Orexo AB (publ)
– Interim Report, January–March 2006

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This text is an unofficial translation of the Interim Report prepared in Swedish. In the event of any discrepancy between the English translation and the official Swedish version, the Swedish version shall prevail.

Uppsala, May 12, 2006

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- Net sales amounted to MSEK 50.3 (1.2)
- Profit after tax was MSEK 15.3 (loss: 18.8)
- Earnings per share amounted to SEK 1.15 (loss: 2.04)

Key events during the first quarter of 2006

- Orexo received its first payment of MSEK 46.6, in January 2006, for the licensing agreement with ProStrakan Group plc relating to Rapinyl™ for the European market.

Key events after the close of the period

- The subsidiary Kibion AB acquired Noster System AB, with net sales of MSEK 11.4 in 2005.
- Increased investment in Sublinox™ (OX 22) for treating sleep disturbances.
- On April 27, Orexo held its Annual General Meeting – the Board of Directors was re-elected.

Condensed income statement[1]

MSEK	3 months 2006 Jan–Mar	3 months 2005 Jan–Mar	12 months 2005 Jan–Dec
Net sales	**50,3**	**1.2**	**62.4**
Profit/loss after tax	**15.3**	**(18.8)**	**(43.2)**
Earnings per share, before dilution, SEK	**1.15**	**(2.04)**	**(4.33)**
Earnings per share, after dilution, SEK	**1.07**	**(2.04)**	**(4.33)**

1) Refers to the Group unless stated otherwise in this interim report. Figures in parentheses are for the corresponding period of the preceding year.

Orexo´s positive development continues

Orexo's ongoing favorable development results in an operational and financial security, enabling the company to increase its investments within its current product portfolio. Currently, Phase III studies for Rapinyl™ are ongoing. Phase III studies for Sublinox™ (OX 22) will start during the second quarter of 2006 to strengthen the documentation of the unique characteristics of the product prior to registration. The studies are expected to be completed during the first half of 2007. Phase III studies for OX 17 will start during the second half of 2006.

Key events during the first quarter of 2006

In December 2005, Orexo signed a licensing agreement with ProStrakan Group plc. Effective January 2, 2006, the agreement gives ProStrakan the exclusive rights to register, sell and market Rapinyl™ – Orexo's patented product for treating breakthrough pain in cancer – in the European market.

In conjunction with the transfer of the rights to ProStrakan in January 2006, Orexo received an initial payment of MEUR 5, corresponding to MSEK 46.6. In addition to this, licensing and milestones fees will be paid when the product is registered and when certain sales levels are reached. This revenue could reach an additional MEUR 17, or about MSEK 160, distributed as MEUR 2 upon official approval to file a registration application, a total of MEUR 5 (MEUR 1 per defined European country) upon official approval to launch the product, and total nonrecurring payments of MEUR 10 upon the achievement of specific sales targets. When ProStrakan starts selling Rapinyl™ on the European market, Orexo will receive double-digit royalties. In addition, the agreement gives Orexo an option to market Rapinyl™, in parallel with ProStrakan, in the Nordic market.

Key events after the close of the period

Orexo carried out acquisition and strengthened its position in stomach-ulcer diagnosis
Orexo AB's fully owned subsidiary Kibion AB signed an agreement with the principal owners of Noster System AB to acquire a majority of the shares in Noster System. Kibion AB also bid on the remaining shares in Noster System. The acquisition is conditional upon Kibion's obtaining more than 90 percent of the shares in the company.

Noster System's product "Heliprobe™ System" is a breath test to diagnose the presence of *Helicobacter pylori* stomach ulcer bacterium. This acquisition will result in a three-fold increase in Kibion's sales. In 2005, Noster System AB´s net sales increased with 35 percent to MSEK 11.4.The acquisition is expected to have a favorable impact on earnings that will become apparent as early as in the current fiscal year. The purchase price of the acquisition of all the shares in Noster System amounts to MSEK 10.5. An additional purchase price of not more than MSEK 7.2 could be required, provided that the growth of Heliprobe™ System reaches defined sales targets in the next few years.

Annual General Meeting on April 27
Orexo's Annual General Meeting on April 27 decided to adopt a new employee stock option program involving the issuance of warrants and the approval to allot the warrants within the framework of the employee stock option program. The employee stock option program includes 200,000 employee options. Each employee option may be exercised to acquire one share in Orexo in exchange for payment of an exercise price established as the market value of Orexo shares at the time of allotment. Full utilization of the employee options will lead to a dilution of approximately 0.9 percent of the share capital and the voting rights in the company.

Moreover, the Annual General Meeting decided to authorize the Board to issue not more than 1,300,000 new shares in exchange for capital contributed in kind.

The Annual General Meeting decided to re-elect Monica Caneman, Johan Christenson, Hans-Peter Hasler, Zsolt Lavotha, Staffan Lindstrand, Johan Sjögren and Kjell Strandberg as members of the Board and to re-elect Håkan Åström as Chairman of the Board for the period ending with the close of the next Annual General Meeting.

Operations

Orexo in brief

Orexo is a pharmaceutical company that focuses on developing new pharmaceutical drugs within areas currently subject to considerable clinical needs. Orexo's products are based on existing pharmaceuticals and the company's patented drug-delivery technologies. Orexo applies its broad expertise in medicine and pharmacy to the further development of existing pharmaceutical substances. By combining well-documented compounds with its own patented drug delivery methods and its unique expertise in "dry formulations" (for example, tablets), Orexo is able to develop new patented pharmaceuticals.

Orexo's drug development activities are commercially driven at all levels, and to date the company has elected to focus on tablet-based, fast-dissolving formulations – designed for example to be absorbed via the mucous membrane in the mouth – a patented method that enables an extremely rapid and effective uptake of pharmaceutical substances. This approach enables effective new pharmaceutical drugs to be developed in therapy areas such as acute pain and sleep disorders.

Orexo was founded in Uppsala in 1995, and has grown into an organization with 45 full-time employees, most of whom are active in research and development, clinical development and pharmaceutical registration. At present, the company has one product on the market, three under clinical development, one of which has been out-licensed in the US, Europe and Japan, two projects in the pharmaceutical formulation phase, and one project in an early development stage. Orexo has adopted an active intellectual property rights strategy and has, since its inception, built up an extensive patent portfolio to protect its products and technologies.

Market for drug delivery

The science of drug delivery can be summarized as the process of ensuring that the active substance in a pharmaceutical product it optimally delivered to the site of action. The demand for drug-delivery products is increasing rapidly due to the fact that these new pharmaceuticals can for example offer shorter time to onset of effect or improved safety profiles.

Many pharmaceutical products on the market today have shortcomings – for example, they are slow-acting, have side effects, must be administered frequently or perhaps can only be injected. This is why demand for technologies that can make already existing products more efficient is increasing rapidly. In 2004, industry sources estimated that sales of pharmaceutical products that utilize drug-delivery methods exceeded USD 79 billion, a figure that is expected to grow to USD 117 billion by 2009.

Orexo's product portfolio

Orexo's portfolio of approved pharmaceuticals, clinical development phase product candidates and projects in formulation development stages includes:

PRODUCT PORTFOLIO

PRODUCT/ PRODUCT CANDIDATES	INDICATION OR POTENTIAL AREA OF USE	FORMULATION DEVELOPMENT OR RESEARCH PHASE	CLINICAL PHASE	REGISTRATION PHASE	COMMERCIALIZED
Diabact® UBT	Diagnosis of *Helicobacter pylori* infection				■
Rapinyl™	Acute pain			■	
Sublinox™ (OX 22)	Insomnia			■	
OX 17	Gastroesophageal reflux disease (GERD)		■		
OX 19	Urinary incontinence		■		
OX 40	Migraine		■		

Diabact® UBT – Orexo's first productand the product around which the company was founded – is a pharmaceutical used for diagnosis of *Helicobacter pylori*, the stomach ulcer bacteria. The product is based on Orexo's patented technology for fast-dissolving tablets designed to be quickly dissolved in the gastrointestinal tract. Diabact® UBT was launched in 2000 and is currently marketed in Finland, the UK, Germany, Ireland and Sweden. In Japan, the technology has been licensed to Kyowa Hakko Kogyo Co Ltd.

Rapinyl™ – for the treatment of acute pain. Rapinyl™ was developed for the treatment of cancer-related breakthrough pain as its primary indication. Orexo's principal technology - the sublingual dosage method whereby a fast-dissolving tablet is placed under the tongue - combines the properties of fast dissolution, quicker onset of action and predictable effect – on demand properties. Licensing agreements for Rapinyl™ have been signed with Endo Pharmaceuticals for the North American market, ProStrakan Group plc for the European market and with Kyowa Hakko for the Japanese market.

In December 2005, Endo Pharmaceuticals launched Phase III studies on Rapinyl™. Endo Pharmaceuticals informed the stock market that it expect to file NDA in the second half of 2007. In addition, ProStrakan announced its intention to file a European registration application in the second half of 2006.

Orexo´s ambition is to sign a licensing agreement for the rest of the world, where a licensing agreement has not been signed, during the second half of 2006.

Sublinox™ (OX 22) – for the treatment of sleeping disturbances. Sublinox™ (OX 22) is based on Orexo's sublingual tablet technology. In 2005, the insomnia market grew from USD 2.6 billion to USD 3.7 billion and is expected to amount to USD 5.3 billion in 2009 (Datamonitor, Dec. 2005).

Phase I and II studies have been carried out, with favorable results strengthening the medical potential of Sublinox™ (OX 22) for on demand treatment of sleep disturbances. The large, shifting market and its strong growth, combined with the strong niche profile Sublinox™ (OX 22) has demonstrated, is considered highly advantageous. Against this background, Orexo has decided to launch Phase III studies to document these results in preparation for registration and out-licensing. The aim of the studies is to document the product´s on-demand characteristics of quicker onset of action and predictable effect and the independence of food ingestion, and to highlight the difference between this product and others currently on the market. The studies, which will begin in the second half of 2006, are expected to be completed in the first half of 2007. It is expected that a registration application for the US and the EU will be ready for filing in the second half of 2007.

OX 17 – for the treatment of gastroesophageal reflux disorder (GERD), a disease that gives the patient recurrent heartburn. In OX 17, two well-proven active substances have been combined so that the acid secretion is rapidly and effectively inhibited through two different mechanisms in action. OX 17 was developed to offer rapid and effective lasting relief of the symptoms of reflux disease. A patent for the product has been applied for globally and approved by New Zealand and China as first countries. The results of a feasibility study involving healthy test subjects confirm the product's pharmacological effects and significant medical potential. Additional study results will be presented as part of the "Digestive Disease Week" at the Los Angeles Conventions Center in Los Angeles, California, in the US on May 21, 2006. Orexo will then conduct registration studies to demonstrate the unique characteristics of the product and further strengthen its competitiveness. Orexo's aim is to sign a license agreement during the second half of 2006.

OX 19 – for the treatment of daytime and nocturnal urinary incontinence. In addition to the treatment of nocturia, OX 19 also focuses on short-term on-demand treatment of urinary incontinence in women suffering from an overactive bladder. OX 19 is in the formulation phase. The ongoing formulation process is proceeding according to plan. Clinical studies are expected to being initiated in the second half of 2006. Orexo expects it will be ready to sign a license agreement during the second half of 2007.

OX 40 – for the acute treatment of moderate and severe migraine. OX 40 is formulated to have a fast and predictable onset of effect, which is an essential characteristic for effective on-demand medication. OX 40 is in the formulation phase. The ongoing formulation process is proceeding according to plan.

The period in figures: January 1–March 31, 2006

Condensed statement of operations

MSEK	3 months 2006 Jan–Mar	3 months 2005 Jan.–Mar	12 months 2005 Jan–Dec
Net sales	**50.3**	**1.2**	**62.4**
Cost of goods sold	(1.1)	(0.6)	(3.0)
Gross profit	**49.2**	**0.6**	**59.4**
Selling expenses	(1.2)	(0.1)	(3.3)
Administrative expenses	(12.9)	(7.1)	(44.0)
Research and development costs	(21.0)	(12.6)	(67.2)
Other income and expenses	(0.4)	0.0	1.7
Sale of subsidiary	-	-	8.9
Operating profit/loss	**13.8**	**(19.2)**	**(44.5)**
Net financial items	1.5	0.4	1.3
Tax	-	-	-
Profit/loss for the period	**15.3**	**(18.8)**	**(43.2)**

As of January 1, 2005, the Group applies the International Financial Reporting Standards (IFRS), formerly known as the IAS, in accordance with EU regulations.

Revenue

Net sales: MSEK 50.3 (1.2)

Net sales for the January–March 2006 period totaled MSEK 50.3 (1.2). The increase is attributable to the license revenue from ProStrakan and increased sales of Diabact® UBT. Sales were distributed as follows:

MSEK	Jan–Mar 2006	Jan–Mar 2005	Jan–Mar 2005
Diabact® UBT	1.9	1.2	5.1
License revenue Rapinyl™	47.3	0.0	51.6
Other revenue	1.1	0.0	5.7
Total	50.3	1.2	62.4

Expenses and earnings

Selling expenses: MSEK 1.2 (0.1)

The Group's selling expenses are attributable to the sale of Diabact® UBT. Selling expenses during the January–March 2006 period amounted to MSEK 1.2 (0.1) – an effect of the increased investment in the product such as the formation of Kibion AB.

Administrative expenses: MSEK 12.9 (7.1)

Administrative expenses during the January–March 2006 period amounted to MSEK 12.9 (7.1). The increase compared to the same period the preceding year was attributable to continued expansion of the company's organization and infrastructure – a result, partly, of the stock market listing and from the increased market value of the company's shares.

Expenses for the company's employee stock option program

Expenses for the company's employee stock option program during the January–March 2006 period totaled MSEK 5.1 (1.0), which does not effect the cash-flow, of which MSEK 3.2 (0.8) is attributable to administrative expenses, MSEK 1.8 (0.2) to research and development costs and MSEK 0.1 (0.0) to selling expenses. These expenses relate both to the increase in value of employees' services during the period and the social security costs calculated on the basis of this increase in value. The company will have to pay social security fees on the gain – calculated as the difference between the exercise price of the employee options and the market value of the share at the time the employee option is exercised – that may arise in conjunction with the exercising of the employee options.

The social security fees that may occur as a result of the employee option program have been hedged in terms of cash flow, but not in the accounts, mainly through the issuance of warrants to one of Orexo's subsidiaries.

Research and development costs: MSEK 21.0 (12.6)
Research and development costs during the January–March 2006 period amounted to MSEK 21.0 (12.6), an increase of 66.0 percent. The increase is attributable to higher costs for the company's product projects, royalty compensation according to the following and increased costs for the company's employee stock option program due to the increased market value of the company's shares.

Research and development costs comprise costs for personnel, employee stock options, premises, external costs for clinical testing, pharmaceutical registration and laboratory services, and depreciation/amortization of equipment, acquired patents and other intangible assets. Orexo has no capitalized costs for research and development. The company has a number of development projects in different phases, including Rapinyl™ for the treatment of acute pain, Sublinox™ (OX 22) for the treatment of insomnia, OX 17 for reflux disorder, OX 19 for the treatment of daytime and nocturnal incontinence, and OX 40 for acute treatment of moderate to severe migraine.

Research and development costs for the January–March 2006 period include a royalty remuneration of MSEK 4.7 (0.0), which was attributable to Rapinyl™. The royalty remuneration was made on account of a reported initial payment from ProStrakan. Orexo's total royalty costs attributable to Rapinyl™ cannot exceed 10 percent of the total license revenue for the product, or a maximum of MSEK 30.0, of which MSEK 19.8 has been paid, including the remunerations of MSEK 4.7, mentioned above. No royalty costs of this type apply to any of the company's other products – Sublinox™ (OX 22), OX 17, OX 19, OX 40 or Diabact® UBT.

Depreciation/amortization
Depreciation/amortization during the January–March 2006 period amounted to MSEK 0.7 (0.7).

Tax
Tax expenses during the January–March 2006 period amounted to MSEK 0.0 (0.0).

Net result
Operating profit for the January–March 2006 period amounted to MSEK 13.8 (loss: 19.2). Net profit for the period after financial items totaled MSEK 15.3 (loss: 18.8) and profit after tax amounted to MSEK 15.3 (loss 18.8).

Financial position
The Group's cash and cash equivalents and current investments at March 31, 2006 totaled MSEK 362.7 (60.9). Cash flow from operating activities for January-March 2006 amounted to MSEK 13.1 (negative: 22.7), cash flow after financing for the January–March 2006 period amounted to MSEK 54.6 (negative: 23.4). At March 31, 2006, the Group's cash and cash equivalents and current investments were invested in bank deposits and municipal, banking/housing and commercial paper with durations to September 2006 at the longest and with a rating corresponding to K1 at the lowest.

Equity amounted to MSEK 355.6 (57.2). The equity/assets ratio was 91 percent (72).

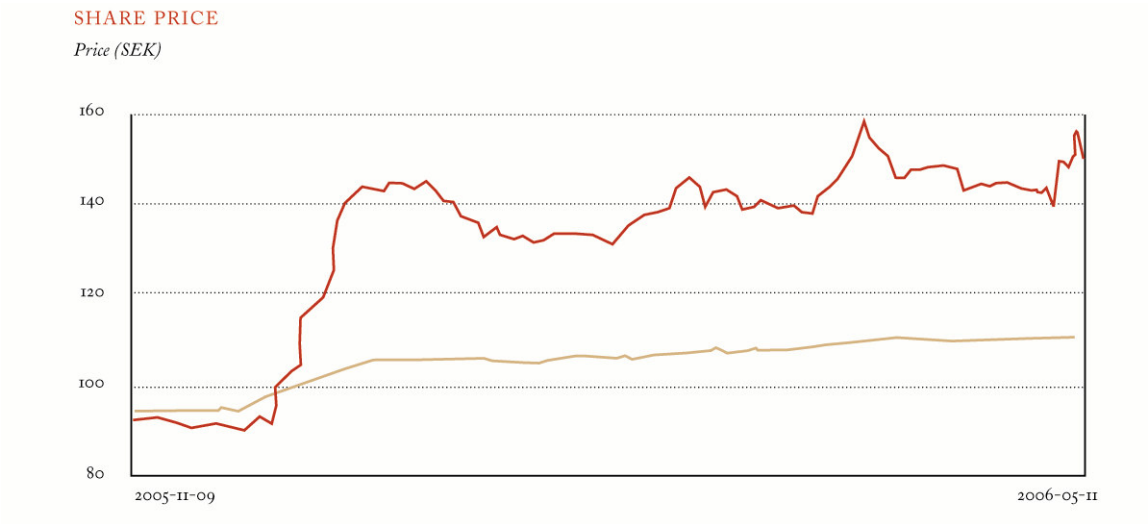
Investments
Gross investments in tangible assets for the period January-March 2006 amounted to MSEK 0.6 (0.7) and mainly related to investments in production and research equipment.

Parent Company
The majority of the Group's business is carried out in the Parent Company Orexo AB. Net sales amounted to MSEK 49.0 (1.2) and profit after financial items was MSEK 15.7 (loss: 18.3). Investments amounted to

MSEK 0.6 (0.7). The Parent Company's cash and cash equivalents and current investments totaled MSEK 361.2 (60.8).

Pledged assets and contingent liabilities
No significant change in pledged assets and contingent liabilities occurred during the period.

Share
Orexo's share was introduced on November 9, 2005 at a price of SEK 90 and was quoted on March 31, 2006 at SEK 144.50. The company's market capitalization based on the number of shares outstanding at March 31, 2006 amounted to MSEK 1 920,8.



Analysts who follow Orexo

ABG Sundal Collier	Alexander Lindström and Peter Östling
D. Carnegie AB	Kristofer Liljeberg-Svensson and Camilla Oxhamre
Handelsbanken Markets	Hans Mähler
Redeye	Björn Andersson

Future reporting dates
Interim report April-June 2006_____August 21, 2006
Interim report July-September 2006_____October 18, 2006
Year-end report for fiscal year 2006 _____not later than February 28, 2007

Uppsala, May 12, 2006

Orexo AB (publ)

Zsolt Lavotha, President and CEO

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Review report

We have reviewed the appended interim report for the period January 1 to March 31, 2006. The Board of Directors is responsible for the preparation and fair presentation of this interim report in accordance with the Annual Accounts Act and IAS 34. Our responsibility is to express an conclusion on this interim report based on our review.

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

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

Uppsala, May 12, 2006

Öhrlings PricewaterhouseCoopers

Leonard Daun
Authorized Public Accountant

CONSOLIDATED BALANCE SHEETS

(SEK thousands)	Notes	2006 March 31	2005 March 31	2005 December 31
ASSETS				
Fixed assets				
Tangible fixed assets		3 471	2 736	3 160
Intangible fixed assets		2 065	4 031	2 553
Financial fixed assets		2 297	2 405	2 290
Total fixed assets		**7 833**	**9 172**	**8 003**
Current assets				
Inventories		4 253	1 933	3 028
Current receivables		16 239	7 087	10 159
Current investments		47 600	-	89 631
Cash and bank balances		315 087	60 890	260 489
Total current assets		**383 179**	**69 910**	**363 307**
Total assets		**391 012**	**79 082**	**371 310**
SHAREHOLDERS´EQUITY AND LIABILITIES	3			
Share capital		5 317	3 695	5 317
Other reserves		378 282	95 171	376 862
Accumulated losses		(27 987)	(41 685)	(43 270)
Total shareholders´equity		**355 612**	**57 181**	**338 909**
Long-term liabilities				
Provisions		6 859	5 574	13 783
Current liabilities				
Current liabilities, noninterest-bearing		28 541	16 327	18 618
Total liabilities		**35 400**	**21 901**	**32 401**
Total shareholders´equity and liabilities		**391 012**	**79 082**	**371 310**
Pledged assets		2 500	2 500	2 500
Contingent liabilities		50	1 550	50

CONSOLIDATED INCOME STATEMENT OF OPERATIONS

(SEK thousands)	Notes	3 months 2006 Jan-Mar	3 months 2005 Jan-Mar	12 months 2005 Jan-Dec
Net sales		50 296	1 230	62 352
Cost of goods sold	2	(1 102)	(624)	(2 954)
Gross profit		**49 194**	**606**	**59 398**
Selling costs	2	(1 197)	(91)	(3 303)
General and administrative costs	2	(12 917)	(7 066)	(44 030)
Research and development costs	2	(20 979)	(12 628)	(67 231)
Other operating revenues		47	18	1 927
Other operating costs	2	(405)	(24)	(186)
Profit from sale of subsidiary		-	-	8 865
Operating profit/loss		**13 743**	**(19 185)**	**(44 560)**
Earnings from net financial items				
Interest income and similar items		1 535	343	1 433
Interest expenses and similar items		(2)	0	(7)
Write-down of promissory note receivables		7	-	(115)
Result after financial items		**1 540**	**343**	**1 311**
Tax on the year´s income		-	-	-
Net profit/loss		**15 283**	**(18 842)**	**(43 249)**
Loss per share, before dilution, SEK		1.15	(2.04)	(4.33)
Loss per share, after dilution, SEK		1.07	(2.04)	(4.33)
Average number of shares, before dilution		13 292 500	9 238 000	9 995 896
Average number of shares, after dilution		14 266 509	10 004 001	10 910 896
Number of shares, before dilution		13 292 500	9 238 000	13 292 500
Number of shares, after dilution		14 266 509	10 004 001	14 207 500

CONSOLIDATED CASH-FLOW STATEMENTS

	Notes	3 months 2006 Jan-Mar	3 months 2005 Jan-Mar	12 months 2005 Jan-Dec
Continuing operations				
Profit/loss before interest expense and interest income		13 743	(19 185)	(44 560)
Interest paid		(2)	0	(7)
Interest received		1 535	342	1 433
Write-down of promissory note receivables		7	-	-115
Taxes paid		-	-	-
Adjustment for items not affecting cash flow	4	5 807	1 738	6 718
Cash flow from operating activities before changes in working capital		**21 090**	**(17 105)**	**(36 531)**
Cash flow from changes in working capital				
Change in accounts receivable		(393)	164	(297)
Change in other current receivables		(5 687)	(444)	(3 057)
Change in inventories		(1 226)	(514)	(1 609)
Change in current liabilities		(652)	(4 758)	(2 462)
Cash flow from operating activities		**13 132**	**(22 657)**	**(43 956)**
Investment activities				
Proceed from sale of subsidiary		-	-	9 405
Acquisition of machinery and equipment		(565)	(693)	(2 465)
Investing in short-term investments		42 031	-	(89 631)
Total cash flow after investment activities		**54 598**	**(23 350)**	**(126 647)**
Financing activities				
Proceeds from new share issues		-	-	302 896
Total cash flow after financing activities		**54 598**	**(23 350)**	**176 249**
Cash flow for the year				
Liquid funds, at the beginning of period		260 489	84 240	84 240
Change in liquid funds		54 598	(23 350)	176 249
Liquid funds, at end of period		**315 087**	**60 890**	**260 489**

KEY FIGURES

	3 months 2006 Jan-Mar	3 months 2005 Jan-Mar	12 months 2005 Jan-Dec
Operating margin, %	27	(1 560)	(71)
Profit margin, %	30	(1 532)	(69)
Return on total capital, %	4	(21)	(34)
Return on shareholders´equity, %	4	(28)	(43)
Return on capital employed, %	4	(28)	(43)
Debt/equity ratio, multiple	0	0	0
Equity/assets ratio, %	91	72	91
Current ratio, %	2 133	428	1 951
Acid test ratio, %	2 109	416	1 935
Average number of shares, before dilution	13 292 500	9 238 000	9 995 896
Average number of shares, after dilution	14 266 509	10 004 001	10 910 896
Number of shares at end of period, after full dilution	14 578 500	10 229 250	14 578 500
Number of shares at end of period, before dilution	13 292 500	9 238 000	13 292 500
Number of shares at end of period, after dilution	14 266 509	10 004 001	14 207 500
Earnings per share, before dilution, SEK	1.15	(2.04)	(4.33)
Earnings per share, after dilution, SEK	1.07	(2.04)	(4.33)
Shareholders' equity per share, before dilution, SEK	26.75	6.19	25.50
Shareholders' equity per share, after dilution, SEK	24.93	5.72	23.85
Number of employees at end of period	45	32	43
Average number of employees	44	29	37
Shareholders´equity	355 612	57 181	338 909
Capital employed	355 612	57 181	338 909

DEFINITIONS

Operating margin: Operating profit/loss as a percentage of net sales.

Profit margin: Profit/loss after financial items as a percentage of net sales.

Return on total capital: Operating profit/loss plus financial revenues as a percentage of average balance-sheet total.

Return on shareholders' equity: Profit/loss for the year as a percentage of average adjusted shareholders' equity.

Return on capital employed: Operating profit plus financial revenues as a percentage of average capital employed.

Capital employed: Average of interest-bearing liabilities and adjusted shareholders' equity.

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

Equity/assets ratio: Shareholders' equity in relation to total assets.

Current ratio: Current assets as a percentage of current liabilities.

Acid test ratio: Current assets excluding inventories as a percentage of current liabilities.

Number of shares at end of period, after full dilution: Total number of shares plus the maximum number of shares that can be subscribed through options outstanding

Number of shares at end of period, after dilution: Calculation of the dilution from options issued by the company though 2005 was carried out in accordance with IAS 33.

Earnings per share, before dilution: Profit/loss divided by the average number of shares outstanding before dilution.

Earnings per share, after dilution: Profit/loss divided by the average number of shares outstanding after dilution.

Shareholders' equity per share, before dilution: Shareholders' equity divided by the number of shares before dilution at the close of the period.

Shareholders' equity per share, after dilution: Shareholders' equity divided by the number of shares after dilution at the close of the period.

Notes

1. Accounting principles

This interim report was prepared in accordance with IAS 34 Interim Financial Reporting, which complies with the requirements stipulated in the Swedish Financial Accounting Standards Council's recommendation RR 31, Interim Financial Reporting for Groups. As of 2005 Orexo applies IFRS as approved by the EU. The accounting principles and calculation methods comply with those applied in preparing the 2005 Annual Report.

The Parent Company's accounting was prepared in accordance with RR32.

In other respects, the accounting principles applied in this interim report are described in greater detail in the notes to the 2005 Annual Report.

2. Costs distributed by type of cost

Costs distributed by type of cost

(SEK thousands)	**2006 Jan-Mar**	**2005 Jan-Mar**	**2005 Jan-Dec**
Raw materials and supplies	2 078	1 242	5 053
Other external costs	17 355	10 449	59 301
Personnel costs	16 424	8 010	50 451
Depreciation and write-downs	743	732	2 899
TOTAL	**36 600**	**20 433**	**117 704**

3. Shareholders´ equity

Changes in consolidated shareholders´equity

(SEK thousands)	**2006 Jan-Mar**	**2005 Jan-Mar**	**2005 Jan-Dec**
Shareholders´equity brought forward according to balance sheet	338 909	75 094	75 094
Profit/loss for the period	15 283	(18 842)	(43 249)
Subscription of shares through exercise of warrants from unit issue	-	-	134
Subscription of shares through exercise of warrants	-	-	819
New share issue	-	-	333 000
Employee stock options, value of employees´service	1 420	929	3 572
Share issue expenditure	-	-	(30 461)
Amount of close of period	**355 612**	**57 181**	**338 909**

Shares outstanding
The number of shares outstanding at March 31, 2006 was 13,292,500, all of which were common shares. All shares carry entitlement to one vote each. There has been no change in the number of shares since December 31, 2005.

Employee stock options and warrants
The total number of options outstanding at December 31, 2005 was 5,144. After the 1:250 share split, these options carry entitlement to subscription for a total of 1,286,000 shares.

	Opening January 1, 2006	Deducted	Added	Closing, March 31, 2006	Number of shared to which options carry entitlement
Total number of stock options and warrants	**5 144**	**432.2**	**432.2**	**5 144**	**1 286 000**
Of which					
- employee stock options	1 963	-	432.2	2 395.2	598 800
- decided, but not allotted employee stock options	700	432.2		267.8	66 950
- warrants held by subsidiary for cash-flow hedging	1 057	-	-	1 057	264 250
- warrants	1 424	-	-	1 424	356 000

In September 2005, Orexo introduced a new employee stock options program under the terms of which the Board of Directors is authorized to issue a total of 700 options, carrying entitlement to a total of 175,000 shares, which are included in the above summary under the opening number. During the period 432.2 of these options were allotted, carrying entitlement to 108,050 shares, distributed among 34,000 shares to other senior executives and 74,050 to other employees. The president was not allotted any options in this program. The subscription price for these shares is SEK 113 per share and the term of the options is up to and including December 31, 2015. Employee stock options are earned at the rate of one third of the total number of options issued for each of the three years following December 31, 2005. The market value at the time of issue, calculated using the Black & Scholes method, was SEK 32.62 per option (adjusted for the 1:250 share split).

During the period, the Board decided to cancel 598 unallotted options, corresponding to 149,500 shares. Since registration at the Swedish Companies Registration Office occurs after the close of the period, these are not included in the closing number above.

4. Cash flow

Adjustment for items not included in cash flow

(SEK thousands)	**2006 Jan-Mar**	**2005 Jan-Mar**	**2005 Jan-Dec**
Depreciation/amortization and impairments	743	732	2 899
Employee stock options, based on value of employees´service	5 071	1 006	12 456
Other	-	-	113
Profit from sale of subsidiary	-	-	-8 865
Impairment of promissory note receivables	(7)	-	115
Total	**5 807**	**1 738**	**6 718**

5. Events after the close of the period

Orexo AB's subsidiary Kibion AB signed an agreement on April 27 with the principal owners of Noster System AB to acquire a majority of the shares in Noster System. Kibion AB also bid on the remaining shares in Noster System. The acquisition is conditional upon Kibion's obtaining more than 90 percent of the shares in the company. The purchase price of the acquisition of all the shares in Noster System amounts to MSEK 10.5, including offset of a promissory note amounting to MSEK 2.4. An additional purchase price of not more than MSEK 7.2 could be required, provided that the growth of Heliprobe™ Systems reaches defined sales targets in the next few years. The company is being consolidated not later than May 31, 2006. At the date of the release of this interim report, work is still under way to finalize an acquisition balance.