Orexo AB (publ.)
– Interim Report January - September 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, October 18, 2006

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

Key events during the period

- Net sales amounted to MSEK 80.3 (59.0)
- The loss after tax was MSEK 20.5 (loss: 7.9)
- Earnings per share amounted to a loss of SEK 1.54 (loss: 0.84)
- Orexo's European partner, ProStrakan, submitted a registration application for Rapinyl™ to the EMEA registration authority.
- Orexo received a milestone payment of MEUR 2 in conjunction with ProStrakan's submission of a registration application for Rapinyl™ to the EMEA.

Third quarter 2006

- Net sales amounted to MSEK 24.9 (56.1)
- The loss after tax was MSEK 11.2 (profit: 27,4)
- Earnings per share amounted to a loss of SEK 0.84 (profit: 2.89)

Condensed statement of operations [1]

MSEK	3 months 2006 July-Sept	3 months 2005 July-Sept	9 months 2006 Jan-Sept	9 months 2005 Jan-Sept	12 months 2005 Jan-Dec
Net sales	**24.9**	**56.1**	**80.3**	**59.0**	**62.4**
Profit/loss after tax	**(11.2)**	**27.4**	**(20.5)**	**(7.9)**	**(43.2)**
Earnings per share, before dilution (SEK)	**(0.84)**	**2.89**	**(1.54)**	**(0.84)**	**(4.33)**
Earnings per share after dilution (SEK)[2]	**(0.84)**	**2.68**	**(1.54)**	**(0.84)**	**(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.

[2]) Since earnings are negative, the same earnings per share are reported after dilution as before dilution.

Key events during the period

ProStrakan submits registration application for Rapinyl™ to the EMEA registration authority
Orexo´s European licensing partner ProStrakan Group plc. announced submission of the registration application for the pain product Rapinyl™ on the European market. Rapinyl™ has been developed for the treatment of breakthrough pain in cancer as its primary indication. Orexo's principal technology – a sublingual formulation method, whereby a fast-dissolving tablet is placed under the tongue – combines properties of fast dissolution, quicker onset of action and predictable effect, so-called" on-demand" properties.

Licensing agreements for Rapinyl™ was signed with Kyowa Hakko for the Japanese market in 2003, Endo Pharmaceuticals for the North American market in 2004, and ProStrakan for the European market in 2005.

Orexo receives MEUR 2 in milestone payment
In conjunction with the submission of the registration application for the pain product Rapinyl™ on the European market. Orexo received a milestone payment of MEUR 2 – approximately MSEK 19.

The license agreement with ProStrakan Group plc. provides for, in addition to the already received up-front license fee payment of 5 million EURO (approximately 47 MSEK) and above referred milestone payment of 2 million EURO (approximately 19 MSEK), additional regulatory approval and sales milestone payments of potentially up to 15 million EURO (approximately 140 MSEK). When ProStrakan introduces Rapinyl™ on the European market, the agreement also provides for double-digit royalties upon commercial sales. Furthermore, the licensing agreement provides Orexo with the right to - in parallel with ProStrakan - market Rapinyl™ in the Nordic market.

Key events after the close of the period

No significant events occurred since the close of the period.

Operations

Orexo in brief

Orexo is a pharmaceutical company that focuses on developing new pharmaceutical drugs within areas currently subject to considerable unmet medical 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 a rapid and effective uptake of pharmaceutical substances with minimal, if any, swallowing of the active substance. This approach enables effective new pharmaceutical drugs to be developed in therapy areas such as acute pain and sleep disorders.

Orexo has grown into an organization with 56 full-time employees, most of whom are active in research and development, clinical development and pharmaceutical registration. At present, the company has two products on the market, three under regulatory and/or clinical development, one of which has been out-licensed in the US, Europe and Japan, and two projects in pharmaceutical formulation phase. 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.

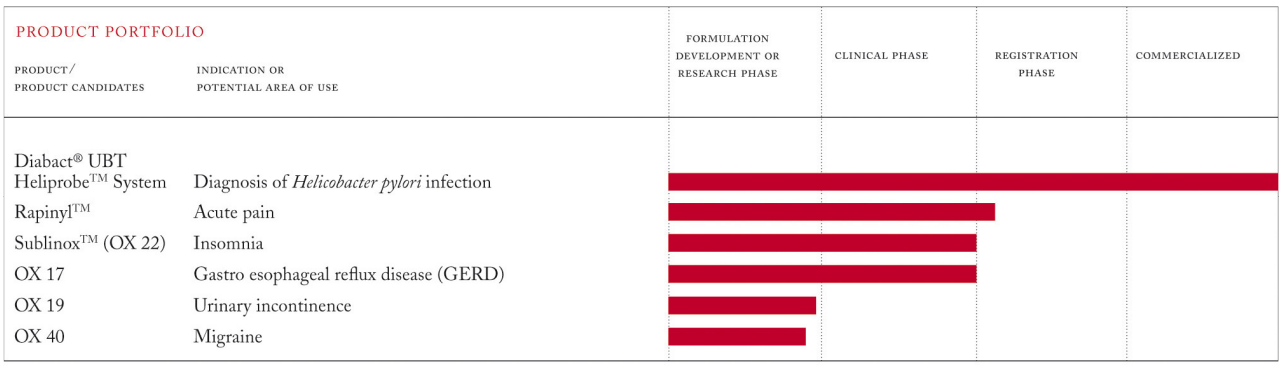
Market for drug delivery

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 consists of two approved and marketed products, several product candidates in regulatory and/or clinical development phase and projects in formulation development stages, as follows:



Diabact® UBT/Heliprobe™System – Diabact® UBT is Orexo's first commercial product. Like Heliprobe™ System, Diabact® UBT is an exhalation test used to diagnose the presence of *Helicobacter pylori*, the bacteria that cause gastric ulcers. Exhalation tests are recommended by expert groups for *Helicobacter pylori* in Europe as the primary choice and the most reliable non-invasive test to show active infection. Its advantages include the fact that it saves the patient having to undergo a gastroscopy examination, which many consider unpleasant. Among its benefits to society are that the examination is fast, easy and less expensive than gastroscopy.

An estimated total of 260 million people in the Western World are infected with *Helicobacter pylori* bacteria. By diagnosing and treating the infection with antibiotics, gastric ulcer disease can effectively be cured. In recent years, it has also been found that early treatment of *Helicobacter pylori* infection can reduce the risk that the disease will develop into certain forms of stomach cancer.

Distribution and marketing agreements for Diabact® UBT have been signed for the markets in Finland, Hong Kong, Ireland, the UK and Sweden. For the Japanese market, a licensing agreement was signed with Kyowa Hakko Kogyo Co. Ltd. The Heliprobe™ System has distribution and marketing agreements in approximately twenty countries in the Middle East, Asia and Eastern Europe.

Rapinyl™ – for the treatment of acute pain is in Phase III in the US and in registration phase in Europe. 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 Kyowa Hakko for the Japanese market.

In December 2005, Endo Pharmaceuticals launched Phase III studies on Rapinyl™. ProStrakan has during the quarter, as previously mentioned, submitted a registration application for Rapinyl™ to the EMEA, the European registration authority.

Sublinox™ (OX 22) – for the treatment of sleeping disturbances, is entering Phase III development. 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 indicating the medical potential of Sublinox™ (OX 22) for on demand treatment of sleep disturbances. Given the large and growing market size, the strong niche profile that Sublinox™ (OX 22) has demonstrated is considered highly advantageous. Against this background, Orexo is initiating a Phase III program during the year, to document the unique pharmacological profile of Sublinox™ (OX 22) in preparation for registration and out-licensing. The aim of these studies is to further document the product's on-demand characteristics of quicker onset of action, predictable effect, the lack of food ingestion impact on absorption and to highlight the difference between this product and others currently in the market. The studies are expected to be completed in the first half of 2007.

OX 17 – for the treatment of GERD (gastro esophageal reflux disease), a disorder that gives the patient recurrent heartburn, involving acidic regurgitation linked to stomach ache, discomfort and sharp pains in the esophagus. OX 17 is a patent-pending fixed combination of two well-proven active substances that each inhibit acid secretion in the stomach: an H2-receptor blocker and a proton pump inhibitor (PPI)**.** Patent applications are being evaluated in a number of countries and patents have been granted in China and New Zealand.

The clinical trial program confirms that effective inhibition of acid secretion is quickly achieved after taking the first dose. Effective acid inhibition can be maintained thereafter as long as the symptoms require treatment. This is a favourable clinical profile for drugs intended for the treatment of GERD. The clinical

results were presented at the ”Digestive Disease Week” conference in Los Angeles, California, in the US on May 21, 2006. Orexo is initiating a Phase III study program during 2006 to further document the broader characteristics of the product and further strengthen the product profile and its competitiveness.

Contacts with the registration authorities in the US and Europe indicate that OX 17 can be approved either as a prescription drug or as a prescription-free OTC drug for treatment of GERD. The possibility of registering OX 17 as an OTC drug opens up for further unique positioning of OX 17. The possibility to position OX 17 within the vast and commercially attractive OTC segment, prompted Orexo to further investigate this commercial strategy and to invite additional companies to licensing discussions with regard to the global OTC- market. Licensing discussions are under way and the ambition is to complete them no later than during the first half of 2007.

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. If the ongoing formulation process proceeds according to plan, clinical studies will be initiated.

OX 40 – for the acute treatment of moderate and severe migraine. Orexo’s ambition is to formulate OX 40 to provide a fast and predictable onset of effect, which is an essential characteristic for effective on-demand medication. OX 40 is in formulation phase.

The period in figures: January 1–September 30, 2006

Condensed statement of operations

MSEK	3 months 2006 July–Sept	3 months 2005 July–Sept	9 months 2006 Jan–Sept	9 months 2005 Jan–Sept	12 months 2005 Jan–Dec
Net sales	**24.9**	**56.1**	**80.3**	**59.0**	**62.4**
Cost of goods sold	(2.8)	(0.7)	(6.0)	(2.2)	(3.0)
Gross profit	**22.1**	**55.4**	**74.3**	**56.8**	**59.4**
Selling expenses	(2.4)	(1.0)	(5.2)	(1.7)	(3.3)
General & administrative expenses*	(13.9)	(9.2)	(37.7)	(25.7)	(44.0)
Research and development costs*	(18.6)	(18.8)	(57.0)	(47.6)	(67.2)
Other operating income and expenses	(0.3)	0.9	(0.5)	0.8	1.7
Profit from sale of subsidiary	-	-	-	8.9	8.9
Operating profit/loss	**(13.2)**	**27.2**	**(26.0)**	**(8.5)**	**(44.5)**
Net financial items	1.9	0.1	5.5	0.6	1.3
Tax	-	-	-	-	-
Net loss for the period	**(11.2)**	**27.4**	**(20.5)**	**(7.9)**	**(43.2)**

* Includes costs of MSEK 11.0 for employee stock options related to share price performance in the period January- September 2006

Revenue

Net sales

Consolidated net sales for the period of January–September 2006 amounted to MSEK 80.3 (59.0). The increase in net sales is attributable to the license revenue for Rapinyl™ totaling MSEK 66.5 (MEUR 7) from ProStrakan as well as to continued positive sales performance for the subsidiary Kibion AB pertaining to the products Diabact® UBT and Heliprobe™ System – the latter acquired in June 2006 from Noster System AB.

Sales were distributed as follows:

MSEK	Jan-Sept 2006	Jan-Sept 2005	Jan-Dec 2005
Kibion AB	9.1	3.6	5.1
License revenue Rapinyl™	66.5	49.6	51.6
Other revenue	4.7	5.8	5.7
Total	80.3	59.0	62.4

Net sales during the period July–September 2006 amounted to MSEK 24.9 (56.1). The third quarter in the preceding year included a milestone payment of MSEK 50 (MUSD 6.5) in accordance with an agreement with Endo Pharmaceuticals, while the third quarter of 2006 includes a milestone payment of MSEK 18.6 (MEUR 2) in accordance with the agreement with ProStrakan. During the third quarter Heliprobe™ System, acquired in June, posted continued favorable sales development.

Expenses and earnings

Selling expenses

The Group's selling expenses for the period of January–September 2006 amounted to MSEK 5.2 (1.7), and for the period of July–September 2006 to MSEK 2.4 (1.0). The increased expenses are attributable to Orexo's investment in its operations for exhalation tests involving the products Diabact® UBT and Heliprobe™ System.

Administrative expenses

Administrative expenses for the period January–September 2006 amounted to MSEK 37.7 (25.7). For the period of July-September 2006, administrative expenses were MSEK 13.9 (9.2).

The increase compared with the year-earlier period was attributable to strengthening of the company's organization and infrastructure, partly as a result of the stock market listing and increased costs for the company's employee stock option program due to the increased market value of the company's shares.

Expenses for the company's employee stock option program
Expenses for the employee stock option program during July–September 2006 were MSEK 6.8 (1.0). The reason for the increased expenses during the quarter was the higher market value of the company's shares on September 30 compared with June 30, 2006, which in turn increased the provision for estimated social security fees.

Expenses in January–September 2006 for the employee stock options program amounted to MSEK 11.0 (3.5). Of this amount, MSEK 7.1 (2.1) is attributable to administration-related employees and MSEK 3.9 (1.4) to research and development-related employees.

The program expenses refer to both the estimated cost of the value of the employees' service during the period and the portion of estimated social security fees earned during the period based on the value increase. The company will need to pay social security fees on the profit that may result from the exercise of the employee stock option, estimated as the difference between the strike price of the employee stock option and the market value of the share.

The social security fees that may arise on account of the employee stock option program have largely been hedged – financially and, therefore, in cash-flow terms – through the issuance of warrants to one of Orexo's subsidiaries. This hedging does not qualify for hedge reporting in accordance with IFRS.

Research and development costs
Research and development costs for January–September 2006 amounted to MSEK 57.0 (47.6), and for July–September, to MSEK 18.6 (18.8).

The increase compared with the corresponding periods in the preceding year is attributable to higher investment in the company's product projects, royalty payments as detailed below 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 expenses include expenses for employees, employee stock options, premises, external costs for clinical trials, drug registration and laboratory services, as well as depreciation of equipment and amortization of acquired patents and other intangible assets. Orexo has no capitalized research and development costs. The company has several development projects in advanced phases, including Rapinyl™ for the treatment of acute pain, Sublinox™ (OX 22) for the treatment of sleep disturbances, OX 17 for GERD, as well as OX 19 for the treatment of daytime and nocturnal incontinence, and OX 40 for acute treatment of moderate to severe migraine, the latter two in formulation phase

R&D costs for January–September 2006 include a certain royalty payment of MSEK 6.6 (5.1) attributable to Rapinyl™. The royalty remuneration was made on account of a reported initial payment from ProStrakan in the first quarter and third quarter of 2006. 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 21.7 has been paid as part of the remuneration mentioned above. Orexo has no agreements that include royalty remuneration for any of the company's other products.

Depreciation/amortization
Depreciation/amortization during January–September 2006 amounted to MSEK 2.4 (2.2), and during July–September to MSEK 0.9 (0.7).

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

Net result
The operating loss for the January–September 2006 period amounted to MSEK 26.0 (loss: 8.5). The loss after net financial items was MSEK 20.5 (loss: 7.9) and the loss after tax was MSEK 20.5 (loss: 7.9). Revenue increased sharply during January–September 2006 compared with the year-earlier period. At the same time, Orexo continued to build its operations, which led to increased operating expenses.

The operating loss for the July–September 2006 period was MSEK 13.2 (profit: 27.2). The loss after net financial items amounted to MSEK 11.2 (27.4) and the loss after tax was MSEK 11.2 (27.4). The third quarter in the preceding year included license revenue for Rapinyl™ of MSEK 50 (MUSD 6.5), while the third quarter of 2006 includes license revenue of MSEK 18.6 (MEUR 2).

Financial position
The Group's cash and cash equivalents and current investments at September 30, 2006 totaled MSEK 308.1 (28.6).

Cash flow from operating activities for January–September 2006 was negative in an amount of MSEK 30.4 (neg. 61.2). The license revenue of MSEK 50 received in the third quarter of 2005 affected cash flow positively first during the fourth quarter of 2005. In a similar fashion, the license revenue of MSEK 18.6 received in the third quarter of 2006 will affect cash flow positively first during the fourth quarter of 2006.

Cash flow after financing was negative in an amount of MSEK 27.0 (neg. 55.7). During the period, Kibion AB acquired Noster System AB and implemented short-term investments in accordance with the company's finance policy.

Cash flow from operating activities for July–September 2006 was negative in an amount of MSEK 21.1 (neg. 22.7), while cash flow after financing amounted to MSEK 4.8 (neg. 25.0). During the quarter, short-term investments declined by MSEK 26.9.

Under the Group's finance policy, cash and cash equivalents are defined as the liquid funds required to carry out the company's commercial undertakings. All other cash and cash equivalents are defined as surplus liquidity. At September 30, 2006, the Group's surplus liquidity was invested in the following instruments: state and municipalities, banking and real estate (minimum rating A-), structured bonds (minimum rating A-), corporate and institutional (minimum rating BBB) and with maturities of up to September 2007.

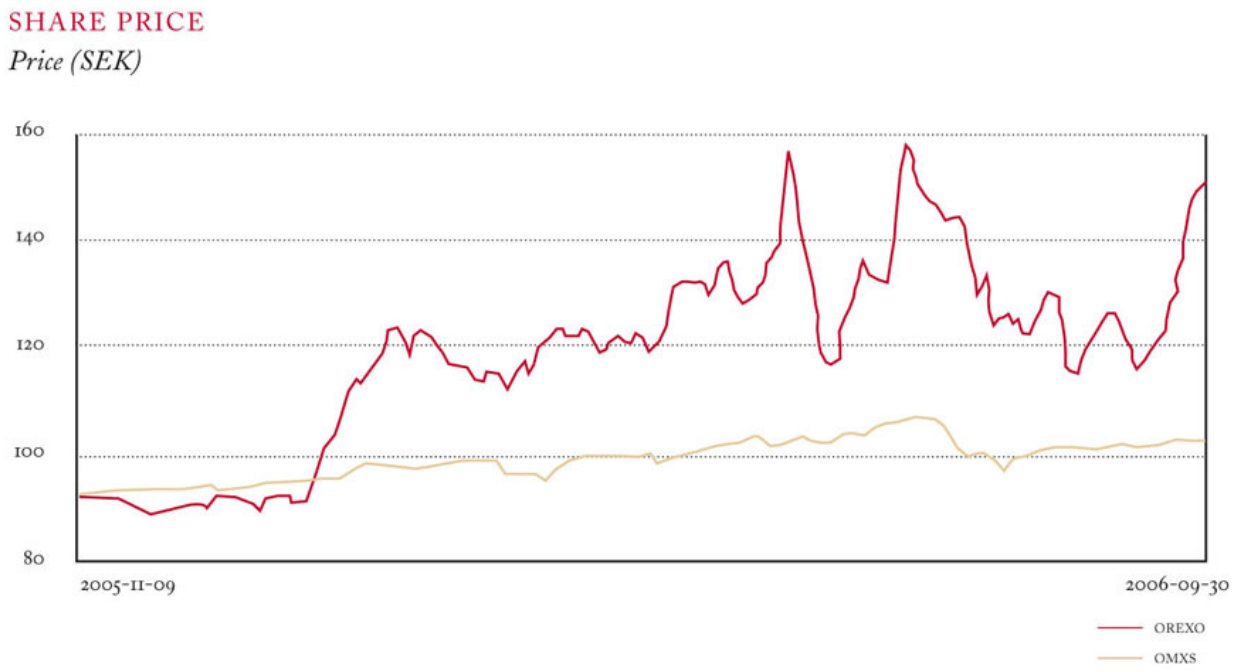
Shareholders' equity at September 30, 2006 amounted to MSEK 323.2 (68.5). The equity/assets ratio was 88.2 percent (70.2).

Investments
Gross investments in tangible fixed assets during January–September 2006 amounted to MSEK 3.8 (1.9), and for July–September to MSEK 1.4 (0.4). These investments consist mainly of 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 for the January–September 2006 period amounted to MSEK 73.9 (59.1) and the loss after net financial items amounted to MSEK 18.2 (loss: 7.3). Investments amounted to MSEK 3.8 (1.9). The Parent Company's cash and cash equivalents and current investments totaled SEK 305.5 (26.5).

Pledged assets and contingent liabilities
The acquisition of Noster System AB involved an agreement on an additional purchase price of not more than MSEK 7.2, which would become payable if the growth of Heliprobe™ System achieves pre-determined sales targets over the next few years. The amount has been reported under contingent liabilities. Otherwise, no significant changes in contingent liabilities or pledged assets occurred during the period.

Share price and Market cap
Orexo's share was introduced on November 9, 2005, at the price of SEK 90, and traded on September 30, 2006, at SEK 153. The company's market capitalization, based on the number of shares outstanding on September 30, 2006, amounted to MSEK 2,034.



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
Remium Securities	Christian Wallberg and Johan Isaksson

Annual General Meeting
The Annual General Meeting will be held in Stockholm at 5:00 p.m., Monday, April 23, 2007.

Future reporting dates
Year-end report for fiscal year 2006, February 20, 2007.

Uppsala, October 18, 2006

Orexo AB (publ)

Zsolt Lavotha, President and CEO

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Claes Wenthzel, Executive Vice President and CFO, Tel, +46-18-780 88 44, e-mail: claes.wenthzel@orexo.se

Review report

We have reviewed the appended interim report for the period January 1 to September 30, 2006 for Orexo AB (publ). The Board of Directors is responsible for the preparation and fair presentation of this interim report in accordance with the Annual Accounts Act and IAS 34. Our responsibility is to express a 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, October 18, 2006
Öhrlings PricewaterhouseCoopers

Leonard Daun
Authorized Public Accountant

CONSOLIDATED BALANCE SHEETS

(SEK thousands)	Notes	2006 Sept 30	2005 Sept 30	2005 Dec 31
ASSETS				
Fixed assets				
Tangible fixed assets		6 086	2 843	3 160
Goodwill		8 988	-	-
Other intangible fixed assets		2 515	3 045	2 553
Financial fixed assets		0	2 405	2 290
Total fixed assets		**17 589**	**8 293**	**8 003**
Current assets				
Inventories		7 067	2 337	3 028
Current receivables		33 571	58 412	10 159
Current investments		74 582	0	89 631
Cash and bank balances		233 476	28 559	260 489
Total current assets		**348 696**	**89 308**	**363 307**
Total assets		**366 285**	**97 601**	**371 310**
SHAREHOLDERS' EQUITY AND LIABILITIES	3			
Share capital		5 321	3 829	5 317
Other reserves		338 294	72 062	376 862
Accumulated losses		(20 415)	(7 371)	(43 270)
Total shareholders' equity		**323 200**	**68 520**	**338 909**
Long-term liabilities				
Provisions		8 431	0	13 783
Deferred tax liability		376	0	0
Total long-term liabilities		**8 807**	**0**	**13 783**
Current liabilities, non-interest-bearing		34 278	29 081	18 618
Total liabilities		**43 085**	**29 081**	**32 401**
Total shareholders' equity and liabilities		**366 285**	**97 601**	**371 310**
Pledged assets		2 500	2 500	2 500
Contingent liabilities		7 250	50	50

CONSOLIDATED STATEMENT OF OPERATIONS

(SEK thousands)	Notes	3 months 2006 July–Sept	3 months 2005 July–Sept	9 months 2006 Jan-Sept	9 months 2005 Jan-Sept	12 months 2005 Jan-Dec
Net sales		24 867	56 072	80 291	58 998	62 352
Cost of goods sold	2	(2 780)	(618)	(5 950)	(2 160)	(2 954)
Gross profit		**22 087**	**55 454**	**74 341**	**56 838**	**59 398**
Selling expenses	2	(2 446)	(1 040)	(5 227)	(1 696)	(3 303)
General and administrative expenses	2	(13 934)	(9 213)	(37 657)	(25 729)	(44 030)
Research and development costs	2	(18 612)	(18 821)	(56 985)	(47 634)	(67 231)
Other operating income		0	909	464	971	1 927
Other operating expenses	2	(259)	(43)	(920)	(159)	(186)
Profit from sale of subsidiary		0	0	0	8 865	8 865
Operating loss		**(13 164)**	**27 246**	**(25 984)**	**(8 544)**	**(44 560)**
Earnings from financial investments						
Interest income and similar items		1 938	122	5 371	684	1 433
Interest expenses and similar items		7	(2)	(23)	(6)	(7)
Impairment of promissory note receivables		-	0	115	0	(115)
Total result of financial investments		**1 945**	**120**	**5 463**	**678**	**1 311**
Tax on the year's income		0	0	0	0	0
Net loss		**(11 219)**	**27 366**	**(20 521)**	**(7 866)**	**(43 249)**
Loss per share, before dilution, SEK		(0.84)	2.89	(1.54)	(0.84)	(4.33)
Loss per share, after dilution, SEK		(0.84)	2.68	(1.54)	(0.84)	(4.33)
Average number of shares, before dilution		13 295 417	9 460 750	13 293 472	9 312 250	9 995 896
Average number of shares, after dilution		14 173 328	10 226 751	14 171 383	10 078 251	10 910 896
Number of shares, before dilution		13 301 250	9 572 250	13 301 250	9 572 250	13 292 500
Number of shares, after dilution		14 179 161	10 338 251	14 179 161	10 338 251	14 207 500

CONSOLIDATED CASH-FLOW STATEMENTS

(SEK thousands)	Notes	3 months 2006 July–Sept	3 months 2005 July–Sept	9 months 2006 Jan-Sept	9 months 2005 Jan-Sept	12 months 2005 Jan-Dec
Continuing operations						
Loss before interest expense and interest income		(13 164)	27 246	(25 984)	(8 544)	(44 560)
Interest paid		7	(2)	(23)	(6)	(7)
Interest received		1 938	122	5 371	684	1 433
Adjustment for items not affecting cash flow	4	7 727	2 312	13 894	(2 454)	6 603
Cash flow from operating activities before changes in working capital		**(3 492)**	**29 678**	**(6 742)**	**(10 320)**	**(36 531)**
Cash flow from changes in working capital						
Change in accounts receivable		(18 975)	(51 442)	(23 177)	(51 457)	(297)
Change in other current receivables		2 080	183	(235)	(150)	(3 057)
Change in inventories		(478)	187	(4 039)	(918)	(1 609)
Change in current liabilities		(2 288)	(1 271)	8 724	1 606	(16 245)
Change in long-term liabilities		2 041	0	(4 976)	0	13 783
Cash flow from operating activities		**(21 112)**	**(22 665)**	**(30 445)**	**(61 239)**	**(43 956)**
Investment activities						
Proceeds from sale of subsidiary		0	0	0	9 405	9 405
Acquisition of machinery and equipment		(1 351)	(373)	(3 784)	(1 905)	(2 465)
Investing in short-term investments		26 886	0	15 049	0	(89 631)
Acquisition of subsidiary		0	0	(8 195)	0	0
Total cash flow after investment activities		**4 423**	**(23 038)**	**(27 375)**	**(53 739)**	**(126 647)**
Financing activities						
Proceeds from new share issue		362	(1 942)	362	(1 942)	302 896
Cash flow after financing activities		**4 785**	**(24 980)**	**(27 013)**	**(55 681)**	**176 249**
Cash flow for the year						
Liquid funds, at the beginning of period		228 691	53 539	260 489	84 240	84 240
Change in liquid funds		4 785	(24 980)	(27 013)	(55 681)	176 249
Liquid funds, at end of period		**233 476**	**28 559**	**233 476**	**28 559**	**260 489**

KEY FIGURES

	3 months 2006 July–Sept	3 months 2005 July–Sept	9 months 2006 Jan-Sept	9 months 2005 Jan-Sept	12 months 2005 Jan-Dec
Operating margin, %	(53)	49	(32)	(15)	(71)
Profit margin, %	(45)	49	(26)	(13)	(69)
Return on total capital, %	(3)	38	(5)	(10)	(34)
Return on shareholders' equity, %	(3)	62	(6)	(15)	(43)
Return on capital employed, %	(3)	62	(6)	(15)	(43)
Debt/equity ratio, multiple	0	0	0	0	0
Equity/assets ratio, %	88	70	88	70	91
Current ratio, %	1 017	307	1 017	307	1 951
Acid test ratio, %	997	299	997	299	1 935
Average number of shares, before dilution	13 295 417	9 460 750	13 293 472	9 312 250	9 995 896
Average number of shares, after dilution	14 173 328	10 226 751	14 171 383	10 078 251	10 910 896
Number of shares after full dilution	14 429 000	10 547 250	14 429 000	10 547 250	14 578 500
Number of shares, before dilution	13 301 250	9 572 250	13 301 250	9 572 250	13 292 500
Number of shares, after dilution	14 179 161	10 338 251	14 179 161	10 338 251	14 207 500
Loss per share, before dilution, SEK	(0.84)	2.89	(1.54)	(0.84)	(4.33)
Loss per share, after dilution, SEK	(0.84)	2.68	(1.54)	(0.84)	(4.33)
Shareholders' equity per share, before dilution, SEK	24.30	7.16	24.30	7.16	25.50
Shareholders' equity per share, after dilution, SEK	22.79	6.63	22.79	6.63	23.85
Number of employees at the end of the period	56	40	56	40	43
Average number of employees	52	38	50	32	37
Shareholders' equity, SEK thousands	323 200	68 520	323 200	68 520	338 909
Capital employed, SEK thousands	323 200	68 520	323 200	68 520	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 period as a percentage of average adjusted shareholders' equity.

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

Capital employed: Average of interest-bearing liabilities and 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 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 the dilution from options issued by the company through 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 has applied 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.

The amounts below are in SEK thousands, unless otherwise indicated.

2. Costs distributed by type of cost

	2006 July-Sept	**2005 July-Sept**	**2006 Jan-Sept**	**2005 Jan-Sept**	**2005 Jan-Dec**
Raw materials and supplies	3 604	1 250	8 245	3 900	5 053
Other external costs	14 701	18 440	46 484	41 651	59 301
Personnel costs	18 816	9 336	49 578	29 664	50 451
Depreciation and write-downs	910	709	2 432	2 163	2 899
TOTAL	**38 031**	**29 735**	**106 739**	**77 378**	**117 704**

3. Shareholders' equity

Changes in consolidated shareholders' equity

	2006 July-Sept	**2005 July-Sept**	**2006 Jan-Sept**	**2005 Jan-Sept**	**2005 Jan-Dec**
Shareholders' equity brought forward according to balance sheet	**332 809**	**41 862**	**338 909**	**75 094**	**75 094**
Loss for the period	(11 219)	27 366	(20 521)	(7 866)	(43 249)
Issuance of units	0	134	0	134	134
Subscription of shares through the exercise of warrants	362	0	362	0	819
New share issue	0	0	0	0	333 000
Employees stock options, value of employees' service	1 248	1 234	4 089	3 234	3 572
Issue expenses	0	(2 076)		(2 076)	(30 461)
Recovered VAT on issuance expenses	0	0	361	0	
Amount of close of period	**323 200**	**68 520**	**323 200**	**68 520**	**338 909**

Shares outstanding
The number of shares outstanding at September 30, 2006, was 13,301,250, all of which were common shares. All shares carry entitlement to one vote each. During the period, 8,750 shares were subscribed through the exercise of warrants.

Employee stock options and warrants
At September 30, 2006, there were options outstanding carrying rights to subscribe for shares 1,260,800 shares in Orexo[3]. The following table shows changes in the number of options during the January–September 2006 period.

	Opening 1/1 2006	-	+	Closing 30/9 2006
Total number of stock options and warrants	**1 286 000**	**(271 300)**	**246 100**	**1 260 800**
Of which:				
Decided and allotted				
- employee stock options	490 750	(5 000)	113 050	598 800
- warrants	356 000	(8 750)	-	347 250
Warrants held by subsidiary for cash-flow hedging of social security fees	264 250	(144 500)	-	119 750
Decided, but not allotted, employee stock options for 2005 and 2006	175 000	(113 050)	133 050	195 000

In February 2006 options were allotted carrying entitlement to subscribe for a total of 108,050 shares, of which employee stock options carrying entitlement to 34,000 shares were allotted to other senior executives and employee stock options carrying entitlement to 74,050 shares were allotted to other employees. The President was not allotted any options under this program. The exercise price for the employee stock options is SEK 113 per share and the expiration on 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 at the date of allotment.

Orexo's Annual General Meeting on April 27, 2006 voted to adopt a new employee option program for the issuance of warrants and to approve vesting of the authority over the warrants within the framework of the employee stock option program. The employee stock option program involves 200,000 employee stock options. Each employee stock option can be used to acquire one share in Orexo, against payment of a redemption amount established as the market value of Orexo shares at the time of the allotment. A total of 133,050 warrants were issued to the wholly owned subsidiary, Pharmacall AB, as hedging for the program. Full exercise of the employee stock options would lead to a dilution of approximately 0.9 percent of the share capital and the voting rights in the company. As of August 21, 2006, employee stock options with rights to subscribe for 5,000 shares were allotted from this program. The subscription price for the allotted employee stock options is SEK 118 and the employee stock options may be exercised up to and including December 31, 2016.

During the period, the Board decided to cancel options and deregister warrants at the Swedish Companies Registration Office corresponding to subscription for 149,500 shares, reducing the dilution by approximately 1 percentage point on exercise of the warrants outstanding. Of these warrants, 144,500 were entitled to subscribe for shares intended for cash flow hedging of social security fees. The company considers its hedging to be sufficient even after deregistration of these warrants. The other warrants with rights to subscribe for 5,000 shares that were cancelled and deregistered at the Swedish Companies Registration Office options referred to hedging of older options that had not been allotted, and these had expired and could therefore not be exercised.

Moreover, 35 warrants were exercised corresponding to subscription for 8,750 new shares.

[3]) *All data is adjusted for the 1:250 share split carried out in November 2005. As shown in the 2005 Annual Report, each old option carries rights to subscribe for 250 shares after the split. The above information pertains in all respects to the number of shares each option is entitled to subscribe after the split.*

4. Cash flow

Adjustment for items not included in cash flow	**2006 July-Sept**	**2005 July-Sept**	**2006 Jan-Sept**	**2005 Jan-Sept**	**2005 Jan-Dec**
Depreciation/amortization and impairments	909	710	2 432	2 164	2 899
Calculated costs for employee stock option program	6 818	1 602	11 024	4 134	12 456
Customer losses	0	0	193	113	113
Profit from sale of subsidiary	0	0	0	(8 865)	(8 865)
Recovered VAT on issuance expenses	0	0	361		
Miscellaneous	0	0	(116)		
Total	**7 727**	**2 312**	**13 894**	**-2 454**	**6 603**

5. Acquisition of Noster System AB

On June 9, Kibion AB attained decisive influence and thereby control over the acquired company Noster System AB. The company was consolidated in the Orexo Group on the same date.

If the acquisition had occurred in January 1, 2006, the Group's net sales for the period January–September would amount to MSEK 86.7 and the net result for the period to a loss of MSEK 21,5.

At June 30, shareholders in Noster System AB corresponding to 100% of the votes and 100% of the capital had accepted the offer.