Orexo AB (publ.)
– Year-end report January-December 2006

Orexo AB, P.O. Box 303, 751 05 Uppsala, Sweden
Phone: +46 (0)18-780 88 00, Fax: +48 (0)18-780 88 88, E-mail: info@orexo.com
Internet: www.orexo.com Org nr 556500-0600

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, February 20, 2007

Orexo AB (publ) –
Year-end report January-December 2006

The year in brief

- Net sales increased to MSEK 132.0 (62.4)
- The loss after tax was MSEK 33.0 (loss: 43.2)
- Earnings per share amounted to a loss of SEK 2.46 (loss: 4.33)
- Filed registration application for the European market for the pain product Rapinyl™
- Application (IND) for conducting clinical study in the US on the insomnia product Sublinox™ (OX 22), submitted to FDA
- Signed distribution agreement for the pain product Rapinyl™ – licensing agreements previously signed for the North American, European and Japanese markets
- Initiated collaboration on a new technology platform for new products
- Completed an acquisition– strengthens position in stomach-ulcer diagnosis

Fourth quarter 2006

- Orexo received license revenues of MUSD 5.2 MUSD (approximately MSEK 38) from Endo Pharmaceuticals Inc. for Rapinyl™
- A collaboration with the medical technology company Doxa was initiated with the objective of developing innovative new pharmaceuticals based on a unique drug-delivery technology
- A distribution agreement for Rapinyl™ in Eastern Europe was signed with the Hungarian pharmaceutical company Gedeon Richter Ltd
- An application to conduct clinical study (IND) in the US was submitted to the FDA for completion of the Phase III program for the insomnia product Sublinox™ (OX 22)

Condensed statement of operations [1]

MSEK	3 months 2006 Oct.-Dec.	3 months 2005 Oct.-Dec.	12 months 2006 Jan.-Dec.	12 months 2005 Jan.-Dec.
Net sales	**51.7**	**3.4**	**132.0**	**62.4**
Profit/loss after tax	**(12.4)**	**(35.4)**	**(33.0)**	**(43.2)**
Earnings per share before dilution (SEK)	**(0.91)**	**(3.09)**	**(2.46)**	**(4.33)**
Earnings per share after dilution (SEK)[2]	**(0.91)**	**(3.09)**	**(2.46)**	**(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.

2006 in brief

Orexo receives MEURO 5.0 in license revenue for Rapinyl™ on the European market
Orexo AB and ProStrakan Group plc. signed a licensing agreement valid from January 2, 2006 giving ProStrakan exclusive rights to register and market Rapinyl™ on the European market. In conjunction with the transfer of the rights to ProStrakan, Orexo received an initial payment of MEUR 5, corresponding to approximately MSEK 47.

Unique clinical profile of Orexo product OX 17 confirmed
Study results demonstrating the clinical significance of Orexo´s product OX 17 in the treatment of gastroesophageal reflux disease (GERD) were presented at the Digestive Disease Week (DDW) World Congress in Los Angeles on May 21, 2006. The results confirm that OX 17 combines rapid onset of effect with maintained efficacy during the treatment period.

Acquisition strengthens Orexo´s position in gastric ulcer bacteria diagnostics
In June, Orexo AB's subsidiary, Kibion AB, acquired all of the shares in Noster System AB. The company was consolidated as of June 9, and the ownership share amounted to 100 percent as of June 30, 2006. Through this acquisition, Orexo has expanded its portfolio in *Helicobacter pylori* ("stomach ulcer bacteria") diagnostics, broadened its operations geographically and significantly increased sales in Kibion.

Orexo publishes positive study results for Sublinox™ (OX 22) at the Conference of the Associated Professional Sleep Societies (APSS)
Orexo published positive study results for Sublinox™ (OX 22) at the Conference of the Associated Professional Sleep Societies (APSS) in Salt Lake City, USA. The results from the Sublinox™ (OX 22) study demonstrated fast onset of sleep and maintained sleep during the night without "day-after" residual effects.

Orexo´s licensing partner submits registration application for the pain product Rapinyl™
In September, Orexo´s European licensing partner ProStrakan Group plc. announced submission of the registration application for the pain product Rapinyl™ on the European market. The Swedish Regulatory authority will be the reporting body and coordinator for the registration process in Europe.

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.

In addition to the up-front license fee payment of MEURO 5 - approximately MSEK 47 - and already received milestone payment of MEURO 2 - approximately MSEK 19 –mentioned above, the license agreement with ProStrakan Group plc. provides for, additional regulatory approval and sales milestone payments of potentially up to MEURO 15 - approximately MSEK 140. When ProStrakan introduces Rapinyl™ on the European market, the agreement also provides for double-digit royalties upon commercial sales.

Orexo receives MUSD 5.2 from Endo Pharmaceuticals Inc.
In October, Orexo received license revenue of MUSD 5.2 – approximately MSEK 38 – from Endo Pharmaceuticals pertaining to Rapinyl™. Endo Pharmaceuticals has exclusive rights to the further development and marketing of Rapinyl™ on the North American market, and is currently conducting a Phase III program to support registration in the US for treatment of breakthrough pain in opioid-tolerant cancer patients. To date, Orexo has received license revenues from Endo Pharmaceuticals Inc. totaling about MSEK 161.

Orexo develops unique drug delivery-technology and new product for pain
In October, Orexo initiated collaboration with the medical technology company Doxa AB.

The collaboration aims at developing new, innovative pharmaceuticals based on a unique drug delivery-technology and the companies´ expertise in pharmaceutical formulation technologies and bioactive-ceramics, which among other things will make slow and controlled release of active compounds possible. The initial and primary objective is to develop a new, improved pharmaceutical product for pain treatment.

Orexo signs distribution agreement with Gedeon Richter
In December, Orexo and the Hungarian pharmaceutical company Gedeon Richter Ltd. entered into a distribution agreement under which Gedeon Richter received exclusive rights to market and sell Rapinyl™ - Orexo´s patented product for management of breakthrough cancer pain - in CIS, Bulgaria and Rumania. This is Orexo´s first distribution agreement for Rapinyl™.

Orexo submits application (IND) to FDA to complete Phase III study program for the insomnia product Sublinox™ (OX 22)
In December, Orexo submitted an application to FDA to complete the Phase III study program for the insomnia product Sublinox™ (OX 22) – Orexo´s patented product for treatment of temporary sleeping disturbances. The studies are expected to be completed in the second half of 2007.

Key events after the close of the period

Orexo strengthens organization – Christina Rångemark Åkerman appointed Head of Technology and Product Development
Orexo AB has appointed Christina Rångemark Åkerman as Senior Vice President and Head of Technology and Product Development. She assumed her position on February 1, 2007. She is responsible for project management, R&D, clinical development and regulatory affairs. The recruitment is a step to further strengthen Orexo´s organization as the company prepares for increasing its investments in developing new products, and simultaneously, preparing some of its existing products for entering clinical phase III-trials.

FDA approves Orexo´s application (IND) to complete Phase III study program for the insomnia product Sublinox™ (OX 22)
In January 2007, FDA approved Orexo´s application to complete the Phase III study program for the insomnia product Sublinox™ (OX 22) – Orexo´s patented product for treatment of temporary sleeping disturbances. The studies are expected to be completed in the second half of 2007.

Allocation in Employee Stock Option Program 2006/2016
In February 2007, the Board of Directors decided to allocate 156,975 employee stock options under the Employee Stock Option Program 2006/2016 approved by the Annual General Meeting on April 27, 2006.

Operations

Orexo in brief
Orexo is a pharmaceutical company developing new pharmaceutical drugs within areas currently subject to considerable unmet medical needs. Orexo applies its broad expertise in medicine and pharmaceuticals 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, and to date the company has elected to focus on tablet-based, fast-dissolving formulations – designed to be absorbed via the mucous membrane in the mouth, for example – a patented method that enables a rapid and effective uptake of pharmaceutical substances with minimal swallowing of the active substance. This approach enables effective new pharmaceutical drugs to be developed in such therapy areas as acute pain and sleep disorders.

Orexo has grown into an organization with 61 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, one product submitted for registration on the European market, two products in late clinical development phase, 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.

Orexo's product portfolio

Diabact® UBT/Heliprobe™System – Diabact® UBT is Orexo's first commercialized 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.

Distribution and marketing agreements for Diabact® UBT have been signed for the markets in Austria, Finland, Germany, Hong Kong, Ireland, Serbia, Sweden and the UK. 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. Distribution agreement for CIS, Bulgaria and Rumania has been signed with Gedeon Richter Ltd.

In December 2005, Endo Pharmaceuticals launched Phase III studies on Rapinyl™. Endo Pharmaceuticals has announced that they intend to submit a registration application for the North American market during 1H2008. Endo Pharmaceuticals previously announced that this would be done during the second half of 2007, but as a consequence of delay in patient recruitment, the studies are estimated to be delayed by a few months.

As previously mentioned, ProStrakan submitted a registration application for Rapinyl™ during the fourth quarter, to the EMEA, the European registration authority.

Sublinox™ (OX 22) – for the treatment of sleeping disturbances, has entered 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, the niche profile that Sublinox™ (OX 22) has demonstrated is considered advantageous. Against this background, Orexo initiated a Phase III program during the year to strengthen the documentation of the pharmacological profile of Sublinox™ (OX 22) in preparation for registration and out-licensing. The aim of these studies are to further document the product's on-demand characteristics.

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 favorable 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. This possibility to position OX 17 within the vast and commercially attractive OTC segment prompted Orexo to further investigate such commercial strategy and to invite additional companies to licensing discussions with regard to the global OTC- market. Licensing discussions are ongoing.

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. Lead formulation has been identified. If the formulation process proceeds according to plan, clinical studies will be initiated in 2007.

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.

New technology platform and new product for pain – Orexo has initiated a collaboration with the medical technology company Doxa, to develop new, innovative pharmaceuticals based on a unique drug delivery technology, which will be designed for slow and controlled release of the active ingredient. The first objective is to develop a new, improved pharmaceutical for pain treatment.

The period in figures; January 1 – December 31, 2006

Condensed statement of operations

MSEK	3 months 2006 Oct.-Dec.	3 months 2005 Oct.-Dec.	12 months 2006 Jan.-Dec.	12 months 2005 Jan.-Dec.
Net sales	**51.7**	**3.4**	**132.0**	**62.4**
Cost of goods sold	(5.2)	(0.8)	(11.1)	(3.0)
Gross profit	**46.5**	**2.6**	**120.8**	**59.4**
Selling expenses	(2.6)	(1.6)	(7.8)	(3.3)
General and administrative expenses	(19.8)	(18.3)	(57.5)	(44.0)
Research and development costs	(37.5)	(19.6)	(94.5)	(67.2)
Other operating income and expenses	(1.2)	0.9	(1.6)	1.7
Profit from sale of subsidiary	-	-	-	8.9
Operating loss*	**(14.6)**	**(36.0)**	**(40.6)**	**(44.5)**
Net financial items	2.1	0.6	7.6	1.3
Loss after financial items	**(12.5)**	**(35.4)**	**(33.0)**	**(43.2)**
Tax	0.0	-	0.0	-
Net loss for the period	**(12.4)**	**(35.4)**	**(33.0)**	**(43.2)**

** Includes costs for employee stock options related to share price performance totaling MSEK 7.4 for the period from January to December 2006 (MSEK 11.9 January – December 2005)*

Revenue

Net sales

Consolidated net sales for 2006 amounted to MSEK 132.0 (62.4). The increase in net sales was attributable to license revenues for Rapinyl™, but also to the continued positive sales trend for the subsidiary Kibion AB pertaining to the products Diabact® UBT and Heliprobe™ System.

Sales were distributed as follows:

MSEK	Jan-Dec 2006	Jan-Dec 2005	Oct-Dec 2006	Oct-Dec 2005
Kibion AB	17.3	5.1	8.2	1.5
License revenue Rapinyl™	106.5	51.6	40.0	-
Other revenue	8.2	5.7	3.5	1.9
Total	**132.0**	**62.4**	**51.7**	**3.4**

During the period October to December, net sales amounted to MSEK 51.7 (3.4). The fourth quarter of 2006 contained a license fee of about MSEK 38 – MUSD 5.2 – from Endo Pharmaceuticals.

Expenses and earnings

Selling expenses

Selling expenses amounted to MSEK 7.8 (3.3) for the full year and MSEK 2.6 (1.6) for the period from October to December 2006. The increased costs were attributable to Orexo's investments in its operations for exhalation tests involving the products Diabact® UBT and Heliprobe™ System.

Administrative expenses

Administrative expenses amounted to MSEK 57.4 (44.0) for the year 2006 and MSEK 19.8 (18.3) for the period from October to December 2006.

Expenses for the company's employee stock option program

The company's share price declined during the period from October to December, resulting in a decline in estimated social security fees for the stock option program. This had a positive effect on earnings for the stock option program of MSEK 3.6 for the fourth quarter, to be compared with expenses of MSEK 8.4 for the corresponding year.

For the full year 2006, costs for the employee stock option program amounted to MSEK 7.4 (11.9) for the full year. Of these costs, MSEK 4.5 (7.8) was attributable to administration-related employees MSEK 2.9 (4.0) to research and development-related personnel.

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

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

Research and development costs

Research and development costs amounted to MSEK 94.5 (67.2) for the full year and MSEK 37.5 (19.6) for the period from October to December.

The increase in research and development costs, compared with the same period in the preceding year, was attributable to increased investment in the company's development projects and the start of the Phase III program for Sublinox™ (OX 22) and OX 17, as well as royalty payments as described below.

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 and OX 17 for GERD. Other development projects in formulation phase are OX 19 for the treatment of daytime and nocturnal incontinence, and OX 40 for acute treatment of moderate to severe migraine.

R&D costs for January–December 2006 include a royalty payment of MSEK 10.5 (5.1) attributable to Rapinyl™. The royalty payment is based on the license revenue from Rapinyl™. 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 25.6 had been paid at December 31, 2006.

Depreciation/amortization
Depreciation/amortization for the period from January to September 2006 amounted to MSEK 3.4 (2.9).

Tax
Tax expenses during the January-December 2006 period amounted to MSEK 0.0 (0.0).

Net result
The operating loss for the year amounted to MSEK 40.6 (loss: 44.5). The loss after net financial items was MSEK 33.0 (loss: 43.2), and the loss after tax was MSEK 33.0 (loss: 43.2).

The operating loss for the October-December 2006 period was MSEK 14.6 (loss: 36.0). The loss for the period after net financial items and tax was MSEK 12.4 (loss: 35.4).

Financial position
The Groups cash and cash equivalents plus current investments amounted to MSEK 332.5 (350.1) at December 31, 2006.

Cash flow from operating activities was negative in an amount of MSEK 21.7 (neg. 36.5). Cash flow after financing amounted to MSEK 15.9 (176.2). During the year, Kibion AB acquired Noster System AB. The fourth quarter of the preceding year included extensive funds from the new share issue of MSEK 302.5 (after issue costs) implemented in conjunction with the exchange listing.

During the period, short-term investments were made in accordance with the company's finance policy. According to the finance policy, liquidity is defined as the cash and cash equivalents required for the company's commercial obligations. All other liquidity is classed as surplus liquidity. At December 31, 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 (minimal rating BBB) and with maturities of up to September 2007.

Shareholders' equity at December 31, 2006 amounted to MSEK 324.3 (338.9). The equity/assets ratio was 85 percent (91).

Investments
Gross investments in tangible fixed assets for the year amounted to MSEK 4.6 (2.5). These investments consist mainly of investments in production and research equipment.

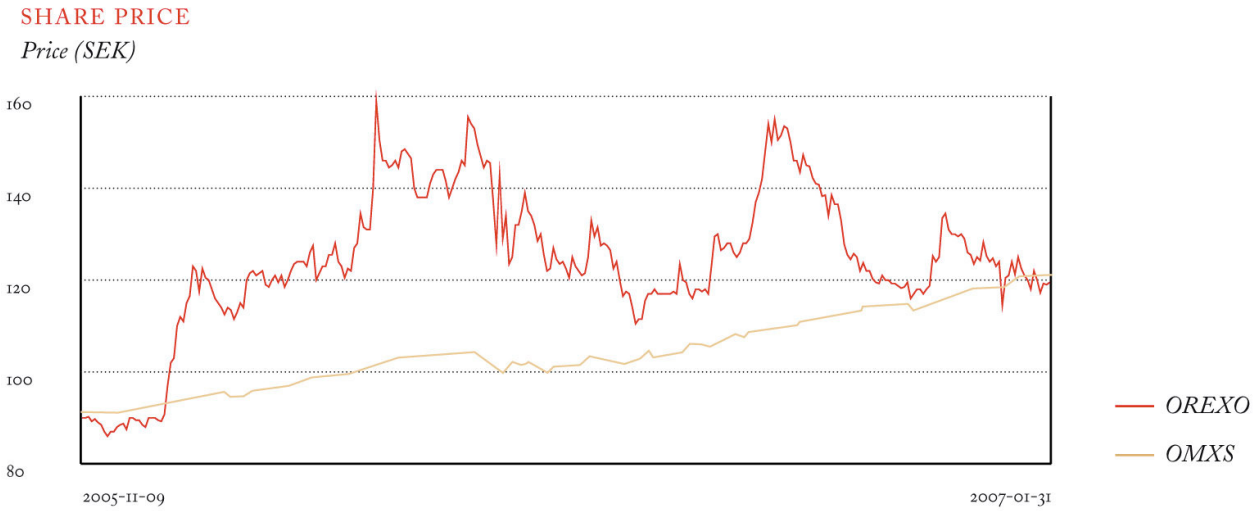
Parent Company
The majority of the Group's business is carried out in the Parent Company, Orexo AB. Net sales for the year amounted to MSEK 118.2 (63.1) and the loss after net financial items amounted to MSEK 44.6 (loss: 41.5). Investments amounted to MSEK 4.5 (2.5). The Parent Company's cash and cash equivalents and current investments totaled SEK 329.1 (347.6) at December 31, 2006.

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.

Dividend
The Board of Directors does not intend to propose a dividend for the 2006 fiscal year.

Share price and market cap

Orexo's share was introduced on November 9, 2005, at the price of SEK 90, and traded on December 29, 2006, at SEK 124.25 The company's market capitalization, based on the number of shares outstanding on December 31, 2006, amounted to MSEK 1,725.



Analysts who follow Orexo

ABG Sundal Collier	Alexander Lindström
D. Carnegie AB	Kristofer Liljeberg-Svensson and Camilla Oxhamre
Handelsbanken Markets	Hans Mähler
Redeye	Björn Andersson
Remium Securities	Christian Wallberg and Johan Isaksson

Annual report

Orexo AB's annual report will be presented in early April.

Annual General Meeting

The Annual General Meeting will be held in Stockholm at 5:00 p.m. on Monday, April 23, 2007. Notice will be published not later than March 26, 2007.

Future reporting dates

Interim report January-March 2007	May 9
Interim report April-June 2007	August 14
Interim report July-September 2007	November 6
Year-end report for fiscal year 2007	Not later than February 29, 2008

Uppsala. February 20, 2007

Orexo AB (publ)
Zsolt Lavotha, President and CEO

For further information, please contact
Zsolt Lavotha, President & CEO, tel 018-780 88 12, e-mail: zsolt.lavotha@orexo.se
Claes Wenthzel, Executive Vice President & CFO, tel 018-780 88 44, e-mail: claes.wenthzel@orexo.se

Review report

We have reviewed the appended interim report for the period January 1 to December 31, 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, February 20, 2007
Öhrlings PricewaterhouseCoopers

Leonard Daun
Authorized Public Accountant

CONSOLIDATED BALANCE SHEETS

	Notes	2006 Dec 31	2005 Dec 31
ASSETS			
Fixed assets			
Tangible fixed assets		6,392	3,160
Goodwill		8,988	-
Other intangible fixed assets		1,974	2,553
Financial fixed assets		-	2,290
Total fixed assets		**17,354**	**8,003**
Current assets			
Inventories		9,234	3,028
Current receivables		20,810	10,159
Current investments		56,126	89,631
Cash and bank balances		276,408	260,489
Total current assets		**362,578**	**363,307**
Total assets		**379,932**	**371,310**
SHAREHOLDERS' EQUITY AND LIABILITIES	3		
Share capital		5,554	5,317
Other reserves		351,633	376,862
Accumulated losses		(32,837)	(43,270)
Total shareholders' equity		**324,350**	**338,909**
Long-term liabilities			
Provisions		4,819	13,783
Deferred tax liability		356	-
Total long-term liabilities		**5,175**	**13,783**
Current liabilities, non-interest-bearing		50,407	18,618
Total liabilities		**55,582**	**32,401**
Total shareholders' equity and liabilities		**379,932**	**371,310**
Pledged assets		3,500	2,500
Contingent liabilities		7,250	50

CONSOLIDATED STATEMENT OF OPERATIONS

	Notes	3 months 2006 Oct.-Dec.	3 months 2005 Oct.-Dec.	12 months 2006 Jan.-Dec.	12 months 2005 Jan.-Dec.
Net sales		51,665	3,354	131,956	62,352
Cost of goods sold	2	(5,201)	(794)	(11,151)	(2,954)
Gross profit		**46,464**	**2,560**	**120,805**	**59,398**
Selling expenses	2	(2,622)	(1,607)	(7,849)	(3,303)
General and administrative expenses	2	(19,780)	(18,301)	(57,437)	(44,030)
Research and development costs	2	(37,527)	(19,597)	(94,512)	(67,231)
Other operating income		214	956	678	1,927
Other operating expenses	2	(1,355)	(27)	(2,275)	(186)
Profit from sale of subsidiary		-	-	-	8,865
Operating loss		**(14,606)**	**(36,016)**	**(40,590)**	**(44,560)**
Earnings from financial investments					
Interest income and similar items		2,145	749	7,516	1,433
Interest expenses and similar items		(1)	(1)	(24)	(7)
Impairment of promissory note receivables		-	(115)	115	(115)
Result after financial investments		**(12,462)**	**(35,383)**	**(32,983)**	**(43,249)**
Tax on the year's income		40	-	40	-
Net loss		**(12,422)**	**(35,383)**	**(32,943)**	**(43,249)**
Loss per share, before dilution, SEK		(0.91)	(3.09)	(2.46)	(4.33)
Loss per share, after dilution, SEK		(0.91)	(3.09)	(2.46)	(4.33)
Average number of shares, before dilution		13,683,000	11,432,375	13,390,854	9,995,896
Average number of shares, after dilution		13,897,550	12,347,375	13,605,404	10,910,896
Number of shares, before dilution		13,884,750	13,292,500	13,884,750	13,292,500
Number of shares, after dilution		14,099,300	14,207,500	14,099,300	14,207,500

CONSOLIDATED CASH-FLOW STATEMENTS

	Notes	3 months 2006 Oct.-Dec.	3 months 2005 Oct.-Dec.	12 months 2006 Jan.-Dec.	12 months 2005 Jan.-Dec.
Continuing operations					
Loss before interest expense and interest income		(14,606)	(36,016)	(40,590)	(44,560)
Interest paid		(1)	(1)	(24)	(7)
Interest received		2,145	749	7,516	1,433
Adjustment for items not affecting cash flow	4	(2,559)	9,057	11,335	6,603
Cash flow from operating activities before changes in working capital		**(15,021)**	**(26,211)**	**(21,763)**	**(36,531)**
Cash flow from changes in working capital					
Change in accounts receivable		12,895	51,160	(10,282)	(297)
Change in other current receivables		(134)	(2,907)	(369)	(3,057)
Change in inventories		(2,167)	(691)	(6,206)	(1,609)
Change in current liabilities		20,704	(17,851)	29,428	(16,245)
Change in long-term liabilities		(3,632)	13,783	(8,608)	13,783
Cash flow from operating activities		**12,645**	**17,283**	**(17,800)**	**(43,956)**
Investment activities					
Proceeds from sale of subsidiary		-	-	-	9,405
Acquisition of machinery and equipment		(778)	(560)	(4,562)	(2,465)
Investing in short-term investments		18,456	(89,631)	33,505	(89,631)
Acquisition of subsidiary		-	-	(8,195)	-
Total cash flow after investment activities		**30,323**	**(72,908)**	**2,948**	**(126,647)**
Financing activities					
Proceeds from new share issue		12,609	304,838	12,971	302,896
Cash flow after financing activities		**42,932**	**231,930**	**15,919**	**176,249**
Cash flow for the year					
Liquid funds, at the beginning of period		233,476	28,559	260,489	84,240
Change in liquid funds		42,932	231,930	15,919	176,249
Liquid funds, at end of period		**276,408**	**260,489**	**276,408**	**260,489**

KEY FIGURES

	3 months 2006 Oct.-Dec.	3 months 2005 Oct.-Dec.	12 months 2006 Jan.-Dec.	12 months 2005 Jan.-Dec.
Operating margin, %	(28)	(1 074)	(31)	(71)
Profit margin, %	(24)	(1 055)	(25)	(69)
Return on total capital, %	(3)	(15)	(9)	(34)
Return on shareholders' equity, %	(4)	(17)	(10)	(43)
Return on capital employed, %	(4)	(17)	(10)	(43)
Debt/equity ratio, multiple	0	0	0	0
Equity/assets ratio, %	85	91	85	91
Current ratio, %	719	1 951	719	1 951
Acid test ratio, %	701	1 935	701	1 935
Average number of shares, before dilution	13,683,000	11,432,375	13,390,854	9,995,896
Average number of shares, after dilution	13,897,550	12,347,375	13,605,404	10,910,896
Number of shares after full dilution	14,319,750	14,578,500	14,319,750	14,578,500
Number of shares, before dilution	13,884,750	13,292,500	13,884,750	13,292,500
Number of shares, after dilution	14,099,300	14,207,500	14,099,300	14,207,500
Loss per share, before dilution, SEK	(0.91)	(3.09)	(2.46)	(4.33)
Loss per share, after dilution, SEK	(0.91)	(3.09)	(2.46)	(4.33)
Shareholders' equity per share, before dilution, SEK	23.36	25.50	23.36	25.50
Shareholders' equity per share, after dilution, SEK	23.00	23.85	23.00	23.85
Number of employees at the end of the period	61	43	61	43
Average number of employees	58	37	50	37
Shareholders' equity, SEK thousands	324,350	338,909	324,350	338,909
Capital employed, SEK thousands	324,350	338,909	324,350	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 Oct.-Dec.	**2005 Oct.-Dec.**	**2006 Jan.-Dec.**	**2005 Jan.-Dec.**
Raw materials and supplies	5,737	1,153	13,982	5,053
Other external costs	39,626	17,650	86,110	59,301
Personnel costs	20,109	20,787	69,687	50,451
Depreciation and write-downs	1,013	736	3,445	2,899
TOTAL	**66,485**	**40,326**	**173,224**	**117,704**

3. Shareholders' equity

Changes in consolidated shareholders' equity

	2006 Oct.-Dec.	**2005 Oct.-Dec.**	**2006 Jan.-Dec.**	**2005 Jan.-Dec.**
Shareholders' equity brought forward according to balance sheet	**323,200**	**68,520**	**338,909**	**75,094**
Loss for the period	(12,422)	(35,383)	(32,943)	(43,249)
Issuance of units	-	-	-	134
Exercised hedge warrants	4,607	-	4,607	-
Subscription of shares through the exercise of warrants	8,002	223	8,364	819
New share issue	-	333,000	-	333,000
Employees stock options, value of employees' service	963	935	5,052	3,572
Issue expenses	-	(28,386)	0	(30,461)
Recovered VAT on issuance expenses	-	-	361	-
Amount of close of period	**324,350**	**338,909**	**324,350**	**338,909**

Shares outstanding
The number of shares outstanding at December 31, 2006, was 13,884,750, all of which were common shares. All shares carry entitlement to one vote each. During the period, the number of outstanding shares changed as shown below.

Outstanding shares at January 1, 2006	**13,292,500**
Subscription of shares through exercise of employee stock options	+269,000
Subscription of shares through exercise of subscription warrants	+281,500
Subscription of shares through exercise of hedge warrants	+41,750
Outstanding shares at December 31, 2006	**13,884,750**

Employee stock options and warrants
At December 31, 2006, there were options outstanding carrying rights to subscribe for shares 677 300 shares in Orexo[3]. The following table shows changes in the number of options during the January–December 2006 period.

	Opening 1/1 2006	**Number of shares exercised for subscription of new shares**	**Other changes**		**Closing 31/12 2006**
			-	**+**	
Total number of stock options and warrants	**1,286,000**	**(592,250)**	**(262,550)**	**246,100**	**677,300**
Of which:					
Decided and allotted					
- employee stock options	490,750	(269,000)	(5,000)	113,050	329,800
- warrants	356,000	(281,500)			74,500
Warrants held by subsidiary for cash-flow hedging of social security fees	264,250	(41,750)	(144,500)		78,000
Decided, but not allotted, employee stock options for 2005 and 2006	175,000		(113,050)	133,050	195,000

Fourth quarter
During the October-December period, 592,250 new shares were subscribed by exercising the corresponding warrants in Orexo's options program. These were distributed as follows (see also table above):

- Exercised employee stock options: 269, 000 new shares
- Exercised subscription warrants: 281,500 new shares
- Exercised hedge warrants: 41,750 new shares.

Exercise of employee stock options took place between November 8 and December 20. The weighted average share price for exercise was SEK 120.21.

[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.*

With regard to hedge options, these were sold to cover the cash flow effects of the company's payments for social security fees when employee stock options were exercised and the ongoing provisions reported for estimated social security fees falling due for payment.

Allocation in February
During February 2006, new employee stock options were allocated that in total carry subscription rights to 108,050 new shares. The distribution among employee groups was as follows:

- President: 0 shares
- Other senior executives: 34,000 shares
- Other employees: 74,050 shares

The subscription price amounts to SEK 113 per share, and the options can be exercised up to and including December 31, 2015. One third of the total options allocated are earned on each of the three annual dates immediately following December 31, 2005. The market value as calculated according to the Black & Scholes method amounted to SEK 32.62 per option on the allocation date.

New program approved by Annual General Meeting
At Orexo's Annual General Meeting on April 27, 2006, a decision was take to approve a new employee stock option plan including the issue of subscription warrants and approval of disposition of subscription warrants within the framework of the employee stock option plan. The employee stock option plan comprises 200,000 employee stock options. Each employee stock option may be exercised to acquire one share in Orexo in exchange for payment of an exercise prive established as the market value of the Orexo share on the date of allocation. 133,050 subscription warrants were issued to the wholly owned subsidiary Pharmacell AB as a hedge for the program. Full exercise of the warrants will result in a dilution of about 0.9 percent of the share capital and votes in Orexo.

During the year, employee stock options carrying subscription rights to 5,000 shares were allocated from this program. The exercise price of the allocated warrant is SEK 118 per share, with an exercise period extending up to and including December 31, 2016.

Cancellation of warrants
In addition, the Board of Directors decided during the year to cancel warrants and de-register subscription warrants at the Swedish Companies Registration Office carrying subscription rights to 149,050 shares, this reducing the dilution effect on full exercise of all outstanding subscription warrants by about 1 percentage point. The canceled warrants included subscription warrants carrying subscription rights to 144,050 shares intended for cash-flow hedging of social security fees. The company considers that hedging of the employee stock option plan is sufficient even after the de-registration. Other subscription warrants carrying subscription rights to 5,000 shares were also canceled and deregistered at the Swedish Companies Registration Office. There warrants were intended as hedges for previously unallocated employee stock options that expired and thus could not be exercised.

4. Cash flow

Adjustment for items not included in cash flow

	2006 Oct.-Dec.	2005 Oct.-Dec.	2006 Jan.-Dec.	2005 Jan.-Dec.
Depreciation/amortization and impairments	1,012	735	3,444	2,899
Calculated costs for employee stock option program	(3,611)	8,322	7,413	12,456
Customer losses	-	-	193	-
Profit from sale of subsidiary	-	-	-	(8,865)
Recovered VAT on issuance expenses	-	-	361	-
Miscellaneous	40	-	(76)	113
Total	**(2,559)**	**9,057**	**11,335**	**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–December 2006 would amount to MSEK 138.5 and the net result for the year to a loss of MSEK 34.0.

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