orexo

Invitation to subscribe for shares in Orexo AB (publ) 2011

ABG Sundal Collier

Important information

In this prospectus the "Prospectus", "Orexo", the "Company" or the "Group" means Orexo AB (publ) (corporate registration number 556500-0600) including, when applicable, subsidiaries. "New Share Issue" refers to the new issue of shares described in this Prospectus. "Sole Manager" refers to ABG Sundal Collier AB ("ABG Sundal Collier"). "Euroclear Sweden" refers to Euroclear Sweden AB. "NASDAQ OMX" refers to NASDAQ OMX Stockholm. "SEK" refers to Swedish crowns, "USD" refers to US dollars, "GBP" refers to pounds sterling, "CAD" refers to Canadian dollars and "EUR" refers to Euro. "B" refers to billions, "M" refers to millions and "K" refers to thousands when used with currencies.

Information to investors

This Prospectus has been prepared in compliance with the standards and requirements of the Swedish Financial Instruments Trading Act of 1991 (lagen (1991:980) om handel med finansiella instrument) (the "Trading Act"), Directive 2003/71/EC of the European Parliament and the Council (the "Prospectus Directive") and the Commission Regulation (EC) No. 809/2004. The Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (Finansinspektionen) ("SFSA") pursuant to the provisions of Chapter 2, Sections 25 and 26 §§ of the Swedish Financial Instruments Trading Act. Approval and registration by SFSA do not imply that SFSA guarantees that the factual information provided in this prospectus is correct or complete.

The New Share Issue is not directed to shareholders or other investors domiciled in the United States, Canada, Japan or Australia, or in any other country where participation in the New Share Issue would require additional prospectuses, registration or measures other than those pursuant to Swedish law or would conflict with regulations in such country. Accordingly, the Prospectus may not be distributed to or in any country where the distribution or the New Share Issue according to the Prospectus requires additional registration or measures other than those pursuant to Swedish law or would conflict with regulations in such country or jurisdiction.

No shares, paid subscription shares (Swedish: betalda tecknade aktier) ("BTAs"), subscription rights or other securities issued by Orexo have been registered or will be registered under the United States Securities Act of 1933 or under any other securities legislation in any state in the US or any province in Canada. Accordingly, no new shares, paid subscription shares, subscription rights or other securities issued by Orexo may be transferred or offered for sale in the United States or Canada, other than in such exceptional cases that do not require registration. The New Share Issue is directed only at (i) persons who are outside the United Kingdom; (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended; or (iii) persons to whom it can otherwise lawfully be directed at.

Application for subscription of shares in violation of the restrictions described above may be void.

Investors who make an investment decision must rely on their own assessment of Orexo and the New Share Issue, including the merits and risks involved, and investors must only rely on the information contained in the Prospectus and any supplements to the Prospectus. No person has been authorized to give any information or make any representations other than those contained in the Prospectus and, if nevertheless given or made, such information or representations must not be relied upon as having been authorized by Orexo. The distribution of this Prospectus does neither entail that the information contained therein is correct and up-to-date as per any other date than the date of this Prospectus, nor that the affairs of the Company have remained unchanged since this date. In the event that the information contained in the Prospectus is subject to any material change during the period starting with the publication and ending with the first trading day of the shares issued in the New Share Issue, such material change will be published in accordance with the provisions in the Swedish Financial Instruments Trading Act, which is the relevant legislation regarding the publication of supplements to prospectuses.

The Board of Directors in Orexo is responsible for the Prospectus. Information in respect of the Board is provided in the section "Board of Directors, management and auditor". The Prospectus is governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection with this Prospectus.

This Prospectus has been prepared in Swedish and English language versions. In case of any inconsistency between the Swedish and the English versions of the Prospectus, the Swedish version shall prevail.

ABG Sundal Collier, in its capacity as financial advisor, has assisted the Board of the Company in drawing up the overriding transaction structure, underwriting syndicate and drafting the Prospectus. ABG Sundal Collier has previously, for a consideration, assisted Orexo as an advisor and may continue to assist the Company also in the future.

This Prospectus has been compiled by Orexo based on Orexo's own information and sources Orexo believes to be reliable. No representation or warranty, expressed or implied, is made by the Sole Manager as to the accuracy or completeness of any of the information set out in the Prospectus and nothing in the Prospectus is or shall be relied upon as a promise or representation, whether as to the past or the future, as the Sole Manager has conducted no independent verification of the information.

Forward-looking statements and market data

The Prospectus contains forward-looking statements that include assumptions with respect to future market conditions, financial and operational performance. The words "consider", "deem", "expect", "anticipate", "intend", "may", "plan" and other similar expressions are intended to indicate such information. Forward-looking information is always connected with uncertainty. Although Orexo's Board believes that these forward-looking statements contained in the Prospectus are based on reasonable assumptions and expectations; the outcome with respect to developments, events and performance can differ materially from expectations.

Third-party information

The Prospectus comprises references to information produced by third-parties, principally in the sections "Market overview" and "Description of operations". Orexo has not verified the figures, market data or other information that third-parties have utilized in their studies, and Orexo's Board accepts no responsibility for the accuracy of any such information contained in the Prospectus, other than that it has been accurately reproduced and no information omitted in such a manner as to render the reproduced information incorrect or misguiding. In so far as the Board is aware, no such third-party has any significant interest in Orexo.

A glossary of scientific and medical terms used in this Prospectus is set forth on page 60 of this Prospectus.

SUMMARY OF TERMS AND CONDITIONS

Preferential right
Registered shareholders and bondholders of the Company at the record date of June 3, 2011 have a preferential right to subscribe for new shares in the New Share Issue. One (1) existing share in Orexo entitles the holder to one (1) subscription right. Four (4) subscription rights entitle the holder to subscribe for one (1) new share in Orexo. In addition to the above, investors are given the opportunity to subscribe for shares without preferential rights.

Subscription price
SEK 38 per share

Record date for entitlement to participate in the New Share Issue
June 3, 2011

Subscription period
June 9–23, 2011

Subscription and payment
Subscription takes place during the subscription period through cash payment. In order not to lose out on the value of subscription rights received, the shareholder must either exercise the subscription rights by subscribing for new shares by at the latest June 23, 2011, or sell the subscription rights received and not exercised by June 20, 2011.

Other information
Ticker: ORX
ISIN-code share: SE0000736415
ISIN-code subscription right: SE0004016947
ISIN-code BTA: SE0004016954

Timetable for publication of financial information
Interim report April 1–June 30, 2011: August 10, 2011
Interim report July 1–September 30, 2011: November 9, 2011

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Summary

This summary should be viewed as an introduction to the Prospectus. The summary makes no claim to be comprehensive. Any decision to invest in the New Share Issue must be based on an assessment of the entire Prospectus. An investor bringing a claim before a court of law as a result of the information in the Prospectus may be required to pay the costs of translating the Prospectus. A person may be made liable for information included in or omitted in the summary or translation of it only if the summary or translation is misleading or erroneous in relation to other sections of the Prospectus.

THE NEW SHARE ISSUE IN BRIEF

The Board of Directors of Orexo decided on May 3, 2011, subject to the approval of the Company's Extraordinary General Meeting, that the Company's share capital be increased in an amount no greater than SEK 2,575,275.20 through an issue of a maximum of 6,438,188 shares.

The Board's decision was approved at an Extraordinary General Meeting of Shareholders on May 27, 2011. The New Share issue is fully underwritten through subscription undertakings and underwriting agreements of which MSEK 127.6 constitute subscription undertakings and MSEK 117.1 underwriting agreements. The subscription price for the New Share Issue is SEK 38 per share, which entails that Orexo receives proceeds totaling a maximum of approximately MSEK 245 before deductions for issue expenses. The New Share Issue means that for every one share held in Orexo, shareholders are entitled to one (1) subscription right. Four (4) subscription rights entitle the holder to subscribe for one (1) new share in the Company.

In line with Orexo's new strategy, the proceeds from the New Share Issue will be used to ensure the development of the Company's three proprietary development programs OX27, OX51 and OX219 up until launch. Current financing is sufficient to ensure the continuation of all three projects in the proprietary development portfolio through clinical Phase I, and to take at least of one these programs to approval even without additional milestone payments from licensing and research and development projects. The New Share Issue ensures the financing of Orexo's three proprietary development programs and thus the Company will not be dependent on the timing and size of future milestone payments from various partners.

Orexo's current working capital is not sufficient to develop all three proprietary development programs over the next twelve months. However, after taking into account the new capital provided by the New Share Issue, Orexo believes that the working capital will be sufficient.

Novo A/S ("Novo") has undertaken to subscribe for its preferential rights share in the New Share Issue (based in part on its actual shareholding in the Company and in part on its 2010/2015 convertible bond holding in the Company) in an amount corresponding to MSEK 59.2. In addition, Novo has undertaken to subscribe for additional shares in the New Share Issue in a maximum amount of MSEK 65.8. Accordingly, Novo has in total undertaken to subscribe for shares in a maximum amount of MSEK 125 in the New Share Issue.

Abingworth Bioventures V LP and Abingworth Bioequities Master Fund Limited have pledged to acquire subscription rights in the New Share Issue in an amount of approximately MSEK 30.

The Fourth Swedish National Pension Fund has undertaken to subscribe for a portion of its preferential rights share in the New Share Issue in an amount corresponding to MSEK 4.8.

In addition, ABG Sundal Collier Norge ASA has agreed to acquire subscription rights in the New Share Issue and undertaken to exercise these subscription rights for subscribing to shares in the New Share Issue in an amount corresponding to approximately MSEK 33.6. Furthermore, ABG Sundal Collier Norge ASA has undertaken to subscribe for additional shares in the New Share Issue in an amount corresponding to approximately MSEK 26.4. ABG Sundal Collier Norge ASA's commitments to Orexo are matched by corresponding commitments that ABG Sundal Collier Norge ASA has in turn organized with investors.

Finally, Sandron Holding Ltd has undertaken to subscribe for shares in the New Share Issue in an amount corresponding to approximately MSEK 24.9.

Thus, there are subscription undertakings and underwriting agreements corresponding to the entire share issue amount in the New Share Issue. For further information in respect of the above subscription undertakings and underwriting agreements as well as the allotment of shares in accordance with the above, see the section "Terms, conditions and instructions" and "Legal matters and supplementary disclosures – Subscription undertakings and underwriting agreements".

Orexo's shares are traded on the NASDAQ OMX exchange, and trading in the new shares is expected to commence around July 15, 2011.

RISK FACTORS

Investment in shares is accompanied by risk. A number of factors partly or completely outside the Company's control affect and may affect Orexo's operations. There are risks in respect of factors that are directly and indirectly related to the Company. Examples of risk factors viewed as having a material significance for Orexo's operations include (not in order of priority): uncertainty regarding the commercialization and development of drugs; uncertainty regarding clinical testing; uncertainty in respect of collaboration agreements; dependence on key people; stiff competition; dependence on compensation systems; the registration process for new drugs; possible uncertainty regarding the protection of intellectual property rights, licenses and legislation, as well as product liability risks. Moreover, there are also certain financial risks, such as the risk of continual losses; uncertainty regarding future capital requirements; as well as currency and credit risks. See the section entitled "Risk factors" on pages 9–13 of this Prospectus for a more detailed account of the risks that are significant to Orexo's operations or an investment in Orexo's shares. There may also be other risks of which the Company is currently unaware.

OPERATIONS IN BRIEF

Orexo is a specialty pharmaceutical company undergoing strong growth and focused on, for example, the treatment of breakthrough cancer pain, various forms of opioid dependency and acute intensive pain. Orexo focuses on the development of new and superior drugs by combining well-known substances with innovative drug delivery technologies. These efforts lead to new patent-protected drugs that enhance patient care or offer care that is not currently available in any other manner, at the same time as the drug can frequently be developed with lower risk and within a shorter time than normal.

Orexo currently has a portfolio comprising three proprietary development programs, four commercialized products, as well as research and development for an additional four projects.

Orexo's new strategy, which is aimed at taking the three proprietary development programs – OX27 (treatment of breakthrough pain among cancer patients), OX51 (treatment of acute intensive pain periods) and OX219 (treatment of opioid dependence) – up to launch, ensures that the Company receives a larger share of revenues when the products come to market, combined with risk diversification.

The three proprietary development programs OX27, OX51 and OX219 are all in Phase I, as illustrated below.

Own development programs

Proprietary programs	Preclinical phase	Phase I	Phase II	Phase III	Launch
OX27		→			
OX51		→			
OX219		→			

Orexo currently has four products on the market. Abstral® – for the treatment of breakthrough pain among cancer patients – is approved both in Europe and the US and is marketed in these regions by the partner ProStrakan Group plc ("ProStrakan Group"). As a result of Kyowa Hakko Kirin's acquisition of ProStrakan Group in the spring of 2011, Orexo now has an even stronger partner in Europe and the US. Through ProStrakan AB – a joint venture with ProStrakan Group, in which Orexo holds 50 % – Abstral® is marketed in the Nordic region, along with three products from ProStrakan AB: Tostrex®, for testosterone deficiency among men; Rectogesic®, for pain in conjunction with chronic anal fissures; and Dridol®, for nausea in conjunction with anasthetization in operations. Orexo also markets two products for diagnosis of the stomach ulcer bacteria Helicobacter pylori, namely, Diabact® UBT and Heliprobe® System, which are marketed via the subsidiary, Kibion AB ("Kibion"), and Edluar™, a sublingual substance with Zolpidem to treat insomnia, which is approved in the US and is sold there by the partner Meda AB ("Meda").

In addition, Orexo also has a number of license agreements and research collaborations with global and regional partners to commercialize drugs and treatments. These agreements and collaborations represent key strategic assets, both financially and competence-wise, and mean that all early research by the Company is fully financed. Orexo's partners in these agreements and collaboration projects are Ortho-McNeil-Janssen Pharmaceuticals, Inc. and Janssen Pharmaceutica NV (jointly "OMJ") (global), which is part of the Johnson & Johnson Group, Novartis, Boehringer Ingelheim (global), Meda (global), ProStrakan AB (Europe and US), Gedeon Richter (Eastern Europe and Russia), Kyowa Hakko Kirin (Japan), NovaMed (China), Neopharm (Israel), NewBridge (Africa and Middle East) and Invida Group (a number of major Asian countries apart from those already noted, as well as Australia and New Zealand).

Orexo's commercialized products and additional project portfolio in which research and development agreements have been signed are illustrated below.

Commercialized products and additional project portfolio

Financial assets	Preclinical phase	Phase I	Phase II	Phase III	Launch	Partners
Abstral®					→	ProStrakan / INVIDA / KYOWA KIRIN
Diabact® UBT					→	kibion
Heliprobe® System					→	kibion
Edluar™					→	MEDA
OX-MPI	→					Boehringer Ingelheim
OX-CLI/ESI	→					ORTHO-MCNEIL / janssen
OX17		→				NOVARTIS
OX-NLA		→				MEDA

Orexo's revenues currently derives primarily from royalty payments, license agreements, research financing through license agreements and research collaboration, sale of diagnostics products and participations in sales from joint venture companies.

STRATEGY

In August 2010, Orexo announced a new strategy that involves development of a portfolio of proprietary products that will be marketed and sold through its own organization on at least one of the major markets Europe or the US. The objective is that Orexo shall be a fully integrated specialty pharmaceutical company. Existing products and collaboration represent key assets to support and co-finance the new strategy. The strategy comprises the development, marketing and sale of products and sales of products through its own organization in Europe or the US. Collaboration agreements will be sought for territories in which Orexo has not established its own market organization. Moreover, starting in 2011, the Company plans to launch at least one new development program each year.

MARKET

Global sales of pharmaceuticals amounted to BUSD 808 in 2009 and have grown at an average of 9.2 % annually since 2000 (IMS, 2010).

The presentation below outlines the markets for Orexo's three proprietary development programs, commercialized products and other project portfolio.

Breakthrough pain in cancer patients (OX27/ Abstral®)

Patients suffering from cancer pain receive, to a great extent, long-term palliative treatment with powerful pain relievers. Many of these patients experience difficult temporary periods of pain episodes, so called breakthrough pain. The market for the treatment of breakthrough pain in cancer patients totals some BUSD 1.5 in Europe and the US (IMS Health, 2010).

Acute intensive pain relief (OX51)

The market for this product is based on an estimated 100 million acute intensive pain episodes in Europe and the US (Business Insights, 2009).

Opium dependence (OX219)

Suboxone®, which is currently the market leader for products for the treatment of opium dependence, and Subutex® recorded combined revenues of MGBP 737 for 2010 (Reckitt Benckiser, 2010), which corresponds to approximately BUSD 1.2. The market for products for the treatment of opium dependence is estimated to amount to BUSD 2.2 by year 2019 (Datamonitor, 2010).

Diagnosis of Helicobacter pylori (Diabact® UBT /Heliprobe® System)

The prevalence of Helicobacter pylori in the stomach mucous membrane is particularly common in developing countries, where up to 80–90 % of the population may be infected. In Sweden, about 30 % of the population in the 30–50 age group may be infected, while the prevalence of the bacteria is considerably higher among the elderly. (Swedish Council on Health Technology Assessment, 2007).

Insomnia treatment (Edluar™)

The market for drugs to treat insomnia totaled approximately BUSD 7 worldwide in 2008 (Visiongain, 2009). The number of prescriptions in 2010 rose 2.6 times compared with the preceding year. (IMS, 2010).

Pain and inflammation in joints/inflammatory respiratory diseases including asthma and COPD (OX-MPI/OX-CLI/OX-ESI)

Patients suffering from arthritis consume a large share of the NSAIDs (Nonsteriodal Anti-inflammatory Drugs) and COX2-inhibitors currently sold. One of the most common forms of arthritis is rheumatoid arthritis. Rheumatoid arthritis constitutes a global market of BUSD 9 and is estimated to grow by 6 % annually to a combined value of BUSD 14.3 by year 2017. Another common form of arthritis is osteoarthritis with an estimated 75.8 million sufferers worldwide. The global osteoarthritis market was estimated at BUSD 5 in 2009 and is expected to grow by 1.5 % annually to a value of BUSD 5.5 by year 2016. (GlobalData, 2010).

COPD is a highly serious illness involving chronic inflammation of the respiratory tracts (frequently caused by smoking), which some 7–8 % of the population is estimated to suffer from. Global sales of drugs for respiratory diseases, primarily asthma and COPD, amounted to BUSD 33.6 in 2009. Average annual sales growth between the years 2005 and 2009 amounted to 11 %. (IMS,2009).

Gastroesophageal reflux disease (OX17)

About 15–20 % of all adults are estimated to suffer from gastroesophageal reflux disease (GERD) (Business Insights, 2007). The illness is today frequently treated using H2-receptor blockers and proton pump inhibitors. In 2009, the global market for gastroesophageal reflux disease was estimated to amount to BUSD 21.5 (GlobalData, 2010).

Rhinitis (hay fever) (OX-NLA)

Allergic rhinitis (hay fever) has become more common during the past 20 years, and some 25 % of the population in the West currently suffers from it (Datamonitor, 2007). Global sales of allergic rhinitis medication amounted to BUSD 12.6 in 2009 (Business Insights, 2010).

MISCELLANEOUS

Board of Directors, management and auditor

Orexo's Board of Directors and management are presented in the table below. The Company's auditor is PricewaterhouseCoopers AB with Leonard Daun as the auditor in charge. For more information on Board members, management and the Company's auditor, see the section "Board of Directors, management and auditor".

Board of Directors and management

Name	Position
Board of Directors	
Håkan Åström	Chairman of the Board
Raymond G. Hill	Member of the Board
Staffan Lindstrand	Member of the Board
Bengt Samuelsson	Member of the Board
Michael Shalmi	Member of the Board
Kjell Strandberg	Member of the Board
Management	
Anders Lundström	President & CEO
Thomas Lundqvist	Executive VP & Head of Pharmaceutical R&D
Gunilla Ekström	SCP Preclinical R&D / Project & Portfolio Management
Anders Pettersson	SVP Clinical R&D
Åsa Holmgren	VP Regulatory Affairs

Financial advisors

Orexo's financial adviser in connection with the New Share Issue is ABG Sundal Collier as Sole Manager.

Major shareholders

As of March 31, 2011, HealthCap was the largest shareholder with a total of 5,632,971 shares, corresponding to 24.1 % of the share capital and voting rights. For more information, see the section "Share capital and ownership structure".

Shareholder structure as of March 31, 2011

Shareholding, no. of shares	No. of shareholders	% of all shareholders
1–500	2,813	65.8
501–1,000	704	16.5
1,001–5,000	539	12.6
5,001–10,000	107	2.5
10,001–15,000	23	0.5
15,001–20,000	18	0.4
20,001–	69	1.6
Total	**4,273**	**100.0**

Major shareholders as of March 31, 2011

Shareholder	No. of shares	Ownership, %
HealthCap	5,632,971	24.1
Novo A/S	3,893,184	16.6
Third AP Fund	1,176,798	5.0
Rasjö, Staffan	1,087,120	4.6
Fourth AP Fund	907,898	3.9
Försäkringsaktiebolaget Avanza pension	772,882	3.3
Lundqvist, Thomas	495,250	2.1
Nordnet Pensionsförsäkring AB	316,910	1.4
Nyström, Christer	301,000	1.3
Brohuvudet AB	300,000	1.3
Others	8,520,489	36.4
Total	**23,404,502**	**100.0**

SUMMARY OF FINANCIAL DEVELOPMENT

The table below presents a summary of Orexo's financial development for the full years 2008–2010, and for the interim periods January 1– March 31, 2010 and January 1–March 31, 2011.

KSEK Condensed Consolidated Income Statement	Jan–Mar 2011	Jan–Mar 2010	2010	2009	2008
Net revenue	41,461	36,437	210,499	236,104	233,346
Costs of goods sold	-6,451	-6,400	-26,321	-23,650	-17,446
Gross profit	**35,010**	**30,037**	**184,178**	**212,454**	**215,900**
Selling expenses	-12,235	-7,439	-35,223	-39,261	-38,818
Administrative expenses	-12,233	-8,785	-46,819	-46,308	-55,294
Research and development expenses	-47,419	-41,840	-186,914	-224,216	-238,125
Other operating income	1,763	2,048	7,746	8,239	7,451
Other operating expenses	-1,487	-709	-4,741	-9,991	-3,611
Operating loss	**-36,601**	**-26,688**	**-81,773**	**-99,083**	**-112,497**
Financial income	530	22	1,456	4,868	9,268
Financial costs	-3,081	-904	-8,942	-2,726	-266
Loss before tax	**-39,152**	**-27,570**	**-89,259**	**-96,941**	**-103,495**
Tax	-9	5	13	-1,138	441
Net loss for the period	**-39,161**	**-27,565**	**-89,246**	**-98,079**	**-103,054**

KSEK Condensed Consolidated Balance Sheet					
Fixed assets					
Tangible fixed assets	41,750	45,345	41,666	45,814	50,317
Goodwill	17,681	17,987	17,679	17,987	16,030
Other intangible fixed assets	387,806	426,285	389,738	429,012	375,941
Current assets					
Inventories	12,409	8,781	7,965	8,440	13,982
Accounts receivable and other receivables	54,179	49,034	119,845	60,667	57,535
Cash and cash equivalents	150,320	50,432	135,798	87,414	188,220
Total shareholders' equity	427,819	519,226	468,237	548,661	569,783
Total long-term liabilities and provisions	100,699	21,521	104,444	33,705	10,415
Total current liabilities	135,627	57,117	140,010	66,968	121,827
Total shareholders' equity and liabilities	**664,145**	**597,864**	**712,691**	**649,334**	**702,025**

KSEK Condensed Consolidated Cash Flow Statements					
Cash flow from operations	16,281	-19,674	-42,967	-133,927	-101,490
Cash flow after investments	14,408	-21,005	-46,405	-111,818	-103,378
Cash flow after financing activities	14,415	-33,805	48,789	-95,728	-103,378
Cash and cash equivalents, close of period	150,320	50,432	135,798	87,414	188,220

Key figures					
Gross margin, %	84.4	82.4	87.5	90.0	92.5
Profit margin, %	-94.5	-75.7	-42.4	-41.0	-44.4
Operating margin, %	-88.3	-73.2	-38.8	-42.0	-48.2
Return on total capital, %	-5.3	-4.3	-11.9	-13.7	-13.9
Return on equity, %	-8.6	-5.2	-17.9	-17.0	-16.8
Return on capital employed, %	-6.4	-5.0	-14.2	-15.7	-16.9
Net indebtedness, MSEK	-50.5	-50.4	-31.9	-71.4	-188.2
Equity/assets ratio, %	64.4	86.8	65.7	84.5	81.2
Average number of employees	105	104	105	119	123
Data per share					
Before dilution					
Loss per share, SEK	-1.67	-1.18	-3.81	-4.32	-4.77
Shareholders' equity, SEK	18.28	22.19	20.01	23.44	26.36
After dilution					
Loss per share, SEK	-1.67	-1.18	-3.81	-4.32	-4.77
Shareholders' equity, SEK	16.47	22.02	18.05	22.40	25.12

Risk factors

Prior to an investor deciding whether to invest in the New Share Issue, the investor should carefully consider the risk factors set forth below. An investment in a research driven company such as Orexo is accompanied by significant risks. The following descriptions of risks (not in order of priority) comprise those risks identified as having major significance for Orexo's future development. Any of the following risks as well as other risks and uncertainties discussed in this Prospectus could have a material adverse effect on Orexo's business, financial condition, and results of operations or prospects or cause the value of Orexo's shares to decline, which could cause investors to lose all or part of their investment. Additional risks and uncertainties that Orexo is unaware of, or that are currently deemed to be immaterial, may also have a negative impact on Orexo. In addition to the factors set forth below, investors should carefully consider all other information set forth in this Prospectus.

RISKS ASSOCIATED WITH OREXO'S OPERATIONS

Orexo is a specialty pharmaceutical company with four commercialized products and a portfolio of products in development phase

Orexo is a specialty pharmaceutical company focused in areas including the treatment of breakthrough pain among cancer patients, various forms of opium dependence and acute intensive pain. The Company currently has a portfolio comprising three proprietary development programs, four commercialized products (Abstral®, Diabact® UBT, HeliProbe® System and Edluar™) in addition to research and development agreements for four further projects in various stages of development.

Certain of Orexo's product candidates have yet to generate revenues and perhaps will never do so.

Orexo's investments in product development are subject to the risk of failure that accompanies all drug development. This includes the risk that one or all of Orexo's product candidates proves ineffective, dangerous, and toxic or in any other manner proves unable to meet applicable requirements for regulatory bodies, or receive the requisite approvals or permits from regulatory bodies, or prove difficult to develop as a commercially viable product.

If Orexo fails to succeed in developing, obtaining approvals for, or successfully licensing or commercializing its products or product candidates, this could prevent Orexo from generating sufficient revenues to achieve long-term profitability. If Orexo is impacted by considerable delays in completing its projects, receives unfavorable or just marginally favorable results from these projects, or fails to obtain approvals from regulatory bodies or a positive reception in the market, this could negatively impact Orexo's short-term ability to generate revenues, its reputation and weaken its ability to raise additional capital and lead to a decline in Orexo's share price.

Market reception of Orexo's products could be negative, which could hinder Orexo from becoming profitable

Hospitals, physicians and patients may conclude that Orexo's products are less safe and effective or otherwise less attractive than other therapies or procedures. There can be no assurance that hospitals, physicians, patients or the medical community in general will accept and use any of Orexo's products.

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

Orexo has experienced significant operating losses from the inception of its business operations in 1995 through to the date of this Prospectus. For fiscal year 2010, Orexo recorded a loss of approximately MSEK 89.2. A significant proportion of Orexo's expenses are fixed, including expenses related to facilities, equipment and personnel. There is no guarantee that Orexo will have sufficient revenues or positive cash flow to sustain its operations.

Orexo expects that additional revenues generated by the products already commercialized; Abstral®, Diabact® UBT, HeliProbe® System and Edluar™ as well as from the licensing of new product candidates, may fluctuate substantially.

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

To obtain regulatory approvals for the commercial sale of the Company's product candidates, Orexo and its collaborating partners will be required to complete human clinical trials to demonstrate the safety and efficacy. No guarantees exist that Orexo and its collaborating partners will obtain permits from regulatory bodies to commence or complete such clinical trials. If permitted, such clinical trials may not prove that Orexo's product candidates are sufficiently safe and effective to the extent necessary to permit Orexo and its collaborating partners to obtain marketing approvals for its product candidates from regulatory bodies. Moreover, positive results demonstrated in formulation development studies and clinical trials that Orexo and its collaborating partners conduct may not be representative of results obtained in future clinical trials. Furthermore, Orexo, its collaborating partners, institutional review boards, or regulatory bodies may suspend clinical trials at any time if it is believed that the subjects or patients participating in such trials are being exposed to unacceptable health risks. Adverse or inconclusive clinical trial results concerning any of Orexo's product candidates may

require Orexo and its collaborating partners to conduct additional clinical trials, which could result in increased costs, significantly delay filing for approval with regulatory bodies, result in a filing for a narrower indication, or cause Orexo and its collaboration partners to abandon the commercialization of the product candidate.

Orexo's success is dependent on key personnel
Orexo is highly dependent on certain key personnel. The loss of any of the Company's key employees could delay or obstruct Orexo's research program and affect sales of its existing products. To a large extent, Orexo's operations will be dependent on the Company's ability to attract and retain highly qualified scientific and management personnel, as well as personnel with expertise in clinical trials and governmental regulation. Orexo faces competition for personnel from other companies, universities, public and private research institutions, government entities and other organizations. If Orexo is unsuccessful in its recruitment and retention efforts, the Company's business will be harmed.

Orexo continuously evaluates acquisition and integration opportunities
Orexo continuously evaluates opportunities to acquire products and businesses as part of its day-to-day business activities. A successful acquisition and integration process creates value. However, the acquisition and integration of new business units always entails risks and opportunities. These could be that costs related to an acquisition become higher or lower than expected or future results and synergy effects not corresponding with expectations.

Orexo's competitors have greater financial resources and may develop new technologies or products that are more effective, cheaper or appear to be more cost-effective than Orexo's products
Many potential competitors of Orexo have greater financial resources and expertise in research and development, clinical trials, obtaining regulatory approval and marketing than Orexo.

Orexo competes with many companies and institutions, including pharmaceutical companies, biotechnology companies, academic institutions and research organizations in developing drugs. Competitors may develop more effective, more affordable or more practical products or may achieve earlier patent protection or commercialization of their products than Orexo. These competing products may render Orexo's products obsolete or limit the ability of Orexo to generate revenue.

Technology controlled by third parties that may be advantageous to Orexo's operations may be acquired or licensed by Orexo's competitors, thereby preventing Orexo from obtaining that technology on commercially reasonable terms, or at all. If Orexo is unable to successfully compete with existing and potential competitors it will cause substantial harm to the Company's business.

Orexo may be exposed to product liability claims and may not be able to obtain or maintain adequate product liability insurance
The business of Orexo exposes the Company to the risk of product liability claims that is inherent in the manufacturing, testing, and marketing of pharmaceuticals. Orexo may not be able to obtain or maintain insurance on acceptable terms, or at all. Moreover, any insurance that Orexo does obtain may not provide adequate protection against potential liabilities.

Orexo's operations are concentrated to a handful of facilities
All of Orexo's current operations are located at two leased facilities located in Uppsala, Sweden and in Bath, UK. A fire, explosion, flood or other disaster resulting in significant damage to these facilities could significantly disrupt or curtail Orexo's operations and could have a material adverse effect on Orexo's business, financial condition and results of operations.

FINANCIAL RISKS

Orexo may require substantial additional funds to reach profitability and, if additional capital is not available, Orexo may need to limit or cease its operations
Orexo has used and will continue to require substantial funds to conduct research and development, including early drug discovery, formulation development and clinical trials of the Company's potential products. Orexo may be required to seek additional external funding in the future to continue operations. However, additional financing may not be available to Orexo on acceptable terms, or at all. If Orexo is unable to obtain funding on a timely basis, the Company may be required to significantly curtail one or more of its research or development programs.

Orexo is exposed to currency risks in export/import transactions
Orexo has assets (accounts receivable) and liabilities (accounts payable) in foreign currencies. Orexo's accounting is prepared in SEK and the Company has its main operations in Sweden. The majority of operating expenses are therefore in SEK. However, the Company sells its products in countries other than Sweden and receives license fees in currencies other than SEK. Assets, liabilities, income and expenses in foreign currencies give rise to currency exposure. A weakening of the SEK against other currencies increases Orexo's reported assets, liabilities, income and expenses, while a strengthening of the SEK against other currencies reduces these items. Previously, currency fluctuations have not had any significant impact on Orexo's reported assets, results or comparability of Orexo's results between various time periods, but could have an impact in the future. The Company does not hedge income in foreign currency at present, but the financial policy allows for the use of currency hedging instruments to eliminate or minimize currency risks that arise in the Company.

Orexo is exposed to interest-rate risks primarily attributable to the Company's investment of excess liquidity in interest-bearing instruments
Orexo's finance department is responsible for managing interest-rate risks. The primary goal of Orexo's management of interest-rate risk is to reduce the negative impact of movements in interest rates. To reduce the impact of interest-rate movements on the results, Orexo primarily utilizes investments with short tenors. However, no guarantees exist that the Company's management of interest-rate risk will deliver the desired results, and fluctuations in market interest rates may therefore negatively impact Orexo's results and financial position.

Orexo is exposed to credit and counterparty risks
Credit and counterparty risks refer to the risk of counterparties being unable to meet their obligations to repay a debt or make interest

payments on such a debt. In Orexo, there are three categories of payment flows from customers where payment risks can arise: (i) in Kibion and ProStrakan AB's sales to distributors, (ii) in payment flows from Orexo's licensing agreements with other parties and (iii) in connection with the Company's balances at banks. Orexo performs ongoing assessments of these credit risks and the counterparties' credit ratings, but no guarantee exists that the Company's assessments in these considerations are correct. In cases where a counterparty is unable to meet its obligations to Orexo this may negatively impact the Company's results and financial position.

Orexo may risk losing the entitlement to utilize its loss carry-forwards
Orexo has significant accumulated loss carry-forwards. Ownership changes that mean that the controlling influence over the Company changes may result in limitations (fully or in part) in the entitlement to utilize such loss carry-forwards in the future. The opportunity of utilizing the loss carry-forward in the future may even be impacted by changes in legislation.

RISKS ASSOCIATED WITH CORPORATE COLLABORATIONS

Orexo depends on, and is expected to continue to depend on, collaborating partners to develop, conduct clinical trials with, obtain regulatory approvals for, and manufacture, market and sell some of Orexo's products. These collaborations may not be successful
Orexo relies on third parties to market and sell products, conduct clinical trials of Orexo's product candidates and develop certain products that utilize Orexo's technology. If these third parties do not carry out their contractual obligations or meet expected deadlines, if the third parties need to be replaced, or if the quality or accuracy of the clinical data they obtain is compromised, planned clinical trials may be extended, delayed or terminated. This would have a negative impact on the Company's business and its ability to license or commercialize its products. Expected revenues from commercialized products are also dependent on sales and marketing performed by external companies.

Orexo intends to enter into collaboration agreements with other parties in the future relating to more product candidates in order, inter alia, to spread the financial risk associated with pharmaceutical development and commercialization of product candidates. Orexo's success in this respect is dependent on its future ability to attract collaborating partners and to enter into collaboration agreements on terms favorable to Orexo. No guarantees exist that Orexo will be able to enter into such collaboration agreements. Orexo's collaborating partners may not devote the resources necessary or may otherwise be unable to complete development and commercialization of these potential products.

If Orexo is unable to enter into additional collaboration agreements, Orexo may not be able to continue development of the Company's product candidates
If Orexo is not successful in its efforts to enter into a collaboration arrangement with respect to a product candidate, it may not have sufficient funds to develop the product candidate alone. The product candidate will not then be possible to bring to the market and generate revenues, which would adversely affect Orexo's business.

Orexo has limited distribution infrastructure and limited sales and marketing experience and must rely significantly on third parties, which may not be successful in the commercialization of Orexo's products
Orexo has limited sales and marketing experience and limited distribution infrastructure. The collaboration with ProStrakan Group in respect of ProStrakan AB applies only to the Nordic market. As regards other geographic markets, Orexo relies to a great extent on sales, marketing and distribution agreements with third parties. Orexo may have limited or no control over the sales, marketing and distribution activities of these third parties.

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

Orexo does not have any large-scale manufacturing capacity and must rely on third parties to manufacture the Company's products or incur significant costs to develop such capacity
Orexo currently relies on in-house production of the Company's product candidates for formulation development and clinical trial purposes. Although several of Orexo's employees have extensive experience of large-scale manufacturing of pharmaceuticals, Orexo does not have the capacity to handle large-scale manufacturing in-house. Orexo does not currently intend to develop any such manufacturing capacity. Only a limited number of manufacturers can supply certain pharmaceuticals. In addition, the manufacturing process for Orexo's products is highly regulated and Orexo will need to contract with manufacturers that can meet the relevant regulatory bodies' requirements on an ongoing basis. Orexo may experience difficulty in obtaining adequate manufacturing capacity for its needs. If Orexo is unable to obtain or maintain contract manufacturing of its products, or to do so on commercially reasonable terms, Orexo may not be able to successfully benefit financially from its products.

RISKS ASSOCIATED WITH LEGISLATION AND OTHER PROVISIONS

Orexo's facilities and processes, and those of Orexo's collaborating partners, are subject to regulatory approvals, which may delay or disrupt Orexo's operations
Orexo and its collaborating partners are subject to continuing to meet regulatory obligations such as safety reporting requirements and additional requirements following receipt of any marketing approval. In addition, Orexo or its third-party manufacturers are required to comply with regulations setting forth current good manufacturing practices. If Orexo fails to comply with applicable regulatory requirements, Orexo may be subject to fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and prosecution, which could adversely affect the business and financial position of Orexo.

The manufacture and storage of pharmaceutical and biological products are subject to environmental regulation and risk
Because of the chemical ingredients of pharmaceutical products and the nature of their manufacturing process, the pharmaceutical industry is subject to stringent environmental regulation and to the risk of incurring liability for damages or costs of remedying, decontaminating or checking environmental problems. No guarantee

exists that Orexo will be able to obtain the operating licenses necessary to conduct the Company's business in the future. If Orexo fails to comply with environmental regulations relating to the proper use, discharge or disposal of hazardous materials or otherwise fails to comply with conditions attached to operating permits, such permits could be revoked and Orexo could be subject to criminal sanctions and substantial liability and costs or could be required to suspend or modify its operations.

Healthcare system reforms may negatively impact Orexo's operations and profitability

Changes in the reimbursement and payment systems for pharmaceutical products may impact Orexo's ability to operate profitably. The risk of such proposals resulting in changes affects or will affect Orexo's ability to raise capital, find additional collaboration partners and market the Company's products. Orexo's earnings may be negatively impacted by future healthcare reforms.

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

RISKS ASSOCIATED WITH OREXO'S INTELLECTUAL PROPERTY

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

The success of Orexo is dependent on Orexo's ability to protect methods and technologies that the Company develops under the patent and other intellectual property laws of various countries, so that Orexo can prevent others from using the Company's inventions and protected information. Since certain patent applications are confidential until patents are issued, third parties may have filed patent applications for technology covered by Orexo's pending patent applications without Orexo being aware of such applications. In this connection, it may thus prove that Orexo's patent applications may not have priority over the patent applications of others. Despite Orexo's efforts to protect its rights, unauthorized parties may be able to obtain and use information that Orexo regards as proprietary. The mere issuance of a patent does not guarantee that it is valid or enforceable against third parties. Pending patent applications may not result in issued patents. The patent position of pharmaceutical or biotechnology companies, including Orexo, is generally uncertain and comprises complex factual and legal assessments. The rules applied by patent offices in various countries for the granting of patents are not always applied predictably or uniformly and may be subject to change.

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

A third party may sue Orexo for infringing on its patent. Likewise, Orexo may need to resort to litigation to enforce a patent issued to Orexo or to determine the scope and validity of third-party proprietary rights. The costs for Orexo of any litigation or other proceeding relating to intellectual property rights, even if resolved in Orexo's favor, could be substantial, and the litigation could also divert the efforts of Orexo's management. Some of Orexo's competitors may be able to sustain the costs of complex patent litigation more effectively than Orexo because they have substantially greater resources. Uncertainties resulting from the initiation and continuation of any litigation could limit Orexo's ability to continue its operations. If any party should claim that Orexo's inventions or use of technologies infringes upon such party's intellectual property rights, Orexo might be forced to pay damages and cease with the infringing activity. Orexo or its collaboration partners may be forced to obtain a license in order to continue to manufacture or market the affected products and processes. Such license required under a third-party patent may not be made available on commercially acceptable terms, if at all. In addition, some licenses may be non-exclusive, and therefore, Orexo's competitors may have access to the same technology as that licensed to Orexo.

If Orexo is unable to protect the confidentiality of its trade secrets and know-how, the value of the Company's commercialized products, technologies and product candidates will be adversely affected

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

RISKS ASSOCIATED WITH THE NEW SHARE ISSUE

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

Orexo's share price has been volatile since the Company was listed on the NASDAQ OMX. Historical increases in share value do not constitute a guarantee of positive future trends for Orexo's shares. Orexo is unable to predict trends in investors' interest in Orexo. Usually, low trading volumes increase the volatility of a share, which gives rise to a greater risk for major fluctuations in share prices. However, increased trading volumes do not comprise a guarantee that Orexo's share price will be less volatile.

The price of the Orexo share may decline

The Orexo share price may fluctuate substantially due to factors entirely or partly outside of Orexo's control. In general, the stock market has historically experienced strong price and volume fluctuations. The market prices of securities of many pharmaceutical, biotechnology and other life sciences companies have been volatile, and have experienced fluctuations that sometimes have been unrelated or disproportionate to the operating performance of these companies. For example, Orexo's share price could be adversely affected if pharmaceuticals developed by other pharmaceutical, bio-

technology and other life sciences companies are not successful in clinical trials, fail to achieve regulatory approval or are not accepted positively in the marketplace, even though these failures may not be related to the product candidates or technology of Orexo. These broad market fluctuations could result in extreme fluctuations in the price of Orexo's shares, which could cause a decline in the value of investors' shares.

Orexo has never paid dividends, and Orexo does not anticipate paying any dividends in the foreseeable future

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

Subscription undertakings and underwriting agreements

Underwriting agreements and subscription undertakings corresponding to the entire amount issued in the New Share Issue have been submitted. These undertakings and agreements have not been secured through any pledge of collateral, blocked funds or similar arrangement, therefore it is not possible to guarantee that the parties that made the above underwriting agreements and guarantee commitments will be able to meet their undertakings. For additional information regarding the aforementioned underwriting agreements and guarantee commitments, see the section "Legal matters and supplementary disclosures – Subscription undertakings and underwriting agreements".

Background and motive

Orexo is a specialty pharmaceutical company undergoing strong development focused in areas including treatment of breakthrough cancer pain, various forms of opium dependence and acute intensive pain. Currently, the Company has a portfolio comprising three proprietary development programs, four commercialized products and research and development agreements for four further projects.

Orexo has successfully developed several drugs and currently has four commercialized products (Abstral®, Diabact® UBT, HeliProbe® System and Edluar™), which are marketed by collaboration partners, subsidiaries and joint ventures. Orexo's new strategy, which aims to bring to launch all three proprietary development programs, OX27, OX51 and OX219, ensures that the Company will retain a higher portion of the revenues when the products reach the market in combination with diversified risk. The choice of this new strategy is supported by clinical data and interaction with regulatory bodies in respect of OX51 and OX219. As part of this strategy, the Company intends to sell its products through its own sales organization in either Europe or the US. Collaboration agreements will be sought for regions where Orexo has not established its own sales organization. In addition, the Company intends to start at least one new development program every year, commencing 2011.

Orexo receives proceeds totaling a maximum of approximately MSEK 245 before deductions for issue expenses following the New Share Issue[1]. Orexo intends to utilize the funds raised by the New Share Issue to secure the development of the Company's three proprietary development programs, OX27, OX51 and OX219, up until launch. Current financing is adequate to take all projects in the proprietary development portfolio through clinical phase I and even for taking one of these projects to approval, even without any additional milestone payments from licensed research and development projects. However, the New Share Issue secures the financing of all of Orexo's proprietary development programs and the Company thus avoids becoming dependent on the timing and size of future milestone payments from various collaboration partners.

Orexo's working capital needs are primarily connected to the Company's continued development operations, comprising development up to and including launch of the three proprietary development programs. Current liquidity is insufficient to fund the Company's working capital requirements. These capital requirements relate to development of all three proprietary programs during the next twelve months. After taking into account the capital raised by the Company through the New Share Issue, Orexo's assessment is that the working capital is sufficient. The New Share issue is fully underwritten through subscription undertakings and underwriting agreements of which MSEK 127.6 constitute subscription undertakings and MSEK 117.1 underwriting agreements.[2]

The Board of Directors of Orexo is responsible for the contents of this Prospectus. Orexo's Board of Directors hereby assures that all reasonable care has been taken to ensure that the information contained in this Prospectus is, to the best knowledge of the Board of Directors, true and that nothing has been omitted that could change the picture of Orexo provided in this Prospectus.

Uppsala, May 30, 2011

Orexo AB (publ)
The Board of Directors

[1] Issuing costs, including underwriting commissions, are estimated to amount to approximately MSEK 12. Underwriting commissions account for MSEK 1.8 of the issuing costs.

[2] For additional information, see the section "Legal matters and supplementary disclosures – Subscription undertakings and underwriting agreements".

Invitation to subscribe for shares

On May 3, 2011, the Board of Directors of Orexo resolved, subject to the approval of the General Meeting of the Company, to increase the Company's share capital by a maximum of SEK 2,575,275.20 through a New Share Issue of a maximum of 6,438,188 shares. The Board's resolution was approved at an Extraordinary General Meeting on May 27, 2011.

OFFERING

The shareholders of Orexo and holders of the Company's convertible bonds 2010/2015 are hereby invited to, with preferential rights, subscribe for new shares in Orexo in accordance with the terms and conditions set forth in this Prospectus.[1]

Four existing shares entitle the holder to subscribe for one new share at the subscription price of SEK 38 per share during the period June 9 through June 23, 2011.[2]

Subscription for shares in the New Share Issue without subscription rights is possible, for further information see the section "Terms, conditions and instructions – Subscription without subscription rights".

The New Share Issue is fully underwritten through subscription undertakings and underwriting agreements of which MSEK 127.6 constitute subscription undertakings and MSEK 117.1 underwriting agreements.[3] The New Share Issue will provide Orexo with additional funds of approximately MSEK 245 before issuing costs[4].

The shareholders of Orexo and holders of the Company's convertible bonds are hereby invited to, with preferential rights, subscribe for new shares in Orexo in accordance with the terms and conditions set forth in this Prospectus.

Uppsala, May 30, 2011

Orexo AB (publ)
The Board of Directors

[1] Holders of the Company's convertible bonds 2010/2015 should in that connection, irrespective of whether conversion has been carried out, be treated as holders of the number of shares in the Company which the convertible bond holders would have received on full conversion in accordance with the terms and conditions of the convertible bonds applicable at the time the New Share Issue was resolved.

[2] The holdings of shareholders that do not participate in the New Share Issue will be diluted by approximately 27.5 %, but are able to compensate for this through sale of their subscription rights.

[3] For additional information, see the section "Legal matters and supplementary disclosures – Subscription undertakings and underwriting agreements".

[4] Issuing costs, including underwriting commissions, are estimated to amount to approximately MSEK 12. Underwriting commissions account for MSEK 1.8 of the issuing costs.

Terms, conditions and instructions

PREFERENTIAL RIGHT AND SUBSCRIPTION RIGHTS

Those persons who, on the record date of June 3, 2011 are registered as shareholders in Orexo or as holders of the Company's convertible bonds 2010/2015 have a preferential right to subscribe for new shares in the New Share Issue.

Holders of the Company's convertible bonds 2010/2015 should in that connection, irrespective of whether conversion has been performed, be treated as holders of the number of shares in the Company which the convertible bond holders would have received on full conversion in accordance with the terms and conditions of the convertible bonds applicable at the time the New Share Issue was resolved.

Every one share held on the record date entitles the holder to one (1) subscription right. Four (4) subscription rights entitle the holder to subscribe for one (1) new share in Orexo.

SUBSCRIPTION PRICE

The subscription price amounts to SEK 38 per share. No commission will be charged.

RECORD DATE

The record date at Euroclear Sweden for determination of which persons are entitled to receive subscription rights in the rights issue is June 3, 2011. The final day for trading in the Orexo share inclusive of the right to participate in the New Share Issue is May 30, 2011. Shares in Orexo will be traded ex-rights commencing May 31, 2011.

TRADING IN SUBSCRIPTION RIGHTS

Trading in subscription rights will be conducted at NASDAQ OMX during the period June 9 through June 20, 2011. Shareholders should contact their bank or investment manager with the requisite permits for the purchase and sale of subscription rights. The ISIN-code for the subscription rights is SE0004016947.

SUBSCRIPTION WITH SUBSCRIPTION RIGHTS

Subscription with preferential rights must take place through the concurrent payment in cash during the period June 9 through June 23, 2011. Thereafter, unexercised subscription rights will expire and will be deleted from the shareholder's securities account without notification from Euroclear Sweden. In order not to lose out on the value of subscription rights received, the shareholder must either exercise the subscription rights by subscribing for new shares by at the latest June 23, 2011, or sell the subscription rights received and not exercised by June 20, 2011.

The Board of Directors in Orexo is entitled to extend the subscription period and the time period for trading in subscription rights. Decision regarding any such extension of the period must be published via press release at the latest in and around the time of expiry of the subscription period.

Directly registered shareholders

Those shareholders and representatives for shareholders who, on the record date, were registered in the share register maintained by Euroclear Sweden on the Company's behalf, will receive a pre-printed issue statement and special application form from Euroclear Sweden. The issue statement includes, for example, the number of subscription rights received and the full number of shares that may be subscribed for. Those who are included in the special list of pledge holders and trustees that is maintained in connection with the share register will not receive any issue statement, however, they will be informed separately. No securities notification (Sw: VP-avi) will be sent out regarding the registration of subscription rights on securities accounts. Subscription is through payment using the pre-printed issue statement or the paying-in form attached to the special application form according to the following alternatives:

Pre-printed issue statement

Where all subscription rights allotted on the record date are to be exercised in full, only the pre-printed issue statement should be used for subscription with a cash payment. The special application form should not be used. Note that application for subscription is binding.

Special application form

Where subscription rights are purchased or sold, or a different number of subscription rights than the amount printed on the pre-printed issue statement are exercised for subscription for new shares, the special application form ("Application form – Subscription for shares with subscription rights") is to subscribe for shares with a cash payment. Under the heading "Subscription for shares with subscription rights", the shareholder should state the number of shares subscribed for and enter the amount to be paid. Accordingly, payment is made using the paying-in form attached to the special application form. Incomplete or incorrectly completed application forms may be rejected. The special application form may be obtained from Remium AB ("Remium"), which is the issuing house in connection with the New Share Issue, on the following telephone number. Completed application forms must be remitted or submitted together with payment to Remium by at the latest 3:00 p.m. June 23, 2011.

Remium AB
Issue: Orexo
Kungsgatan 12–14
SE-111 35 Stockholm
Telephone: +46 8-454 32 00
Telefax: +46 8-454 32 01

Nominee-registered shareholdings

Beneficial shareholders whose holdings are nominee-registered at a bank or other nominee will not receive an issue statement, the Prospectus or special application form. Subscription and payment for shares subscribed should instead be made in accordance with instructions from the respective nominee.

SUBSCRIPTION WITHOUT SUBSCRIPTION RIGHTS

If applicable, of those shares that are subscribed for without preferential right (that is without subscription rights), a minimum of one-third and a maximum being the number that would result in full allotment of Novo's undertaking to subscribe for shares (in an amount corresponding to MSEK 125[1]) are to be allotted to Novo.

[1] For additional information, see the section "Legal matters and supplementary disclosures – Subscription undertakings and underwriting agreements".

Remaining shares that have not been subscribed for with subscription rights are allotted to those who have subscribed for shares with subscription rights and notified interest in subscribing for shares without subscription rights, whereupon – if oversubscribed – allotment will be carried out in proportion to the number of subscription rights exercised and, where the above method is not possible, through the drawing of lots. Any remaining shares will be allotted to guarantors of the issue (excluding Novo, which receives allotment in accordance with the first sentence above in fulfillment of its guarantee commitment), these guarantors having previously made agreements with the Company, and allotment will be performed in proportion to the guarantee undertakings.

Subscription of shares without subscription rights must be performed concurrent with the subscription of shares with subscription rights, that is, during the period June 9 through June 23, 2011.

Subscription without subscription rights must be made on special application form II ("Application form – Subscription without subscription rights"), which may be obtained from Remium at the above telephone number and from Orexo's website, www.orexo.com. Completed application forms must be remitted or submitted to Remium by at the latest 3:00 p.m. June 23, 2011. Only one application form may be submitted. If more than one application form is submitted only the first application received by Remium will be considered. Note that application for subscription is binding.

As confirmation of the allotment of shares subscribed for without subscription rights, a settlement note will be sent to the subscriber. No confirmation will be sent to applicants that were not allotted shares. Shares allotted must be paid for in accordance with the instructions on the settlement note. Note, if payment for the allotted shares is not made in time, the allotted shares may be assigned to another party. The party that originally received the allocation of shares may then be held responsible for any difference.

For practical reasons, when the Board of Directors determines allocation they may decide that allocation according to the above must be for a minimum number of shares.

SHAREHOLDERS DOMICILED ABROAD

Shareholders domiciled outside of Sweden, (does not apply to residents of Australia, Canada, Japan or the US) and who hold preferential rights to subscribe via the New Share Issue, may contact Remium at the above telephone number for information on subscription and payment. Due to restrictions imposed by securities legislation in Australia, Canada, Japan and the US, no subscription rights will be offered to shareholders with registered addresses in any of these countries. Accordingly, no invitation to subscribe for shares in Orexo will be made to shareholders in these countries. Orexo shareholders resident in these jurisdictions will receive, after deductions for selling expenses, the proceeds from the sale of the subscription rights these shareholders would otherwise have been entitled to receive. Amounts of less than SEK 100 will not be paid out.

BTAs AND REGISTRATION OF SHARES

A few days after payment and subscription, Euroclear Sweden will send a securities notification confirming that the BTAs have been registered to the securities account. The newly subscribed shares are entered as BTAs on the securities account until such time as the New Share Issue has been registered with the Swedish Companies Registration Office, which is expected to transpire around July 6, 2011. Thereafter, BTAs will be re-registered as ordinary shares around July 13, 2011. Beneficial shareholders represented by a nominee will receive information from their respective nominees.

TRADING IN BTAs

Trading in BTAs on NASDAQ OMX is expected to take place during the period June 9, 2011 through to registration of the New Share Issue at the Swedish Companies Registration Office. The ISIN-code for BTAs is SE0004016954.

TRADING IN SHARES INCLUDED IN THE NEW SHARE ISSUE

The new shares are expected to commence trading on NASDAQ OMX around July 15, 2011. Shares in Orexo have ISIN-code SE0000736415. Shares are traded in posts of one share.

RIGHT TO DIVIDENDS

The new shares will carry right to dividends commencing from the first record date for dividends occurring after the new shares have been registered in the Company's share register.

ANNOUNCEMENT OF SUBSCRIPTION TAKE-UP IN THE NEW SHARE ISSUE

The Company will announce the take-up of the New Share Issue at the earliest possible date following conclusion of the subscription period, around June 29, 2011. The results will be announced in a press release and will be available on the Company's website.

OTHER INFORMATION

The Company is not entitled to discontinue the New Share Issue, nor does it have the right to reduce the number of shares subscribed for with subscription rights. In the event that a too large amount of money is paid by a subscriber, Orexo will arrange for the excess amount to be refunded.

Incomplete or incorrectly completed application forms may be rejected. Furthermore, if the subscription payment is made late or is insufficient, the subscription application may be rejected. In such a case, the subscription payment will be refunded.

How to subscribe

Terms and conditions	For each Orexo share, you will receive one (1) subscription right. Four (4) subscription rights provide an entitlement to subscribe for one (1) new share in Orexo.
Subscription price	SEK 38 per share
Record date for participation in the New Share Issue	June 3, 2011
Subscription period	June 9–June 23, 2011
Trading in subscription rights	June 9–June 20, 2011

SUBSCRIPTION FOR SHARES WITH PREFERENTIAL RIGHT (I.E. WITH SUBSCRIPTION RIGHTS)

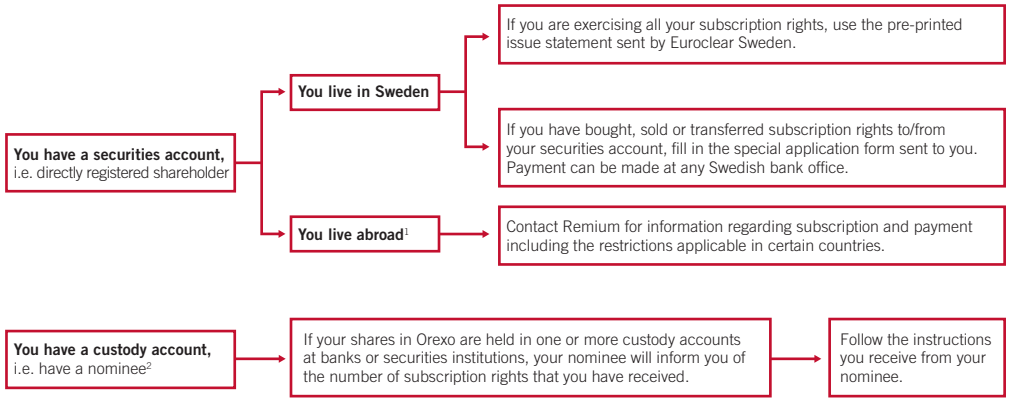
1. You will be allotted subscription rights

For each share in Orexo that you hold on June 3, 2011… … you will receive (1) subscription right

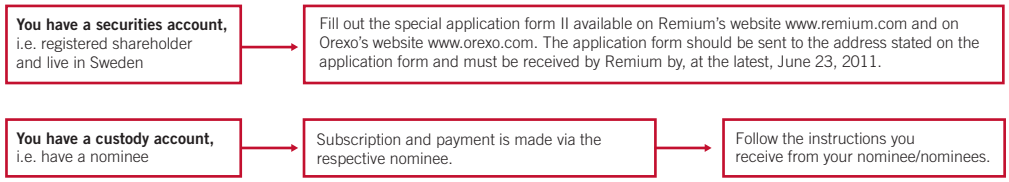
2. How to exercise your subscription rights

Four (4) subscription rights + SEK 38 … …entitles to (1) new share in Orexo

3. Are you a directly registered shareholder or a beneficial shareholder with shares held by a nominee



SUBSCRIPTION FOR SHARES WITHOUT SUBSCRIPTION RIGHTS (BY SHAREHOLDERS AND OTHER PARTIES[3])



[1] Note the regulations applicable to shareholders domiciled abroad in the section "Terms, conditions and instructions" under the heading "Shareholders domiciled abroad".

[2] Note that certain nominees may apply a shorter application period. Check the instructions from the respective nominee.

[3] Allotment will be carried out as described in the section "Terms, conditions and instructions" under the heading "Subscription without subscription rights".

CEO's message

In 2010, Orexo extended its strategic focus from developing drugs to also encompass launch and sales under own management in either Europe or US. Orexo was strengthened both financially and strategically when Novo's invested MSEK 11 last year in the form of a convertible loan. This enabled initiation of the development of Orexo's own product portfolio with our three development programs OX27, OX51 and OX219. In June 2010, we entered into a research agreement with OMJ which means that all of our early research is now fully financed.

Previously, our business model built on development of drugs, which we then licensed to other pharmaceutical companies. The new direction, where we will sell our own drugs, mean that Orexo will receive a higher portion of the revenues when the products are brought to market. Therefore, project selection is very important to us and we will diligently now also ensure that we have the resources to pursue them the whole way, from concept to launch. In markets where we lack and do not intend to have any own sales capabilities, we will seek to enter into licensing agreements with strong partners.

Our development portfolio now comprises three new proprietary development programs:

- OX27 which aims to treat breakthrough pain among cancer patients has entered the clinical phase and will report results in the second quarter of 2011.
- OX51 for treatment of acute intensive pain episodes reported positive results from the first phase I trial in March 2011.
- OX219 builds on a combination of buprenorphine and naloxone for the treatment of opium dependence. The first pharmacokinetic trial reported positive findings. The meeting with the Food and Drug Administration ("FDA") in the US was positive and the next stage in product development is currently being prepared.

Early clinical data for the three projects and interaction with regulatory bodies in respect of OX51 and OX219 confirms our view that we have made the right choice.

Our commercialized products are developing positively. Sales of Abstral® in 2010 increased to MSEK 187 and the product has now been approved and launched in all important European markets and the US. The drug is currently being marketed in 18 European countries. In Europe, Abstral® has already achieved a market share of approximately 24 % for fentanyl treatment of breakthrough pain among cancer patients. This, in a highly competitive market with many new products. Kyowa Hakko Kirin's acquisition of ProStrakan Group in spring 2011 provided Orexo with an even stronger partner in Europe and the US. We expect continued favorable growth in sales of Abstral® and applications for new registrations in the key markets in Asia and Australia within the framework of the license agreements made with Newbridge for Africa and the Middle East and with Invida Group. Our subsidiary Kibion's sales amounted to MSEK 40 in 2010 and recorded strong volume growth.

Our collaboration programs, which are entirely funded by our partners, are also developing well. Our research collaboration with OMJ is Orexos largest as of yet and covers our development projects OX-CLI and OX-ESI. OMJ is a very strong partner for these projects and contributes to the collaboration with its own projects in the same field. The collaboration programs are financed by our partners and thus do not impact our costs. Our research collaboration with Boehringer Ingelheim reached an important milestone at the end of 2010 when the first drug candidate was selected. In conjunction with this achievement we received a milestone payment.

Orexo has a strong history of developing its own products up to launch, which is apparent from the Company's current portfolio of commercialized products such as Abstral®, Diabact® UBT, HeliProbe® System and Edluar™. The new strategy ensures the Company will secure a higher portion of future value creation in combination with diversification of risk. The choice of the strategy is also supported by new clinical data and interaction with regulatory bodies in respect of OX51 and OX219.

I greatly look forward to working alongside my competent and experienced colleagues and together build the new Orexo. Our focus is on becoming a strong and profitable specialty pharmaceutical company, focused on development of own products to be sold in one of the major pharmaceutical markets and in parallel develop the collaboration programs with all our partners. Through the New Share Issue, we gain the financial resources to take all of our three proprietary programs up to launch.

Uppsala, May 30, 2011

Anders Lundström
President and CEO of Orexo AB (publ)

History

Orexo was established in 1995 by Thomas Lundqvist, pharmacist, Anders Pettersson, physician and clinical pharmacologist; and Christer Nyström, pharmacist and Professor of Galenic Pharmacy at Uppsala University. In 2005, Orexo was listed on the Stockholm Stock Exchange.

A summary of key events for the Company from 2005 and leading up to this Prospectus follows below.

2005

- Orexo was listed on the O-list of the Stockholm Stock Exchange and raised gross funds of MSEK 333.
- Continued expansion – a new analytical laboratory was put in operation and additional recruitments made.
- Efficacy trial for Edluar™ was concluded with positive results.
- Increased investment in diagnostic pharmaceutical agents – new subsidiary was built around the product Diabact® UBT.
- Orexo sold the rights to its cell-penetrating peptide technology, CPP, for MSEK 9.5.
- Abstral® – a milestone payment of MSEK 49.6 was made to Orexo on conclusion of the clinical phase II trial.
- Licensing agreement was signed for Abstral® for the European market.

2006

- Orexo received MEUR 5 in license fees for Abstral® from ProStrakan Group for the European market.
- Unique clinical profile confirmed for Orexo's product OX17.
- Acquisition strengthened Orexo's position within peptic ulcer diagnosis.
- Positive trial results for Edluar™ were published at the Associated Professional Sleep Societies.
- Orexo's license partner ProStrakan Group submitted the registration application for the pain reliever Abstral® for the European market.
- Orexo received MEUR 2 in milestone payment from ProStrakan Group.
- Orexo received a milestone payment of MUSD 5.2 for Abstral® from Endo Pharmaceuticals.
- Doxa and Orexo commenced collaboration for the development of unique drug delivery technology.
- Orexo won Sweden Technology Fast 50 2006 with growth of 4,935 % over the last five years.
- A distribution agreement was signed with Gedeon Richter in respect of Abstral® in the CIS, Bulgaria and Rumania.
- An application (IND) was made to the FDA in the US to conclude the phase III program for Edluar™.

2007

- Patent for OX17 was approved in Europe.
- Orexo established sales forces for the Nordic market – formed a joint marketing company with ProStrakan Group (ProStrakan AB).
- The registration process of Abstral® in Europe was transferred to the EMEA's Committee for Medicinal Products for Human Use (CMPH).
- Orexo reported positive results in the comparative clinical phase III trial for Edluar™.
- Orexo acquired Biolipox and thus created an innovative specialty pharmaceutical company.
- Biolipox completed the acquisition from Inflazyme.
- Orexo announced a new Executive Management.
- Endo Pharmaceuticals published positive results from the interim analysis of the phase III trial for Abstral®.

2008

- In April 2008, Orexo licensed the world rights to the soporific Edluar™ and the allergy drug OX-NLA to the international specialty pharmaceutical company Meda. Orexo received MUSD 20 on signing the agreement.
- Abstral® was approved for registration in Europe by EMEA's Committee for Medicinal Products for Human Use (CMPH).
- Abstral® was approved for marketing in Sweden, Germany and the UK.
- Orexo announced a licensing agreement for Abstral® with ProStrakan Group and changed partner in the US from Endo Pharmaceuticals to ProStrakan Group.
- The registration application for Edluar™ was accepted, after the first evaluation, as complete for final evaluation by the FDA in the US.
- Orexo initiated clinical phase II program for OX914 – a new product candidate for the treatment of inflammatory respiratory diseases.
- Orexo and Boehringer Ingelheim extended their research collaboration regarding OX-MPI.

2009

- Orexo signed a licensing and distribution agreement for Abstral® in China and Israel.
- Orexo signed an exclusive development program for OX17.
- Orexo acquired the British drug delivery company PharmaKodex.
- Abstral® was approved for marketing in France and Spain.
- The FDA approved Orexo's product Edluar™ in the US. The approval meant that Orexo received a milestone payment of MUSD 5 from its partner Meda.
- Orexo presented phase II results for OX914.
- Orexo reported that Abstral® was ready for launch in France.
- Orexo's partner, ProStrakan Group submitted a registration application for Abstral® to the FDA in the US.
- Orexo announced positive phase II results for Abstral® in Japan.
- Orexo announced that its partner Meda had launched Edluar™ in the US.
- Orexo signed a worldwide licensing agreement with Novartis for OX17.
- Orexo initiated efficiency measures including a reduction of its workforce.
- Orexo confirmed that the FDA had initiated the final evaluation of the registration application for Abstral® in the US.

2010

- Application for registration of Abstral® was submitted in Canada and Japan.
- Novo subscribed in a directed new issue of convertible bonds and acquired two substantial blocks of shares. An extraordinary general meeting on March 31 resolved in favor of the convertible bond issue.
- Orexo joined a global collaboration and licensing agreement with OMJ for new drugs to treat respiratory diseases. Initially, the agreement runs for a term of three years, with the option for OMJ to extend the collaboration and financing of research. Orexo obtained access to research financing of up to MSEK 167 for the first three years, including an initial payment of MSEK 77.8.
- In November, Camilla Sjödahl took up the post of president for the joint-venture company ProStrakan AB.
- Orexo announced its new strategic focus and initiated three new development projects (OX27, OX51 and OX219).
- Decision was taken regarding additional clinical trials for Abstral® in Japan.
- Orexo and NewBridge signed license and distribution agreements for Abstral® in Africa and the Middle East.
- As a consequence of the new strategy, the project OX914 was downgraded in priority and discontinued. An impairment cost of MSEK 24.1 in the fourth quarter meant that the project had a carrying amount of SEK 0.
- Favorable phase I results were reported for OX219.
- In December, progress was reported in the research collaboration with Boehringer Ingelheim. A drug candidate was selected for further clinical development and the first milestone payment, in the amount of MSEK 57.6, was paid to Orexo in January 2011. Further payments will be made when additional milestones are reached and, in addition, Orexo will receive the royalty fees payable on future sales.

2011

- In January 2011, Anders Lundström was appointed the new President and CEO of Orexo to drive the commercial development of the Company.
- In January 2011, Orexo entered into an exclusive license and distribution agreement for Abstral® with Invida Group. Invida Group will be responsible for regulatory and medical issues as well as marketing and sales for 11 countries in Asia and the Pacific region.
- Abstral® became the first product to gain approval in the US under the FDA's Risk Evaluation and Mitigation Strategy (REMS) for transmucosal fentanyl products. The American approval in January was followed by a Canadian approval in February by the Public Health Agency of Canada. Rights for the Canadian market were sublicensed by ProStrakan Group to Paladin in 2008.
- Orexo's collaboration partner for Abstral® in Japan, Kyowa Hakko Kirin, placed a bid in February for ProStrakan Group, Orexo's partner for Abstral® in Europe and the US. The deal was approved on April 21. Orexo's assessment is that the Company thus gains a stronger partner for marketing Abstral®.
- In March, positive results were reported from the first phase I study in the OX51 project, which aims to develop a treatment for acute intensive pain.
- At the beginning of April, Orexo's partner, ProStrakan AB, launched Abstral® in the US. Royalty revenues from inventory accumulation at retailers in March and the following sales in the US are estimated at MSEK18.3.

Description of operations

SUMMARY

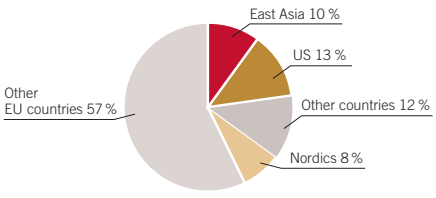
Orexo is a specialty pharmaceutical company undergoing strong growth and focused on, for example, the treatment of breakthrough cancer pain, various forms of opioid dependency and acute intensive pain. Orexo focuses on the development of new and superior drugs by combining well-known substances with innovative drug delivery technologies. These efforts lead to new patent protected drugs that enhance patient care or offer care that is not currently available in any other manner, at the same time as the drug can frequently be developed with lower risk and within a shorter time than normal. In addition, Orexo possesses the skills to develop pharmaceuticals based on research around arachidonic acid and its significance in respect of inflammatory disease processes. Sales are predominantly conducted via partners at present, but, henceforth, the Company intends to sell its own products through its own sales organization.

Orexo commenced its operations in 1995, in Uppsala. The Company's first diagnostic product Diabact® UBT was commercialized in 2000 and is a breath test for diagnosis of the peptic ulcer bacteria, Helicobacter pylori, that is currently sold in a number of markets. In November 2007, Orexo acquired Biolipox, a research intensive pharmaceutical company that develops new drugs for pain relief and inflammatory diseases including asthma and COPD. The acquisition meant not just a significant step up in size, but the supplementation of Orexo's project portfolio with multiple drug projects based on the expertise of Biolipox in arachidonic acid research. The acquisition enabled Orexo to complete a crucial step in becoming a complete specialty pharmaceutical company. In February 2009, Orexo acquired the British drug delivery company, PharmaKodex. The acquisition strengthened Orexo's basic strategy of developing unique drugs based on well-documented, effective substances.

Currently, Orexo possesses a portfolio comprising three proprietary development programs, four commercialized products as well as research and development agreements for an additional four projects.

Diabact® UBT/Heliprobe® System, which are marketed by Orexo subsidiary Kibion, represent the products that constituted the largest part of Orexo's revenues during the periods covered by the historical financial information in this Prospectus. Since the full year 2010, Abstral® constitutes the largest part of Orexo's revenues. Orexo's revenues by region are illustrated below.

Revenues breakdown by region 2010



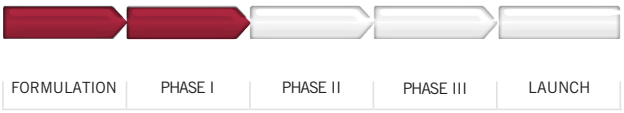
Orexo's new strategy aims to bring all of the proprietary development programs OX27, OX51 and OX219 to launch, which will ensure that the Company receives a higher portion of future value creation in combination with diversification of risk. Furthermore, Orexo intends to initiate a minimum of one new development program every year commencing in 2011.

PROPRIETARY DEVELOPMENT PROGRAMS

OX27– treatment of breakthrough pain in cancer patients

In 2010, a project was initiated focused on the treatment of breakthrough pain in cancer patients, OX27. In the first quarter of 2011, the project entered clinical phase I trials. The objective with OX27 is to develop a fast-acting sublingual formulation of an existing drug that is designed to optimize the treatment of episodes of breakthrough pain that can affect cancer patients.

OX51 – treatment of acute intensive pain relief



In 2010, another project was initiated, OX51, with the objective of developing a sublingual dosage form to prevent and treat acute intensive pain episodes. During the year, the project entered into clinical phase and a phase I trial commenced. The objective with OX51 is to develop a new sublingual formulation of an existing drug for the treatment of acute intensive pain episodes, many of which are presently left untreated.

OX219 – treatment of opium dependence

The objective with OX219 is to create a new, patented drug for the treatment of various forms of opium dependence. The active substance in OX219, buprenorphine, has well-documented positive effects regarding the treatment of opioid abuse within a framework of medical, social and psychological treatment. Buprenorphine has a favorable effect against withdrawal symptoms at the same time as it blocks the euphoric effect obtained from other opioids. OX219 also contains naloxone which effectively counteracts the high that can arise on intravenous injection of the dissolved tablet. Through combining buprenorphine and naloxone in the same tablet, the risk of intravenous misuse and illicit trade is reduced.

In 2010, an initial pharmacokinetic trial was completed. The findings from the trial showed favorable results compared with the competitor Suboxone®, which is the market leading product for treatment of opium dependence. Based on these positive findings, the development program continued and included preparation for discussion of the details surrounding the continued development program for OX219 with the FDA in the first quarter of 2011.

PRODUCT PORTFOLIO

Abstral® – treatment of breakthrough pain in cancer patients

Abstral® is a fast-dissolving, sublingual formulation of fentanyl. The product is approved for the treatment of breakthrough pain in patients receiving opioid analgesics, such as morphine, for underlying chronic cancer pain. Abstral® provides patients and physicians with a simple, patient-friendly and controlled dosage of fentanyl that enables individual adaptation of the dosage, which is a requirement for treatment optimization.

ProStrakan Group commenced the sale of Abstral® in Europe in 2009 and, during 2010, Abstral® consolidated its position in the European market. In June 2010, its market share in the five most substantial European markets was 24 % counted in number of doses of fast-acting fentanyl products (IMS, 2010). During the year, Abstral® was launched in 12 additional European countries. ProStrakan Group submitted an application to the FDA in the US in June 2009. The approval process was lengthened by approximately six months and the product was approved in January 2011 before its launch in April 2011 in the American market. Kyowa Hakko Kirin's acquisition of ProStrakan Group in the spring of 2011 provided Orexo with an even stronger partner in Europe and the US.

In February, Kyowa Hakko Kirin, submitted a registration application for Abstral® in Japan. After consultation with the Japanese Pharmaceuticals and Medical Devices Agency (PMDA), it was determined that the application needed to be supplemented with additional data. Since the performance of further clinical trials is time consuming, Kyowa Hakko Kirin recalled the application for approval.

In the other geographic areas, CIS (Gedeon Richter), China (Novamed) and Israel (Neopharm) the registration process is ongoing. Neopharm submitted a registration application to the Israeli medicines agency in July 2010. During the year, a collaboration agreement was signed with NewBridge Pharmaceuticals (registered office in Dubai) applying to Abstral® for the Middle East and Africa, in total 64 countries.

Diabact® UBT/Heliprobe® System – diagnosis of Helicobacter pylori

Orexo is world-leading in breath tests for the diagnosis of the peptic ulcer bacterium, Helicobacter pylori (Hp), and currently has two products for diagnosing the presence of Helicobacter pylori – Diabact® UBT and Heliprobe® System. Both products are based on UBT-(Urea Breath Test) technology, which means that a sample is taken from the patient's breath. The products complement each other and are adapted to differing market segments.

The most important competitive advantage, vis-à-vis other Urea Breath Tests (UBTs), comprises the patented fixed formulation (pill or capsule), which reduces test preparation time, lowers dosage and provides more rapid and reliable results. Use of UBTs is increasing and is recommended by leading experts as an adequate alternative to gastroscopy for patients under the age of 55. The diagnosis method is just as reliable, but significantly more cost-efficient and comfortable for both patients and physicians. The test can even be used to check the effect of treatment.

These products are sold in more than 50 countries, primarily in Europe, the Middle East, South-East Asia and Latin America. Orexo uses distributors to sell its products, preferably small to medium-sized companies that can give the products maximum attention.

Edluar™ – insomnia treatment

Edluar™ is a soporific based on Orexo's sublingual tablet technology and the active substance Zolpidem. Zolpidem is a well-documented substance that has been used in medication for a long time against insomnia. Edluar™ is placed under the tongue where it rapidly dissolves and the active substance is absorbed through the mucous membrane. The international specialty pharmaceutical company Meda has acquired the global rights for Edluar™.

ADDITIONAL PROJECT PORTFOLIO

Orexo spreads risk through working with a portfolio of prioritized projects at various stages of development and with varying degrees of risk. Those projects based on well-documented substances, drug-delivery projects, generally entail a lower degree of risk since safety and effects are already well-documented.

Projects based on Orexo's expertise in the arachidonic acid cascade entail a higher degree of risk as they build on entirely new treatment principles, but also have greater commercial potential since they are intended for the treatment of widespread diseases such as inflammatory pain and respiratory diseases including asthma and COPD. The financial risks in these projects are reduced via partnership agreements.

OX-MPI – treatment of pain and inflammation

In 2010, the first milestone was reached for OX-MPI, when Boehringer Ingelheim GmbH selected a drug candidate for further clinical development within the framework of the joint global exclusive research, development and commercialization agreement. According to the agreement that Boehringer entered into in November 2005 with the research company Biolipox, (Orexo acquired Biolipox in November 2007), Boehringer Ingelheim will make further payments when additional milestones are achieved. In addition to these payments, royalties will be payable on future sales.

Boehringer Ingelheim is responsible for continued development and marketing. Furthermore, Orexo can, in partnership with Boehringer Ingelheim in the Nordic region and the Baltic states, market those products produced within the framework of the project. The objective is to create an entirely new drug classification for the treatment of inflammatory pain. The collaboration is focused on Orexo's prostaglandin research (PGE2). PGE2 is a central substance in various inflammatory processes and the intent is specifically to hinder the formation of PGE2. The product is expected to cause fewer side-effects than currently available pain relievers, including the NSAIDs, while maintaining the pain relief effect.

OX-CLI – treatment of inflammatory respiratory diseases including asthma and COPD

The objective with OX-CLI is to develop an oral, nonsteriodal, anti-inflammatory and bronchodilatory drug for the treatment of all stages of asthma and COPD. The target protein for the project is the enzyme LTC4 synthase, which plays a central role in the inflammatory process by acting as a catalyst in the final stage of formation of leukotrienes and eoxins, which are two groups of major pro-inflammatory mediators. The broad mechanisms of action indicate that a better therapeutic effect could be attained using an LCT4-synthase inhibitor rather than with current oral treatments such as montelukast (Singulair®).

Orexo has developed several series of molecules and built a patent portfolio of potential drug candidates that inhibit LTC4-synthase. A number of these have shown good effects in various pharmacological models. Work is continuing in order to optimize the substances' biological effects and other characteristics that are important for an effective and safe drug.

In 2010, a three-year agreement was signed with OMJ. The collaboration aims to discover and develop small molecules for new innovative treatments of asthma, chronic obstructive pulmonary disease and other inflammatory diseases. Under the agreement, OMJ will bear responsibility for all clinical development and commercialization including costs.

OX-ESI – treatment of inflammatory respiratory diseases such as asthma and COPD

The project is aimed at the development of a drug that inhibits the 15-lipoxygenase enzyme (15-LO). This enzyme has a key role in the inflammatory process through, for example, the formation of eoxins and is present in larger amounts in lung tissue among smokers and patients with bronchitis or asthma than among healthy non-smokers. Orexo has developed several series of molecules and built a patent portfolio with potential drug candidates that inhibit 15-LO.

Orexo's collaboration partner for the development and marketing of OX-ESI is OMJ.

OX17 – treatment of gastroesophageal reflux disease

OX17 is being developed for the treatment of gastroesophageal reflux disease (GERD). Patients suffering from GERD have recurring trouble with acid reflux, discomfort and pains. Existing treatments provide either rapid but temporary effect or slow and lasting relief. OX17 provides rapid, lasting relief.

In August 2009, Orexo signed a licensing agreement with Novartis regarding OX17.

OX-NLA – treatment of rhinitis (hay fever)

The purpose of the OX-NLA project is to develop a fast-acting nasal spray based on the antihistamine cetirizine for the treatment of allergic and non-allergic rhinitis (hay fever). Orexo has developed a new formulation of cetirizine that can be administered as a nasal spray.

Clinical Phase II studies of OX-NLA have shown good and fast-acting effects, which makes OX-NLA suitable for on-demand treatment. The nasal spray has favorable tolerance without causing local side effects in the form of stinging and pain. The international specialty pharmaceutical company Meda has acquired the global rights to OX-NLA and combination products based on this technology. Meda is responsible for the product's further development.

STRATEGY

During 2010, Orexo launched a new strategy, which entails building a portfolio of proprietary products to be marketed and sold through the Company's own sales organization in either Europe or the US, which in turn means that Orexo will retain a higher portion of the revenues generated when the products reach the market. Collaboration agreements will be sought for regions where Orexo has not established its own sales organization.

The objective is for Orexo to become a fully integrated specialty pharmaceutical company undergoing strong development. The Company intends to start at least one new development program every year starting in 2011. Existing products and collaboration partnerships comprise key assets in this new strategy, both from a financial perspective and in respect of expertise.

Strategic direction

Orexo's proprietary development programs focus on analgesic and anti-inflammatory drugs. Sales channels will be focused on specialist physicians and hospitals. The sale of products for other indications, in the same or other market segments, may also come under consideration as long as it does not negatively impact the Company's portfolio or strategy. Cash flow from royalties, sales and licensing comprise important components in the further expansion of the new strategy.

Market selection

When the proprietary development programs have undergone more extensive development and the commercial opportunities have clarified, a decision will be made regarding in which of the two leading pharmaceutical markets, to utilize the Company's own marketing organization to launch the products in first, Europe or the US. Orexo estimates that the first proprietary development program will be ready for approval in a major market within three years. This gives time for adaptation to market changes and for planning a successful launch. In this manner, risks are reduced and opportunities for a more rapid return on market investments increase, if such a commercial opportunity should arise. Orexo continuously considers such alternatives based on the value they can create for shareholders.

PATENT STRATEGY

Orexo operates an active brand and patent strategy, which means that the Company protects its inventions and products in all significant geographical markets. At present, Orexo holds several hundred patents that have been granted or are being processed. These patents cover drug delivery platforms, new drug compounds, new indicators, product combinations and combination products. Established collaboration partnerships exist with internationally renowned patent agencies regarding application, maintenance and defense of patents and brands. Orexo's global patent strategy aims at maximizing the commercial value of the Company's products.

The following page provides an overview of Orexo's patent families.

Overview of Orexo's patent families

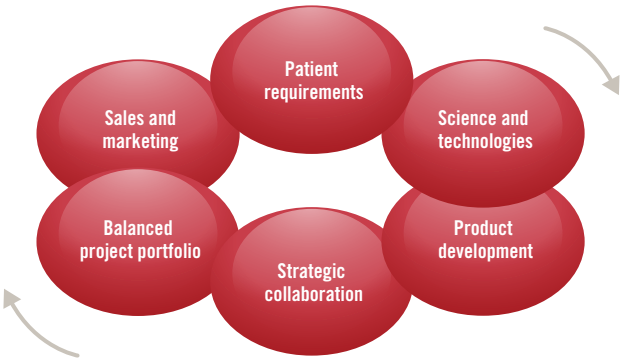
Title	Region	Application no./Patent no.	Expiry date
New compounds	US	61/064772	2028-03-26
Methods for identifying modulators of eoxin formation	Europe/Japan*/US*/International*	07733386.2	2027-06-27
Pyrazole compounds useful in the treatment of inflammation	Europe*/Japan*/US*/International*	05784084.5	2025-09-19
Indoles useful in the treatment of inflammation	International*/Europe/Hong Kong*/Canada*/China*/Japan*/US*	PCT/GB2005/004981	2025-12-22
Method and composition for treating inflammatory disorders	Europe*/New Zealand*/Australia*/Canada*/China*/Israel*/India*/ Japan*/Korea*/Mexico*/Norway*/Russia*/US*/Hong Kong*	06744143.6	2026-06-08
Antihistamine- and corticosteroid-containing liposome composition and its use for the manufacture of a medicament for treating rhinitis and related disorders	Hong Kong*/Europe*/Brazil*/China*/India*/Japan*/Russia*/ US*/Canada*	08109241.0	2028-08-19
Pyrazoles useful in the treatment of inflammation	Japan*/US*/Europe*/International*	2008-538392	2026-10-27
New methylenebisphenyl compounds useful in the treatment of inflammation	Europe*/US*/Japan*/Canada*/China*/International*/Hong Kong*	08709584.0	2028-03-04
Pyrazoles useful in the treatment of inflammation	Hong Kong*/International*/Europe*/Canada*/China*/Japan*/US*	10105390.3	2030-06-01
Methods	Europe*/China*/Japan*/US*/International*/Hong Kong*	08750529.3	2028-05-07
Bis-aromatic compounds useful in the treatment of inflammation	Hong Kong*/Europe*/US*/Canada*/Japan*/Australia*/China*/ Korea*/New Zealand*/Brazil*/Israel*/Mexico*/Eurasia*	10110572.3	2030-11-12
Substituted gamma-phenyl-delta-lactones and analogs thereof and uses related thereto	Europe/Australia/Canada/Japan/Mexico/US	99941351.1	2019-09-09
Substituted gamma-phenyl-delta-lactams and uses related thereto	US/Australia/Canada*/Japan*/Mexico/Europe*	10/263336	2019-09-09
Method and composition for treating rhinitis	Hong Kong*/Canada/US*/Europe*/New Zealand/Philippines*/ Singapore/Australia/Brazil*/China*/Eurasia/Israel*/India*/ Japan*/Korea*/Mexico*/Norway*/Sydafrika	07106149.0	2027-06-08
New compounds	US*/International*/Europe*/Japan*	61/071715	2028-05-14
New compound	US*/International*	61/136539	2028-09-12
Indoles useful in the treatment of inflammation	International*/US*	PCT/GB2009/002977	2029-12-30
Bis aromatic compounds for use as LTC4 synthase inhibitors	US*/International*	61/202559	2029-03-12
Bis aromatic compounds for use as LTC4 synthase inhibitors	International*/Argentina*/Taiwan, Republic of China*/US*	PCT/GB2010/000438	2030-03-12
Bis aromatic compounds for use as LTC4 synthase inhibitors	US*/Argentina*/Taiwan*, Republic of China*/International*	61/202548	2029-03-12
Bis aromatic compounds for use as LTC4 synthase inhibitors	International*/US*	PCT/GB2010/000446	2030-03-12
Methods	US*	61/413635	2030-11-15
Bis aromatic compounds for use as LTC4 synthase inhibitors	International*	PCT/GB2011/000358	2031-03-14
New abuse resistant formulation	International*	PCT/GB2010/000374	2030-03-02
A transdermal drug administration device	US*	61/380539	2030-09-07
Vinyl alcohol co-polymer cryogels, vinyl alcohol co-polymers, and methods and products thereof	Europe*/Australia*/Brazil*/Canada*/China*/Eurasia*/Israel*/ India*/Japan*/Korea*/Mexico*/New Zealand*/US*/Internatio- nal*	09787192.5	2029-09-14
Composition for sustained drug delivery	International*	PCT/GB2010/000910	2030-05-07
A rapid-acting pharmaceutical composition	New Zealand/Hong Kong/Europe/Australia/Canada*/China/Israel/ India/Japan*/Korea*/Mexico/Norway*/Poland*/Russia/US*	541167	2024-01-15
New pharmaceutical compositions useful in the treatment of parkinson''s disease	Europe*/New Zealand/Hong Kong*/Australia*/Canada*/China/ Israel*/India*/Japan*/Korea*/Mexico*/Norway*/Russia*/US*	06726541.3	2026-03-28
New non-abusable pharmaceutical composition comprising opioids	Europe*/Japan*/US*/International*	07824784.8	2027-12-03
Gastric acid secretion inhibiting composition	Hong Kong*/Europe/US/New Zealand/Australia/Canada*/China	07101360.3	2027-02-05
Gastric acid secretion inhibiting composition	US/Hong Kong*/Norway*/Poland*/Russia/Europe*/New Zea- land/Israel*/Australia/Canada*/China*/India/Japan*/Korea*/ Mexico*	11/544750	2026-10-10
New pharmaceutical dosage form for the treatment of gastric acid-related disorders	International*/US*	PCT/GB2010/002335	2030-12-24
New pharmaceutical dosage form	US*/International*	61/290625	2029-12-29
Carrier for drug delivery	US*	61/193098	2028-10-28
Device for trapping and assaying carbon dioxide and method of use	Australia/Canada/China/Europe/Hungary/Japan/Korea/Mexico/ New Zealand/International*/Russia/US	54213/98	2017-12-01
Treatment of acute disorders by sublingual administration of a pharmaceutical composition	Europe	99952867.2	2019-09-24
Pharmaceutical composition for the treatment of acute disorders	Czech Republic*/ New Zealand/US/Australia/Bulgaria/Brazil*/ Canada/China/Estonia/Hungary*/Israel/Japan/Korea/Norway*/ Poland/Russia/Slovak Republic/Turkey/US/Hong Kong*/Europe/ Mexico/Estonia	PV2001-1029	2019-09-24
Pharmaceutical composition for the treatment of pain	Europe*	10001408.3	2030-02-11
Pharmaceutical composition for the treatment of insomnia	Europe*	10001406.7	2030-02-11
Pharmaceutical composition for the treatment of acute disorders	Poland	P-383971	2019-09-24
Diagnostic preparation for detection of helicobacter pylori	Europe/New Zealand/Australia/Canada/Japan/US	95936815.0	2015-10-17
Diagnostic composition	New Zealand/Europe/Australia/Bulgaria/Canada/China/Estonia/ Hungary/Japan/Poland	332514	2017-04-18
New pharmaceutical formulations useful in the treatment of insomnia	International*/Japan*/US*/Europe*	PCT/GB2005/004147	2025-10-26
Improvements in or relating to the delivery of oral drugs	Europe*/Japan*/US*	8153350.7	2028-03-26
Topical pharmaceutical formulations and methods of treatment	Australia/Canada/Europe/Austria/Belgium/Switzerland/Ger- many/Denmark/Spain/France/UK/Ireland/Italy/Luxembourg/The Netherlands/Sweden/Hong Kong/Hungary*/Israel/India/Japan*/ Mexico/Norway*/Poland*/US/South Africa	2006202479	2021-06-26
Application device for topical administration of pharmaceutical agents	Europe*/US	3718972.7	2023-05-06

* denotes not yet granted patents. "Europe" refers to the European Patent Office. "International" refers to a PCT (Patent Cooperation Treaty) patent application.

BUSINESS MODEL

Orexo's business idea is to create value by developing and commercializing new drugs of substantial medical benefit and commercial potential.

Orexo's business model



Patient requirements

Orexo's development of new drugs begins with an analysis of patient needs for new and more effective drugs. Focus is on improvement of existing drugs by developing patient-adapted preparations and developing entirely new compounds, in both cases, with the aim of developing new medically important and patent-protected drugs.

Science and technologies

Orexo's drug development is based on unique expertise in two areas. One is to develop and commerialize new, patented drugs by combining well-known drug compounds with innovative drug delivery technologies. The other is inflammation research.

Drug delivery

In the field of drug delivery, well-documented drug compounds are provided with improved properties through new dosage forms which can result in more efficient treatment and treatment of new conditions. The approach can lead to patent-protected drugs being ready for market launch within 2–5 years. Orexo's technologies in drug delivery include:

- **Sublingual mucoadhesive tablet:** When this tablet is placed under the tongue, it rapidly disintegrates and dissolves whereby the drug is absorbed directly via the mucous membrane into the bloodstream. It provides a considerably faster effect and more reliable absorption than tablets that are swallowed. The tablet consists of carrier particles which carry the active substance, as well as substances that attach the tablet or particles to the mucous membrane. The advantages of this type of drug delivery include fast-acting effect, reliable dosage and reproducible effect. The fast and reproducible uptake of the active substance makes this drug delivery technology ideal for the treatment of symptoms that require quick effect, such as acute pain. This tablet technology is used in Abstral® and Edluar™.
- **Oral fast-dissolving tablet:** Patented technology for the rapid dissolution of pharmaceutical substances. Combining this technology with fast-dissolving tablets achieves the following, increased bioavailability (when the tablet disintegrates it exposes a larger surface area), fast-acting effect (the tablet dissolves faster and more completely) and a reliable effect. This tablet technology is currently used for Diabact® UBT and OX17.
- **Liposomal nasal spray:** By administering a drug as a nasal spray, a local effect and/or rapid uptake can be achieved that can lead to a fast-acting effect. Some pharmaceutical substances irritate the nasal mucous membrane and consequently cannot be administered as a nasal spray. Orexo's liposome technology provides a nasal spray with favorable tolerance even for substances that irritate the nasal mucous membrane and a fast-acting effect. This technology can be used when a local effect is desired for antihistamines and steroids, such as for the treatment of rhinitis or when rapid uptake is desired to achieve a fast-acting effect such as for the treatment of pain, migraines and asthma. This technology is not limited to use in a nasal spray, but can also be advantageously used for the delivery to other mucous membranes where irritation can be a problem, such as in the eyes. The liposome technology is used in OX-NLA.
- **Taste transformation (taste improvement of drugs with unpleasant flavor):** Transformation is a general term for a number of related technologies designed to disguise or improve the taste of medications with an unpleasant flavor. The technology was obtained through the acquisition of PharmaKodex and is expected to have major significance for the development of sublingual and mucoadhesive drugs.
- **Xerosol:** Improves drug uptake through the oral mucous membrane. It is a formulation that can be equipped with special properties that modulate penetration of the mucous membrane. Xerosol allows a different drug uptake profile than sublingual tablet technology and can therefore act as a complement to sublingual tablet technology.
- **Pandermal:** Pandermal is a technology for the delivery of drugs through the skin (transdermally) in controlled doses. One of the greatest benefits of administering drugs through the skin by means of Pandermal is that a specific dose can be given and the uptake is controllable and the substance can be released over a defined period. Orexo's Pandermal technology uses a tablet that delivers the drug through rubbing against the skin. The advantage of a tablet over gels and creams is that it allows an exact dose to be administered. In contrast to adhesive bandages, it is also a non-allergenic method that can be used on damaged skin, such as in the case of patients with skin diseases.

Inflammation research

One of the key elements in inflammatory processes is the arachidonic acid cascade, which is the general term for the biological reactions that occur when arachidonic acid, a natural fatty acid in the body, is converted into various necessary – but occasionally injurious – biological mediators. In the inflammatory reaction, certain cells in the body are activated to release arachidonic acid and, using enzymes, convert it in several steps into biologically active substances, called mediators, including prostaglandins and leukotrienes. Prostaglandins play an important role in the regulation of blood pressure and blood coagulation, but some of them, especially the prostaglandin E2 (PGE2), can also cause inflammation, pain and

fever. Leukotrienes cause asthmatic symptoms such as bronchoconstrictions, swelling and mucus production, which in turn can result in respiratory difficulties.

Many of the most common drugs used to treat inflammatory diseases belong to the group referred to as NSAIDs, such as Voltaren and Naproxen. They function by blocking cyclooxygenase (COX) the initial step in the formation of PGE2 and are thus referred to as COX inhibitors. Since they inhibit the formation of prostaglandins high up in the chain, they not only inhibit the formation of PGE2 but also other significant prostaglandins, which lead to gastrointestinal and cardiovascular side effects. The later developed and more selective COX-2 inhibitors were developed mainly to reduce the gastrointestinal side effects. Unfortunately these drugs had a higher frequency of cardiovascular side effects, which led to the withdrawal of a number of them from the market.

Orexo's OX-MPI project is aimed at developing a drug that inhibits further down in the arachidonic acid cascade (the mPGES enzyme), which accounts for the second step in the formation of PGE2 from arachidonic acid. This could prove to be the key to a more selective anti-inflammatory and pain-relieving treatment that is equally effective but has fewer side effects.

In addition to prostaglandins and leukotrienes, Orexo's proprietary research has identified a whole new group of inflammatory mediators: eoxins, a discovery that contributes to an understanding of the mechanism underlying inflammation in the respiratory tracts. Eoxins are formed from arachidonic acid via the enzyme 15-lipoxygenase (15-LO), especially by cells in the airways.

Other known inflammatory mediators that are released during asthma and allergies also give rise to higher eoxin production. Eoxins have proven to have a powerful pro-inflammatory effect and the release of eoxins in the lung can therefore make a key contribution to the inflammation seen in asthma and COPD.

Orexo's expertise in the arachidonic acid area has opened new opportunities in the search for effective treatments of widespread illnesses such as asthma, COPD, rhinitis, inflammatory and arthritic pain. OX-MPI and OX-AAF are based on mechanisms related to the arachidonic acid cascade.

Product development

Orexo has a wide range of expertise covering the entire development chain from early preclinical, research and development, formulation and clinical development to the registration of drugs and production on an industrial scale. Orexo also cooperates with consultants and contract research organizations for some process components, such as clinical trials.

Strategic collaborations

Orexo currently has licensing agreements and strategic collaboration with both global and regional partners. As part of its new strategy, Orexo plans to sign agreements in those areas of the world where the Company does not itself intend to commercialize the products. Agreements are signed at the stage in the process which creates most value and which best drives the projects/products forward. This strategy reduces the Company's risk at the same time as Orexo retains a higher share of the commercial potential.

Balanced project portfolio

Orexo strives to have a balanced project portfolio made up of projects in both early and late phases of development, thus securing future streams of products. The main emphasis is on pain and inflammation, but the portfolio also includes other closely related projects.

Sales and marketing

Thus far, sales and marketing of Abstral® and Edluar™ has primarily been performed by partners with well-developed distribution networks in the relevant geographic markets.

Kibion's products Diabact® UBT and HeliProbe® System are sold under their own auspices in more than 50 countries, primarily in Europe, the Middle East, South-East Asia and Latin America. Kibion utilizes distributors to carry out their sales, preferably small to medium-sized companies that can provide maximum attention to the products. The distributors are knowledgeable in the fields of drugs, medical devices and gastroenterology.

Orexo and ProStrakan Group have a joint venture company, ProStrakan AB, which holds the marketing rights for the Nordic region for the drugs of both of the companies. The portfolio comprises Abstral®, Tostrex®, Rectogesic® and Dridol®, which are all specialist products.

The new strategic direction intends to create increased profitability through the development of an own sales and marketing organization as well as through the commercialization of some or all of the proprietary development programs (OX27, OX51, and OX219), either in Europe or the US.

Orexo continuously evaluates how to carry out the commercialization of new products. Orexo's commercialization strategy for a product in a geographic market can include the establishment of its own sales organization, partnership agreements with selected pharmaceutical companies or a combination of both.

For additional information regarding sales and marketing agreements, see the section "Legal matters and supplementary disclosures".

SUPPLIERS

Orexo's suppliers primarily comprise major international suppliers that deliver raw materials and parts to the Company's various products and projects. At present, Orexo uses a number of differing suppliers for the Company's products and projects.

MANUFACTURING

Orexo owns a clinical manufacturing plant in leased facilities in Uppsala where the Company manufactures Diabact® UBT and new product candidates for clinical trials and up to pilot scale.

Orexo's management assesses that the Company should not have its own production facilities for the commercial production of Orexo's products, with the exception of Diabact® UBT. Instead, Orexo plans to outsource full-scale production of its potential future products through licensing agreements entered into with strategic partners and through contract manufacturing.

Orexo's presence in the drug development chain

THE VARIOUS PHASES OF DRUG DEVELOPMENT

Before a drug can be marketed, it must be registered and approved by regulatory bodies that set requirements for documented effects and safety. The process of achieving a market-ready drug is stringently regulated and often takes 10 to 12 years to complete. Orexo possesses competence within each phase of drug development from early formulation, through the various stages up to launch. Orexo's drug delivery projects have shorter development cycles since these projects develop already known drug compounds.

Preclinical phase

The preclinical phase is preceded by an explorative phase, in which various substances are studied and developed in laboratories. At this stage, researchers can utilize chemical, biological or IT-based disease models to study the behavior of various substances as well as their function in combination with other substances. This phase undergoes gradual progression to the preclinical phase, in which individual substances are selected for closer study, both in the laboratory and in animal models.

The preclinical phase aims to identify a drug candidate (CD) for which an application can be submitted in respect of conducting clinical trials in humans. The application is denominated IND (only in the US) and submitted to the relevant regulatory body. An IND comprises documentation from the preclinical phase and describes the design of the clinical trials.

Clinical phase

Human trials are normally performed at a hospital or medical care center. These clinical trials are divided into three phases, I, II and III, even if boundaries between the various phases can be floating. To enable an objective interpretation of the findings of the trials, specified standards are set in advance to determine how the findings of the trials should be interpreted. Exactly how the design of a trial program should be set out for a specific drug is a matter that undergoes constant assessment and requires regulatory approval for every individual subproject.

Phase I is normally performed using 20 to 100 healthy volunteers. The primary objective is to identify safe dosage levels and identify side-effects. Furthermore, the drug's function in the body is studied at this stage. The trials are checked against placebo-controlled trials. Phase I trials can take from six months to one year to complete.

Not before phase II is the CD given to sick individuals and, at this stage, the test group becomes larger, usually between 100 to 500 people. The objective at this stage is to show proof of concept – that is, show the drug works. Side-effects and suitable dosage levels continue to be studied. This phase can also take from six months to one year to complete.

In phase III, the CD is given to larger groups of between 1,000 to 5,000 patients. The trials now provide a statistical base. At this stage, the trials are placebo-controlled, patients that receive the drug are selected randomly and neither the patient nor the physician know who has received, what is believed at this stage to be, an active substance. The patients are regularly monitored to confirm the effects of the drug and to study side-effects. Phase III can take one to four years to complete depending on the illness, the period of time the patient is to be monitored and the number of patients included.

In parallel with the clinical trials, trials are performed in respect of toxicity, long-term safety evaluation, dosage forms, plans for full-scale production, packaging design and preparations for application for approval. A clinical trial program can be terminated at any time as a consequence of undesirable side-effects or lack of efficacy. Only a minor portion of those CDs for which clinical trials commence actually make it all the way to the registration phase.

Registration phase

On conclusion of a successful program of clinical trials, the results are compiled in an application that is submitted to the regulatory bodies in the respective countries. In Europe, the European Medicines Agency (EMEA) can issue a recommendation for approval which facilitates the registration process in the respective countries.

EMPLOYEES

Within Orexo's organization, there is a range of specialist skills that successfully collaborate and complement each other in various projects.

The management and other key personnel have extensive experience of the pharmaceutical industry and core expertise is found in pharmaceutical chemistry, galenic pharmacy, analytical chemistry, preclinical and clinical development, regulatory affairs, project management, drug development and business development. Orexo places high demands on both the employees and on creating and maintaining an innovative, high-performance corporate culture. To ensure its cutting-edge knowledge and access to expertise, Orexo has an active exchange of know-how with an international network of specialists and strong links with the Karolinska Institute and Uppsala University.

At year-end, Orexo had 105 employees, which is a decline from 108 employees in the preceding year. About 75 % of the employees were active in research and development. Of the employees, 61 %

(62) were women. Of the six (six) members of the corporate management, two (two) were women and among the eight (eight) Board members, there was one (one) woman. During the year, operations were conducted in Uppsala Business Park and in Bath in the UK.

As part of its drive to recruit and retain employees, Orexo strives to provide an appreciated workplace with a good working environment. Employees are offered benefits for fitness activities and preventive healthcare and ergonomics through occupational health services. Orexo conducts systematic working environment activities in conjunction with safety representatives and the responsibility for work environment issues is delegated in the line organization.

Orexo's values of business focus, respect and enterprising spirit are important to achieving the company's goals. Orexo's management and Board have drafted the strategic business goals on an overall level. Based on these overall goals, company managers, together with their employees, are responsible for producing objectives on both departmental and individual level. At the beginning of each fiscal year, the efforts of departments and employees are assessed and an evaluation of goal fulfillment is carried out as the basis of the annual salary review. In this way, Orexo works towards shared goals where results and performance are rewarded.

SUSTAINABLE DEVELOPMENT

As a specialty pharmaceutical company, Orexo strives to contribute to society in general by reducing suffering and improving quality of life for patients. Drug production is largely regulated by law or regulatory bodies. Based on these regulations, Orexo has established guidelines and policies that regulate and govern the business.

ENVIRONMENTAL IMPACT

Orexo has the policy of conducting its business operations with the least possible impact on the environment. Operations primarily consist of the development and manufacture of solid dry preparations, such as tablets. Manufacturing is done on a laboratory and pilot scale. Orexo is subject to the Swedish Environmental Code, with rules that are specifically aimed at emissions to air and water, and other emissions into the environment, as well as the generation, handling, storage, transport, treatment and disposal of waste. All chemicals, pharmaceutical substances, solvents and aid/formulation substances are handled in accordance with Orexo's current procedures, meaning that, to the furthest extent possible, handling is performed in closed systems in order to minimize emissions to wastewater or air. The pharmaceutical waste produced by operations is collected and processed as hazardous waste. Since 2007, Orexo has held a permit to conduct operations classified as environmentally hazardous at its premises in Uppsala Business Park.

ETHICAL PRACTICE IN CLINICAL TRIALS

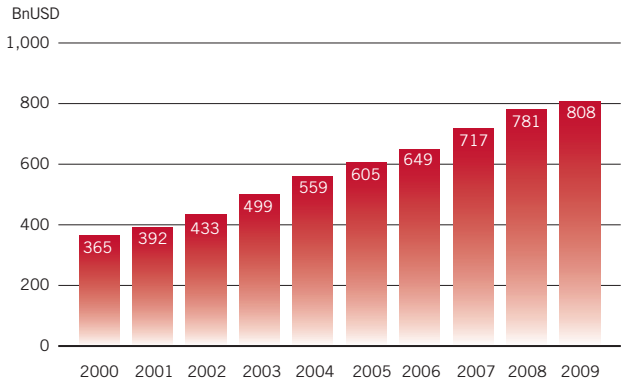
Orexo conducts clinical trials in collaboration with specialist partners. Trials are formulated in consultation between Orexo and the partner in question. Trials require official permits and must be designed and carried out in compliance with regulations and ethical practices in various countries.

Market overview

TRENDS IN THE GLOBAL PHARMACEUTICAL MARKET

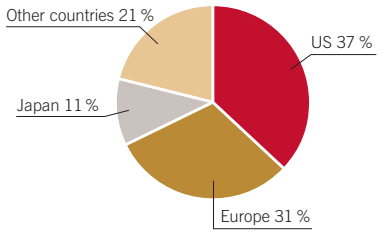
In 2009, global sales of pharmaceuticals amounted to BUSD 808. Since 2000, the market has grown by an average of 9.2 % annually, as illustrated below.

Global sales trends for pharmaceuticals



Europe and the US combined accounted for 68 % of the global pharmaceutical market in 2009 (IMS, 2010).

Breakdown by region for global pharmaceutical sales 2009



The global pharmaceutical market is expected to continue growing at an annual rate of 5 to 8 % between 2009 and 2014 (IMS, 2010).

One of the driving forces behind this market is an aging population that is increasingly suffering from chronic diseases. Another driving force comprises new products that enable significant advances in treatment and patient care.

Despite the rapid pace of expected change, the global pharmaceutical market has undergone substantial change and faces a range of challenges in the years ahead. The major companies' investments in research and development have doubled over the last ten years while productivity, in the form of newly registered drugs, during the same period, has halved.

The process of arriving at an approved drug is stringently regulated and often takes ten to 12 years to accomplish. Development costs are estimated at approximately BUSD 1 on average (Health Economics, 2010). In addition, the documentation requirements stipulated by regulatory bodies have increased in later years, particularly in regard to safety.

In recent years, an increasing number of pharmaceutical companies have chosen to focus on niche indications and to develop innovative products for these which provide significant improvements in treatment and patient care. (PwC Pharma 2020, 2007).

At the same time as companies have invested extensive time in developing drugs more effectively, they have invested limited resources in revaluating and adapting their manufacturing and distribution. The supplier chain and its efficiency are of great importance since they comprise the link between the laboratory and the market (PwC Pharma 2020, 2011).

OREXO'S MAIN MARKETS

A summary of the main markets for Orexo's proprietary development programs, commercialized products and remaining product portfolio follows.

Breakthrough pain among cancer patients (OX27/ Abstral®)

Patients suffering from cancer pain generally receive pain-relief treatment with long-acting, strong pain-relief medications such as morphine. Despite this medication, a lot of these patients also experience episodes of transient pain attacks, called breakthrough pain. The market for treating breakthrough pain in cancer patients amounts to around BUSD 1.5 in Europe and the US (IMS, 2010).

The number of episodes of breakthrough pain in the US amounts to 376 million per year, in Europe to 284 million per year and in Japan to 84 million per year (Datamonitor, 2006).

For a period of time now, a number of products based on fentanyl, intended to treat breakthrough pain among cancer patients, have existed on the market. The market for fast-acting fentanyl products in the US is valued at MUSD 550 (Wolters Kluwer, 2010).

Acute intensive pain episodes (OX51)

The market for this product is estimated to be 100 million acute intensive pain episodes in Europe and the US (Business Insights, 2009).

Opium dependence (OX219)

Suboxone®, which is currently the market leading product for treatment of opium dependence, and Subutex® recorded combined sales of MGBP 737 in 2010 (Reckitt Benckiser, 2010) corresponding to approximately BUSD 1.2. The market for products for the treatment of opium dependence is estimated to amount to BUSD 2.2 in 2019 (Datamonitor, 2010).

Diagnosis of Helicobacter pylori (Diabact® UBT /Heliprobe® System)

The occurrence of Helicobacter pylori in the mucous membranes of the stomach is a very common bacterial infection. It is particularly prevalent in developing countries where 80 to 90 % of the population can be infected. In Sweden, it is estimated that approximately 30 % of the population between the ages of 30 and 50 is infected, while occurrence of the bacterium in older people is significantly higher. The infection is usually transmitted during childhood (the Swedish Council on Health Technology Assessment, 2007).

Poor sanitary conditions, overcrowding and the lack of available food refrigeration increase the risk of infection. Of those infected, around 30 % go on to develop severe symptoms. Hp infection can be treated with antibiotics in combination with acid secretion inhibitors. By providing a reliable diagnosis, Kibion's test contributes toward reducing unnecessary antibiotic treatments.

Insomnia (Edluar™)
Many people suffer from insomnia and this group of people is growing in the West. In 2008, the market for anti-insomnia medications increased to in excess of BUSD 7 (Visiongain, 2009). The number of prescriptions issued during 2010 multiplied 2.6 times compared with the preceding year (IMS, 2010).

Pain and inflammation in joints/inflammatory respiratory diseases including asthma and COPD (OX-MPI/OX-CLI/OX-ESI)
Patients with arthritis (inflammation in the joints) consume a substantial proportion of the NSAID preparations and COX2 inhibitors currently available. One of the most common types of arthritis is rheumatoid arthritis. Rheumatoid arthritis comprises a global market of BUSD 9 and is expected to grow 6 % annually to a total value of BUSD 14.3 in 2017 (Global Data, 2010).

Another commonly occurring type of arthritis is osteoarthritis (also known as degenerative arthritis), which has an estimated 75.8 million sufferers worldwide. The global osteoarthritis market is estimated to amount to BUSD 5 in 2009 and is expected to grow by 1.5 % annually to BUSD 5.5 in 2016 (Global Data, 2010).

COPD is a very serious disease involving chronic inflammation in the respiratory tracts (frequently caused by smoking), which leads to progressive and irreversible deterioration in lung function. Approximately 7 to 8 % of the population is expected to suffer from COPD at various stages. Asthma affects 6 to 8 % of the adult population and approximately 10 % of children (Business Insights, 2008).

Sales of medication to treat respiratory diseases, principally asthma and COPD, amounted to BUSD 33.6 globally in 2009. The average annual growth in sales from 2005 to 2009 was 11 % (IMS, 2009).

Asthma patients are treated with inhaled bronchodilating ß2 agonists for fast relief and with inhaled corticosteroids for a long-term anti-inflammatory effect. Combination products with long-term ß2 agonists and steroids are common. However, many would like to avoid steroids as they are viewed as entailing a risk of side effects, such as inhibited growth among children and bone decalcification. Patients with COPD are usually treated with the same drugs as asthma patients and with anticholinergic bronchodilating drugs developed specifically for the treatment of COPD.

Gastroesophageal reflux disease (OX17)
Approximately 15 to 20 % of all adults are expected to suffer from gastroesophageal reflux disease (GERD) (Business Insights, 2007). Currently, the disease is often treated with H2-receptor antagonists and proton-pump inhibitors. The global market for gastroesophageal reflux disease treatments was estimated at BUSD 21.5 in 2009 (GlobalData, 2010).

Rhinitis (hay fever) (OX-NLA)
Allergic rhinitis (hay fever) causes swelling in the mucous membranes of the nose, leading to nasal congestion, runny nose, itching and sneezing. The reaction can be triggered by, for example, contact with animals, dust or pollen. Allergic rhinitis has become much more prevalent in the past 20 years, with around 25 % of the population in the West currently suffering from the condition (Datamonitor, 2007).

Rhinitis can also be non-allergic and triggered by odors, cold air and tobacco smoke. Global sales of medication for treatment of allergic rhinitis amounted to BUSD 12.6 in 2009 (Business Insights, 2010).

Financial information in summary

The following condensed consolidated income statement covers the fiscal years 2008, 2009 and 2010 and is compiled from Orexo's audited consolidated financial statements, which were prepared in accordance with IFRS as adopted by the EU. Information regarding the periods January 1 to March 31, 2011 and January 1 to March 31, 2010 has not been audited but has been reviewed by the Company's auditor. The following summary of the consolidated accounts should be read in conjunction with Orexo's audited consolidated accounts and accompanying notes for the years 2008, 2009 and 2010 as well as Orexo's interim reports for the periods January 1 to March 31, 2010 and January 1 to March 31, 2011, which are incorporated in this Prospectus through reference.

CONDENSED CONSOLIDATED INCOME STATEMENT

KSEK	Jan–Mar 2011	Jan–Mar 2010	2010	2009	2008
Net revenue	41,461	36,437	210,499	236,104	233,346
Costs of goods sold	-6,451	-6,400	-26,321	-23,650	-17,446
Gross profit	**35,010**	**30,037**	**184,178**	**212,454**	**215,900**
Selling expenses	-12,235	-7,439	-35,223	-39,261	-38,818
Administrative expenses	-12,233	-8,785	-46,819	-46,308	-55,294
Research and development expenses	-47,419	-41,840	-186,914	-224,216	-238,125
Other operating income	1,763	2,048	7,746	8,239	7,451
Other operating expenses	-1,487	-709	-4,741	-9,991	-3,611
Operating loss	**-36,601**	**-26,688**	**-81,773**	**-99,083**	**-112,497**
Financial income	530	22	1,456	4,868	9,268
Financial costs	-3,081	-904	-8,942	-2,726	-266
Loss before tax	**-39,152**	**-27,570**	**-89,259**	**-96,941**	**-103,495**
Tax	-9	5	13	-1,138	441
Net loss for the period	**-39,161**	**-27,565**	**-89,246**	**-98,079**	**-103,054**
Loss per share before dilution (SEK)	-1.67	-1.18	-3.81	-4.32	-4.77
Loss per share after dilution (SEK)	-1.67	-1.18	-3.81	-4.32	-4.77
Consolidated statement of comprehensive income					
Net loss for the period	**-39,161**	**-27,565**	**-89,246**	**-98,079**	**-103,054**
Other comprehensive loss					
Hedging of net investment	0	0	0	2,329	0
Exchange-rate differences	-1,658	-2,559	-3,524	-7,574	0
Total other comprehensive loss for the period	**-1,658**	**-2,559**	**-3,524**	**-5,245**	**0**
Total comprehensive loss for the period	**-40,819**	**-30,124**	**-92,770**	**-103,324**	**-103,054**

CONDENSED CONSOLIDATED BALANCE SHEET

KSEK	Jan–Mar 2011	Jan–Mar 2010	2010	2009	2008
ASSETS					
Fixed asets					
Tangible fixed assets	41,750	45,345	41,666	45,814	50,317
Goodwill	17,681	17,987	17,679	17,987	16,030
Acquired R & D	386,741	424,516	388,487	427,030	373,908
Other intangible fixed assets	1,065	1,769	1,251	1,982	2,033
Total fixed assets	**447,237**	**489,617**	**449,083**	**492,813**	**442,288**
Current assets					
Inventories	12,409	8,781	7,965	8,440	13,982
Accounts receivable and other receivables	54,179	49,034	119,845	60,667	57,535
Cash and cash equivalents	150,320	50,432	135,798	87,414	188,220
Total current assets	**216,908**	**108,247**	**263,608**	**156,521**	**259,737**
TOTAL ASSETS	**664,145**	**597,864**	**712,691**	**649,334**	**702,025**
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	9,362	9,360	9,361	9,360	8,647
Other contributed capital	1,107,198	1,095,142	1,106,798	1,094,453	1,012,964
Accumulated deficit	-678,314	-577,472	-639,153	-549,907	-451,828
Translation differences	-10,427	-7,804	-8,769	-5,245	0
Total shareholders' equity	**427,819**	**519,226**	**468,237**	**548,661**	**569,783**
Long-term liabilities					
Provisions	1,143	12,187	1,112	11,114	10,000
Long-term liabilities, interest-bearing	90,975	0	94,421	12,800	0
Deferred tax liability	8,581	9,334	8,911	9,791	415
Total long-term liabilities	**100,699**	**21,521**	**104,444**	**33,705**	**10,415**
Current liabilities					
Current liabilities, non interest-bearing	126,735	57,117	130,531	63,768	121,827
Current liabilities, interest-bearing	8,892	0	9,479	3,200	0
Total current liabilities	**135,627**	**57,117**	**140,010**	**66,968**	**121,827**
Total liabilities	**236,326**	**78,638**	**244,454**	**100,673**	**132,242**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**664,145**	**597,864**	**712,691**	**649,334**	**702,025**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

KSEK	Jan–Mar 2011	Jan–Mar 2010	2010	2009	2008
Operating activities					
Operating loss	-36,601	-26,688	-81,773	-99,083	-112,497
Interest received	530	22	550	759	9,268
Interest paid	-2,393	-198	-8,942	-397	-266
Other financial costs	0	-706	906	0	0
Tax paid	0	0	0	-1,389	0
Adjustment for non-cash items	2,643	3,632	39,825	20,834	12,265
Cash flow from operating activities before change in operating capital	**-35,821**	**-23,938**	**-49,434**	**-79,276**	**-91,230**
Change in working capital					
Accounts receivable	66,675	4,260	-67,453	-2,963	-19,172
Other current receivables	-1,009	7,373	8,275	6,143	7,463
Inventories	-4,444	-341	475	5,542	-688
Current liabilities	-5,375	-7,644	65,751	-64,487	1,894
Provisions	31	1,073	299	1,114	328
Long-term liabilities	-3,776	-457	-880	0	-85
Cash flow from operating activities	**16,281**	**-19,674**	**-42,967**	**-133,927**	**-101,490**
Investment activities					
Acquisition of machinery and equipment	-1,873	-1,331	-3,438	-2,588	-1,671
Divestment of machinery and equipment	0	0	0	2	110
Acquisition of subsidiaries	0	0	0	24,695	-327
Cash flow after investments	**14,408**	**-21,005**	**-46,405**	**-111,818**	**-103,378**
Financing activities					
New share issue	7	0	44	90	0
Loans raised	0	0	111,150	16,000	0
Amortization of loans	0	-12,800	-16,000	0	0
Cash flow after financing	**14,415**	**-33,805**	**48,789**	**-95,728**	**-103,378**
Cash flow for the year					
Cash and cash equivalents at start of period	135,798	87,414	87,414	188,220	291,598
Exchange-rate differences in cash and cash equivalents	107	-3,177	-405	-5,078	0
Change in cash and cash equivalents	14,415	-33,805	48,789	-95,728	-103,378
Cash and cash equivalents at end of period	**150,320**	**50,432**	**135,798**	**87,414**	**188,220**

KEY DATA

KEY DATA	Jan–Mar 2011	Jan–Mar 2010	2010	2009	2008
Growth in net revenue, %	13.8	-68.3	-10.8	1.2	204.0
Margins and profitability					
Gross margin, %	84.4	82.4	87.5	90.0	92.5
Profit margin, %	-94.5	-75.7	-42.4	-41.0	-44.4
Operating margin, %	-88.3	-73.2	-38.8	-42.0	-48.2
Return on total capital, %	-5.3	-4.3	-11.9	-13.7	-13.9
Return on equity, %	-8.6	-5.2	-17.9	-17.0	-16.8
Return on capital employed %	-6.4	-5.0	-14.2	-15.7	-16.9
Capital structure					
Working capital, net, MSEK	-60.1	0.7	-2.7	5.3	-50.3
Working capital, net/net revenue, %	-0.8	0.1	0.6	-9.5	-23.8
Operating capital, MSEK	377.4	468.8	436.3	477.2	381.6
Capital turnover rate, %	9.8	8.1	46.1	55.0	61.3
Shareholders' equity, MSEK	427.8	519.2	468.2	548.6	569.8
Net financial debt, MSEK	-50.5	-50.4	-31.9	-71.4	-188.2
Equity/assets ratio, %	64.4	86.8	65.7	84.5	81.2
Current ratio, %	159.9	189.5	188.3	233.7	213.2
Acid-test ratio, %	150.8	174.1	182.6	221.1	201.7
Interest coverage ratio, multiple	Neg	Neg	Neg	Neg	Neg
Employees					
Average number of employees	105	104	105	119	123
Of which engaged in R&D	79	71.0	71	93	92
Personnel expenses, MSEK	27.2	27.3	116.1	128.6	128.5

DATA PER SHARE

Data per share	Jan–Mar 2011	Jan–Mar 2010	2010	2009	2008
Before dilution					
Average number of shares, thousands	23,404	23,401	23,403	22,715	21,617
Number of shares at end of period, thousands	23,405	23,401	23,404	23,401	21,617
Earnings per share, SEK	-1.67	-1.18	-3.81	-4.32	-4.77
Shareholders' equity, SEK	18.28	22.19	20.01	23.44	26.36
Dividend, SEK	0	0	0	0	0
After dilution					
Average number of shares, thousands	25,969	23,584	25,501	23,801	22,689
Number of shares at end of period, thousands	26,007	23,584	25,943	24,488	22,685
Earnings per share, SEK	-1.67	-1.18	-3.81	-4.32	-4.77
Shareholders' equity, SEK	16.47	22.02	18.05	22.40	25.12
Number of shares after full dilution	27,102	24,392	26,609	25,327	23,301

DEFINITIONS OF KEY FIGURES

Number of shares after full dilution
Total number of shares plus the maximum number of shares that can be subscribed through options outstanding.

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 revenues as a % of average total assets.

Return on shareholders' equity
Profit/loss for the period as a % of average shareholders' equity.

Return on employed capital
Operating profit/loss plus financial revenues as a % of average total capital employed.

Current ratio
Current assets as a % of current liabilities.

Gross margin
Gross profit divided by net revenues.

Shareholders' equity per share, before dilution
Shareholders' equity divided by total number of shares before dilution at 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.

Acid-test ratio
Current assets, excluding inventories, as a % of current liabilities.

Capital turnover rate
Net revenues divided by average operating capital.

Net interest-bearing liabilities
Current and long-term interest-bearing liabilities, including pension liabilities, minus cash and cash equivalents.

Operating capital
Total assets, less interest-free 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
Interest-free current assets minus interest-free current liabilities.

Working capital, net/net revenue
Average working capital, net, divided by net revenues.

Operating margin
Operating profit/loss as a % of net revenues.

Debt/equity ratio
Interest-bearing liabilities divided by shareholders' equity.

Equity/assets ratio
Shareholders' equity as a % of total assets.

Capital employed
Interest-bearing liabilities and shareholders' equity.

Profit margin
Profit after financial items expressed as a % of net revenues.

Comments to the financial development

COMPARISON BETWEEN THE PERIOD JANUARY 1–MARCH 31 2011 AND THE CORRESPONDING PERIOD IN 2010

Revenues

Net revenues for the period January–March 2011 amounted to MSEK 41.5 (36.4). The increase was primarily attributable to higher royalty revenues from Abstral® and Edluar™. Revenues from sales of Abstral® amounted to MSEK 14.0 (8.5) during the period, from Diabact® UBT/Heliprobe® System to MSEK 8.7 (9.9) and from Edluar™ to MSEK 0.7 (0.0). During the period, Nordics accounted for 11.8 (10.1) % of revenues, other EU countries for 36.9 (44.7) %, East Asia for 0.2 (22.9) %, US for 32.4 (1.2) % and other countries for 18.7 (21.1) %.

Expenses

Selling expenses for the period January–March 2011 amounted to MSEK 12.2 (7.4).

The Company's expenses for the employee stock option program for the period January–March 2011 amounted to MSEK 1.4 compared with an expense of MSEK 1.7 in the corresponding period in 2010.

Research and development costs for the period January–March 2011 amounted to MSEK 47.4 (41.8).

Other operating income and costs primarily comprised exchange-rate gains/losses for the period January–March 2011 of MSEK -0.2 (1.3).

Expenses for Orexo in the period January–March 2011 totaled MSEK 79.8 (65.2).

Depreciation/amortization

Depreciation and amortization for the period January–March 2011 amounted to MSEK 1.9 (2.0).

Result

Operating loss totaled MSEK 36.6 (26.7) for the period January–March 2011. The loss for the period after financial items was MSEK 39.2 (27.6), with the after-tax loss totaling MSEK 39.2 (27.6).

Investments

Gross investments in tangible fixed assets amounted to MSEK 1.9 (1.3) for the period January–March 2011.

Cash flow and financial position

Cash flow from operating activities was MSEK 16.3 (-19.7) for the period January–March 2011. Cash flow after financing amounted to MSEK 14.4 (-33.8).

Cash and cash equivalents amounted to MSEK 150.3 (50.4) at March 31, 2011.

Shareholder's equity and share data

Share capital amounted to KSEK 9,362 at the end of the period. The total number of shares outstanding before dilution was 23,404,502 shares, each with a quota value of SEK 0.4.

Shareholders' equity amounted to MSEK 427.8 (519.2) at March 31, 2011. The equity/assets ratio was 64 (87) % at the end of the period.

Employees

At March 31, 2011, in full-time equivalents, Orexo had 106 (103) employees. Of the employees, 39 (38) % were men and 61 (62) % women. Of the six (six) members in the management, two (two) were women and among the eight (eight) Board members, there was one (one) woman.

COMPARISON BETWEEN THE FINANCIAL YEARS 2010 AND 2009

Revenues

Net revenues for the period January–December 2010 amounted to MSEK 210.5 (236.1). The decline was attributable to a reduction in license revenues and reduced payments from collaboration partners to fund research, which was partly offset by a substantial increase in royalty payments. Revenues from sales of Abstral® amounted to MSEK 42.2 (16.2) during the period, from Diabact® UBT/Heliprobe® System to MSEK 39.9 (40.7) and from Edluar™ to MSEK 1.3 (2.3). During the period, Nordics accounted for 7.7 (42.6) % of revenues, other EU countries for 57.1 (33.4) %, East Asia for 9.9 (11.8) %, US for 13.2 (1.8) % and other countries for 12.1 (10.4) %.

Expenses

Selling expenses for the period January–December 2010 amounted to MSEK 35.2 (39.3). Selling expenses include costs for business development linked to the licensing of Orexo's projects, phase IV trials, operating costs in Kibion AB and the joint-venture company ProStrakan AB.

The company's expenses for the employee stock option program for January–December 2010 amounted to MSEK 3.3 compared with an expense of MSEK 8.2 the preceding year.

Research and development costs for the period January–December 2010 amounted to MSEK 186.9 (224.2). Of this, MSEK 33.8 (46.4) was covered by collaboration partners, with the payments included in net revenue. This cost reduction was primarily attributable to the stage of development of the Company's product portfolio, which therefore incurs fewer external research activities, but was also attributable to the cost-saving measures implemented in 2009 and that reached their full effect from January 1, 2010.

Non-recurring costs during the year included an expense of MSEK 8.4 for changing and recruiting the CEO and CFO in the third quarter, recruitment costs of MSEK 1.8 and impairment costs of MSEK 24.1 for the OX914 project in the fourth quarter.

Other operating income and costs, which primarily comprised exchange-rate gains/losses, amounted to MSEK 3.0 (-1.8) for January–December 2010.

Total costs for Orexo in 2010 amounted to slightly less than MSEK 220, excluding research and development costs compensated by remuneration received through the collaboration with OMJ, impairment of OX914 and costs for the placement of the convertible bond issue with Novo.

Depreciation/amortization

Depreciation and amortization for January–December 2010 amounted to MSEK 9.6 (10.5).

Result

Operating loss for January–December 2010 was MSEK 81.8 (99.1). The loss after net financial items totaled MSEK 89.3 (96.9) and the after-tax loss was MSEK 89.2 (98.1).

Investments
Gross investments in tangible fixed assets amounted to MSEK 3.4 (2.6) for January–December 2010.

Cash flow and financial position
Cash flow from operating activities was MSEK –43.0 (–133.9) for the period January–December 2010. Cash flow after financing amounted to MSEK 48.8 (–95.7).

Cash and cash equivalents amounted to MSEK 135.8 (87.4) at December 31, 2010. A non-recurring payment of MSEK 57.6 from Boehringer Ingelheim was paid in 2011 and therefore did not impact cash flow in 2010.

Convertible bond issue
The convertible bond issue on April 7, 2010 was recognized in part as a liability and in part as equity based on the fair value of the debt portion. The allocation was based on an estimated market interest rate of 10.5 %. The attributable transaction costs were allocated proportionally in relation to the division of capital from the issue. The convertible bond has a conversion price of SEK 47.50, equal to a premium of approximately 25 % compared with the closing price on March 12, 2010 of SEK 37.90, and is linked to an option that entitles Orexo to convert the loan when the share price exceeds the conversion price by 50 % during a specified period. The convertible bond carries an annual rate of interest of 8 %. If the loan is not converted to shares, it must be repaid by March 31, 2015.

At the Extraordinary General Meeting on May 27, 2011, a resolution was passed on the alteration of the terms and conditions for the Company's convertible bonds 2010/2015, which are held by Novo, so that Orexo's entitlement to convert the bonds does not apply if execution of that entitlement would mean that Novo would subsequently be required to make a mandatory offer for Orexo's outstanding shares.

Shareholder's equity and share data
Share capital amounted to KSEK 9,361 at the end of the period. The total number of shares outstanding before dilution was 23,404,502 shares, each with a quota value of SEK 0.4.

Shareholders' equity amounted to MSEK 468.2 (548.7) at December 31, 2010. The equity/assets ratio was 66 (85) % at the end of the period.

Employees
At December 31, 2010, in full-time equivalents, Orexo had 105 (108) employees. Of the employees, 38 (40) % were men and 62 (60) % women. Of the six (six) members of the corporate management, two (two) were women and among the eight (eight) Board members, there was one (one) woman.

COMPARISON BETWEEN THE FINANCIAL YEARS 2009 AND 2008

Revenues
Net revenues for the period January–December 2009 amounted to MSEK 236.1 (233.3). The increase was attributable to higher license revenues and an increase in royalty payments. Sales of Abstral® in Europe improved substantially and exceeded expectations. Revenues from sales of Abstral® amounted to MSEK 16.2 (0.1) during the period, from Diabact® UBT/Heliprobe® System to MSEK 40.7 (28.6) and from Edluar™ to MSEK 2.3 (0.0). During the period Nordics accounted for 42.6 (47.8) % of revenues, other EU countries for 33.4 (28.2) %, East Asia for 11.8 (4.3) %, US for 1.8 (11.2) % and other countries for 10.4 (8.4) %.

Expenses
Selling expenses for the full year amounted to MSEK 39.3 (38.8). Selling expenses include costs for business development linked to the licensing of Orexo's projects, operating costs in Kibion and the joint-venture company ProStrakan AB.

Administrative expenses for the full year amounted to MSEK 46.3 (55.3), down 16 %. The reduction was primarily attributable to cost savings.

The company's expenses for the employee stock option program for the full year amounted to MSEK 8.2 (1.5). Of these expenses, MSEK 4.0 (1.1) was attributable to administration staff, MSEK 3.4 (0.5) to research and development staff and MSEK 0.8 (-0.1) to sales staff.

Research and development costs for the full year amounted to MSEK 224.2 (238.1). Of these costs in 2009, MSEK 13.8 arose from the acquisition of PharmaKodex.

Other operating income and costs primarily comprised exchange-rate gains/losses and for January–December 2009 amounted to MSEK –1.8 (3.8). Costs for write-down of assets amounted to MSEK 2.0 (0). MSEK 46.4 (71.8) of the costs were re-invoiced.

Depreciation/amortization
Depreciation and amortization for the full-year 2009 amounted to MSEK 10.8 (10.7).

Result
Operating loss for the full-year 2009 was MSEK 99.1 (112.5). The loss after net financial items totaled MSEK 96.9 (103.5) 2009 and the after-tax loss was MSEK 98.1 (103.1). The operating profit was charged with restructuring costs of MSEK 6.6 arising from the acquisition of PharmaKodex.

Investments
Gross investments in tangible fixed assets amounted to MSEK 2.6 (1.7) for the full-year 2009. For investments in PharmaKodex. during 2009, see the section "Legal matters and supplementary disclosures – Significant agreements" for a description of Orexo's acquisitions of companies and businesses.

Cash flow and financial position
Cash flow from operating activities was MSEK –133.9 (–101.5) for the full-year 2009. Cash flow after financing was MSEK –95.7 (–103.4).

Cash and cash equivalents amounted to MSEK 87.4 (188.2) at December 31, 2009. During the year, a loan of MSEK 16 was taken out with Nordea.

Shareholder's equity and share data
Share capital amounted to KSEK 9,360 at the end of the period. The total number of shares outstanding before dilution was 23,401,252 shares, each with a quota value of SEK 0.40.

Shareholders' equity amounted to MSEK 548.7 (569.8) at December 31, 2011. The equity/assets ratio was 85 (81) % at the end of the period.

Employees

At the end of 2009, in full-time equivalents, Orexo had 108 (128) employees. Of the employees, 40 (35) % were men and 60 (65) % women. Of the six (six) members of the corporate management, two (two) were women and among the eight (seven) Board members, there was one (one) woman.

SHAREHOLDER'S EQUITY AND LIABILITIES

Orexo's capitalization at March 31, 2011, was as follows. Shareholders' equity amounted to MSEK 427.8 at March 31, 2011. Orexo's goal is to maintain an optimal capital structure to reduce the cost of capital. Orexo capital risk is assessed based on the Company's equity/assets ratio. The equity/assets ratio was 64 % at the end of the period.

KSEK	31 March 2011
Total current interest-bearing liabilities	**8,892**
Secured against indemnities or guarantees	0
Against collateral	0
Without indemnities/guarantees or collateral	8,892
Total long-term interest-bearing liabilities	**90,975**
Secured against indemnities or guarantees	0
Against collateral	0
Without indemnities/guarantees or collateral	90,975
Shareholder's equity	**427,819**
Share capital	9,362
Other contributed capital	1,107,198
Provisions	-10,427
Accumulated deficit	-678,314
Minority interest	0

NET DEBT

Orexo's net debt at March 31, 2011, was as follows. Net debt amounted to MSEK -65.3 and the Net debt/equity ratio was -0.15 times at the end of the period. This means that the Company had a net cash position and thereby maintained its financial flexibility. Interest-bearing liabilities relate to the convertible bond with Novo that was raised in 2010.

KSEK	31 March 2011
(A) Cash	0
(B) Other cash equivalents	150,320
(C) Current financial investments	0
(D) Liquidity (A)+(B)+(C)	**150,320**
(E) Current financial receivables	32,536
(F) Current bank loans	0
(G) Current portion of long-term liabilities	8,892
(H) Other current financial liabilities	17,715
(I) Current financial liabilities (F)+(G)+(H)	**26,607**
(J) Current financial net interest-bearing liabilities (I)-(E)-(D)	**-156,249**
(K) Long-term financial liabilities	0
(L) Long-term bank loans	0
(M) Bond loans outstanding	0
(N) Other long-term liabilities	90,975
(O) Long-term financial liabilities (L)+(M)+(N)	**90,975**
(P) Long-term financial net interest-bearing liabilities (O)-(K)	**90,975**
(Q) Financial net interest-bearing liabilities (J)+(P)	**-65,274**

INVESTMENTS

Orexo invests continuously in tangible fixed assets, primarily in equipment for research and development.

Gross investments in tangible fixed assets amounted to MSEK 3.4 for the fiscal year 2010 compared with MSEK 2.6 for the fiscal year 2009 and MSEK 1.7 for the fiscal year 2008.

Investments are primarily financed through Orexo's own resources and only in exceptional cases through leasing.

The Company has a loan in Nordea, collateralized by chattel charges of MSEK 44 and a pledge of all shares in Orexo's subsidiary Kibion. No further liens or similar items exist that limit the Company's utilization of its assets.

See the section "Legal matters and supplementary disclosures – Significant agreements" for a description of Orexo's acquisitions of companies and businesses.

No significant ongoing or planned future investments, for which clear commitments have been given, exist in addition to the above investments.

STATEMENT OF WORKING CAPITAL AND CAPITAL REQUIREMENTS

Orexo's working capital need is principally linked to the Company's continued development operations, comprising development up to launch of the three proprietary development programs. Current liquidity is insufficient to fund the Company's working capital requirements. These capital requirements relate to development of all three proprietary programs during the next twelve months.

The Company's existing cash and cash equivalents, which amounted to MSEK 150 at the end of the first quarter 2011, and the Company's ongoing cash flow, the existing working capital is expected to be sufficient until March 2012.

Given the above conditions, a total decifit of MSEK 32 would arise during the next twelve months starting in March 2012. The New Share Issue is estimated to provide the Company with approximately MSEK 245 before issue costs. With regard to existing liquidity, Orexo deems the working capital upon completion of the New Share Issue as adequate to satisfy the need for working capital so that payment commitments can be met for at least the next twelve months.

Should the New Share Issue, despite existing underwriting agreements and subscription undertakings equivalent to the entire amount of issue[1], not be fully subscribed, Orexo possesses the flexibility to enable the reduction of costs related to the three proprietary development programs, which should lead to the existing working capital, prior to the New Share Issue, meeting the need for working capital over the coming 12 month period. However, should this arise, it will entail that the Company may have to defer some of the three proprietary development programs. The intended use of the funds provided by the New Share Issue is described in more detail in the section "Background and motive".

[1] For more information see the section "Legal matters and supplementary disclosures – Subscription undertakings and underwriting agreements".

TRANSLATION DIFFERENCES

Orexo is exposed to foreign-exchange risks through export/import transactions (flow exposure), mainly in USD and EUR. Orexo has assets (accounts receivable) and liabilities (accounts payable) in foreign currencies (balance exposure), and only insignificant investments in the form of net wealth in foreign subsidiaries or associated companies (translation exposure) with the exception of the subsidiary PharmaKodex, which is registered in the UK. Orexo's financial statements are prepared in SEK and the Company has its operations in Sweden. Accordingly, most operating expenses are in SEK. However, the Company sells its products in countries other than Sweden and receives license revenues in currencies other than SEK.

Assets, liabilities, revenues and expenses in foreign currency give rise to currency exposure. A decline in the SEK against other currencies raises Orexo's recognized assets, liabilities, revenues and earnings, while a strengthening of the SEK in relation to other currencies reduces these items. Previously, currency fluctuations have not had any significant impact on Orexo's reported assets, operating profit or comparability between time periods, but could have in the future.

Flow exposure arises when sales are conducted in a currency other than that in which the related costs and expenses are reported. A substantial share of Orexo's flow exposure is attributable to the sale of Diabact® UBT and Heliprobe® System outside Sweden and license revenues for the Company's products come in currencies other than SEK. The license agreements written with counterparties outside Sweden are frequently denominated in a currency other than SEK, primarily USD or EUR.

At present, the Company does not hedge revenues in foreign currency, but the financial policy permits the use of exchange rate hedging instruments to eliminate or minimize the currency risks arising in the Company and this must always be linked to an underlying exposure. Permitted hedging instruments include currency futures and purchases of currency options (put and call options).

Although a substantial share of Orexo's sales is in currencies other than SEK, primarily USD and EUR, most of Orexo's operating costs are in SEK. During the 2010 fiscal year, sales in USD accounted for 14 (59) % of net revenues and sales in EUR for 67 (32) %. During the same period, 17 (22) % of total operating costs were in foreign currency with 13 (27) % in USD, 34 (32) % in EUR and 53 (40) % in GBP.

To limit the currency risk, agreements signed include a currency adjustment clause whenever possible. In currencies in which the Company has flows in the same currency, the flows are to be matched as far as possible. Currently, the Company does not hedge revenues or expenses in foreign currencies.

For the fiscal year 2010, a change in value of USD against SEK of 10 % gave rise to a change in revenues of approximately MSEK 2.9 and in earnings of about MSEK 2.2. The corresponding change in EUR gives rise to a change in revenues of approximately MSEK 14.6 and in earnings of about MSEK 13.0.

For further information regarding market risks, credit and counterparty risks, liquidity and financing risks and capital risk, see Note 3 in Orexo's Annual Report 2010.

TAX SITUATION

Orexo has loss carry/forwards as detailed in the Annual Report 2010, Notes 5, 28 and 29.

TRENDS

The global pharmaceutical market has undergone substantial change and faces a range of challenges in the years ahead. The major companies' investments in research and development have doubled over the last ten years while productivity, in the form of newly registered drugs, during the same period, has halved. In recent years, an increasing number of pharmaceutical companies have chosen to focus on niched indications and to develop innovative products for these which provide significant improvements in treatment and patient care. At the same time as companies have invested substantial time in developing drugs more effectively, they have invested limited resources in re-evaluating and adapting their manufacturing and distribution.

Orexo is not aware of any other trends, uncertainties and potential events that may have a significant effect on the Company's prospects beyond those set out under "Risk factors" in this Prospectus.

FUTURE PROSPECTS

After gaining a new strong owner in Novo and entering a research partnership with OMJ, Orexo was able to launch its new strategic focus. This meant that three new proprietary development programs were initiated in the autumn of 2010, OX27, OX51 and OX219. All three programs have quickly progressed through the initial clinical trials, which resulted in positive findings for OX51 and OX219. Data for OX27 is expected in the latter part of the second quarter 2011. All three programs comprise developments of already well-documented substances, which have been reformulated for Orexo's sublingual drug-delivery platform. This means that the risks entailed in these three development programs are smaller than usual and the development time will be correspondingly shorter. In addition, Orexo has already had positive contact with regulatory bodies regarding OX51 and OX219.

The objective of the development programs is for the Company to sell the products through its own marketing and sales organization in Europe or the US. This will enable Orexo to retain a higher portion of the products' value. The Company is currently analyzing whether to build up the new marketing and sales organization organically or through acquisitions. Business partners will be sought for those markets where the Company will not be selling the products through its own marketing and sales organization. Another aim is to initiate a minimum of one new development program per year, commencing this year. This will increase Orexo's ability to build up a broad product portfolio over time.

SIGNIFICANT EVENTS AFTER MARCH 31, 2011

No significant events have taken place since March 31, 2011 with regards to the Company's financial position.

At the beginning of April, Orexo's partner ProStrakan AB launched Abstral® in the US. Royalty payments from the build-up of resellers' inventories and subsequent sales in the US are estimated at MSEK 18.3.

In February, Orexo's business partner for Abstral® in Japan, Kyowa Hakko Kirin, placed a bid for ProStrakan Group, Orexo's partner for Abstral® in the US and Europe. The acquisition was approved on April 21, 2011.

In April 2011, Robin Wright gave notice of his resignation as CFO and left the Company at the end of April. Recruitment of a new CFO has commenced.

Share capital and ownership structure

GENERAL INFORMATION

Orexo's shares are issued in compliance with Swedish legislation. Shareholders' rights associated with shares in Orexo, including the rights of minority shareholders, can only be changed in accordance with the procedure stated in the Swedish Companies Act (2005:551).

All shares carry equal rights to dividends as well as to the Company's assets and potential surplus. At General Meetings of shareholders, each share entitles the holder to one vote and all shareholders are entitled to vote the full number of shares without limitation of voting powers. No restrictions apply to the transfer of shares. As a general rule, existing shareholders have preferential rights to subscribe for new shares in connection with a new share issue in accordance with the Swedish Companies Act, unless decided otherwise in the resolution to issue shares.

Notification of the convening of the Annual General Meeting is issued through an advertisement being placed in Official Swedish Gazette (Swedish: Post- och Inrikes Tidningar) and on the company's website. Confirmation that the Annual General Meeting has been convened is announced in the Svenska Dagbladet newspaper. Entitlement to attend the Annual General Meeting is limited to those shareholders registered in the Company's shareholders' register on the record day for the AGM and who have notified the Company of their intent to attend by no later than 4:00 p.m. on the day specified in the notification of the AGM.

Shares in Orexo are not the subject to any mandatory offer, right of redemption or redemption obligation. No public offer to acquire Orexo's shares has been made under this or the preceding fiscal year.

SHARE CAPITAL AND THE SHARE

According to Orexo's Articles of association, the Company's share capital must amount to a minimum of SEK 5,000,000 and a maximum of SEK 20,000,000. The number of shares must amount to a minimum of 12,500,000 and a maximum of 50,000,000.

At the date of this Prospectus, Orexo's share capital and the number of shares outstanding amounted to SEK 9,365,100.80 and 23,412,752 shares, respectively. Orexo's shares have a quota value of SEK 0.40.

Orexo's share capital and the number of shares outstanding in the Company may increase if the options issued under the Company's incentive and employee stock option programs are exercised.

The New Share Issue means that the share capital will increase by a maximum of SEK 2,575,275.20 from its present value of SEK 9,365,100.80 to a maximum of SEK 11,940,376, through subscription of a maximum of 6,438,188 shares, each share with a quota value of SEK 0.40.

CONVERTIBLE BOND 2010/2015

The Extraordinary General Meeting on March 31, 2010 resolved to raise a convertible bond loan of a maximum of SEK 111,150,000 through the issuance of a convertible bond to Novo. The convertible bond issue subsequently took place on April 7, 2010. The convertible bond has a conversion price of SEK 47.50 equal to a premium of approximately 25 % compared with the closing price on March 12, 2010 of SEK 37.90, and is linked to an option that entitles Orexo to convert the loan when the share price exceeds the conversion price by 50 % during a specified period. The convertible bond carries an annual rate of interest of 8 %. If the loan is not converted to shares, it must be repaid by March 31, 2015.

At the Extraordinary General Meeting on May 27, 2011, a resolution was passed on the alteration of the terms and conditions for the Company's convertible bonds 2010/2015, which are held by Novo, so that Orexo's entitlement to convert the bonds does not apply if execution of that entitlement would mean that Novo would subsequently be required to make a mandatory offer for Orexo's outstanding shares.

Upon conversion of the convertible bond to shares in Orexo in accordance with the terms and conditions of the convertible bond applicable at the date of this Prospectus, the Company's share capital would increase by SEK 936,000 and the number of shares would increase by 2,340,000.

AUTHORIZATION TO ISSUE SHARES

At present, no authorization has been given to the Board of Directors of Orexo to issue shares or other financial instruments.

DEVELOPMENT OF THE SHARE CAPITAL

The following table sets forth the changes in the share capital of Orexo since the incorporation of the Company and up to the registration of the new shares in connection with the New Share Issue.

Year	Transaction	Change in number of shares	Change in share capital (SEK)	Total number of shares	Total share capital (SEK)	Quota value (SEK)
1994	Foundation	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)]	9,000	3,600	23,412,752	9,365,101	0.4
2011	The New Share Issue[17)]	6,438,188	2,575,275	29,850,940	11,940,376	0.4

[1] New issue of preference shares of series P1 through a private placement to HealthCap in connection with HealthCap's first 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 ordinary 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 per share was SEK 19,611.4.

[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 Principal 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 note (4) and (5) as units.

[7] The 250:1 share split was resolved upon by the Annual General Meeting of shareholders held on April 20, 2005, and was implemented in connection with the Company's listing on the stock exchange in November 2005.

[8] New issue in connection with the Company's listing on the stock exchange in November 2005.

[9] Issue of 9,750 new shares through the exercise of 39 warrants at a subscription price of SEK 9.20 per share and the issue of 10,500 new shares through the exercise of 42 warrants at a subscription price of SEK 12.70 per share.

[10] ssue of 269,000 new shares through the exercise of employee stock options 1,076, issue of 281,500 new shares through the exercise of 1,126 warrants and the issue of 41,750 new shares through the exercise of 167 warrants intended for hedging.

[11] Issue of 42,500 new shares through the exercise of 170 employee stock options and issue of 59,250 new shares through the exercise of 237 warrants.

[12] New issue in connection with the acquisition of Biolipox AB in November 2007.

[13] Issue of 5,750 new shares through the exercise of 23 warrants and issue of 334 new shares through the exercise of 334 warrants.

[14] New issue in connection with the acquisition of PharmaKodex.

[15] Issue of 2,500 new shares through the exercise of 10 employee stock options.

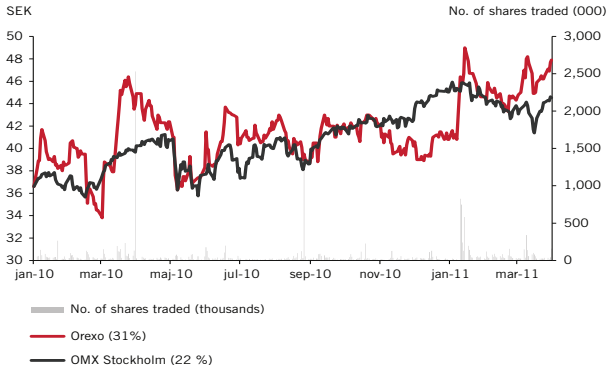
[16] Issue of 9,000 new shares through the exercise of 36 employee stock options.

[17] New issue of 6,438,188 shares in accordance with the terms, conditions and instructions of the New Share Issue. For further information see the section "Terms, conditions and instructions."

SHARE PRICE DEVELOPMENT

Orexo's shares have been listed on the NASDAQ OMX since November 9, 2005 under the ticker symbol ORX (Bloomberg: ORX:SS). The following diagram shows Orexo's share price development and turnover during the period January 1, 2010–March 31, 2011.

Orexo's share development January 1, 2010–March 31, 2011



SHAREHOLDER STRUCTURE

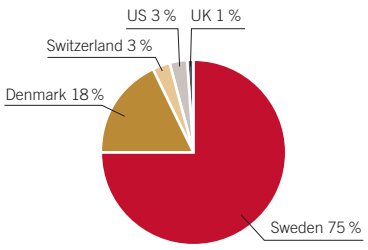
The table below illustrates the shareholder structure of the Company's shares, in relation to the size of the holdings, as of March 31, 2011.

Shareholder structure as of March 31, 2011

Shareholding, no. of shares	No. of shareholders	% of all shareholders
1–500	2,813	65.8
501–1,000	704	16.5
1,001–5,000	539	12.6
5,001–10,000	107	2.5
10,001–15,000	23	0.5
15,001–20,000	18	0.4
20,001–	69	1.6
Total	**4,273**	**100.0**

The diagram below illustrates the shareholder structure in the Company by country as of March 31, 2011. The shareholders in the following countries represent 95.5 % of the share capital and votes in Orexo.

Orexo's shareholder distribution by country as of March 31, 2011



SHAREHOLDINGS

As of March 31, 2011, Orexo had 4,273 shareholders. The figures in the table below refer to ownership (also indirect that the Company is aware of) at this point in time according to the shareholders' register maintained by Euroclear Sweden. HealthCap is the largest shareholder in Orexo. Novo may increase its holding if undertakings contained in the new issue guarantee agreement should need to be discharged. No shares in Orexo are held as treasury shares by the Company or on its behalf.

Shareholder structure as of March 31, 2011

Shareholder	No. of shares	Ownership, %
HealthCap	5,632,971	24.1
Novo A/S	3,893,184	16.6
Third AP fund	1,176,798	5.0
Rasjö, Staffan	1,087,120	4.6
Fourth AP fund	907,898	3.9
Försäkringsaktiebolaget Avanza pension	772,882	3.3
Lundqvist, Thomas	495,250	2.1
Nordnet Pensionsförsäkring AB	316,910	1.4
Nyström, Christer	301,000	1.3
Brohuvudet AB	300,000	1.3
Others	**8,520,489**	**36.4**
Total	**23,404,502**	**100.0**

CONVERTIBLE BOND ISSUE

On April 7, 2010, Orexo completed a convertible bond issue that was recognized in liability and shareholders' equity portions, based on the fair value of the liability portion. The division of both components was based on an estimated market interest rate of 10.5 %. Attributable transaction costs were allocated proportionally in relation to the division of capital from the issue. The convertible bond loan has a conversion price of SEK 47.50, equal to a premium of about 25 % compared with the closing price on March 12, 2010 of SEK 37.90 and is linked with an option that entitles Orexo to convert the loan when the share price exceeds the conversion price by 50 % during a specified period. The convertible bond has an annual interest rate of 8 %. If the loan is not converted to shares, it must be repaid no later than March 31, 2015.

SHAREHOLDERS' AGREEMENT

As far as the Board of Directors of Orexo is aware, no shareholders' agreements or any other agreements aimed at exercising joint influence over the Company exist between Orexo's shareholders. Nor is the Board aware of any agreements or their equivalents that could lead to changes in control of the Company.

SHARE-BASED INCENTIVE PROGRAM

Orexo has introduced share-based incentive plans, consisting of warrants and employee stock options, designed to promote the Company's long-term interests by motivating and rewarding certain of the Company's senior management, other employees, directors and certain other collaborators and business partners of the Company. Approximately 100 individuals have participated in Orexo's share-based incentive plans since 2002.

At the date of this Prospectus, employee stock options and warrants have been awarded entitling holders to a total of 2,815,086 shares in Orexo (including Board shares) excluding those warrants issued for the express purpose of hedging cash flow under the program. Employee stock options are issued free of charge and entitle the holder to acquire shares in Orexo at a specified price with the proviso that the vesting provision has been met. Vesting of employee stock options is based on terms and conditions set for each respective stock option program (for example, based on the participant holding the options for a specified period of time or in combination with meeting specified performance targets).

The Annual General Meetings 2008 – 2011 resolved to implement a Board shareholder program including the allocation of Board shares (options to acquire shares in Orexo). Board members participating in the Orexo Board shareholder program receive Board Shares in the amount equivalent to 50 % of the Board fee and any Board committee fees at the time of allocation, and the remaining 50 % of the Board fee and any Board committee fees in cash. Board shares entitle the holder to acquire new shares in Orexo. The right to acquire new shares under the Board shareholder program is subject to the Board member in question remaining a Board member for the full term or part of the term of the applicable mandate period and that qualification is vested in the amount of 25 % after publication of Orexo's interim report for the first quarter of the mandate period and with 25 % after publication of each report for each of the mandate period's remaining three quarters until the end of the fiscal year for which the Board member was elected or reelected.

The following table illustrates all employee stock options, Board options and warrants outstanding under Orexo's incentive programs at the date of this Prospectus.

Options and warrants outstanding under the incentive programs at the date of this Prospectus

Category	Number
Employee stock options	1,131,741
Employee stock options Biolipox program	112,425
Not yet allocated employee stock options	1,510,000
Options to Board of Directors	60,920
Warrants	10,000
Warrants intended for hedging	135,673
Total	**2,960,759**

EMPLOYEE STOCK OPTION PROGRAM

Orexo's employee stock option program comprises call options that carry the right to acquire warrants that in turn entitle the holder to shares in Orexo. To secure obligations in accordance with the option agreements and to secure cash flow – insofar as it applies to employee stock options 2002 – to cover the estimated payroll overheads that will be charged to Orexo on utilization of the employee stock options, Orexo has issued warrants to its wholly owned subsidiary Pharmacall that provide entitlement to subscribe for new shares in the Company. To secure obligations arising from the Biolipox employee stock option program, shares in Orexo have been issued to an external party. Once issued, employee stock options are not transferrable to a third party.

Employee stock options 2002

The employee stock options under this program have been granted to employees and other key individuals in the Orexo Group free of charge. The employee stock options were vested in three equal installments on each of the three first anniversaries following October 1, 2002. The employee stock options expire on December 31, 2012 and the exercise price is SEK 9.20 per share. Upon full exercise of the employee stock options and warrants for hedging outstanding under this program, the Company's equity will be increased by approximately MSEK 1.1, of which SEK 46,400 pertains to share capital, and the number of shares will be increased by 116,000.

Employee stock options 2003

The employee stock options under this program have been granted to employees and other key individuals in the Orexo Group free of charge. The employee stock options were vested in three equal installments on each of the three first anniversaries following October 1, 2003. The employee stock options expire on December 31, 2013 and the exercise price is SEK 12.70 per share. Upon full exercise of the employee stock options under this program, the Company's equity will be increased by approximately KSEK 30, of which SEK 1,000 pertains to share capital, and the number of shares will be increased by 2,500.

Employee stock options 2004

The employee stock options under this program have been granted to employees and other key individuals in the Orexo Group free of charge. The employee stock options were vested in three equal installments on each of the three first anniversaries following August 1, 2004. The employee stock options expire on June 30, 2014 and the exercise price is SEK 18.10 per share. Upon full exercise of the employee stock options under this program, the Company's equity will be increased by approximately MSEK 1.3, of which SEK 28,300 pertains to share capital, and the number of shares will be increased by 70,750.

Employee stock options 2005:I

The employee stock options under this program have been granted to employees in the Orexo Group free of charge. The employee stock options were vested in three equal installments on each of the three first anniversaries following January 1, 2005. The employee stock options expire on December 31, 2013 and the exercise price is SEK 18.10 per share. Upon full exercise of the employee stock options under this program, the Company's equity will be increased by approximately MSEK 0.1, of which SEK 2,700 pertains to share capital, and the number of shares will be increased by 6,750.

Employee stock options 2005/2006

The employee stock options under this program have been granted to employees in the Orexo Group free of charge. The employee stock options were vested in three equal installments on each of the three first anniversaries following December 31, 2005. The employee stock options expire on December 31, 2015 and the exercise price is SEK 113 per share. Upon full exercise of the employee stock options under this program, the Company's equity will be increased by approximately MSEK 4.4, of which SEK 15,640 pertains to share capital, and the number of shares will be increased by 39,100.

Employee stock options 2006/2016
The employee stock options under this program have been granted to employees in the Orexo Group free of charge. The employee stock options were vested in three equal installments on each of the three first anniversaries following allocation. The employee stock options expire on December 31, 2016. The exercise price for the options that entitle subscription of a total of 5,000 shares and which were allocated in August 2006 is SEK 118 per share, and the exercise price for the options that entitle subscription for a total of 156,975 shares and which were allocated in February 2007 is SEK 119 per share. Upon full exercise of the employee stock options under this program, the Company's equity will be increased by approximately MSEK 6.8, of which SEK 22,890 pertains to share capital, and the number of shares will be increased by 57,225.

Employee stock options 2007/2017
The employee stock options under this program have been granted to employees in the Orexo Group free of charge. The employee stock options were vested in three equal installments on each of the three first anniversaries following allocation. The employee stock options expire on December 31, 2017 and the exercise price for the options has been set at SEK 44 per share. Upon full exercise of the employee stock options under this program, the Company's equity will be increased by approximately MSEK 9.5, of which SEK 86,666 pertains to share capital, and the number of shares will be increased by 216,666.

Biolipox employee stock option programs
In connection with Orexo's acquisition of Biolipox, the terms of Biolipox's outstanding employee stock option programs were changed so that employee stock options under these programs entitle the holders to shares in Orexo rather than in Biolipox. Thus each employee stock option in Biolipox entitles the holder to 0.45854 shares in Orexo. As part of the purchase consideration for Biolipox and as payment for 1,165,748 warrants in Biolipox, Orexo issued 534,541 shares to Pyrinox AB, previously a wholly owned subsidiary of Biolipox and which following the takeover was owned by the previous majority shareholders of Biolipox. These shares in Orexo will be used to secure delivery of shares under the employee stock option program and to cover the payroll overheads that may arise from utilization of the employee stock options. Therefore, the employee stock option program entails no further dilution effects for Orexo's shareholders.

The employee stock options under this program have been granted to employees and other key individuals in Biolipox free of charge. The employee stock options were vested in four equal installments on each of the four first anniversaries following allocation and the exercise price amounted to SEK 0.25 per share. The employee stock options expire on December 31, 2014, December 31, 2015 and on December 31, 2016, respectively.

Employee stock options 2008/2018
The employee stock options under this program have been granted to employees in the Orexo Group free of charge. The employee stock options were vested in three equal installments on each of the three first anniversaries following allocation. The employee stock options expire on December 31, 2018 and the exercise price for the options that entitle subscription for a total of 40,500 shares and which were allocated in August 2008 is SEK 56 per share and the exercise price for the options allocated in February 2009 is SEK 51 per share. Upon full exercise of the employee stock options under this program, the Company's equity will be increased by approximately MSEK 14.5, of which SEK 112,300 pertains to share capital, and the number of shares will be increased by 280,750.

Board shareholder program 2008/2015
Board shares under this program have been granted free of charge to the Board members elected at the 2008 Annual General Meeting. The right to acquire new shares under the Board shareholder program is subject to the Board member in question remaining a Board member for the full term or part of the term of the applicable mandate period. Board shares have been vested in accordance with the above.

The rights of Board members to acquire shares in Orexo under the Board shareholder program became effective two years subsequent to the 2008 Annual General Meeting. The expiry date for Board shares is December 31, 2015 and the exercise price is SEK 0.40 per share. Upon full exercise of the Board shares under this program, the Company's share capital will be increased by approximately SEK 5,138 and the number of shares will be increased by 12,845.

Employee stock options 2009/2019
In April 2009, Orexo introduced an employee stock option program that empowered the Board of Directors to allocate stock options free of charge that entitle subscription of a total of 470,000 shares in Orexo to employees of the Company. Subsequently, the Board decided not to allocate any options from this option program.

Board shareholder program 2009/2016
Board shares under this program have been granted free of charge to the Board members elected at the 2009 Annual General Meeting. The right to acquire new shares under the Board shareholder program is subject to the Board member in question remaining a Board member for the full term or part of the term of the applicable mandate period. Board shares have been vested in accordance with the above.

The rights of Board members to acquire shares in Orexo under the Board shareholder program became effective two years subsequent to the 2009 Annual General Meeting. The expiry date for Board shares is December 31, 2016 and the exercise price is SEK 0.40 per share. Upon full exercise of the Board shares under this program, the Company's share capital will be increased by approximately SEK 8,945 and the number of shares will be increased by 22,362.

Board shareholder program 2010/2017
In 2010, Orexo introduced a Board shareholder program comprising 25,713 shares in Orexo. These Board shares have been allocated free of charge to those Board members elected at the 2010 Annual General Meeting.

The vesting of Board shares takes place as specified above. As a general rule, the rights of Board members to acquire shares in Orexo under the Board shareholder program become effective two years subsequent to the 2010 Annual General Meeting. The expiry date for Board shares is December 31, 2017 and the exercise price is SEK 0.40 per share. Upon full exercise of the Board shares under this program, the Company's share capital will be increased by approximately SEK 10,285 and the number of shares will be increased by 25,713.

Performance-based long-term incentive program 2011/2021
In 2011, Orexo introduced a performance-based long-term incentive program, which comprises performance shares that entitle subscription of a total of 1,540,000 new shares in Orexo. The right to acquire new shares through the exercise of performance shares requires meeting certain vesting conditions for each employee. Of the total number of performance shares allocated, 50 % are vested based on length of service and internal operational goals (time-based performance shares) and 50 % based on the share-price development and relative share performance (share-price based performance shares). Of these performance shares, 745,000 performance shares, of which 372,500 are time-based and 372,500 share-price based performance shares, were allotted free of charge to the management in the Company on March 7, 2011 and April 26, 2011. The subscription price of the performance shares providing entitlement to subscription of 500,000 shares in the Company and that were allotted in March 2011 was set at SEK 44.40 per share. The subscription price for the performance shares providing entitlement to subscription of 245,000 shares in the Company and that were allotted in April 2011 was set at SEK 47.80 per share. The final date for exercising the options is December 31, 2021. Upon full exercise of the performance shares under this program, the Company's equity will be increased by approximately MSEK 33.9, of which SEK 298,000 pertains to share capital, and the number of shares will be increased by 745,000. None of these performance shares have been exercised at the date of this Prospectus.

Board shareholder program 2011/2018
Board shares under this program have been granted free of charge to the Board members elected at the 2011 Annual General Meeting. The right to acquire new shares under the Board shareholder program is subject to the Board member in question remaining a Board member for the full term or part of the term of the mandate period until the 2012 Annual General Meeting. Board shares have been vested in accordance with the above.

The rights of Board members to acquire shares in Orexo under the Board shareholder program entered force two years subsequent to the 2011 Annual General Meeting. The expiry date for Board shares is December 31, 2018 and the exercise price is SEK 0.40 per share. Upon full exercise of the Board shares under this program, the Company's share capital will be increased by approximately SEK 7,778 and the number of shares will be increased by 19,445.

WARRANTS
Orexo entered into a consulting agreement through which the consultant received warrants entitling subscription of 10,000 shares in the Company. The final date for exercising the warrants is December 31, 2013 and the exercise price is SEK 12.70 per share. The warrants were acquired by the consultant at market rates.

Upon full exercise of these warrants, the Company's equity will be increased by approximately KSEK 127, of which SEK 4,000 pertains to share capital, and the number of shares will be increased by 10,000.

DILUTION
The New Share Issue gives rise to an increase in the number of shares outstanding in the Company at the date of this Prospectus from 23,412,752 shares to 29,850,940, corresponding to an increase of 27.5 %. A dilution effect of up to a total of 6,438,188 shares equal to 27.5 % of the shares in Orexo will arise for those shareholders that decline to exercise their right to subscribe for new shares in the New Share Issue.

EUROCLEAR AFFILIATION
The Company and its shares are connected to the electronic securities system with Euroclear Sweden as the central securities depository and clearing organization. In addition, Euroclear Sweden maintains the Company's shareholders' register. No stock certificates have been issued for the Company's shares. Euroclear Sweden's address is Euroclear Sweden AB, Regeringsgatan 65, Box 7822, SE-103 97 Stockholm, Sweden.

DIVIDEND POLICY AND OTHER INFORMATION
The Board of Directors has no intent in proposing a dividend until such time as the Company generates healthy profits and cash flow. Orexo has not paid a dividend since the founding of the Company.

Dividends are resolved by a general meeting of the Company's shareholders and distribution is administered by Euroclear Sweden. Entitlement to receive a dividend is limited to registered shareholders in the shareholders' register maintained by Euroclear Sweden on the record day set by the general meeting of shareholders. If a shareholder cannot be reached through Euroclear Sweden, the shareholder's claim on the Company in respect of the dividend amount remains and is only limited by rules regarding limitation. If the time limitation for claiming is exceeded, the dividend accrues to Orexo. No particular restrictions for dividends or procedures apply to shareholders resident outside of Sweden. On liquidation, a shareholder is entitled to a share of the surplus in proportion to the size of the shareholding.

Board of Directors, management and auditor

BOARD OF DIRECTORS

Orexo's Articles of Association state that the Board of Directors is to consist of a minimum of three and a maximum of nine members, with a maximum of three deputies. Currently, Orexo's Board comprises six members elected at the AGM on April 7, 2011 for the period through to the end of the 2012 AGM.

Their names, dates of birth, position, date of election, qualifications, where applicable other ongoing assignments, previous assignments and partnerships in the preceding five year period as well as holdings of shares and options in Orexo at the date of this Prospectus are given below.

Håkan Åström (born 1947)
Elected 2003, Chairman of the Board since 2003
Qualifications: M.Sc. Stockholm School of Economics, Honorary Doctorate in Medicine at the Sahlgrenska Academy in Gothenburg.
Other assignments: Chairman of the Boards of Affibody Holding AB, Ferrosan Holding AS, Pled Pharma AB and Tubulus RP Förvaltning AB, and Chairman of Insamlingsstiftelsen Växthuset för barn as well as Board member of Rhenman&Partners Asset Management AB and Medcore AB.
Previous assignments: Chairman of the Board of Swedish Orphan Biovitrum AB (publ) until 2009, Sanos A&S until 2009, TopoTarget A/S until 2009, Deputy Chairman of Karolinska Institutet until 2009, Board member of Biolipox AB until 2007, Medicon Valley Capital Management AB, Medicon Valley Capital Two General Partner AB, Old Venture 2 AB and SLS Venture Two GP AB until 2006. In addition, previously, Håkan was President of Travenol AB (Baxter Inc.), Astra Pharmaceuticals Ltd. and Kabi Pharmacia AB. His most recent executive position was as Senior Vice President of Pharmacia Corporation, in charge of the group's strategy and communication, as well as President of Pharmacia AB.
Holding: 58,842 shares and stock options entitling to 20,587 shares.

Raymond Hill (born 1945)
Elected 2008, Board member
Qualifications: BPharm., Ph.D. School of Pharmacy, University of London, D.Sc (Hon) University of Bradford, FMedSci.
Other assignments: Visiting Professor at Bristol, Surrey, Imperial and Stathclyde Universities. President and Chairman of the Council of Trustees of the British Pharmacological Society, Council member Academy of Medical Sciences and Nuffield Council on Bioethics and Board member of Swiss companies Addex Pharmaceuticals and Covagen AG.
Previous assignments: Executive Director of Pharmacology at the Neuroscience Research Centre, Executive Director, Licensing and External Research, Europe for Merck and Board member for Lectus Pharmaceuticals until 2010.
Holding: Options entitling to subscription of 11,570 shares.

Staffan Lindstrand (born 1962)
Elected 2002, Board member
Qualifications: M.Sc. in Engineering. Partner of HealthCap since 1997.
Other assignments: Board member of Aerocrine AB, Eksse AB, Gerner Holdings AB, HealthCap AB, HealthCap 1999 GP AB, HealthCap IV GP AB, HealthCap Annex Fund I-II Bis GP AB, HealthCap Annex Fund I-II GP AB, HealthCap Holdings GP AB, HealthCap III Sidefund GP AB, HealthCap Sidefund ORX Holding AB, HealthCap GbR ORX Holding AB, HealthCap 1999 ORX Holding AB, Limehold AB, PulmonX Corp, Rocaer AB, Severus SA, Technolas Perfect Vision GmbH (supervisory board) and 20/10 Perfect Vision AG (supervisory board).
Previous assignments: Board member of Biotage AB until 2010, XCounter AB until 2009, Oxthera AB until 2009, Cebix AB and NeuroNova AB until 2008 as well as Cale Access AB until 2006.
Holding: 981 shares.

Bengt Samuelsson (born 1934)
Elected 2008, Board member
Qualifications: M.D., Ph.D. Professor at Karolinska Institutet. Received the Nobel Prize in Medicine in 1982 for his research on arachidonic acid.
Other assignments: Board member of Cardoz AB, CC10 Sweden AB, LTB4 Sweden and Nicox SA.
Previous assignments: Board member of Biotage AB until 2010 and Biolipox AB until 2007.
Holding: 2,492 shares held beneficially and options entitling subscription of 65,484 shares.

Michael Shalmi (born 1965)
Elected 2010, Board member
Qualifications: M.D., MBA
Other assignments: Senior Partner in Novo Growth Equity within Novo A/S. Board member of K/S Wind Partner.
Previous assignments: A number of different international senior positions in the Novo Nordisk Group over a period of 15 years.
Holding: 0

Kjell Strandberg (born 1938)
Elected 2003, Board member
Qualifications: M.D., PhD. Professor of Pharmacotherapeutics.
Other assignments: Chairman of the Board and President of Kjell Strandberg Consulting AB, member of the Royal Swedish Academy of Engineering Sciences, Chairman of the NDA Regulatory Science Advisory Board and member of the Board of the Foundation for Pharmaceutical Medicine.
Previous assignments: Board member of Innate Pharmaceuticals until 2009 and IHE, the Swedish Institute for Health Economics until 2006. Dr. Strandberg was previously Director General of the Swedish Medical Products Agency.
Holding: 2,550 shares and options entitling subscription of 13,864 shares.

MANAGEMENT

Orexo's management comprises six executives. The names, dates of birth, position, date of employment, qualifications, where applicable other ongoing assignments, previous assignments and partnerships in the preceding five year period as well as holdings of shares and options in Orexo are given below for each of the management members. The number of options held represents the equivalent number of shares.

Anders Lundström (born 1962)
President and CEO.
Joined Orexo in 2011 and has more than 20 years experience from the Pharmaceutical Industry and has worked the last five years in the US.
Qualifications: M.Sc. Pharm.
Other assignments: None.
Previous assignments: Include extensive commercial experience in sales and marketing from Biogen Idec, AstraZeneca, Janssen-Cilag and Bristol-Myers Squibb, and additionally, numerous leadership positions, most recently as Head of Biogen Idec Hemophilia Inc. in the US.
Holding: 10,000 shares and options entitling subscription of 500,000 shares.

Thomas Lundqvist (born 1951)
Executive Vice President & Head of Pharmaceutical Research & Development.
Founder and Board member between 1995 and 2003. Joined Orexo in 1998. Possesses long experience of working with the development of new pharmaceuticals.
Qualifications: M.Sc. Pharm.
Other assignments: None.
Previous assignments: Prior to joining Orexo, President of NeoPharma Production AB and more than ten years of experience working at the Swedish Medical Products Agency.
Holding: 495,250 shares and options entitling subscription of 60,000 shares.

Gunilla Ekström (born 1958)
SVP Head of Preclinical R&D / Project and Portfolio Management.
Joined Orexo in 2008.
Qualifications: M.D. PhD at Karolinska Institutet.
Other assignments: None.
Previous assignments: Prior to joining Orexo, Global Product Director at Astra Zeneca R&D with responsibility for the company's pain projects portfolio and a member of the Therapeutic Area Neuroscience management group at AstraZeneca for five years.
Holding: 300 shares (held beneficially) and options entitling subscription of 40,000 shares.

Anders Pettersson (born 1959)
SVP Head of Clinical R&D.
Joined Orexo in 2001.
Qualifications: M.D/Ph.D. with specialist training in clinical pharmacology.
Previous assignments: None.
Holding: 60,150 shares (via companies).

Åsa Holmgren (born 1965)
Head of Regulatory Affairs.
Joined Orexo in 2008. Broad experience from several major pharmaceutical companies with more than 20 years experience in drug development in all phases and mainly international, strategic assignments within Regulatory Affairs.
Qualifications: M.Sc. Pharm.
Other assignments: None.
Previous assignments: Senior Global Regulatory Affairs Director at AstraZeneca.
Holding: Options entitling subscription of 7,500 shares.

OTHER INFORMATION REGARDING THE BOARD OF DIRECTORS AND MANAGEMENT

During the past five years, no member of Orexo's Board or any of the Company's management members has been (i) convicted in any fraud-related lawsuit, (ii) involved in any bankruptcy, bankruptcy administration or liquidation in their capacity as Board member or management member, (iii) the subject of any official allegations or sanctions on the part of any agency authorized by law or regulation (including authorized professional bodies), or (iv) prohibited by a court of law from becoming a member in a company's administrative, management or control function, nor of holding a leading or overriding function in a company.

There is no potential conflict of interest between the private interests of any of the members of the Board or management members and their duties in respect of the interests of Orexo. None of the above Board members and management members have any close relationship with any other Board member or management members.

All members of the Board and management can be contacted through Orexo AB, Virdings allé 32A, SE-751 05 Uppsala, Sweden.

Auditor
PricewaterhouseCoopers AB, with Leonard Daun as Auditor in Charge, was reelected as the Company's auditor by the 2008 Annual General Meeting until the 2012 Annual General Meeting. Leonard Daun is also auditor to inter alia Starbreeze AB, Coeli AB, European Travel Interactive AB, Isconova AB and in Eurocine Vaccines AB. Leonard Daun owns no shares or other securities in Orexo. The auditor's address is PricewaterhouseCoopers AB, Box 179, SE-751 04 Uppsala, Sweden. Leonard Daun is an authorized public accountant and a member of Far.

REMUNERATION TO THE BOARD OF DIRECTORS, MANAGEMENT AND AUDITOR

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

The following table provides an overview of remuneration to the Board of Directors, management and auditors (including variable remuneration, pension contributions and other benefits).

KSEK	2010	2009
Board of Directors	2,002	1,785
Management	25,099	17,069
Auditors	1,860	2,614

Remuneration of the Board of Directors

Board fees, including the fee to the Chairman of the Board, are set by the shareholders at the Annual General Meeting of the Company or, if applicable, at an Extraordinary General Meeting of the Company. In addition, fees are payable for work performed on the Board's committees. Remuneration of the President and CEO as well as other management members can comprise fixed and variable salary, long-term incentive programs, pensions and other customary benefits.

Total remuneration of the Board of Directors for the 2010 fiscal year including salaries, pension contributions and other benefits amounted to KSEK 2,002, of which, KSEK 562 comprised remuneration of the Chairman of the Board and KSEK 1,440 remuneration of the remaining members of the Board.

Remuneration of management

Total remuneration for the former President and CEO, Torbjörn Bjerke, amounted to KSEK 10,127 for 2010, including variable salary, benefits, pension contributions and expense allowance. Of the KSEK 10,127, KSEK 3,499 was fixed salary, KSEK 1,554 variable salary (including share-based remuneration) for 2009 that was paid in 2010, KSEK 3,384 severance pay, KSEK 1,483 pension contributions (of which KSEK 711 was attributable to severance pay) and KSEK 207 other benefits. Total remuneration for the 2010 fiscal year to the other management members in the Company amounted to KSEK 14,972, which comprised fixed salaries of KSEK 10,728, other benefits of KSEK 125 and variable salaries and share-based remuneration of KSEK 1,676. In addition, pension contributions for other management members amounted to KSEK 2,443. For more information regarding remuneration of the Group management and the Board of Directors, see page 60 of Orexo's 2010 Annual Report.

The CEO and other management members have defined contribution pension plans. For the CEO, the pension premium amount to 20 % of the CEO's fixed monthly salary and for the other management members to an average of approximately 20 % of fixed annual salary.

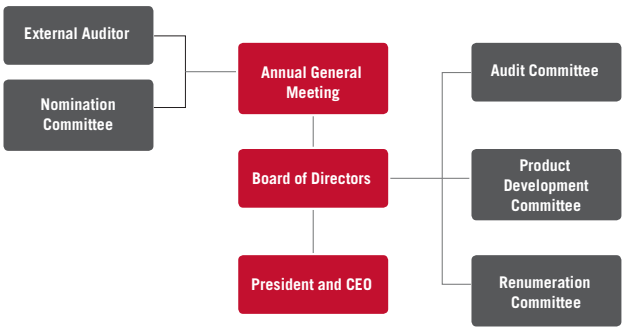
The employment agreement with the CEO may be terminated subject to a notice period of six months. The employment agreements with other management members may be terminated subject to between three and six months notice. The CEO is entitled to severance pay equivalent to twelve months salary (including salary paid during the notice period), which includes the pension, but not the bonuses earned by the end of employment. No severance pay agreements exist for the other management members. The number of shares and options held by the President and CEO as well as the holdings of other management members of the Company is shown on page 48 of this Prospectus.

Auditors' fees

Fees paid to PricewaterhouseCoopers AB for the fiscal year 2010 amounted to KSEK 1,629 for the Orexo Group (of which KSEK 1,495 was attributable to the Parent Company). Total remuneration to auditors for the fiscal year 2010 was KSEK 1,860, where the difference was attributable to audit engagements in subsidiaries.

Corporate governance

CORPORATE GOVERNANCE AT OREXO



INTRODUCTION

Corporate Governance in Orexo emanates from Swedish legislation, primarily the Swedish Companies Act (Aktiebolagslagen), its Articles of Association and NASDAQ OMX rules and regulations for issuers (the "Rules"). The Company applies the Swedish Code of Corporate Governance (the "Code").

GENERAL MEETING OF SHAREHOLDERS

Orexo's highest decision-making body is the General Meeting, at which every shareholder has the right to participate and address matters for discussion. Notification of the convening of the Annual General Meeting is issued through an advertisement being placed in Official Swedish Gazette (Swedish: Post- och Inrikes Tidningar) and on the Company's website. Confirmation that the Annual General Meeting has been convened is announced in the Svenska Dagbladet newspaper. 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 management and decisions concerning discharge from liability for Board members and the President. The Annual General Meeting also elects the Company's auditor and sets the auditor's fees. In accordance with the Articles of Association, the Annual General Meeting must be held in either Uppsala or Stockholm.

ANNUAL GENERAL MEETING 2011

The Annual General Meeting (AGM) of Orexo was held on Wednesday, April 7, 2011, in Stockholm, Sweden. At the AGM, the balance sheet and income statement for the Parent Company and the Group for the 2010 fiscal year were adopted. The AGM resolved that no dividend be paid for the 2010 fiscal year. The AGM reelected Raymond Hill, Staffan Lindstrand, Bengt Samuelsson Michael Shalmi, Kjell Strandberg and Håkan Åström as ordinary Board members. Håkan Åström was reelected as Chairman of the Board.

The AGM resolved that fees for Board members should amount to SEK 1,700,000, with SEK 500,000 paid to the Chairman of the Board, SEK 300,000 to Raymond Hill, SEK 150,000 each to other Board members and a total of SEK 300,000 distributed equally between the members of the Remuneration, Product Development and Audit Committees for their work in these bodies. Additionally, the AGM resolved to adopt a Board shareholder program 2011/2018, including the issuance of warrants and approval of the disposition of warrants within the framework of this program. For more information regarding this Board shareholder program and other incentive programs outstanding, see the section "Share capital and ownership structure".

The AGM adopted the Board's motion concerning principles and guidelines for remuneration and other terms of employment for executive management and the Nomination Committee's proposal for the appointment of the Nomination Committee for the 2012 AGM.

NOMINATION COMMITTEE

The Nomination Committee represents the Company's shareholders. It has the task of creating the best possible basis for resolutions at General Meetings and submitting proposals for resolutions regarding the appointment of the Board and auditor, and their remuneration. The 2011 AGM resolved that the Company have a Nomination Committee comprising representatives from each of the four largest shareholders in terms of votes and the Chairman of the Board. The names of the members of the Nomination Committee and the shareholders they represent must be announced no later than six months prior to the AGM and be based on shareholder data provided by Euroclear Sweden at the last banking day in August 2011.

In 2010, the Nomination Committee held two meetings and comprised Håkan Åström (Chairman of the Board), Björn Odlander (HealthCap and Chairman of the Nomination Committee), Ulrica Slåne (Third Swedish National Pension Fund) and Ulrik Spork (Novo).

BOARD OF DIRECTORS

At the 2011 AGM, the Board of Directors decided that the Board should comprise six ordinary members and no deputies. Those members elected by the AGM are stated above.

The work of the Board of Directors

Every year, the Board establishes a formal work plan in writing that sets out the Board's responsibilities and regulates the internal distribution of work between the Board and its members, the delegation of authority within the Board, the Board meeting schedule, convening notices, agendas and minutes for Board meetings and the Board's work on accounting and auditing issues.

During 2010, the Board held twelve (twelve) meetings, of which four (four) were telephone conferences or meetings by circulation. In 2010, the Board has mainly addressed and resolved on issues concerning the Company's strategic focus, the status of projects, research collaboration, licensing of projects, the follow-up of financial performance, investment matters, external reporting and budget planning and follow-up. Orexo's auditor participated at the Board meeting that approved the financial statements and presented the audit at this meeting.

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 is stated in the following table.

Orexo's Board of Directors

Name	Position	Dependent/Independent
Håkan Åström	Chairman	Independent
Raymond G. Hill	Board member	Independent
Staffan Lindstrand	Board member	Dependent (owner)
Bengt Samuelsson	Board member	Independent
Michael Shalmi	Board member	Dependent (owner)
Kjell Strandberg	Board member	Independent

Orexo's Board of Directors is deemed to have satisfied the requirements of the Code in respect of independence, since 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 Michael Shalmi and Staffan Lindstrand, 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 his/her audit, and assist in the preparation of proposals to the Annual General Meeting in respect of auditor selection.

The Audit Committee presents the final version of Orexo's interim reports 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 thereafter the Board makes resolutions on the basis of the proposals produced. Orexo's auditor attends the meetings of the Audit Committee once or twice a year. During 2010, the Audit Committee was convened on five (five) occasions. The Committee currently comprises Håkan Åström, Staffan Lindstrand and Michael Shalmi.

Product Development Committee

The Product Development Committee's task is to assist in the development of criteria for prioritization between new product ideas for Orexo's development portfolio. Matters are addressed by the Committee and the Board makes resolutions on the basis of the proposals produced by the Committee. The Committee should meet as often as required.

In 2010, the Product Development Committee was convened on two occasions. The Committee currently comprises Raymond Hill, Michael Shalmi, Bengt Samuelsson, Peter Lindborg and Kjell Strandberg.

Remuneration Committee

The Remuneration Committee meets as often as required and is tasked with addressing matters concerning salaries and other terms of employment, pension benefits and bonus systems, including any allocation of options under the terms of incentive programs for the CEO and the managers who report directly to him, as well as principles regarding remuneration issues. The aforementioned issues are addressed by the Committee and the Board makes resolutions on the basis of the proposals produced. The Committee should comprise the requisite knowledge and expertise to deal with issues related to the remuneration of management members.

In 2010, the Remuneration Committee was convened on two occasions. The Remuneration Committee currently comprises Håkan Åström, Michael Shalmi and Raymond Hill.

Evaluation of the Board's work

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

Articles of association

§ 1 Name
The company's name is Orexo AB. The company is a public company (publ).

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

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

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

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

§ 6 Financial year
The company's financial year comprises 1 January–31 December.

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

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

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

§ 9 Notice of shareholders' meeting
Notice of general meeting shall be announced in the Swedish Official Gazette (Sw. Post- och Inrikes Tidningar) and on the company's website. It shall be announced in Svenska Dagbladet that a notice to a general meeting has been made.

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

A shareholder may have one or two counsels at the general meeting provided that the shareholder have notified about this in accordance with previous section.

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

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

§ 13 The shareholders' meeting
Shareholders' meetings shall be held in Uppsala or Stockholm.The following matters shall be addressed at the shareholders' meeting:

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

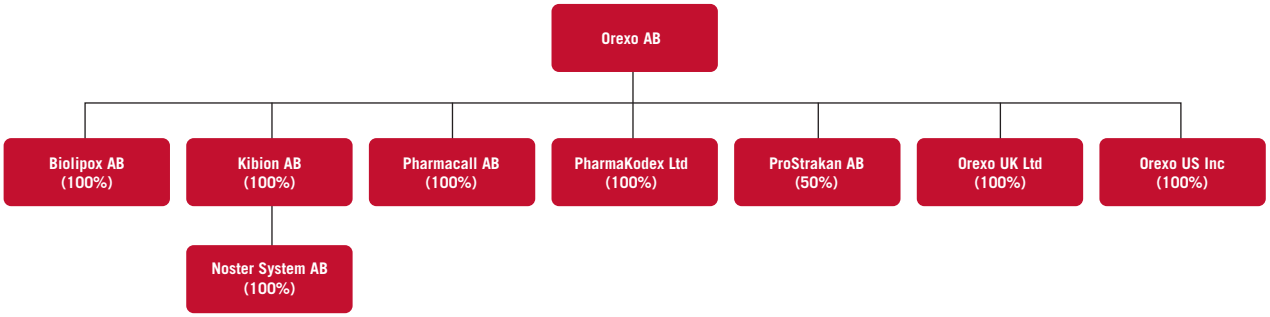
Legal matters and supplementary disclosures

LEGAL STRUCTURE AND ORGANIZATION

Orexo is a public limited company, with the company name of Orexo AB (publ), incorporated and registered in Sweden according to Swedish law with its registered office in Uppsala. The Company was incorporated on November 18, 1994 and registered with the Swedish Companies Registration Office on November 25, 1994. Orexo's corporate registration number is 556500-0600. The object of Orexo's business is set forth in Article § 3 of the Articles of Association.

The following table illustrates Orexo's shareholding in subsidiaries and joint ventures at the date of this Prospectus.

Legal structure



Pharmacall AB was founded in 1999 and is currently used solely as a vehicle to hold the warrants issued in connection with Orexo's share-based incentive program.

Kibion was founded in 2001 and acquired by Orexo in 2003. Kibion's previous operations were based on the cell-penetrating technology sold in 2005. Currently, all operations are in connection with Diabact® UBT in Kibion.

In 2006, Noster System AB was acquired by Kibion. Noster System pursues operations pertaining to HeliProbe® System.

ProStrakan AB was founded on April 14, 2004 as a sales company for ProStrakan AB's products in the Nordic market. The company is owned 50 % by Orexo and 50 % by ProStrakan Group.

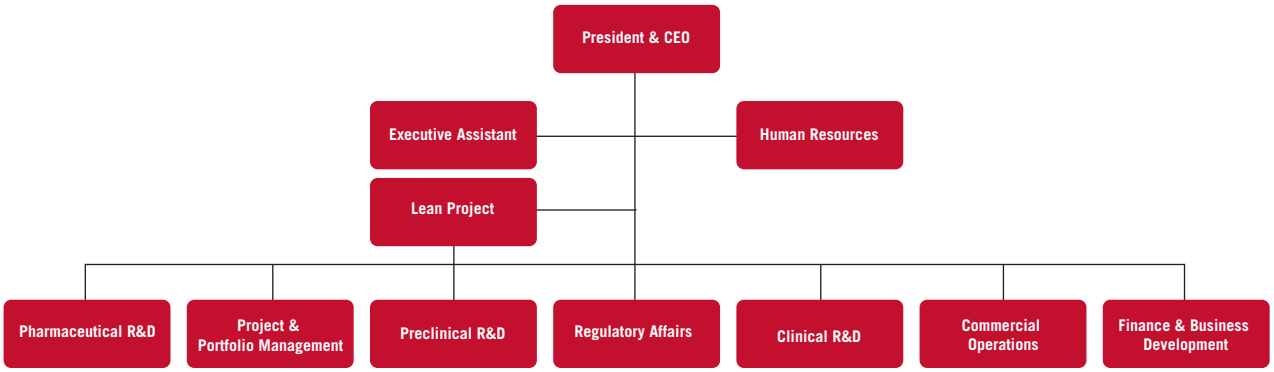
Biolipox AB was acquired by Orexo in 2007. Biolipox pursues operations related to areas including the development of new drugs for inflammatory diseases, such as asthma and COPD.

PharmaKodex Ltd was acquired by Orexo in 2009 thus adding additional competence in drug delivery to the Company.

Orexo UK Ltd. (based in the UK) and Orexo U.S. Inc (based in the U.S.) was founded in 2008 and 2010 respectively. Both companies are currently dormant and not engaged in any operations.

Orexo's current operational structure is shown below.

Organizational structure



SIGNIFICANT AGREEMENTS

Partners, licensing agreements and acquisitions

ProStrakan Group

Orexo has several collaboration agreements with ProStrakan Group, one of Europe's fastest growing specialty pharmaceutical companies. ProStrakan Group operates research, development and sales of prescription drugs including drugs for cancer-related care and other diseases. Orexo's partner for Abstral® in Japan, Kyowa Hakko Kirin placed a bid for ProStrakan Group in February 2011. The deal was approved on April 21, 2011.

ProStrakan Group has acquired the licensing rights for Abstral® for the EU, Iceland, Norway, Switzerland, Turkey and North America including Mexico. ProStrakan AB, owned by Orexo in partnership with ProStrakan Group, launched Abstral® in Sweden in the third quarter of 2008. Thereafter, Abstral® has been launched in the five most substantial markets in the EU and a total of 19 European countries. In April 2011, Abstral® was also launched in the US.

The European agreement provides Orexo with a double-digit royalty on ProStrakan Group's sales of Abstral® and Orexo can even receive up to MEUR 19.9 when specified sales targets are met. According to the agreement, Orexo has also received MEUR 3.25 when Abstral® received approval for the main markets in Europe (EU5).

The agreement covering North America provides Orexo with double-digit royalty on ProStrakan Group's sales of Abstral®. When the agreement was signed in July 2008, Orexo received MUSD 2 from ProStrakan Group. In addition, Orexo can receive a total of MUSD 27 (of which MUSD 2 was paid in 2009) on the achievement of milestones related to the application for registration, registration and sales levels.

The jointly owned company, ProStrakan AB, owns the sales rights for the Nordic region for certain of both companies' drugs. The portfolio comprises Abstral®, Tostrex®, Rectogesic® and Dridol®, which are all specialist products.

Kyowa Hakko Kirin

The Japanese pharmaceutical company, Kyowa Hakko Kirin, has acquired licenses for the rights for Abstral® and Diabact® UBT in Japan. Kyowa Hakko Kirin is responsible for the approval process for the products in Japan. In 2010, Kyowa Hakko Kirin announced a collaboration agreement with Hisamitsu Pharmaceuticals Co. Ltd. in respect of the marketing of Abstral® in Japan. In February, Kyowa Hakko Kirin, submitted a registration application for Abstral® in Japan. After consultation with the Japanese Pharmaceuticals and Medical Devices Agency (PMDA), it was determined that the application needed to be supplemented with additional data. Since the performance of further clinical trials is time consuming, Kyowa Hakko Kirin recalled the application for approval.

Regarding Abstral®, Orexo is entitled to non-recurring remuneration on product approval in Japan and single digit royalty on Kyowa's sales of Abstral®.

In addition to the above agreements with ProStrakan Group and Kyowa Hakko Kirin for Abstral®, Orexo has entered into distribution agreements regarding Abstral® as follows:

- Gedeon Richter (Russia, CIS, Bulgaria and Romania),
- NovaMed (China),
- Neopharm (Israel), and
- NewBridge (the Middle East and Africa), and
- Invida (South-East Asia including Australia, New Zealand and India).

In all of these agreements, the distributors undertake to manage the approval process, distribution and marketing/sales in the relevant area. According to the agreements, Orexo is entitled to certain milestone payments on the achievement of regulatory milestones and sales levels as well as a share of profits from net sales.

Boehringer Ingelheim

Orexo and Boehringer Ingelheim have collaborated since 2005 in the OX-MPI project aimed at developing new drugs to treat inflammatory pain. The partnership was extended in 2008. The partnership is partly a research partnership and partly a licensing agreement that provides the German company with the exclusive right to register, market and sell the products produced within the framework of the project over the entire world, with the exception of the Nordic region and the Baltic States where both companies will jointly market the products.

In conjunction with signing the original collaboration and licensing agreement, Orexo received a non-recurring payment and Orexo is also entitled to remuneration for development work performed and further milestone payments when specified goals have been achieved. In 2010, one drug candidate was selected for further clinical development, at which point Orexo became entitled to a milestone payment of MSEK 57.6. The milestone payment was paid in January 2011. Remuneration to Orexo can total approximately MEUR 250, excluding royalty payments, if all milestones are achieved. The agreement provides Boehringer Ingelheim with rights, on certain changes in ownership of Orexo, including the right to terminate Orexo's right to jointly market the products in the Nordic region and the Baltic States.

OMJ

In 2010, Orexo entered into a global collaboration and licensing agreement with OMJ (Ortho-McNeil-Janssen Pharmaceuticals, Inc and Janssen Pharmaceutica NV), which are both part of the Johnson & Johnson Group. The agreement provides OMJ with global licenses for Orexo's ongoing OX-CLI and OX-ESI projects aimed at identifying and developing small molecules for new and improved treatment of asthma, COPD and other inflammatory diseases. In addition, OMJ contributes to a third development program in the same field aimed at identifying and developing innovative small molecules.

Initially, the agreement runs for a period of three years and provides OMJ with the option of extending the collaboration and research financing. The collaboration provides Orexo with research financing of up to MUSD 21.5 during the first three years, including an initial payment of MUSD 10.

Successful development and commercialization of all three collaboration programs, will provide Orexo with the right to development payments of up to a total of MUSD 564 and the opportunity to further compensation from sales level remunerations. Commercialized products will also be able to generate royalty payments for Orexo. Furthermore, the agreement provides Orexo with the opportunity to market the products in the Nordic region and the Baltic States together with OMJ. According to the agreement, OMJ bears full responsibility for the development after selection of drug candidates and the commercialization of actual products.

Meda

The international specialty pharmaceutical company Meda has acquired the global rights for both Edluar™ and OX-NLA, and combination products based on OX-NLA. Meda took over the development of OX-NLA when the license agreement was signed in 2008. Orexo received MUSD 20 on signing the agreement in the form of a non-recurring payment from Meda.

Edluar™ was approved for the treatment of temporary insomnia by the FDA in March 2009, at which point, Orexo received a one-off payment of MUSD 5 from Meda. In addition, Orexo is entitled to a payment of MUSD 15 if OX-NLA is approved in the US. Orexo also receives double-digit royalty on Meda's sales of Edluar™ and OX-NLA and will receive further milestone payments when specified sales goals are met. Royalty revenues from Meda's sales of Edluar™ totaled MSEK 1.3 in 2010.

Novartis

I August 2009, Orexo signed a licensing agreement with Novartis for OX17. Novartis is responsible for all future development costs.

Acquisition of Biolipox

In October 2007, Orexo acquired Biolipox, an innovative Swedish research-based pharmaceutical company that developed new treatments for inflammatory diseases including pain and respiratory diseases such as asthma and COPD.

The terms of the transaction resulted in Orexo's acquisition of all shares and warrants outstanding in Biolipox through a non-cash issue comprising 7,630,895 shares in Orexo and 926,000 warrants entitling to the subscription of an equal number of shares in Orexo at the end of 2009.

Acquisition of PharmaKodex

In February 2009, Orexo acquired the UK pharmaceutical company PharmaKodex for a consideration paid in two parts. The first payment was made with a new issue of shares (843,992 shares) in Orexo in February 2009 and the second payment was made with a new issue of shares (933,781 shares) in Orexo in August 2009. The transaction comprises additional contingent payments based on revenues from licenses for PharmaKodex programs and technologies, and, in addition, payments for certain milestones that are, however, no longer deemed probable.

For more information concerning partners and licensing agreements, see pages 13–15 in Orexo's 2010 Annual Report.

Rental agreement

Orexo's head office is located in Uppsala, Sweden and the Company has laboratories in Bath, in the UK. At the date of this Prospectus, rented floor space totaled 8,300 square meters. The rental contract in Uppsala extends to December 31, 2014 and automatically extends for a three-year period unless notice is given twelve months in advance of the end of the contract period.

Intellectual property rights

For a description of the Company's intellectual property rights, see the section "Description of operations – Patent strategy".

INSURANCE

With consideration taken to the type and scope of the Company's operations, it is Orexo's assessment that the Company holds adequate insurance coverage. Orexo has property and business interruption insurance providing full value compensation for equipment and other property owned by the Orexo Group. Orexo also holds general liability insurance and legal expenses insurance. Furthermore, Orexo holds general liability insurance for the CEO and Board and insurance cover for business travel and transportation. Orexo is a member of the Läkemedelsförsäkringsföreningen (LFF) and is covered by LFF's product liability insurance for drug-related illnesses or injuries. The terms and conditions of the above insurances are assessed as being of usual commercial standard.

SUBSCRIPTION UNDERTAKINGS AND UNDERWRITING AGREEMENTS[1]

Novo A/S ("Novo") has undertaken to subscribe for its preference rights share in the New Share Issue (based in part on its actual shareholding in the Company and in part on its 2010/2015 bond holding in the Company) in an amount corresponding to MSEK 59.2. In addition, Novo has undertaken to subscribe for additional shares in the New Share Issue in a maximum amount of MSEK 65.8. Accordingly, Novo has in total undertaken to subscribe for shares in a maximum amount of MSEK 125 in the New Share Issue.

Abingworth Bioventures V LP and Abingworth Bioequities Master Fund Limited have undertaken to acquire subscription rights for subscription of shares in the New Share Issue and provided an undertaking to Orexo to exercise these subscription rights to subscribe for such shares in an amount of approximately MSEK 30.

The Fourth Swedish National Pension Fund has given its undertaking to Orexo to subscribe for a portion of its subscription rights in the New Share Issue in an amount corresponding to MSEK 4.8. In addition, ABG Sundal Collier Norge ASA has agreed to acquire subscription rights in the New Share Issue and given its undertaking to Orexo to exercise these subscription rights for subscription of shares in the New Share Issue in an amount corresponding to approximately MSEK 33.6. Furthermore, ABG Sundal Collier Norge ASA has given its undertaking to Orexo to subscribe for additional shares in the New Share Issue in an amount corresponding to approximately MSEK 26.4. ABG Sundal Collier Norge ASA's commitments to Orexo are matched by corresponding commitments that ABG Sundal Collier Norge ASA has in turn organized with investors.

Finally, Sandron Holding Ltd has given its undertaking to Orexo to subscribe for shares in the New Share Issue in an amount corresponding to approximately MSEK 24.9.

Thus, there are subscription undertakings and underwriting agreements corresponding to the entire share issue amount in the New Share Issue. All the above agreements were made on the day of the Board's decision in favor of the New Share Issue on May 3, 2011.

It is the opinion of the Board of Directors that the above parties are creditworthy and will thus be able to honor their respective

[1] Adresses of concerned parties:
Novo A/S: Tuborg Havnevej 19, DK-2900 Hellerup, Denmark
Abingworth Bioventures V LP and Abingworth Bioequities Master Fund Limited: 38 Jermyn Street, London SW1Y 6DN, UK
Fjärde AP-fonden: Regeringsgatan 30–32, SE-103 61 Stockholm, Sweden
ABG Sundal Collier Norge ASA: Munkedamsveien 45, NO-0250 Oslo, Norway
Sandron Holding Ltd: 22 Strassikratou Street, Office 104, Nicosia, Cypress.

undertakings. However, these undertakings and guarantees have not been secured through any pledge of collateral, blocked funds or similar arrangement. For more information, see the section, "Risk factors – Risks associated with the New Share Issue – Subscription undertakings and underwriting agreements".

RELATED-PARTY TRANSACTIONS

Orexo's transactions with related parties consist of purchases from and sales to group companies and the interest payments in respect of the convertible bonds 2010/2015.

The following table illustrates purchases and sales between group companies during the years 2010, 2009, and 2008.

KSEK	2010	2009	2008
Reinvoices of costs which are declared as net income in the parent company			
Biolipox AB	35,581	34,192	38,423
ProStrakan AB	270	0	0
PharmaKodex	85	350	0
Kibion AB	3,622	1,424	3,200
Sales of services			
Orexo UK Ltd	3,716	2,964	1,551
Kibion AB	597	359	0
Sum	**43,871**	**39,289**	**43,174**

The Group also receives indirect revenues through the joint venture, as a result of royalties received on products that ProStrakan Ltd. sells to the joint venture.

The table below illustrates the transactions that have taken place between Orexo and Novo in respect of the convertible bonds 2010/2015.

KSEK	2010
At the beginning of the year	0
Loan repayment during the year	111,150
Interest costs	6,529
At year end	**117,679**

Benefits and obligations for pensions and similar benefits to the Board of Directors and the management are outlined in the section "Board of Directors, management and auditor - Remuneration of the Board of Directors, management and auditor".

LEGAL DISPUTES

Orexo and Doxa have asserted conflicting perceptions in respect of the agreed technological scope of the project covered by Orexo's and Doxa's collaboration as well as the scope of the license rights granted to Orexo by Doxa. Orexo maintains that the project and license rights held by Orexo include ceramics based on Doxa's current platform technology regarding calcium aluminate and not just sintered ceramics. Doxa maintains that the project and licensing rights are limited to sintered ceramics. Orexo's management deems the Company well-positioned to achieve a satisfactory resolution to these issues, either through settlement with Doxa or, in the last resort, through arbitration.

Except as described above, Orexo is not and has in the past twelve months not been, party to any legal or arbitration proceedings which have had or could have significant effects on Orexo's financial position or profitability. The Company is not aware of any such potential conflict or disputes either.

Regarding Orexo's Edluar™ patent in the US, so called Paragraph IV certifications have been submitted to the FDA by two parties who question the validity of the patent. These measures could potentially also affect the sublingual platform. Orexo, on the other hand, argues patent infringement, challenges the claim regarding the validity of the patent and intends to defend its patent protection. This does not, however, change what is stated in the second paragraph above.

REGULATORY ISSUES

Overview

Orexo's business activities are the subject of stringent public control. Regulatory bodies worldwide enforce compliance with a number of laws and regulations regarding the development, production and sale of drugs and scrutinize the quality, safety and efficacy of drugs. Extensive controls exist for clinical and non-clinical drug development. These requirements are important in regard of determining whether a substance can be developed into a saleable product and the time and cost associated with development, product legislation and other regulations.

Product legislation and other regulations

USA

In the US, pharmaceutical products are the subject of stringent FDA controls, including, regulations that control product quality, safety, efficacy, labeling, storage, advertising, marketing and archiving of product-related documentation. The steps required prior to the marketing or commercial delivery of a new drug for use on people in the US include the performance of preclinical laboratory and animal testing, the submission of an "Investigational New Drug (IND) application" prior to commencing clinical trials, the performance of suitable controlled clinical trials on humans to establish the drug's safety and efficacy in its intended application, the validation of the manufacturing process and obtaining the approval of the FDA for new drugs.

Meeting the FDA's requirements applicable to the marketing of new drugs generally takes several years and the length of time the FDA requires to handle an application can vary considerably due to various factors, including the properties of the drug, whether the FDA requires additional information to that provided in the original application and whether the FDA is satisfied with the documentation provided. If the FDA has previously approved drugs containing the same active substance as that contained in Orexo's new dosage forms, the approval process can be shorter.

EU

In the EU, two main procedures exist for achieving marketing approval of a new drug: a centralized procedure and a decentralized reciprocal procedure for obtaining approval.

The centralized procedure entails submitting an application to the EMEA to obtain an approval that applies in all of the EU member states as well as Iceland, Liechtenstein and Norway. The centralized procedure is currently mandatory for medical products that are produced via a biotechnical process, orphan medical products and new active substances with the therapeutic indication of treating AIDS, cancer, neurodegenerative diseases or diabetes and optional for other innovative pharmaceutical products.

Procedures for decentralized reciprocal approval are based on approval being granted after evaluation by one member state, which is then accepted by the national regulatory bodies of other member states.

Tax considerations in Sweden

The following is a summary of the tax issues arising from the New Share Issue for individuals and legal entities subject to unrestricted taxation in Sweden (unless specified otherwise) and who hold shares or subscription rights in Orexo. The summary is based on currently applicable tax legislation and is only intended as general information in regard to the shares and subscription rights, respectively, for the period in which the shares and subscription rights are traded on the NASDAQ OMX. The summary does not deal with:

- tax issues arising from holdings of Orexo's convertible bond 2010/2015,
- situations where securities are held as an inventory item in a business,
- situations where securities are held by a limited partnership or partnership,
- the particular regulations governing tax-exempt capital gains (including non-deductible capital losses) and dividends to the corporate sector that may be applicable for investors holding shares or subscription rights in Orexo that could be considered, from a fiscal point of view, as held for business purposes, (tax wise)
- foreign companies registered and operating from a fixed abode in Sweden, or
- foreign companies that were once Swedish companies.

Particular tax regulations apply to certain corporate categories. The fiscal treatment of each individual holder of securities depends partly on the individual's particular circumstances. Each shareholder and holder of subscription rights should seek advice from an independent tax consultant with regard to the personally applicable tax consequences arising from the New Share Issue, including the applicability and impact of foreign tax regulations as well as double taxation agreements.

GENERAL

Individuals

Individuals subject to unrestricted taxation in Sweden are subject to tax on income from capital such as interest, dividends and capital gains including in the capital income category. The tax rate for income from capital is 30 %.

Capital gains and capital losses, respectively, are calculated as the difference between the sales proceeds, less the sales costs and the acquisition cost. The acquisition cost for all shares of the same series and type is calculated as the average acquisition cost for all shares through application of the average cost method. Therefore, BTAs are not deemed of the same series and type as the existing shares in Orexo until the resolution of the New Share Issue has been registered with Swedish Companies Registration Office. Upon the sale of listed shares, the alternative standard method can be applied. This method entails setting the acquisition cost at 20 % of the sales proceeds after deducting sales costs.

Capital losses on listed shares and other listed securities taxed as shares (such as subscription rights and BTAs) are fully deductible against taxable capital gains on shares and other listed equity-related securities taxed as shares, with the exception of shares in investment funds, so-called interest funds, which consist solely of Swedish receivables. Up to 70 % of capital losses on shares that cannot be offset in this way are deductible against other income in the capital income category.

If a net loss arises in the capital income category, a tax reduction is granted against municipal and national income tax, as well as against real estate tax and municipal real estate charges. A tax reduction of 30 % is granted on the portion of such net loss that does not exceed SEK 100,000 and 21 % on the remaining portion. Such net loss cannot be carried forward to future fiscal years.

For individuals subject to unrestricted taxation in Sweden, dividends are taxed at the preliminary tax rate of 30 %. The preliminary tax is withheld by Euroclear Sweden or, regarding nominee-registered shares, by the Swedish nominee.

Limited liability companies

For a limited liability company, all income, including taxable capital gains and dividends, is taxed in the business income category at a rate of 26.3 %. Capital gains and capital losses are calculated in the same manner as set forth above with respect to individuals.

Deductible capital losses on shares and other listed securities taxed as shares may only be deducted against taxable capital gains on shares and other listed securities taxed as shares. If such capital losses cannot be offset in the loss-making company, they may also be offset, in the same year, against taxable capital gains on shares and other listed securities taxed as shares in a company within the same group, provided that group contributions are permitted between the companies and that both companies request this for the same fiscal year. A capital loss on shares and other listed securities taxed as shares that could not be utilized during a given year may be carried forward (by the loss-making company) and be offset against taxable capital gains on shares and other listed securities taxed as shares during later fiscal years without any limitations in time. Special rules may apply for particular categories of corporate shareholders or legal entities, for example investment funds and investment companies.

Exercise of subscription rights

The exercise, by shareholders in Orexo, of subscription rights does not give rise to any taxation.

Disposal of subscription rights

Shareholders that do not wish to exercise their preferential right to participate in the New Share Issue may dispose of their subscription rights. The taxable capital gain is to be calculated on disposal of the subscription rights. Subscription rights based on a shareholding of existing shares in Orexo are considered to have been acquired at SEK 0. The standard method is not applicable in this case. Consequently, the total sales proceeds, after deducting sales costs, are taxable. The tax basis for the original shares is not affected by the above. A subscription right that is not exercised or sold, and thus expires, is deemed disposed of at SEK 0. Since subscription rights acquired in the above manner are considered to have been acquired for SEK 0, no capital gain or loss arises.

Subscription rights acquired

For subscription rights in Orexo purchased or otherwise acquired, the consideration paid constitutes the acquisition cost of these rights. Exercise of the subscription rights to subscribe for shares does not trigger any tax charge. The acquisition cost of the subscription rights should be added when calculating the acquisition cost of the shares. If the subscription rights are sold, capital gains tax may arise from the sale. The acquisition cost is calculated according to the average cost method. The standard method may be utilized for listed subscription rights acquired in the specified manner. A subscription right that is neither exercised nor sold and therefore expires is deemed to be divested for SEK 0.

Certain tax issues for shareholders and holders of subscription rights that are subject to restricted taxation i Sweden

For shareholders with limited tax liability in Sweden that receive dividends on shares held in a Swedish limited liability company, Swedish withholding tax is generally payable. The same applies to payments made by a Swedish limited liability company in conjunction with the redemption of shares or buyback of treasury shares through an offer to purchase directed to all shareholders of a specific series of shares. The tax rate is 30 %. The tax rate, however, is generally reduced by tax treaties for the avoidance of double taxation. In Sweden, the deduction of withholding tax is normally carried out by Euroclear Sweden, or in the case of nominee-registered shares, the nominee.

The holders of shares and subscription rights with limited tax liability in Sweden, and that do not operate a business from a permanent establishment in Sweden, are normally not subject to tax in Sweden for capital gains realized upon the disposal of such securities. Shareholders and holders of subscription rights may, however, be subject to taxation in their country of domicile. According to a special tax rule, individuals with limited tax liability in Sweden may, however, be subject to tax in Sweden on the sale of shares and subscription rights in Orexo, if they have been resident or lived permanently in Sweden at any time during the calendar year of such disposal or during the previous ten calendar years. The applicability of this rule is however limited in a number of cases by tax treaties between Sweden and other countries for the avoidance of double taxation.

Historical financial statements

INCORPORATED THROUGH REFERENCE

The Company's audited consolidated financial statements for fiscal years 2010, 2009 and 2008 as well as the unaudited interim reports for the first quarters of 2011 and 2010 are incorporated in this Prospectus and should be read as part of the Prospectus. The above financial reports are presented in Orexo's 2010 Annual Report (pages 28–65), 2009 Annual Report (pages 24–57), 2008 Annual Report (pages 24–55) and in the interim report for the first quarter 2011 (pages 12–17). The auditor's reports regarding the consolidated financial statements for fiscal years 2010, 2009 and 2008 are enclosed with the respective annual reports. Those parts of the annual reports not made reference to contain information that can be found in other sections of this Prospectus.

The accounts for the fiscal years ending December 31, 2010, 2009 and 2008 that are incorporated through reference above in this Prospectus, were audited by PricewaterhouseCoopers AB. The interim report for the first quarter 2011 was reviewed by Pricewaterhouse-Coopers AB.

DOCUMENTS AVAILABLE FOR REVIEW

Orexo's Articles of Association, consolidated financial statements and audit reports for 2010, 2009 and 2008, interim reports for the first quarter 2011 and other publicized information referred to in this Prospectus are available in electronic form at the Company's website www.orexo.com. Documents will also be provided on request from the Company's office at Virdings Allé 32 A, SE-751 05 Uppsala, Sweden. Financial information covering Orexo's subsidiaries can be ordered from the Company.

Glossary

Anal fissures
Cracks in the rectal opening.

Anesthesia
Narcosis.

Arachidonic acid
A substance, which, through transformation to prostaglandins, leukotrienes and eoxins, regulates a number of inflammatory processes in the body.

Breakthrough pain
A short, intensive period of pain that occurs in addition to an otherwise well-controlled, long-term pain treated by opioids.

Buprenorphine
A strong, pain-relieving substance.

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

COPD
Chronic Obstructive Pulmonary Disease, also known as "smoker's disease".

Cyclooxygenase
Enzyme that catalyzes the first stage of prostaglandin formation from arachidonic acid.

Drug delivery
The process through which a pharmaceutical receives the composition and form that enables the active compound to function optimally.

Eoxins
A new family of inflammatory mediators that are formed from arachidonic acid.

Fentanyl
An opioid with similar effects on living organisms as morphine. Used mainly within anesthesia and analgesia.

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

GMP
Good Manufacturing Practice.

Helicobacter pylori
A bacterium that infects the mucous membrane of the stomach.

Joint Venture
A partnership where companies team up to form a new company to work on the development of a project.

Leukotrienes
Inflammatory mediators formed from arachidonic acid.

LTC4
LTC4 synthase – the enzyme that catalyzes the second stage in the formation of leukotrienes and eoxins from arachidonic acid.

mPGES
Membrane-associated PGE synthase, an enzyme that catalyzes the second stage in the formation of PGE2 from arachidonic acid.

Mucoadhesive
Something tending to adhere to the mucosa.

Naloxone
Antidote to opioids and opiates.

NSAID
Non-Steroidal Anti-Inflammatory Drug.

Opioid analgesic
Pain relieving opioid.

PGE
Prostaglandins PGE2 – biologically active mediators formed from arachidonic acid.

Pharmacokinetics
The process 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 or in various cell systems.

Rhinitis
Hay fever.

Sublingual
Beneath the tongue.

Transmucosal
Administration of a drug through the mucosa.

Urea
A water-soluble compound that is the major nitrogenous end product of protein metabolism and is the chief nitrogenous component of urine in mammals and other organisms. Urea is also referred to as carbamide.

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

Addresses

Headquarters in Sweden

Orexo AB
Virdings allé 32A
SE-751 05 Uppsala, Sweden
Telephone: +46 18-780 88 00
Fax: +46 18-780 88 88
www.orexo.com

Financial advisor

ABG Sundal Collier AB
Regeringsgatan 65
SE-113 36 Stockholm, Sweden
Telephone: +46 8-566 28 600
Fax: +46 8-566 28 603
www.abgsc.com

Legal advisor

Advokatfirman Vinge KB
Smålandsgatan 20
SE-111 87 Stockholm, Sweden
Telephone: +46 8-614 30 00
Fax: +46 8-614 31 90
www.vinge.se

Auditor

PricewaterhouseCoopers AB
Klostergatan 9
P.O. Box 179
SE-751 04 Uppsala, Sweden
Telephone: +46 18-481 86 00
www.pwc.com/se

orexo

Orexo AB
Virdings allé 32A
SE-751 05 Uppsala, Sweden
Telephone: +46 18-780 88 00
Fax: +46 18-780 88 88
www.orexo.com