Orexo AB (publ)
– Interim Report January - September 2007

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Uppsala, October 23, 2007

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Key events during the period

- Net revenues amounted to MSEK 21.7 (80.3)
- The loss after tax was MSEK 128.6 (loss: 20.5)
- Earnings per share amounted to a loss of SEK 9.24 (loss: 1.54)
- Orexo establishes a sales force in the Nordic markets by forming a joint venture with ProStrakan
- The EU registration process of Rapinyl® has been referred to EMEA's Committee for Medicinal Products for Human Use (CHMP)

Third quarter 2007

- Net revenues amounted to MSEK 6.5 (24.9)
- The loss after tax was MSEK 34.1 (loss: 11.2)
- Earnings per share amounted to a loss per share was SEK 2.44 (loss: 0.84)

Key events after the period

- Orexo enters agreement to acquire Biolipox – first step in creating innovative specialty pharma company
- Orexo to convene Extraordinary General Meeting on November 1, 2007
- Orexo reports positive results in comparative clinical Phase III trials for Sublinox™ (OX22)
- Orexo commences phase 1 trials for its incontinence treatment
- Orexo broadens its portfolio in pain relief – commences two new development projects

Income statement in brief [1]

MSEK	3 months 2007 July-Sept.	3 months 2006 July-Sept	9 months 2007 Jan.-Sept.	9 months 2006 Jan.-Sept.	12 months 2006 Jan.-Dec.
Net revenues	**6.5**	**24.9**	**21.7**	**80.3**	**132.0**
Loss after tax	**-34.1**	**-11.2**	**-128.6**	**-20.5**	**-33.0**
Earnings per share, before dilution (SEK)	**-2.44**	**-0.84**	**-9.24**	**-1.54**	**-2.46**
Earnings per share, after dilution (SEK)[2]	**-2.44**	**-0.84**	**-9.24**	**-1.54**	**-2.46**

Key events during the period

Orexo establishes a sales force in the Nordic markets by forming a joint venture with ProStrakan

Orexo has embarked on the next phase of its growth strategy by concluding a joint venture agreement with ProStrakan in respect of the Nordic markets. Together, Orexo and ProStrakan Group plc have established a new joint venture sales company," which is equally owned by both parties. The new entity has the Nordic sales rights for both Orexo's and ProStrakan's products covering currently marketed and future products including Tostrex®, Rectogesic® and Droperidol®. Rapinyl® and Sancuso®, both of which are proceeding through the European registration phase, will supplement the product portfolio. Rapinyl® is Orexo's patented product for the treatment of cancer breakthrough pain, for which ProStrakan holds the European distribution rights. Sancuso® is ProStrakan's product for the prevention of chemotherapy-induced nausea and vomiting.

Operations will be pursued through ProStrakan Group plc's Swedish subsidiary, ProStrakan AB, of which Orexo holds 50 percent as a result of a directed share issue of GBP 1.3 million (MSEK 17.9).

The EU registration process of Rapinyl® has been referred to EMEA's Committee for Medicinal Products for Human Use (CHMP)

Orexo AB's European licensing partner, ProStrakan Group plc, for the cancer breakthrough pain product Rapinyl® on the European market, announced in September that Rapinyl® will be reviewed by EMEA's Committee for Medicinal Products for Human Use (CHMP).

Due to lack of consensus among the member countries during the EU regulatory approval process, Decentralized Procedure (DCP), the product will now be transferred for review by the EMEA's Committee for Medicinal Products for Human Use (CHMP), where a majority decision is required to gain approval. The exact scheduling for the CHMP process is not yet clear, but it seems likely that the approval process will extend into 2008.

[1]) Refers to the Group, unless otherwise stated 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 before and after dilution.

Key events after the close of the period

Orexo enters agreement to acquire Biolipox - creating an innovative specialty pharma company

Orexo AB and the majority shareholders of Biolipox AB have reached an agreement according to which Orexo is to acquire Biolipox, an innovative Swedish research-based pharmaceutical company that develops new therapies for inflammatory diseases, including pain management and respiratory diseases such as asthma and chronic obstructive pulmonary disease (COPD). Following the transaction, Biolipox shareholders will own 38 percent of the combined company. The transaction is contingent on Orexo's completion of a due diligence of Biolipox and approval of the non-cash issue by an Extraordinary General Meeting of Orexo and any customary regulatory approvals.

The acquisition will result in the following value added profile for Orexo:

- A broad, innovative and optimized product portfolio
- Boader technology platform
- Global partnerships with significant financial potential
- Broadened opportunities for additional licensing partnerships
- Additive opportunities for positive news flow
- Cost synergies
- Stronger financial position
- Broadened international ownership

Extraordinary General Meeting on November 1, 2007

Orexo's Board of Directors is convening an Extraordinary General Meeting on November 1, 2007 at 3:00 p.m. at Operaterrassen in Stockholm. The proposal is that the Extraordinary General Meeting authorize the Board in conjunction with the acquisition of Biolipox AB and without preferential rights to the shareholders, on one or more occasions, to decide on the issue of a maximum of 8,560,000 new shares and the issue of warrants. As a result of such issues of shares and warrants, the company's share capital could increase by a maximum of SEK 3,424,000. Payment for the newly issued shares shall be capital issued in kind comprising shares and options in Biolipox AB. The authorization shall apply until the time for the next Annual General Meeting.

New CEO of Orexo will be Dr. Torbjörn Bjerke, currently CEO of Biolipox, after closing of the transaction.

Orexo reports positive results in comparative clinical Phase III trials for Sublinox™ (OX22)

During October, Orexo completed the clinical Phase III program for Sublinox (OX22) by means of effect and local tolerance and safety trials were conducted among patients with sleep disturbances and provided positive results. The effect trials show that Sublinox™ (OX22) acts as a 30 percent faster sleep aid than what Ambien® does for patients suffering from sleep disturbances. The study also shows that patients remain asleep throughout the night. The study strengthens existing documentation that Sublinox™ (OX22) is a safe and effective treatment for temporary insomnia.

Orexo commences Phase I trials for its incontinence treatment

Orexo is commencing clinical Phase I trials for OX19 – the company's product for daytime urinary incontinence and nocturia. OX19 contains the active substance desmopressin and the product is based on Orexo's sublingual tablet preparation in which prompt dissolving in the oral cavity is combined with rapid absorption of the active substance across the oral mucosa. Following the development of several formulations, Orexo has selected a lead formulation for which bioavailability trials will now be conducted. Clinical trials, which will be conducted in Sweden, are expected to be finalized at year-end 2007.

Orexo broadens its portfolio in pain relief – commences two new development projects

Orexo is to add two new projects to its product portfolio. These innovations will considerably strengthen Orexo's position in pain relief, in respect of, for example, one product for treatment of severe chronic pain with an abuse-proof administration of opioids and a new quick acting product for treatment of severe acute pain.

Operations

Orexo in brief

Orexo is a pharmaceutical company developing new pharmaceutical drugs for areas in which there are currently major medical requirements. Orexo applies its broad expertise in medicine and pharmaceuticals to the further development of existing pharmaceutical substances. Orexo is able to develop new patented pharmaceuticals by combining well-documented compounds with its own patented drug delivery methods and its unique expertise in "dry formulations" (for example, tablets).

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 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 74 full-time employees, most of whom focus on research and development, clinical development and pharmaceutical registration. At present, the company has two products on the market, three in late clinical development phase - one of which has been outlicensed in the US, Europe and Japan and submitted for registration in Europe – as well as a product in clinical Phase I, one in the pharmaceutical formulation phase and two in the early development phase. Orexo has adopted an active intellectual property rights strategy and has, since its inception, has 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 is optimally deployed. The demand for drug-delivery products is growing rapidly due to the fact that these new pharmaceuticals can offer shorter time to onset of effect or improved safety profiles, for example.

Many pharmaceutical products on the market today have shortcomings – for example, they may be slow-acting, have side effects, need to be administered frequently or perhaps can only be injected. This is why demand for technologies that can improve the efficiency of existing products is rapidly increasing.

Orexo's product portfolio

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

Distribution and marketing agreements for Diabact® UBT have been signed for Austria, Finland, Germany, Hong Kong, Ireland, Serbia, Sweden and the UK. In Japan, 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 the 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, enables a quicker onset of action and more predictable effects – on-demand features. 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 Kogyo Ltd for the Japanese market. Distribution agreements for CIS (Russia and other former members of the Soviet Union), Bulgaria and Romania have been signed with Gedeon Richter Ltd.

In December 2005, Endo Pharmaceuticals launched Phase III studies on Rapinyl™. Endo Pharmaceuticals has announced that it intends to submit a registration application for the North American market during the first half of 2008. Rapinyl™ is undergoing registration in the European market

Sublinox™ (OX22) – for the treatment of sleep disturbances, is in Phase III development. Sublinox™ (OX22) is based on Orexo's sublingual tablet technology. In 2006, the US insomnia market amounted to SEK 3.3 billion (according to IMS sales data).

During October, Orexo completed the Phase III program by conducting the effect, local tolerance and safety study trials among patients using Sublinox™ (OX22) - for the treatment pf temporary insomnia with positive results . The effect trials confirm that Sublinox™ (OX22) acts as a 30 percent faster sleep aid than what Ambien® does for patients suffering from sleep disturbances. The study also shows that patients remain asleep throughout the night. The study strengthens existing documentation that Sublinox™ (OX22) is a safe and effective treatment for temporary insomnia.

The completed Phase III program, along with additional clinical documentation that Orexo finalized earlier, will provide the basis for the registration application that Orexo aims to submit to the FDA. As a result of long queues at the FDA, time for the pre-NDA meeting was granted first in January 2008. Thereafter, it takes about 60 days before an application is accepted.

OX17 – for the treatment of GERD (gastro esophageal reflux disease), a disorder that gives the patient recurrent heartburn, involving acidic regurgitation linked to stomachache, discomfort and sharp pains in the esophagus. OX17 is a patent-pending fixed combination of two well-proven active substances that each inhibits acid secretion in the stomach; an H2-receptor blocker and a proton pump inhibitor (PPI). To date, patents have been granted in Europe, China, Australia and New Zealand.

The clinical trial program confirms that effective inhibition of acid secretion is rapidly achieved after taking the first dose. Effective acid inhibition can be maintained as long as the symptoms persist. This is a favorable and unique clinical profile for a drug 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 initiated 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.

Discussions with the registration authorities in the US and Europe indicate that OX17 can possibly be approved either as a prescription drug or as a prescription-free OTC drug for treatment of GERD. The possibility of registering OX17 as an OTC drug opens up a broader position for OX17. The possibility of positioning OX17 within the vast and commercially attractive OTC segment has prompted Orexo to further investigate this as a commercial strategy.

As regards the ongoing outlicensing discussions, negotiations are in progress with a large number of international pharmaceutical companies and an agreement is expected to be signed during the next 6-8 months.

OX19 – for the treatment of daytime and nocturnal urinary incontinence (nocturia). In addition to the treatment of nocturia, OX19 also focuses on the short-term, on-demand treatment of urinary incontinence in women suffering from an overactive bladder. Orexo has commenced Phase I trials for OX19, which are expected to be completed at year-end 2007.

OX40 – for the acute treatment of moderate and severe migraine. Orexo's ambition is to formulate OX40 to provide a fast and predictable onset of effect, which is an essential characteristic for effective on-demand medication. During the third quarter, a preparatory study was conducted for the planned Phase I trials, using a tablet based on the well-documented substance sumatriptan.

The OX40 project is anticipated to offer large commercial potential. Accordingly, Orexo has worked concurrently with a number of other well-documented triptans. Preliminary evaluation shows that these triptans could better meet the desired product profile. Thus, the continuing formulation development in the project will concentrate on these triptans. Orexo expects to be able to commence trials in mid-2008 with a new sublingual formulation of selected triptan.

OX30 – slow and controlled release of opioids for the treatment of chronic pain and has also potential to reduce the abuse risk. Based on Orexo's and Doxa's jointly developed drug delivery technology. OX30 is in the formulation stage.

OX23 – for the treatment of acute pain. Based on Orexo's primary technology – the sublingual dosage form, in which a promptly dissolved tablet is placed under the tongue – which combines rapid dissolving, prompt onset of effect and predictable effects – typical "on demand" properties. OX23 is in the formulation stage.

New technology platform and new product for pain – Orexo has initiated 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 primary objective is to develop a new, improved pharmaceutical for pain treatment.

The period in figures; January 30 –September 30, 2007

Condensed statement of operations

MSEK	3 months 2007 July-Sept.	3 months 2006 July-Sept.	9 months 2007 Jan-Sept.	9 months 2006 Jan-Sept.	12 months 2006 Jan.-Dec.
Net revenues	**6.5**	**24.9**	**21.7**	**80.3**	**132.0**
Cost of goods sold	-3.4	-2.8	-10.2	-6.0	-11.2
Gross profit	**3.1**	**22.1**	**11.5**	**74.3**	**120.8**
Selling costs	-2.9	-2.4	-6.5	-5.2	-7.8
General and administrative expenses	-15.9	-13.9	-48.8	-37.7	-57.5
Research and development costs	-20.2	-18.6	-90.7	-57.0	-94.5
Other operating income and expenses	0.1	-0.3	0.0	-0.5	-1.6
Operating profit/loss	**-35.8**	**-13.2**	**-134.5**	**-26.0**	**-40.6**
Net financial items	1.6	1.9	5.8	5.5	7.6
Tax	0.1	-	0.1	-	0.0
Net result of the period	**-34.1**	**-11.2**	**-128.6**	**-20.5**	**-33.0**

Revenues

Net revenues

Consolidated net revenues for the period January -September 2007 totaled MSEK 21.7 (80.3). The decrease from the year-earlier period is attributable to licensing revenues received during 2006 from ProStrakan Group plc. The decline was partly offset by the sale of Heliprobe™ System, a product that the Group acquired in conjunction with the acquisition of Noster System AB in June 2006, and from August 1, 2007 by the sale of the company (Prostakan AB) jointly owned with ProStrakan Group plc.

Revenues were distributed as follows:

MSEK	Jan.—Sept. 2007	Jan.—Sept. 2007	Jan.-Dec. 2006
Kibion AB	18.3	9.1	17.3
ProStrakan AB	0.7	-	-
Licensing revenues Rapinyl®	0.0	66.5	106.5
Other revenues	2.7	4.7	8.2
Total	21.7	80.3	132.0

During the period July-September 2007, net revenues were MSEK 6.5 (24.9). The decline from the year-earlier period is due to licensing revenues received from ProStrakan Group plc.

Expenses and earnings

Selling expenses

Consolidated selling expenses for the period January-September 2007 amounted to MSEK 6.5 (5.2), and to MSEK 2.9 (2.4) for the period July-September 2007.

The expenses are attributable to sales of the Kibion subsidiary's products Diabact® UBT and Heliprobe™ System, as well as expenses in Prostrakan AB. The increase in selling expenses between the corresponding periods in 2006 and 2007 is the effect of the keener focus on sales, including the continuing development of the company Kibion AB and the acquisition of Noster System AB, as well as Prostrakan AB during the third quarter.

Administrative expenses

Administrative expenses for the period January-September 2007 totaled MSEK 48.8 (37.7). For the period July-September 2007, administrative expenses were MSEK 15.9 (13.9).

The increase from the year-earlier period is partly attributable to a further strengthening of the company's organization and infrastructure (IT system and premises),but mainly as a result of investments in various business developments projects. During the second quarter, earnings were charged with non-recurring expenses totaling MSEK 2.5 in respect of leasing costs for previous premises as well as a provision for any increase in employer fees for previous years.

Expenses for the company's employee stock options program
During July-September 2007, the total impact on earnings for the company's employee stock options program was MSEK +0.2 (-6.8). The reason for the decrease in these expenses during the quarter is the falling share price, which reduces the value of the employee stock options program, resulting in a lower reserve requirement for social security fees.

For the period January-September 2007, expenses for the employee stock options program totaled MSEK 3.3 (11.0), of which MSEK 1.2 (7.1) is attributable to administrative personnel and MSEK 2.1 (3.9) to R&D personnel.

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 during the period. The company will need to pay social security fees on the gain 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 due to the employee stock option program have been largely hedged – financially and therefore in cash-flow terms – through the issue of warrants to one of Orexo's subsidiaries. This hedging does not qualify for hedge accounting according to IFRS.

Research and development expenses
Research and development expenses under January-September 2007 totaled MSEK 90.7 (57.0), with MSEK 20.2 (18.6) for the period July-September 2007.

The increase from the period January-September in the preceding year is attributable to a keener focus on the company's product development projects, partly in the from of a larger workforce but especially through increased resources for Phase III studies for -Sublinox™ (OX22) and the Phase III program for OX17.

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™ (OX22) for the treatment of insomnia, OX17 for GERD, OX19 for the treatment of daytime and nocturnal incontinence, OX40 for acute treatment of moderate to severe migraine. OX23 for the treatment of profound, acute pain, plus OX30 for "abuse-proof" administration of opioids.

Other income and expenses
The item other income and expenses included are reinvoiced expenses relating to the rebuilding of leased premises totaling MSEK 9.3, which had no net effect on income.

Depreciation/amortization
Depreciation for the period January-September 2007 totaled MSEK 3.5 (2.4), with MSEK 1.4 (0.9) for the period July-September 2007. The increase compared with the year-earlier period is primarily attributable to amortization of intangible assets in respect of Prostrakan AB and equipment for new premises.

Tax
Tax expenses for the period January-September 2007 totaled MSEK 0.1 (0.0).

Net result
The operating loss for period January-September 2007 amounted to MSEK 134.5 (loss: 26.0). The loss after net financial items totaled MSEK 128,7 (loss:20.5), with the after-tax loss totaling MSEK 128.6 (loss:20.5). A comparison between the period shows income fell sharply, which is due to the licensing revenues from ProStrakan, which were received according to agreement in 2006. Meanwhile, Orexo continued the development of operations, leading to higher operating expenses.

The operating loss for the period July-September was MSEK 35.8 (loss: 13.2). The loss after net financial items was MSEK 34.2 (loss: 11.2) and the loss after tax was MSEK 34.1 (loss: 11.2). The lower operating result was primarily attributable to the fact that Orexo, in contrast to preceding years, did not receive any license revenues from ProStrakan Group plc during the period.

Financial position
Group cash and cash equivalents plus current investments amounted to till MSEK 152.5 (308.1) at September 30, 2007.

Cash flow from operating activities for the period January-September 2007 totaled a negative MSEK 131.8 (neg: 30.4). Cash flow after financing was negative at MSEK 133.9 (neg: 27.0).

Cash flow from operating activities for the period July-September 2006 totaled a negative MSEK 34.3 (neg: 21.1), while cash flow after financing amounted to a negative MSEK 45.2 (4.8). During the quarter, current investments of MSEK 21.0 (26.9) were terminated and transferred to cash and cash equivalents.

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 September 30, 2007, the Group's surplus liquidity was invested in banking and real estate (minimum rating A), and corporate and institutional (minimum rating BBB), with maturities of up to December 2007.

Shareholders' equity totaled MSEK 202.6 (323.2). The equity/assets ratio was 79 percent (88).

Investments
Gross investments in tangible fixed assets totaled MSEK 41,7 (3.8), during the period January-September 2007, and amounted to MSEK 22.7 (1.4) for the period July-September 2007. These investments primarily involve the remodeling of new premises and 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 revenues for the period January-September 2007 amounted to MSEK 5.9 (73.9), with the loss after financial items totaling MSEK 129.3 (loss:18.2). Investments totaled MSEK 41.7 (3.8). Cash and cash equivalents plus current investments in the Parent Company amounted to SEK 140.3 (305.5).

Pledged assets and contingent liabilities
The acquisition of Noster System AB involved an agreement on a supplemental 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 was reported under contingent liabilities. Otherwise, no significant changes in contingent liabilities or pledged assets occurred during the period.

Key risks and uncertainty factors

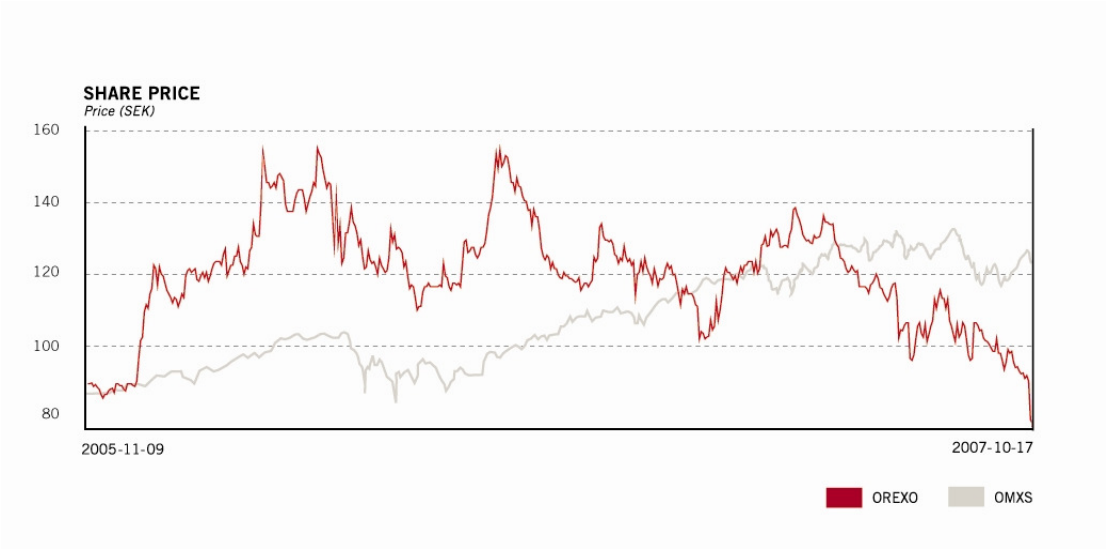
At present, Orexo has two products already on the market, three in late clinical development phases – of which one is outlicensed in the US, Europe and Japan, and submitted for registration in Europe – as well as one product in clinical Phase I, one in the formulation phase and two in the early development phase.

If Orexo's clinical trials do not succeed, Orexo may lack options for successfully developing and out-licensing or commercializing its products. There is also a risk that regulatory authorities may require further clinical studies as a condition of approving the company's products, which would significantly increase Orexo's costs. Orexo may need additional capital to achieve profitability.

For a further description of risk factors affecting Orexo see Report of the Board of Directors in the Orexo Annual Report for 2006.

The share

Orexo's share was introduced on November 9, 2005, at the price of SEK 90, and traded on September 30, 2007, at SEK 98.5. The company's market capitalization, based on the number of shares outstanding on September 30, 2007, amounted to MSEK 1,375.



Analysts who monitor Orexo

ABG Sundal Collier	Alexander Lindström
Carnegie AB	Kristofer Liljeberg-Svensson and Camilla Oxhamre
Handelsbanken Markets	Hans Mähler
Kaupthing Bank	Erik Hultgård
Redeye	Björn Andersson
Remium Securities	Johan Isaksson

Future reporting dates

Year-end report for fiscal 2007 _____February 15, 2008
Annual General Meeting 2008 _____April 3, 2008 in Stockholm

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Review report

We have reviewed the appended interim report for the period January 1 to September 30, 2007. The Board of Directors is responsible for the preparation and fair presentation of this interim report in accordance with the Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, 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 23, 2007
Öhrlings PricewaterhouseCoopers

Leonard Daun
Authorized Public Accountant

CONSOLIDATED BALANCE SHEET

SEK 000s	Notes	2007 Sept. 30	2006 Sept. 30	2006 Dec. 31
ASSETS				
Fixed assets				
Tangible fixed assets		45 386	6 086	6 392
Intangible fixed assets		4 012	2 515	1 974
Goodwill		16 013	8 988	8 988
Total fixed assets		**65 411**	**17 589**	**17 354**
Current assets				
Inventories		10 928	7 067	9 234
Accounts receivable		9 179	24 860	11 965
Current receivables		19 215	8 711	8 845
Current investments		9 951	74 582	56 126
Cash and bank balances		142 530	233 476	276 408
Total current assets		**191 803**	**348 696**	**362 578**
Total assets		**257 214**	**366 285**	**379 932**
SHAREHOLDERS' EQUITY AND LIABILITIES	3			
Share capital		5 584	5 321	5 554
Capital contributions		363 014	338 294	351 633
Accumulated losses		-166 045	-20 415	-32 837
Summa shareholders' equity		**202 553**	**323 200**	**324 350**
Long-term liabilities				
Provisions		1 908	8 431	4 819
Deferred tax liability		992	376	356
Total long-term liabilities		**2 900**	**8 807**	**5 175**
Current liabilities, non-interest-bearing		51 761	34 278	50 407
Total liabilities		**54 661**	**43 085**	**55 582**
Total shareholders' equity and liabilities		**257 214**	**366 285**	**379 932**
Pledged assets		2 500	2 500	3 500
Contingent liabilities		7 250	7 250	7 250

CONSOLIDATED STATEMENT OF OPERATIONS

SEK 000s	Notes	3 months 2007 July-Sept.	3 months 2006 July-Sept.	9 months 2007 Jan.-Sept.	9 months 2006 Jan.-Sept.	12 months 2006 Jan.-Dec.
Net revenues		6 470	24 867	21 678	80 291	131 956
Cost of goods sold	2	-3 378	-2 780	-10 189	-5 950	-11 151
Gross profit		**3 092**	**22 087**	**11 489**	**74 341**	**120 805**
Selling expenses	2	-2 924	-2 446	-6 470	-5 227	-7 849
General and administrative expenses	2	-15 896	-13 934	-48 827	-37 657	-57 437
Research and development costs	2	-20 211	-18 612	-90 652	-56 985	-94 512
Other operating income		179	-14	9 775	464	678
Other operating expenses	2	-58	-245	-9 815	-920	-2 275
Operating profit/loss		**-35 818**	**-13 164**	**-134 500**	**-25 984**	**-40 590**
Earnings from financial investments						
Interest income		1 663	1 938	5 798	5 371	7 516
Interest expenses		-4	7	-22	-23	-24
Other financial expenses		-	-	-	115	115
Total earnings after financial items		**-34 159**	**-11 219**	**-128 724**	**-20 521**	**-32 983**
Tax on the year's income		83	0	123	0	40
Net profit/loss for the period		**-34 076**	**-11 219**	**-128 601**	**-20 521**	**-32 943**
Earnings per share, before dilution, SEK		-2.44	-0.84	-9.24	-1.54	-2.46
Earnings per share after dilution, SEK		-2.44	-0.84	-9.24	-1.54	-2.46
Average number of shares, before dilution		13 955 864	13 295 417	13 923 550	13 293 472	13 390 854
Average number of shares, after dilution		14 146 271	14 173 328	14 113 957	14 171 383	13 605 404
Number of shares, before dilution		13 961 250	13 301 250	13 961 250	13 301 250	13 884 750
Number of shares, after dilution		14 151 657	14 179 161	14 151 657	14 179 161	14 099 300

CONSOLIDATED CASH-FLOW STATEMENTS

SEK 000s	Notes	3 months 2007 July-Sept.	3 months 2006 July-Sept.	9 months 2007 Jan.-Sept.	9 months 2006 Jan.-Sept.	12 months 2006 Jan.-Dec.
Continuing operations						
Loss before interest expense and interest income		-35 818	-13 164	-134 500	-25 984	-40 590
Interest income		1 663	1 938	5 798	5 371	7 516
Interest expenses		-4	7	-22	-23	-24
Other financial expenses		-	-	-	-	115
Adjustment for items not included in cash flow	4	1 178	7 727	6 767	13 894	11 335
Cash flow from continuing operations before changes in working capital		**-32 981**	**-3 492**	**-121 957**	**-6 742**	**-21 648**
Change in working capital						
Accounts receivable		3 916	-18 975	2 981	-23 177	-10 282
Other current receivables		-556	2 080	-10 370	-235	-369
Inventories		-491	-478	-1 694	-4 039	-6 206
Current liabilities		-853	-2 288	2 166	8 724	29 441
Provisions		-3 318	2 041	-2 911	-4 976	-8 608
Cash flow from continuing operations		**-34 283**	**-21 112**	**-131 785**	**-30 445**	**-17 672**
Investing activities						
Acquisition of patents		-	-	-	-	-77
Acquisition of machinery and equipment		-22 698	-1 351	-41 749	-3 784	-4 613
Divestment of current investments		20 978	26 886	46 175	15 049	33 505
Acquisition of subsidiaries/joint venture		-9 245	-	-9 245	-8 195	-8 195
Cash flow after investments		**-45 248**	**4 423**	**-136 604**	**-27 375**	**2 948**
Change in financing						
Proceeds from new share issue		-	362	2 726	362	12 971
Cash flow after financing activities		**-45 248**	**4 785**	**-133 878**	**-27 013**	**15 919**
Cash flow for the year						
Cash and cash equivalents, at the beginning of period		**187 778**	**228 691**	**276 408**	**260 489**	**260 489**
Changes in cash and cash equivalents		-45 248	4 785	-133 878	-27 013	15 919
Cash and cash equivalents, at the close of period		**142 530**	**233 476**	**142 530**	**233 476**	**276 408**

KEY FIGURES

	3 months 2007 July-Sept.	3 months 2006 July-Sept.	9 months 2007 Jan.-Sept.	9 months 2006 Jan.-Sept.	12 months 2006 Jan.-Dec.
Operating margin, %	-554%	-53%	-620%	-32%	-31%
Profit margin, %	-528%	-45%	-594%	-26%	-25%
Return on total capital, %	-12%	-3%	-41%	-6%	-9%
Return on shareholders' equity, %	-16%	-3%	-49%	-6%	-10%
Return on capital employed, %	-16%	-3%	-49%	-6%	-10%
Debt/equity ratio, multiple	0	0	0	0	0
Equity/assets ratio, %	79%	88%	79%	88%	85%
Current ratio, %	371%	1 017%	371%	1 017%	719%
Acid ratio, %	349%	997%	349%	997%	701%
Average number of shares, before dilution	13 955 864	13 295 417	13 923 550	13 293 472	13 390 854
Average number of shares, after dilution	14 146 271	14 173 328	14 113 957	14 171 383	13 605 404
Number of shares, after full dilution	14 896 025	14 429 000	14 896 025	14 429 000	14 319 750
Number of shares, before dilution	13 961 250	13 301 250	13 961 250	13 301 250	13 884 750
Number of shares, after dilution	14 151 657	14 179 161	14 151 657	14 179 161	14 099 300
Earnings per share before dilution, SEK	-2.44	-0.84	-9.24	-1.54	-2.46
Earnings per share after dilution, SEK	-2.44	-0.84	-9.24	-1.54	-2.46
Shareholders' equity, before dilution, SEK	14.51	24.30	14.51	24.30	23.36
Shareholders' equity per share, after dilution, SEK	14.31	22.79	14.31	22.79	23.00
Number of employees at close of period	74	56	74	56	61
Average number of employees	72	52	68	50	50
Shareholders' equity	202 553	323 200	202 553	323 200	324 350
Capital employed	202 553	323 200	202 553	323 200	324 350

DEFINITIONS

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

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

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

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

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

Capital employed: 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 ratio: Current assets excluding e 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 for through options outstanding.

Number of shares after dilution: Calculation of the dilution from options issued by the company up to 2005 has been carried out in accordance with IAS 33.

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

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

Shareholders' equity per shares 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.

PARENTS COMPANY'S BALANCE SHEETS

SEK 000s	Notes	2007 Sept. 30	2006 Sept. 30	2006 Dec. 31
ASSETS				
Fixed assets				
Tangible fixed assets		45 250	6 009	6 316
Intangible fixed assets		413	1 110	633
Shares in subsidiaries/Joint Ventures		18 379	100	100
Total fixed assets		**64 042**	**7 219**	**7 049**
Current assets				
Inventories		2 145	3 811	4 982
Accounts receivable		658	20 453	4 263
Current receivables		47 060	30 770	32 141
Current investments		9 951	74 581	56 126
Cash and bank balances		130 322	230 930	273 021
Total current assets		**190 136**	**360 545**	**370 533**
Total assets		**254 178**	**367 764**	**377 582**
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	7			
Restricted equity		365 775	345 400	340 870
Accumulated losses		-159 824	-18 226	-12 464
Total shareholders' equity		**205 951**	**327 174**	**328 406**
Long-term liabilities				
Provisions		1 908	8 431	4 820
Total long-term liabilities		**1 908**	**8 431**	**4 820**
Current liabilities, non-interest-bearing,		46 319	32 159	44 356
Total liabilities		**48 227**	**40 590**	**49 176**
Total shareholders' equity and liabilities		**254 178**	**367 764**	**377 582**
Pledged assets		2 500	2 500	2 500
Contingent liabilities		11 050	11 050	11 050

PARENT COMPANY'S STATEMENT OF OPERATIONS

SEK 000s	Notes	3 months 2007 July-Sept.	3 months 2006 July-Sept.	9 months 2007 Jan.-Sept.	9 months 2006 Jan.-Sept.	12 months 2006 Jan-Dec
Net revenues		374	21 255	5 883	73 908	118 217
Cost of goods sold	6	-63	-304	-2 409	-1 267	-1 660
Gross profit		**311**	**20 951**	**3 474**	**72 641**	**116 557**
Selling expenses	6	430	552	-	-	-1 149
General and administrative expenses	6	-15 547	-13 934	-48 183	-37 657	-57 442
Research and development costs	6	-20 671	-19 881	-91 111	-58 458	-95 300
Other operating income		108	-62	9 603	99	298
Other operating expenses	6	-58	-49	-9 636	-572	-1 636
Operating profit/loss		**-35 427**	**-12 423**	**-135 853**	**-23 947**	**-38 672**
Earnings from financial investments						
Impairment of shares in subsidiaries		-	-	-	-	-14 000
Interest income		1 952	2 190	6 604	5 614	8 000
Interest expenses		-4	-1	-10	-8	-9
Other financial expenses		-	-	-	115	115
Total earnings after financial items		**-33 479**	**-10 234**	**-129 259**	**-18 226**	**-44 566**
Net profit/loss for the period		**-33 479**	**-10 234**	**-129 259**	**-18 226**	**-44 566**

Notes

1. Accounting principles

This interim report was prepared pursuant to IAS 34, Interim Financial Reporting, which complies with the requirements of 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 2006 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 2006 Annual Report.

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

2. Group costs distributed by type of cost

	2007 July-Sept.	2006 July-Sept.	2007 Jan.-Sept.	2006 Jan.-Sept.	2006 Jan.-Dec.
Raw materials and supplies	3 811	3 604	13 509	8 245	13 982
Other external costs	18 705	14 701	81 126	46 484	86 110
Personnel costs	18 537	18 816	58 511	49 578	69 687
Depreciation and impairment	1 414	910	3 507	2 432	3 445
Re-invoicing, rebuilding materials	-	-	9 300	-	-
TOTAL	**42 467**	**38 031**	**165 953**	**106 739**	**173 224**

3. Shareholders' equity

Changes in consolidated shareholders' equity

	2007 July-Sept.	2006 July-Sept.	2007 Jan.-Sept.	2006 Jan.-Sept.	2006 Jan.-Dec.
Shareholders' equity brought forward	**235 255**	**332 809**	**324 350**	**338 909**	**338 909**
Profit/loss for the period	-34 076	-11 219	-128 601	-20 521	-32 943
Exercised hedge options	-	-	-	-	4 607
Subscription for shares through the exercise of warrants	-	362	2 726	362	8 364
Employee stock options, value of employees' service	1 374	1 248	4 078	4 089	5 052
Recovered VAT on issuance expenses				361	361
Amount at close of period	**202 553**	**323 200**	**202 553**	**323 200**	**324 350**

Shares outstanding
The number of shares outstanding at September 30, 2007 amounted to 13,961,250, of which all were common shares. All shares carry entitlement to one vote each. The number of shares outstanding increased as a result of the exercise of stock options and warrants in the amount of 76,500 since December 31, 2006.

Outstanding shares at January 1, 2007	**13 884 750**
Share subscription through exercise of employee stock options	+ 38 500
Share subscription through exercise of warrants	+ 38 000
Share subscription through exercise of hedge warrants	-
Number of share outstanding at September 30, 2007	**13 961 250**

Options
As of September 30, there were options outstanding carrying subscription rights corresponding to 934,775 shares in Orexo [3]. The following table shows changes in the number of options during the period of January - September 2007.

	Opening 1/1 2007	-	+	Closing 30/9 2007
Total number of options and warrants	**677 300**	**-233 475**	**490 950**	**934 775**
Of which:				
Decided and allotted				
- Employee stock options	329 800	-38 500	156 975	448 275
- Warrants	74 500	-38 000	-	36 500
Warrants held by subsidiary for cash-flow hedging of social security fees	78 000	-	-	78 000
Decided, but not allotted, employee stock options for 2005, 2006 and 2007	195 000	-156 975	333 975	372 000

During the period July-September 2007, no changes occurred in Orexo's options program.

In February 2007, options were allotted that in total carry subscription rights to 156,975 shares, distributed among 76,000 shares for company officers and 80,975 shares to other employees. The President was not allotted any options under this program. The subscription price was SEK 119 kronor per share and the term of options extends through December 31, 2016. One third of the total employee options are earned on each of the three annual dates immediately following February 2, 2007. The market value, as calculated using the Black & Scholes method, amounted to SEK 35.53 per option.

At Orexo's Annual General Meeting on April 23, 2007, it was resolved to adopt a new employee stock option plan including the issuance of subscription warrants and approval of disposition of subscription warrants within the framework of the employee stock option plan. The employee stock option plan consists of 372,000 employee stock options. Each employee stock option may be exercised to acquire one share in Orexo in exchange for payment of an exercise price established as the market value of the Orexo share on the date of allocation. A total of 333,975 subscription warrants were issued to the wholly owned subsidiary Pharmacall AB as a hedge for the program. Full exercise of the warrants will result in a dilution of about 2.2%.

[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 for which each option provides subscription entitlement*

4. Consolidated cash flow

Adjustment for items not included in cash flow

	2007 July-Sept.	2006 July-Sept.	2007 Jan.-Sept.	2006 Jan.-Sept.	2006 Jan.-Dec.
Depreciation/amortization and impairment	1 414	909	3 507	2 432	3 444
Calculated costs for employee stock option program	-228	6 818	3 266	11 024	7 413
Bad debt	-	-	-	193	193
Recovered VAT on issuance expenses				361	361
Miscellaneous	-8	-	-6	-116	-76
Total	**1 178**	**7 727**	**6 767**	**13 894**	**11 335**

5. Joint Venture with ProStrakan Group plc

Effective August 1, Orexo AB and ProStrakan Group plc concluded a cooperation agreement covering the Nordic markets. Operations are conducted in ProStrakan AB, of which Orexo AB has received an ownership share of 50 percent through a directed new share issue.

Orexo AB's interest was consolidated as of August 1 and the acquired operations contributed net revenues of MSEK 0.7 and a net loss of MSEK 0.8 for the period August 1 to September 30, 2007. If the acquisition has occurred in January 2007, the consolidated net revenues would have amounted to MSEK 24.5 and the net loss for the period would have been MSEK 132.2.

The acquisition was financed with funds from Orexo AB.

The acquisition value was MSEK 18.3, calculated on the basis of the expenses involved in the acquisition.

Acquired net assets and goodwill (MSEK)**:**

Cash purchase amount	17.9
Direct expenses in conjunction with the acquisition	0.4
Total purchase price	**18.3**
Fair value of acquired net assets	-11.3
Goodwill	**7.0**

Goodwill is attributable to the anticipated profitability of the following operations and the acquisition of an established sales and market organization and distribution expertise.

The assets and liabilities included as are as follows: (MSEK):

	Fair value	Acquired carrying value
Intangible fixed assets	2.7	-
Tangible fixed assets	0.1	0.1
Current receivables	0.8	0.8
Cash and cash equivalents	9.0	9.0
Current liabilities	-0.6	-0.6
Deferred tax liability	-0.7	-0.7
Acquired net assets	**11.3**	**8.6**

Expenses in conjunction with the acquisition (MSEK):

Cash purchase price	-17.9
Expenses for the acquisition	-0.4
Cash and cash equivalents ion the acquired company	9.0
Change in Group cash and cash equivalents	**-9.3**

Group surplus value (MSEK)
In conjunction with the acquisition of ProStrakan AB, intangible assets were identified in the form of the value of distribution rights in the amount of MSEK 2.7. The remaining difference between the acquisition price and fair value of the acquired net assets is attributable to goodwill, which amounted to MSEK 7.0 as of July 2007 31.

Group surplus value at August 1, 2007:

Intellectual property rights	2.7
Goodwill	7.0
Total	**9.7**

The estimated service life of intangible assets is two years.

6. Parent Company's costs distributed by type.

	2007 July-Sept.	2006 July-Sept.	2007 Jan.-Sept.	2006 Jan.-Sept.	2006 Jan.-Dec.
Raw materials and consumables	494	1 205	5 727	3 842	4 909
Other external expenses	17 594	13 956	79 600	44 578	82 919
Personnel costs	16 714	17 621	53 671	47 185	66 081
Depreciation/amortization and impairment	1 107	834	3 041	2 349	3 278
Re-invoicing, rebuilding materials.			9 300		
TOTAL	**35 909**	**33 616**	**151 339**	**97 954**	**157 187**

7. Shareholders' equity

Changes in the Parent Company's shareholders' equity

	2007 July-Sept.	2006 July-Sept.	2007 Jan.-Sept.	2006 Jan.-Sept.	2006 Jan.-Dec.
Shareholders' equity brought forward, according to the balance sheet	**238 056**	**335 789**	**328 406**	**340 633**	**340 633**
Profit/loss for the period	-33 479	-10 234	-129 259	-18 226	-44 566
Exercised hedge options					4 607
Share subscription through exercise of warrants		362	2 726	362	8 319
Employee stock options, value of employees' services	1 374	1248	4 078	4 089	5 052
Recovered VAT on issuance expenses				361	361
Group contribution received					14 000
Amount at close of period	**205 951**	**327 174**	**205 951**	**327 174**	**328 406**

8. Events after the closing date

Orexo AB reached an agreement with concerning the acquisition of Biolipox AB, refer to page 4.

At September 30, 2007 Orexo and Biolipox had joint cash, cash equivalents and current investments of MSEK 242. In addition, Orexo and Biolipox have guaranteed income and capital contributions totaling approximately MSEK 34 and about MSEK 137 for the remainder of 2007.