

# Orion Financial Review for 2011

7 February 2012

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*President and CEO*

This presentation contains forward-looking statements which involve risks and uncertainty factors. These statements are not based on historical facts but relate to the Company's future activities and performance. They include statements about future strategies and anticipated benefits of these strategies.

These statements are subject to risks and uncertainties. Actual results may differ substantially from those stated in any forward-looking statement. This is due to a number of factors, including the possibility that Orion may decide not to implement these strategies and the possibility that the anticipated benefits of implemented strategies are not achieved. Orion assumes no obligation to update or revise any information included in this presentation.

# Strong year for Orion

- Further growth in net sales and operating profit
- Developments significant for our future
  - *dexdor*<sup>®</sup> gained centralised marketing authorisation in Europe
  - Novel collaboration on research with Endo Pharmaceuticals
  - Pharmaceutical research programmes progressed as planned
  - Collaboration agreement with Nycomed for co-marketing of Easyhaler<sup>®</sup> combination products
  - Orion Diagnostica strengthened its research and product development base by acquiring new early-phase technology
- Financial effects of fire at Turku manufacturing plant expected to remain relatively small
- Board proposes EUR 1.30 dividend per share
- Board proposes that EUR 0.12 per share be distributed from the distributable equity as repayment of capital

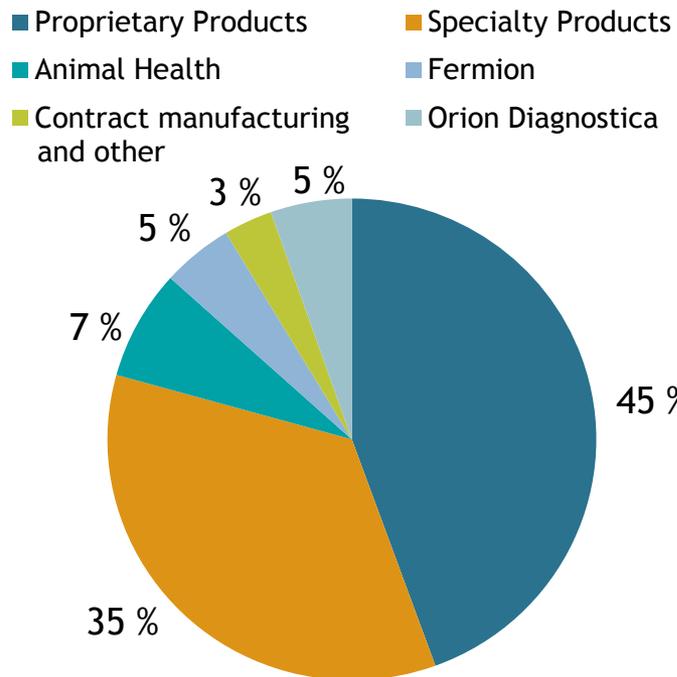
# Net sales and operating profit grew

Group key figures	2011	2010	Change %
Net sales, EUR million	918	850	+8%
Operating profit, EUR million	283	254	+11%
Basic earnings per share, EUR	1.49	1.31	+14%
Cash flow per share before financial items, EUR	1.10	1.26	-13%

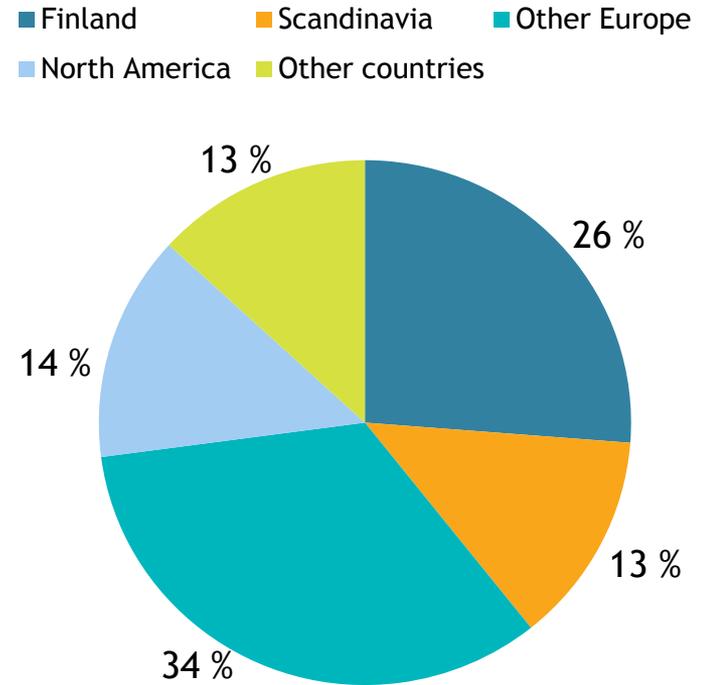
- Net sales grew by 8%
  - Sales of products based on in-house R&D, which accounted for 48% of Pharmaceuticals business's net sales, grew by 6%
  - Pharmaceuticals business's net sales excluding Parkinson's drugs grew by 9%
  - Market share in Finland 10%
- Operating profit grew by 11%
  - Faster growth than in net sales due especially to increased royalties and milestone payments
  - Costs grew as anticipated

# Breakdown of net sales

## By business divisions



## By market area





# Business Reviews

# Growth in human pharmaceuticals continued

Key figures for Pharmaceuticals business	2011	2010	Change %
Net sales of Pharmaceuticals, EUR million	871	806	+8%
Proprietary Products	409	371	+10%
Specialty Products	321	299	+7%
Animal Health	68	68	-
Fermion	43	45	-4%
Contract manufacturing and other	30	24	+22%
Pharmaceuticals operating profit, EUR million	288	252	+14%

- Net sales of Parkinson's drugs grew by 6% and accounted for 31% of segment's net sales
- Net sales excluding Parkinson's drugs grew by 9%
- Orion clear market leader in Finland
- Steady growth in Scandinavia and Eastern Europe

# Best-selling pharmaceuticals

Orion's best-selling pharmaceuticals, EUR million	2011	2010	Change %
1. Stalevo <sup>®</sup> , Comtess <sup>®</sup> and Comtan <sup>®</sup> (Parkinson's disease)	267	253	+6%
2. Simdax <sup>®</sup> (acute decompensated heart failure)	44	40	+10%
3. Precedex <sup>®</sup> (intensive care sedative)	33	27	+21%
4. Easyhaler <sup>®</sup> product family (asthma, COPD)	31	28	+9%
5. Burana <sup>®</sup> (inflammatory pain)	24	22	+9%
6. Dexdomitor <sup>®</sup> , Domitor <sup>®</sup> , Domosedan <sup>®</sup> and Antisedan <sup>®</sup> (animal sedatives)	23	24	-4%
7. Marevan <sup>®</sup> (anticoagulant)	16	13	+20%
8. Divina <sup>®</sup> range (menopausal symptoms)	13	13	-1%
9. Enanton <sup>®</sup> (prostate cancer)	12	13	-8%
10. Solomet <sup>®</sup> (inflammatory diseases)	11	9	+25%
<b>Total</b>	<b>472</b>	<b>442</b>	<b>+7%</b>
Share of Pharmaceuticals net sales, %	54%	55%	

# Orion clear market leader in Finland

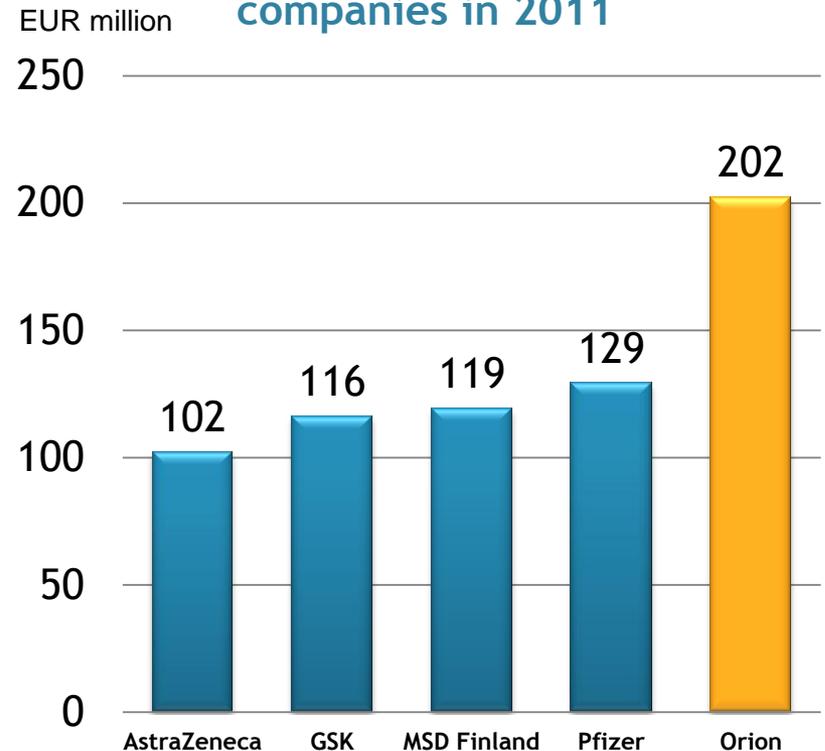
## Finnish human pharmaceuticals market in 2011

- Wholesale EUR 1,972 million (+2%)

## Orion in Finnish human pharmaceuticals market

- Sales growth 6%
- Orion again clear market leader
  - Market share 10%
- Orion especially strong in self-care products and substitutable prescription drugs

## Finland's biggest pharmaceutical companies in 2011



# Sales of Parkinson's drugs growing in Japan

## Overall markets for Parkinson's drugs October 2010-September 2011

- United States <sup>3)</sup> USD 682 million (-32%)
- Five largest European markets <sup>1) 3)</sup>  
EUR 989 million (-3%)
- Japan <sup>2)</sup> EUR 506 million (+15%)

## Sales of Orion's Stalevo, Comtess and Comtan Parkinson's drugs

- United States <sup>3)</sup> USD 180 million (-0.1%)
- Five largest European markets <sup>1) 3)</sup>  
EUR 157 million (+1%)
- Japan <sup>2)</sup> EUR 53 million (+24%)

Market shares of Orion's Parkinson's drugs	MAT 9/11	MAT 9/10
Finland <sup>2)</sup>	23%	25%
Sweden <sup>2)</sup>	14%	16%
Norway <sup>2)</sup>	15%	16%
Denmark <sup>2)</sup>	20%	16%
Germany <sup>3)</sup>	15%	14%
UK <sup>3)</sup>	14%	13%
United States <sup>3) 4)</sup>	26%	18%
Japan <sup>2) 4)</sup>	11%	10%

<sup>1)</sup> Germany, UK, France, Spain and Italy

<sup>2)</sup> including sales to hospitals and retail distributors

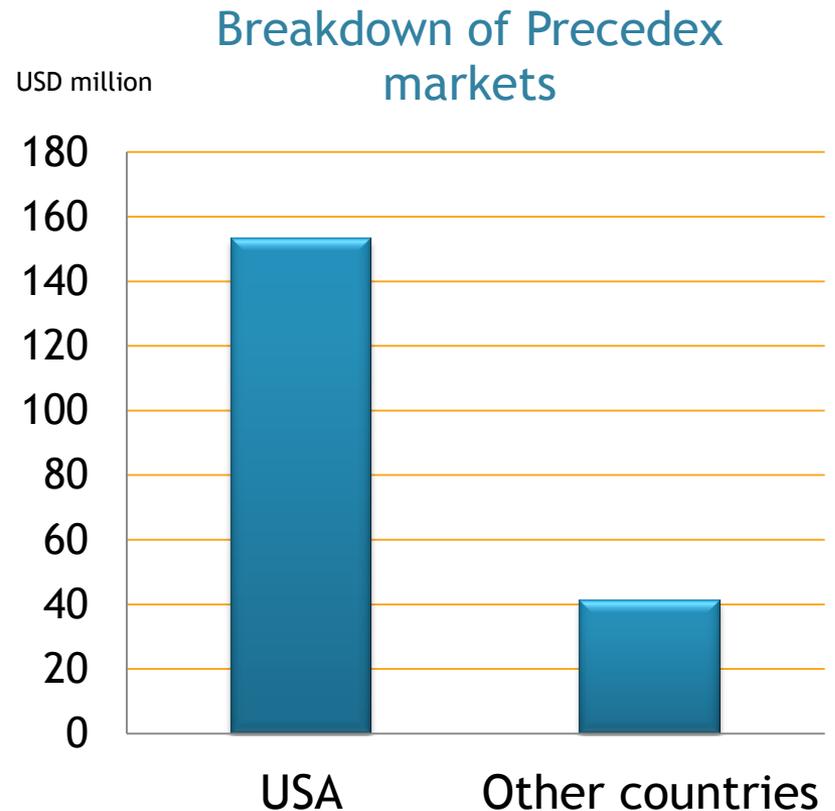
<sup>3)</sup> sales to retail distributors only

<sup>4)</sup> Novartis sales area

# Precedex maintains strong growth

Markets for intensive care sedative  
Precedex  
October 2010-September 2011

- Total USD 194 million (+37%)
- United States USD 153 million (+24%)



# Orion's pharmaceutical research pipeline

Project	Indication	Pre-clinical	Clinical phases			Regis- tration
			I	II	III	
Easyhaler® combined formulations	Asthma, COPD					
Stalevo® for Japanese market	Parkinson's disease					
Androgen receptor antagonist	Advanced prostate cancer	Partner: Endo Pharmaceuticals				
Alpha 2 <sub>c</sub> receptor antagonist	Alzheimer's disease					
More effective levodopa product	Parkinson's disease					
Dexmedetomidine (non-intravenous)	Pain management	Partner: Récro Pharma				
Androgen receptor antagonist and alpha 2 <sub>c</sub> receptor antagonist	Ready for transfer to clinical phase trials if required					
Many projects in early research phase	Prostate cancer, neuropathic pain, Parkinson's disease, Alzheimer's disease					

# Net sales grew in Diagnostics business

## Key figures for Diagnostics business

	2011	2010	Change %
Net sales, EUR million	50	46	+8%
Operating profit, EUR million	4.9	6.1	-20%

- QuikRead® tests remained main product.
  - Launching of QuikRead go® new generation testing instrument progressed as planned during the year
- Profit decreased by higher expenditure on product development and marketing, and weaker margin structure than in the comparative period.
- Orion Diagnostica strengthened its research and product development base by acquiring new early-phase technology through purchasing all the shares of English technology company GeneForm Technologies Ltd.

# Outlook for 2012

- **Net sales** at similar level to 2011
- **Operating profit** at similar level to 2010
- **Group's capital expenditure** about EUR 50 million excluding substantial corporate or product acquisitions

# Orion Calendar

- Annual General Meeting registration deadline 15 March 2012 at 10:00
- Annual General Meeting 20 March 2012 at 14:00
  
- Record date for dividend distribution 23 March 2012
- Dividend payment date 4 April 2012
  
- Interim Report January-March 2012 24 April 2012
- Capital Markets Day in Helsinki 24 May 2012
- Interim Report January-June 2012 31 July 2012
- Interim Report January-September 2012 23 October 2012
- Annual Report 2011 will be published on the Company's website at the latest in week 10/2012



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Building well-being

# Orion's financial objectives

Net sales and profitability in next few years depend on rate of:

- Decline in sales of Parkinson's drugs
- Growth in sales of other products

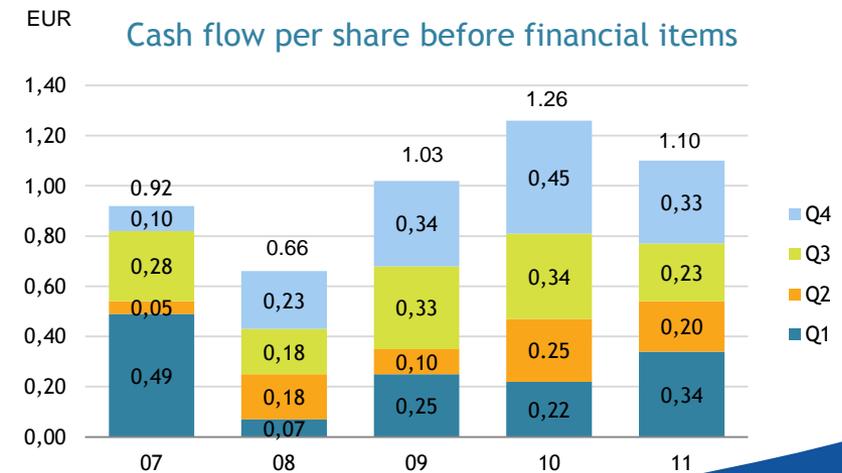
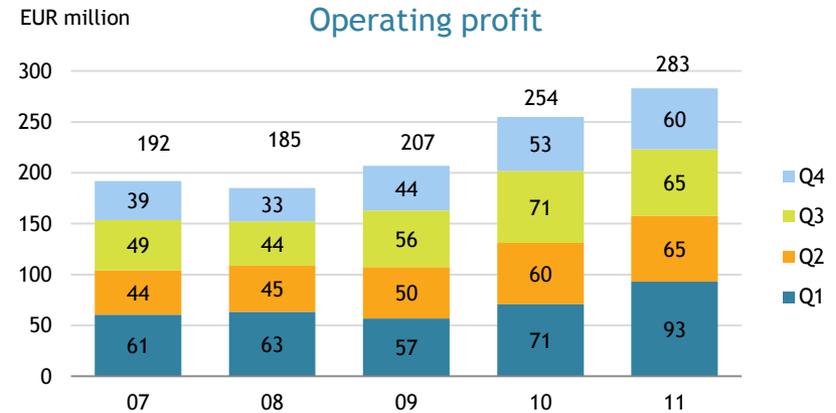
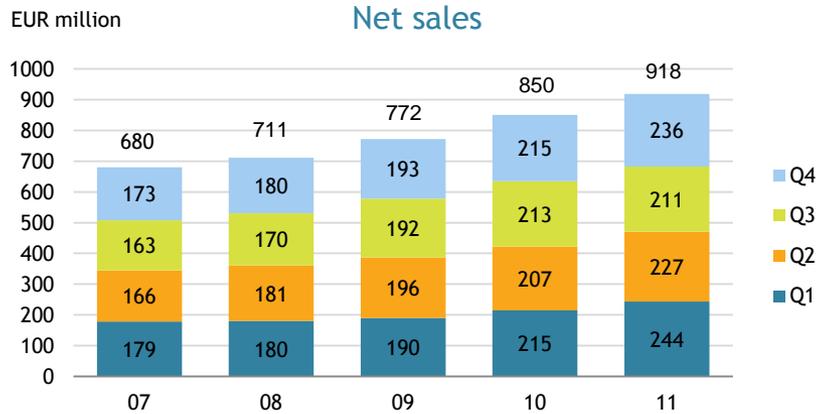
Orion's financial objectives:

1. Ensuring financial stability
2. Long-term profitable growth

Principal means of achieving objectives:

- Improving organic growth of net sales and operating profit through product, product portfolio and corporate acquisitions
- Increasing efficiency of operations and cost control
- Maintaining stable financial position; equity ratio at least 50%

# Key figures by quarter



# Key figures for 2007–2011

Orion's key figures	2007	2008	2009	2010	2011	Change %
Net sales, EUR million	680.0	710.7	771.5	849.9	917.9	+8.0%
Operating profit, EUR million	192.0	185.0	207.0	254.2	282.9	+11.3%
Profit before taxes, EUR million	193.4	184.2	203.7	252.6	282.0	+11.6%
R&D expenses, EUR million	85.0	90.0	95.2	85.5	87.5	+2.3%
Equity ratio, %	76.2%	60.2%	60.6%	62.7%	64.2%	
Gearing, %	-20.0%	-7.1%	-8.9%	-12.2%	-6.9%	
ROCE (before taxes), %	44.8%	38.5%	37.4%	45.0%	49.4%	
Return on equity, %	33.5%	32.1%	35.3%	40.7%	43.3%	
Basic earnings per share, EUR	1.02	0.97	1.07	1.31	1.49	+13.5%
Cash flow per share before financial items, EUR	0.92	0.66	1.03	1.26	1.10	-13.0%
Dividend per share, EUR	1.00	0.95	1.00 + 0.10 <sup>1)</sup>	1.20 + 0.06 <sup>2)</sup>	1.30 + 0.12 <sup>3)</sup>	

<sup>1)</sup> A capital repayment of EUR 0.10 per share was paid for 2009.

<sup>2)</sup> A capital repayment of EUR 0.06 per share was paid for 2010.

<sup>3)</sup> Board proposes to AGM that EUR 1.30 dividend per share and EUR 0.12 capital repayment per share be distributed.

# Growth in sales of own proprietary products

Net sales of proprietary products, EUR million

	Indication	2011	2010	Change %
Stalevo <sup>®</sup> , Comtess <sup>®</sup> and Comtan <sup>®</sup>	Parkinson's disease	267	253	+6%
Simdax <sup>®</sup>	Acute decompensated heart failure	44	40	+10%
Precedex <sup>®</sup>	Intensive care sedative	33	27	+21%
Easyhaler <sup>®</sup> product family	Asthma, COPD	31	28	+9%
Dexdomitor <sup>®</sup> , Domitor <sup>®</sup> , Domosedan <sup>®</sup> and Antisedan <sup>®</sup>	Animal sedatives	23	24	-4%
Divina <sup>®</sup> range	Menopausal symptoms	13	13	-1%
Fareston <sup>®</sup>	Breast cancer	10	12	-18%
<b>Total</b>		<b>420</b>	<b>397</b>	<b>+6%</b>
% of pharmaceutical net sales		48%	49%	

# Income Statement 2007–2011

Formation of profits, EUR million	2007	2008	2009	2010	2011	Change %
Net sales	680.0	710.7	771.5	849.9	917.9	+8.0%
Cost of goods sold	-232.8	-243.4	-265.2	-283.2	-305.1	+7.7%
Gross profit	447.2	467.4	506.3	566.8	612.8	+8.1%
Other operating income and expenses	12.0	3.1	6.0	1.2	3.0	+160.9%
Sales and marketing expenses	-143.4	-143.9	-160.0	-188.9	-204.8	+8.4%
R&D expenses	-85.0	-90.0	-95.2	-85.5	-87.5	+2.3%
Administrative expenses	-38.8	-51.5	-50.2	-39.3	-40.6	+3.4%
Operating profit	192.0	185.0	207.0	254.2	282.9	+11.3%
Profit before taxes	193.4	184.2	203.7	252.6	282.0	+11.6%
Profit for the period	143.9	136.3	151.4	184.7	209.5	+13.5%

# Orion's main research programmes

- Expansion of *Easyhaler*<sup>®</sup> product family. Under development are *new budesonide-formoterol* and *fluticasone-salmeterol combined formulations* for treatment of asthma and COPD.
  - Study results concerning the budesonide-formoterol combined formulation received early in 2012 were promising, but yet insufficient for submission of an application for marketing authorisation. Orion will continue development of the formulation in 2012.
- Orion and Novartis are developing Parkinson's drug *Stalevo*<sup>®</sup> for Japanese markets.
  - Timeline for regulatory submission is under evaluation by Novartis.
- *Androgen receptor antagonist* for treatment of advanced prostate cancer is in clinical trials undertaken jointly with Endo Pharmaceuticals.
- *Alpha 2<sub>c</sub> receptor antagonist* is in Phase II clinical trials
  - The trials are investigating the efficacy and safety of the drug candidate in treating Alzheimer's disease.
- Orion is developing a new more effective *levodopa product* based on optimised new formulations and doses of known compounds
- Orion has completed pre-clinical studies with another *androgen receptor antagonist molecule* and another *alpha 2<sub>c</sub> receptor antagonist molecule*
  - Progress of these drug candidates into clinical trials will depend on the results of the ongoing androgen receptor antagonist and alpha 2<sub>c</sub> receptor antagonist clinical trials.
- Pre-clinical studies include:
  - Prostate cancer, neuropathic pain, Parkinson's disease and Alzheimer's disease.

# Product protection situation of key products

Molecule	Product	Indication	Key patents or data protection expire		
			Europe	USA	Japan
Entacapone	Stalevo <sup>®</sup> , Comtess <sup>®</sup> and Comtan <sup>®</sup>	Parkinson's disease	November 2012 October 2013 <sup>1)</sup>	October 2013 <sup>2)</sup>	2015 <sup>3)</sup>
Levosimendan	Simdax <sup>®</sup>	Acute decompensated heart failure	September 2015	Not marketed	Not marketed
Dexmedetomidine	Precedex <sup>®</sup> <i>dexdor</i> <sup>®</sup>	Intensive care sedative	July 2013 March 2019 <sup>4)</sup>	July 2013	June 2012

<sup>1)</sup> Stalevo data protection expires

<sup>2)</sup> Wockhardt and Sun companies entering markets from 1 April 2012

<sup>3)</sup> Data protection expires; currently only Comtan available, project to develop Stalevo for Japanese markets ongoing

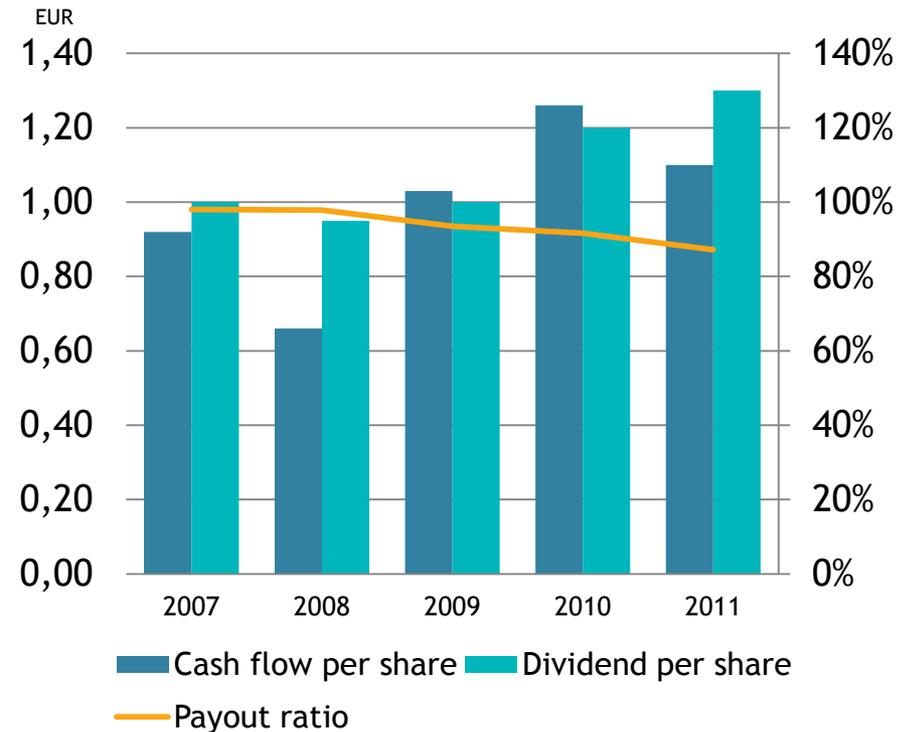
<sup>4)</sup> Use of dexmedetomidine for ICU sedation

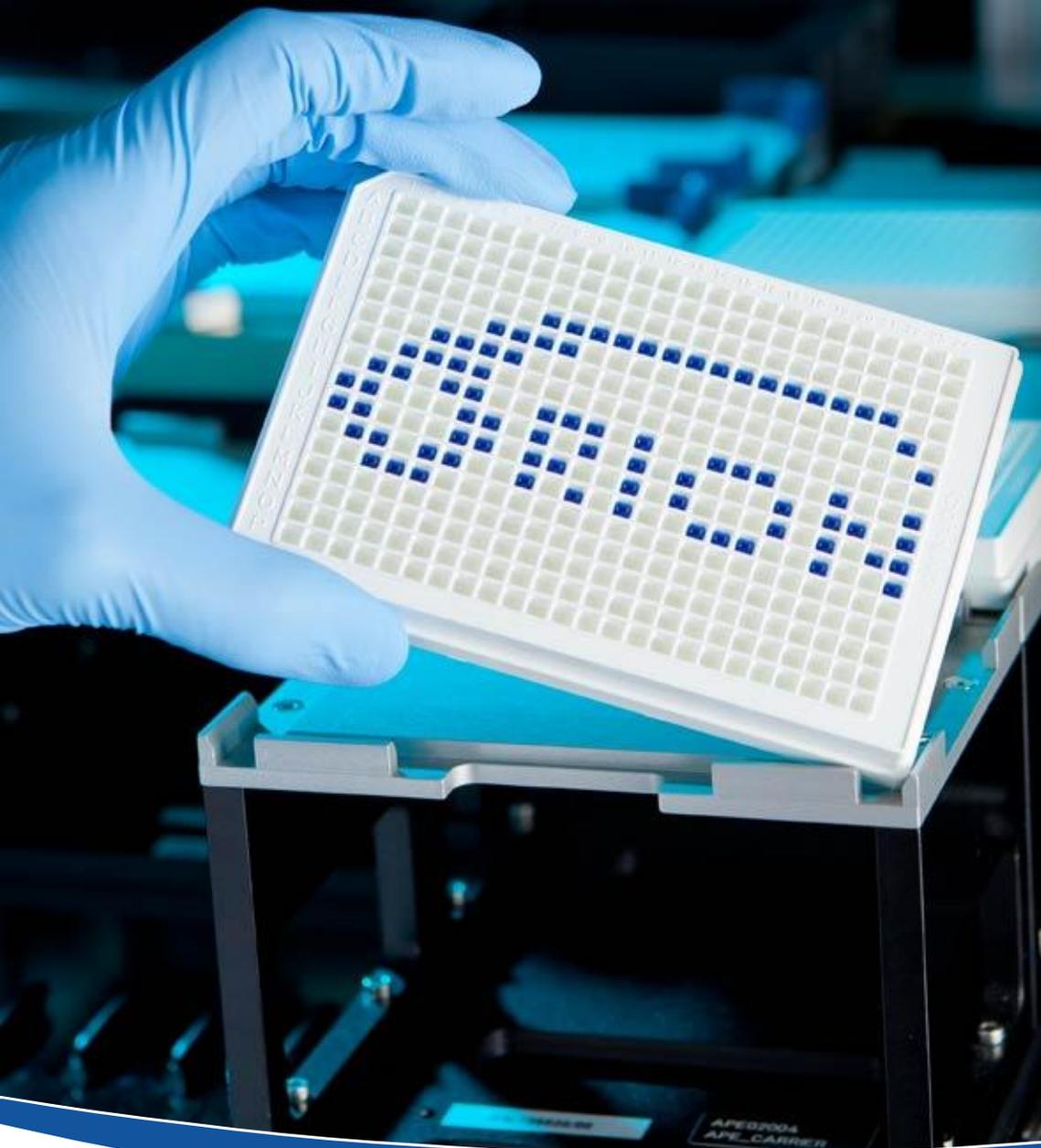
# Dividend distribution policy

## Dividend distribution policy

Orion's dividend distribution takes into account distributable funds and capital expenditure and other financial requirements in medium and long term to achieve the financial objectives

Dividend distribution history





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