



Orexo

Orexo acquires drug delivery company
23 February 2009

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Orexo acquires drug delivery company

- PharmaKodex - a drug delivery company developing drugs to treat pain and neurological conditions
- Provides a number of partnership license opportunities in consumer health products
- Two attractive unencumbered product opportunities in early clinic and late pre-clinical phase
- Drug delivery platforms; Accustar, Pandermal and Taste transformation, providing multiple partnership opportunities
- Strengthens Orexo's product portfolio and enables new opportunities for product development
- Cash neutral in 2009 and into 2010, excluding deals



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Financial conditions

- Payment split into two tranches:
 - 843,992 new issued Orexo shares now; plus
 - New issued Orexo shares to the same total value, or cash, to be paid in August 2009
- Transaction also provides for further conditional payments, based on the financial profits from licenses of the acquired programs and technologies and certain milestones - but no sales royalties from any program
- The deal adds 5 employees from PharmaKodex
- The acquired company currently has sufficient cash to cover all of its costs in 2009 and into 2010 (around SEK 24m)
- Additional cost savings and synergies available



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Technologies enabling new products and partnerships

Xerosol

Encapsulation – improving transmucosal drug delivery and providing symptom effects even from the excipient base

Taste Transformation

Taste-eliminating technology – neutralizing bitter/unpleasant tasting drugs without delaying absorption, allowing a much better drug therapy experience

Accustar

Solid Syrup – for improved mouth-feel, waterless administration, rapid dissolution and controlled drug delivery

Pandermal

“Patch-free” unit dose transdermal delivery system – capable of delivering high drug payloads through the skin in metered doses and controllable high skin fluxes



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Xerosol

- Key factors in optimising sublingual delivery from a Xerosol granule presentation:
 - Sublingual residence time and dissolution: controlled in Xerosol presentations by balancing particle size and mucoadhesive character to achieve desired mucosal persistence without hindering drug dissolution
 - Transmucosal permeation: manipulated in Xerosol presentations by balancing key physico-chemical characteristics -*inter alia*, microenvironmental pH, ionic strength, mucosal drug binding and co-solvent characteristics
 - Taste and mouthfeel: improved in Xerosol presentations by use of Taste Transformation technology to neutralise bitterness of drugs without impeding dissolution

Xerosol – Optimised variable drug delivery control with better taste

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PKX219 - Lead program using Xerosol

Xerosol - PKX219

- Opioid-addiction therapy drug, containing buprenorphine and naloxone
- Sublingual, easy-to-use with fast onset
- Clinical studies ongoing in 2009
- Orexo's strategy is to commercialise PKX219 in 2010/2011
- Superior to Suboxone™ (Reckitt-Benckiser*), with significant advantages
- Suboxone sales are of the order of \$800m



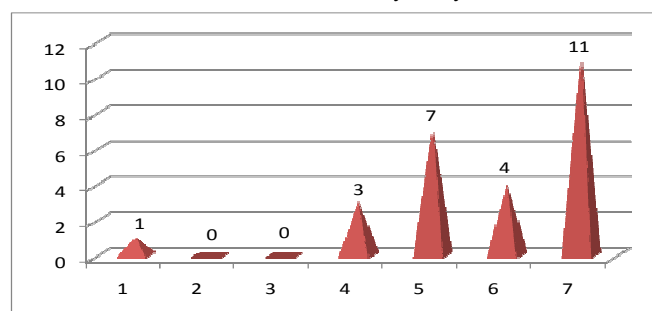
* Sold by Schering Plough in EU

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PKX219 A better product than the original

- Respondent addiction physicians were asked their likelihood to use PKX219 instead of Suboxone, based on the results presented to them, on a scale of 1 to 7, where 1 = not at all and 7 = extremely likely



- Main reasons were lower abuse potential, better taste, faster action and quicker absorption. 22 out of 26 said they would prefer it to Suboxone.

Source: Apex Consulting

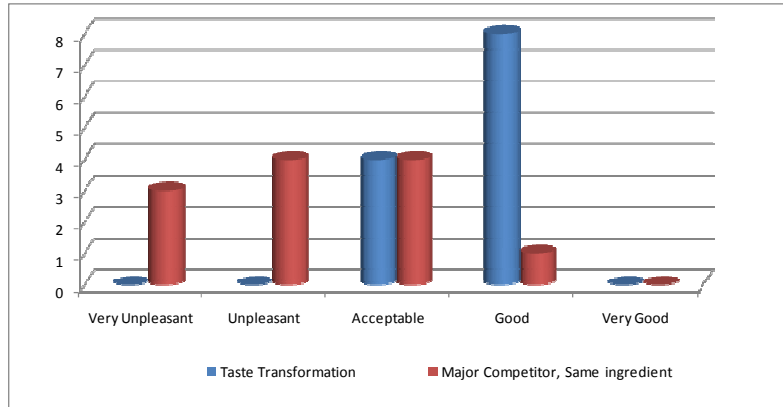
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Taste Transformation

Better tasting drugs

Taste assessment by patients

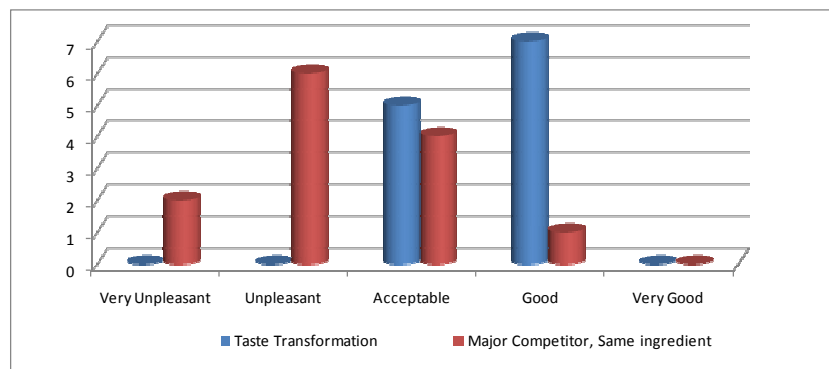


Source: PharmaKodex Clinical Trial

Taste Transformation

Superior drug experience

Mouthfeel assessment by patients



Source: PharmaKodex Clinical Trial

Accustar

The best combination of attributes

Accustar SolidSyrup fits with Orexo's sublingual ordered mixture tablet technology, and compares very well with most other existing fast-melt technologies:

Critical Factors	Wafer Technology	Compressed Tablet	Film Technology	Accustar SolidSyrup
Disintegration Speed	<3 seconds	>20 seconds	~5 seconds	~5 seconds
Mouthfeel	smooth	gritty	gummy	syrupey
Dose Handling	Low doses <200mg	Low-Medium doses <500 mg	Very Low doses <50mg	Very Low to High 1-2000mg
Taste-Masking	Yes	Yes	Limited	Yes
Cost of Goods	Moderate to High	Moderate	Moderate to Low	low

Pandermal

Pandermal dermal/transdermal application/delivery system

Wipe-on delivery

More accurate reliable metered dosing

Safe for patient and carer
(avoids unwanted skin contact)

Avoids overdosing of potent drugs

Long shelf-life

Useable with sensitive inflamed skin
—non allergic/non irritant

Single-use or Re-useable multi-dose stick

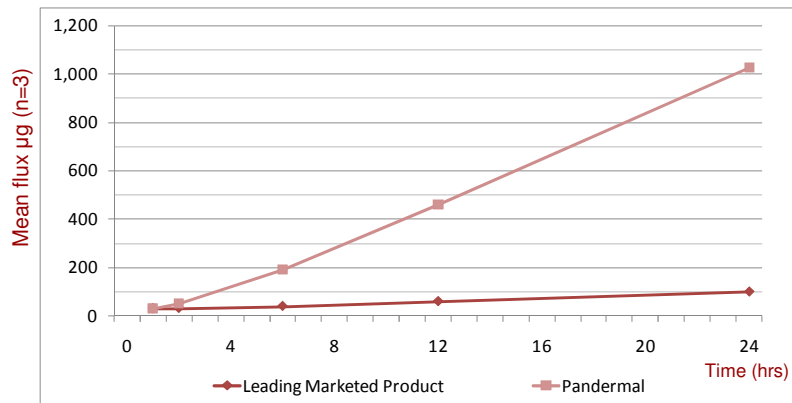
Fast economical production – very low cost of goods versus patch



Pandermal

Fuller, faster dermal penetration

Comparison of Pandermal with market leading product with same active drug
Order of magnitude faster in Franz cell porcine skin flux test for Active Ingredient X delivered by each method



Accustick: variable dose granule sachet for administration of **Xerosol** & **Accustar**



Adding to the Orexo Product Portfolio....

Partnered Products

Rapinyl/Abstral®	Breakthrough Pain, Launched	Partners: ProStrakan, Kyowa Hakko, Hospira
Sublinox (Ox-22)	Insomnia, NDA filed	Partner : Meda AB
Ox-NLA	Rhinitis, Phase III-ready	Partner : Meda AB
Ox-MPI	Inflammatory Pain, Preclinical	Partner : Boehringer Ingelheim
Ox-17	GERD	Partner: Not disclosed

Products under partnership discussions

Ox-914	COPD/Asthma, Phase II
Ox-19	Incontinence, Phase II
AA franchise	Asthma/COPD, Preclinical
Ox-641 (PKX641)	Migraine
New PKX Programs	Various

Other Products

Ox-219 (PKX219)	Opioid addiction, in clinical study pre 505b(ii)
Ox-30	Abuse-proof Opioids

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... and adds to the potential news flow in 2009

- Approval and launch of Abstral™ in additional European markets
- FDA approval of Sublinox™
- Partnering agreement for the arachidonic acid franchise
- Further distribution deals for Abstral™
- Phase II data OX914
- FDA filing of Rapinyl/Abstral™ in the US
- Full license agreement with OX17
- Next milestone for OX-MPI with Boehringer Ingelheim



- Deals involving PharmaKodex platforms/projects
- Further development of OX219 (PKX219)

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New revenue building partnerships include:

- Cough/Cold formulations for major Big Pharma clients
- Consumer Health product line extensions for Big Pharma
- Rx Product formulation solutions for Big Pharma
- Life Cycle management product for Big Pharma



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Acquisition of PharmaKodex captures significant opportunities

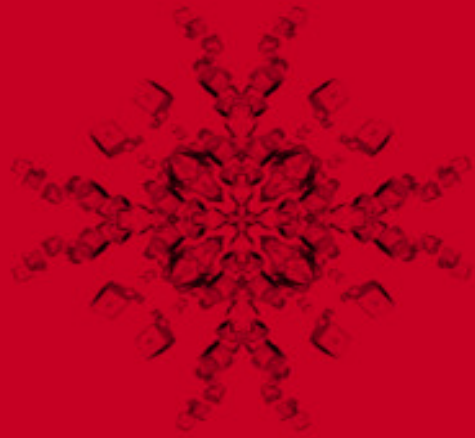
- Multiple early revenue opportunities in licensing and new royalty streams at low cost
- Capitalize on Orexo's expertise within drug formulation and development
- Significant fast revenue/license deal potential within acquired projects / platforms
- Strengthens Orexo's capabilities within drug formulation and delivery
- Synergies in drug formulation development and licensing projects and teams

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