses		-	-2,980	-295	-128	-
Loss after financial items		**-35,186**	**-57,261**	**-59,477**	**-24,895**	**-41,801**
Tax		-	-	-	-	-1,390
Loss for the period		**-35,186**	**-57,261**	**-59,477**	**-24,895**	**-43,191**

PARENT COMPANY BALANCE SHEET

KSEK	Notes	2010 June 30	2009 June 30	2009 Dec 31
ASSETS				
Fixed assets				
Tangible fixed assets		44,102	47,553	45,523
Intangible fixed assets		291	436	363
Shares in subsidiaries/joint ventures		606,414	606,441	606,414
Total fixed assets		**650,807**	**654,430**	**652,300**
Current assets				
Inventories		1,755	1,519	1,385
Accounts receivable and other receivables		137,382	38,267	76,729
Tax receivables		3,973	2,206	728
Cash and bank balances		160,989	9,403	12,790
Total current assets		**304,099**	**51,395**	**91,632**
Total assets		**954,906**	**705,825**	**743,932**
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	5			
Restricted equity		300,111	299,738	300,111
Non-restricted equity		298,621	326,724	347,029
Total shareholders' equity		**598,732**	**626,462**	**647,140**
Long-term liabilities				
Provisions		971	682	813
Borrowings		88,599	-	12,800
Total long-term liabilities		**89,570**	**682**	**13,613**
Current liabilities, non-interest-bearing		257,125	78,681	79,979
Current liabilities, interest-bearing		9,479	-	3,200
Total liabilities		**356,174**	**79,363**	**83,179**
Total shareholders' equity and liabilities		**954,906**	**705,825**	**743,932**
Pledged assets		44,000	-	16,000
Contingent liabilities		6,050	11,050	6,050

Notes

1. Accounting policies
This interim 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.

During the period, Orexo issued a convertible bond. This compound financial instrument is initially recognized in the following manner: the liability share is measured at fair value and the equity share as the difference between the fair value of the entire convertible bond less the portion recognized as a liability. Transaction expenses have been allocated to the liability share and equity share in proportion to the value initially recognized.

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 Apr-June	**2009 Apr-June**	**2010 Jan-June**	**2009 Jan-June**	**2009 Jan-Dec**
Raw materials and supplies	8,563	13,666	17,174	23,121	41,503
Other external costs	22,838	37,899	50,113	84,436	162,469
Personnel costs	29,559	33,550	56,895	70,657	128,619
Depreciation and impairment	2,006	2,303	3,956	6,717	10,838
TOTAL	**62,966**	**87,418**	**128,138**	**184,931**	**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, and the 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 June 30, 2010, was 23,401,252, all of which were common shares. All shares carry entitlement to one vote each.

Options
At June 30, there were a total of 1,631,654 options outstanding that carry rights to new subscription of 1,439,339 shares in Orexo and the exchange for 192,315 options for shares in Orexo. Each option issued by Biolipox AB provides entitlement for exchange for one share in Orexo AB, and a corresponding number of shares are 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 June 30, 2010 distributed by category.

	Opening Jan 1, 2010	Change	Closing June 30, 2010
Employee-related options			
Of which:			
Decided and allocated employee stock options	876,316		876,316
Expired		-53,500	-53,500
Total			**822,816**
Decided and allotted Board options	35,207		35,207
Allotted		23,316	23,316
Total			**58,523**
Decided and allotted warrants	10,000		10,000
Total			**10,000**
Decided but not allotted employee stock options 2009			
Opening balance, as approved by the 2010 AGM	470,000		470,000
Total			**470,000**
Warrants held by subsidiaries as cash-flow hedging for social security fees	78,000		78,000
Total			**78,000**
Total options to employees	**1,469,523**	**-30,184**	**1,439,339**
Employee stock options utilized from Biolipox AB (no dilution effect, included in newly issued shares in conjunction with acquisition of Biolipox)	196,107	-65,915	130,192
Warrants utilized from Biolipox AB for cash-flow hedging of social security fees (no dilution effect)	80,323	-18,200	62,123
Total options from Biolipox	**276,430**	**-84,115**	**192,315**
Total options to employees	**1,745,953**	**-114,229**	**1,631,654**
Other options			
Warrants related to supplemental payment in conjunction with acquisition of Biolipox AB	926,000	-926,000	-
Total options outstanding	**2,671,953**	**-1,040,299**	**1,631,654**

[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-June 2010, no employee stock options from Orexo's options program were exercised. During the period January-June 2010, 56,461 of Biolipox' employee stock options were exercised, entailing that holders exercised their options in exchange for 56,461 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, but 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.

Allotment of Board member options in May 2010

In May 2010, a total of 23,316 Board member options were allotted that provide entitlement to subscribe for a total of 23,316 shares in Orexo. These Board member options have been allotted free of charge to the Board members elected at the 2010 AGM. Vesting of the Board member options takes the form of 25 percent after the date for the publication of Orexo's interim report for the first quarter and 25 percent after the publication of the interim reports for quarters two to four during the mandate period for the 2010 financial year. The right of Board members to request exercise arises two years after the 2010 AGM. The final exercise date for Board member options is December 31, 2017 and the strike price is SEK 0.40 per share. The market value, calculated using the Black & Scholes method, was SEK 37.86 on the allotment date.

4. Cash flow

Adjustment for non-cash items

	2010 Apr-June	**2009 Apr-June**	**2010 Jan-June**	**2009 Jan-June**	**2009 Jan-Dec**
Depreciation/amortization and impairment	2,006	2,303	3,956	6,717	10,503
Estimated costs for employee stock options program	164	2,590	1,846	3,719	8,203
Exchange-rate differences	-	14	-	-	-
Hedging of net investment	-	-2,980	-	-128	-
Unrealized change in value of derivatives	-	-1,682	-	3,925	-
Other	-	-	-	-	2,128
Financial expenses, convertible bond	-3,068	-	-3,068	--	-
Total	**-898**	**245**	**2,734**	**14,233**	**20,834**

5. Shareholders' equity

Change in the Parent Company's shareholders' equity

	2010 Apr-June	**2009 Apr-June**	**2010 Jan-June**	**2009 Jan-June**	**2009 Jan-Dec**
Opening shareholders' equity, balance sheet	**623,455**	**681,720**	**647,140**	**609,194**	**609,194**
Net loss for the period	-35,186	-57,261	-59,477	-24,895	-43,191
Subscription for shares through the exercise of warrants	-	15	-	90	-
New share issues	-	-	-	39,246	90
New warrant issues	-	-	-	-	74,356
Employee stock options, vested value for employees	458	1,988	1,064	2,827	6,691
Convertible bond – equity share	10,005	-	10,005	-	-
Closing amount	**598,732**	**626,462**	**598,732**	**626,462**	**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 11.1 of the supplemental payment is reported as a provision and MSEK 38.5 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 period led to a rise in chattel mortgages to MSEK 44 and pledging of all shares of Kibion AB.

Note
Orexo AB publ. discloses the information provided herein pursuant to the Securities Markets Act. The information was provided for public release on August 20, 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.