



# Orion Interim Report Q1—Q3/2011

25 October 2011

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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.

# Dexdor gained marketing authorisation

- Net sales and operating profit grew, but more slowly than in the first half of the year
  - Growth of Parkinson's drugs 5%
  - Growth of other product ranges 9%
  - Growth of Orion's human pharmaceuticals in Finland 6%
- Orion's *dexdor*<sup>®</sup> (dexmedetomidine) intensive care sedative granted centralised marketing authorisation by European Commission
- Collaboration agreement with Nycomed for co-marketing of Easyhaler<sup>®</sup> combination products under development

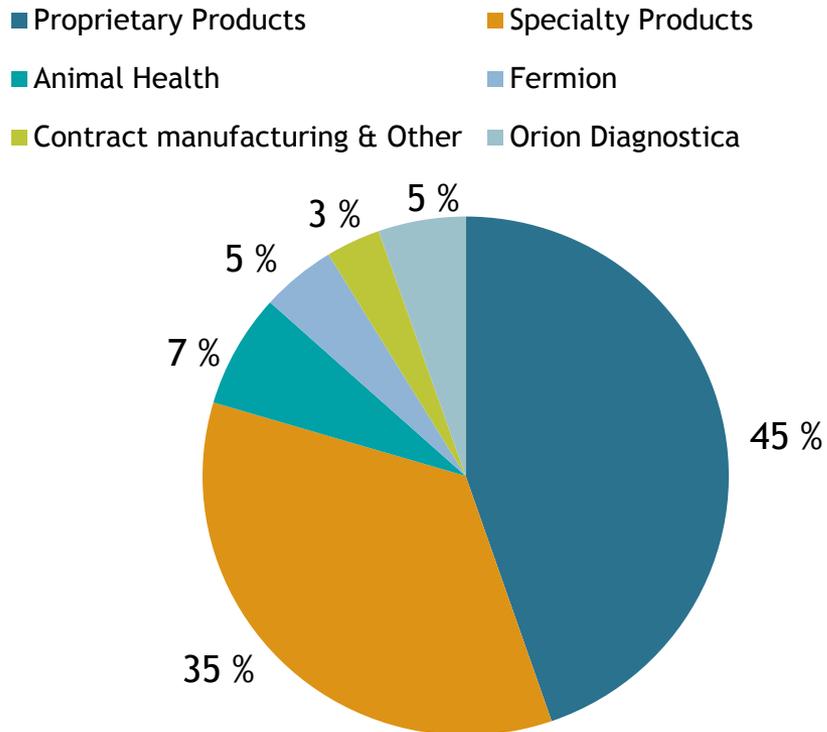
# Net sales and operating profit grew

| Group key figures                               | Q1–Q3/11 | Q1–Q3/10 | Change % | 2010 |
|---|----------|----------|----------|------|
| Net sales, EUR million                          | 682      | 635      | +7%      | 850  |
| Operating profit, EUR million                   | 223      | 202      | +11%     | 254  |
| Basic earnings per share, EUR                   | 1.17     | 1.05     | +11%     | 1.31 |
| Cash flow per share before financial items, EUR | 0.77     | 0.82     | -6%      | 1.26 |

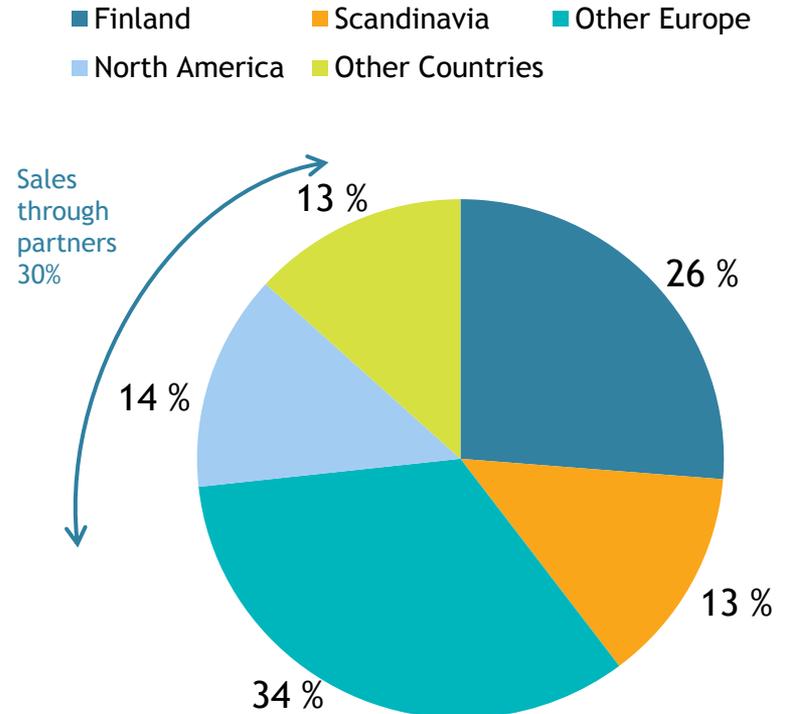
- Net sales grew by 7%
  - Sales of products based on in-house R&D, which accounted for 48% of Pharmaceuticals business's net sales, grew by 3%
  - Market share in Finland 10%
- Operating profit grew by 11%
  - Faster growth than in net sales due especially to increased royalties and milestone payments

# Breakdown of net sales

## By business divisions



## By market area





# Business Reviews

# Pharmaceuticals sales growth slowed

| Key figures for Pharmaceuticals business      | Q1–Q3/2011 | Q1–Q3/2010 | Change % | 2010 |
|---|------------|------------|----------|------|
| Net sales of Pharmaceuticals, EUR million     | 647        | 603        | +7%      | 806  |
| Proprietary Products                          | 306        | 281        | +9%      | 371  |
| Specialty Products                            | 238        | 222        | +8%      | 299  |
| Animal Health                                 | 49         | 49         | -1%      | 68   |
| Fermion                                       | 32         | 34         | -8%      | 45   |
| Contract manufacturing and other              | 23         | 17         | +36%     | 24   |
| Pharmaceuticals operating profit, EUR million | 226        | 202        | +12%     | 252  |

- 31% of segment's net sales from Parkinson's drugs, which grew by 5%
  - Parkinson's drugs deliveries to Novartis up by 10%
  - Parkinson's drugs sales through own sales network down by 4%
- Sales from other product ranges continued to grow (+9%)
  - Growth slower than in first half of year

# Best-selling pharmaceuticals

## Orion's best-selling pharmaceuticals, EUR million

|  | Q1–Q3/2011   | Q1–Q3/2010   | Change %     | 2010       |
|--|--------------|--------------|--------------|------------|
| 1. Stalevo <sup>®</sup> , Comtess <sup>®</sup> and Comtan <sup>®</sup> (Parkinson's disease)                             | 202.4        | 193.3        | +4.7%        | 253        |
| 2. Simdax <sup>®</sup> (acute decompensated heart failure)   | 31.3         | 29.8         | +4.9%        | 40         |
| 3. Easyhaler <sup>®</sup> product family (asthma, COPD)  | 23.1         | 20.8         | +10.8%       | 28         |
| 4. Precedex <sup>®</sup> (intensive care sedative)   | 22.4         | 20.0         | +12.0%       | 27         |
| 5. Burana <sup>®</sup> (inflammatory pain)   | 17.4         | 15.8         | +10.2%       | 22         |
| 6. Dexdomitor <sup>®</sup> , Domitor <sup>®</sup> , Domosedan <sup>®</sup> and Antisedan <sup>®</sup> (animal sedatives) | 14.3         | 16.2         | -11.3%       | 24         |
| 7. Marevan <sup>®</sup> (anticoagulant)  | 11.6         | 9.7          | +20.2%       | 13         |
| 8. Divina <sup>®</sup> range (menopausal symptoms)   | 9.8          | 9.9          | -0.6%        | 13         |
| 9. Enanton <sup>®</sup> (prostate cancer)  | 9.1          | 9.6          | -5.3%        | 13         |
| 10. Solomet <sup>®</sup> (inflammatory diseases)   | 7.6          | 6.1          | +24.4%       | 9          |
| <b>Total</b>   | <b>349.0</b> | <b>331.2</b> | <b>+5.4%</b> | <b>442</b> |
| Share of Pharmaceuticals net sales, %  | 54%          | 55%          |              | 55%        |

# Orion clear market leader in Finland

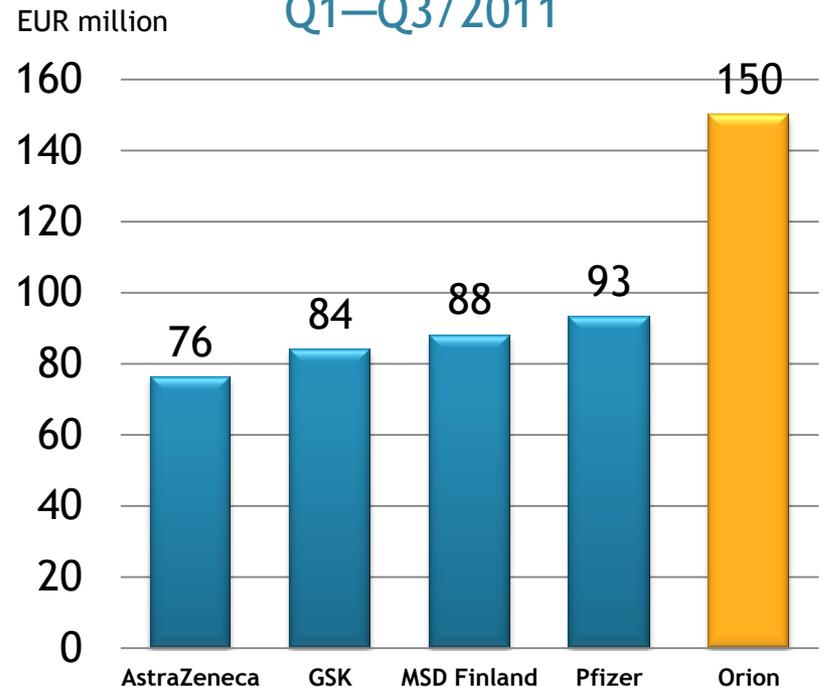
## Finnish human pharmaceuticals market in Q1–Q3/2011

- Wholesale EUR 1,453 million (+3%)

## Orion in Finnish human pharmaceuticals market

- Quarter of Orion's net sales from Finland
- Sales growth 6%
- Orion strengthened market leadership
  - Market share 10%
- Orion especially strong in self-care and substitutable prescription drugs

## Finland's biggest pharmaceutical companies in Q1–Q3/2011



# Sales of Parkinson's drugs still growing

## Overall markets for Parkinson's drugs July 2010 – June 2011

- United States <sup>3)</sup> USD 758 million (-26%)
- Five largest European markets <sup>1) 3)</sup> EUR 1,015 million (+2%)
- Japan <sup>2)</sup> EUR 498 million (+20%)

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

- United States <sup>3)</sup> USD 181 million (+1%)
- Five largest European markets <sup>1) 3)</sup> EUR 158 million (+2%)
- Japan <sup>2)</sup> EUR 52 million (+32%)

## Market shares of Orion's Parkinson's drugs

|                                | MAT<br>6/11 | MAT<br>6/10 |
|--------------------------------|-------------|-------------|
| Finland <sup>2)</sup>          | 23%         | 26%         |
| Sweden <sup>2)</sup>           | 15%         | 16%         |
| Norway <sup>2)</sup>           | 15%         | 16%         |
| Denmark <sup>2)</sup>          | 18%         | 16%         |
| Germany <sup>3)</sup>          | 14%         | 14%         |
| UK <sup>3)</sup>               | 14%         | 13%         |
| United States <sup>3) 4)</sup> | 24%         | 18%         |
| Japan <sup>2) 4)</sup>         | 10%         | 9%          |

(1) Germany, UK, France, Spain and Italy

(2) including sales to hospitals and retail distributors

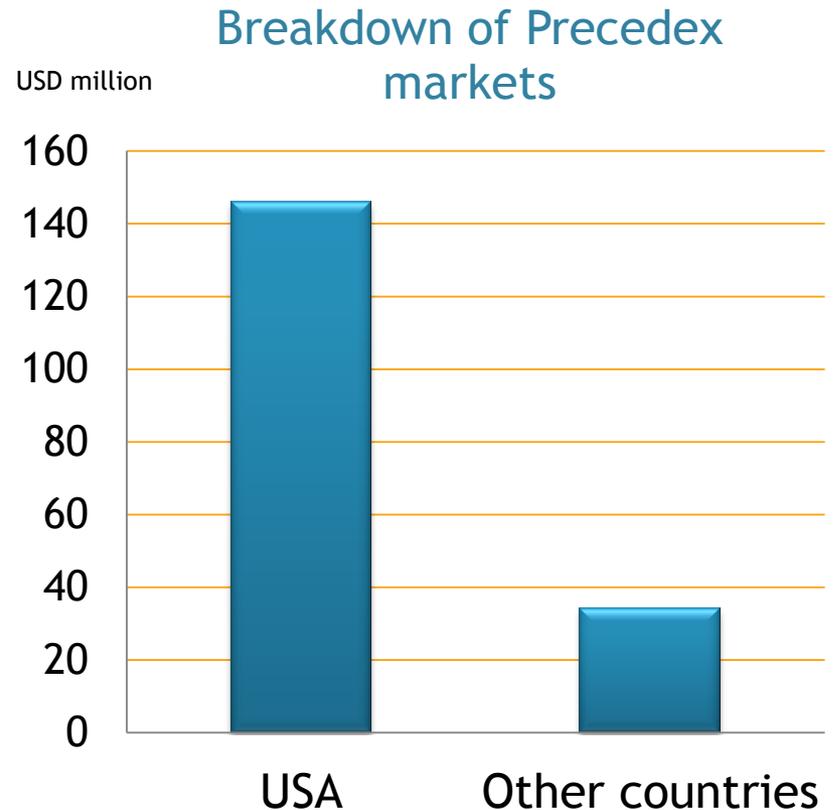
(3) sales to retail distributors only

(4) Novartis sales area

# Precedex maintains strong growth

## Markets for intensive care sedative Precedex July 2010 – June 2011

- Total USD 180 million (+38%)
- United States USD 146 million (+29%)



# Orion's pharmaceutical research pipeline

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

# Diagnostics business

| Key figures for Diagnostics business | Q1–Q3/2011 | Q1–Q3/2010 | Change % |
|--------------------------------------|------------|------------|----------|
| Net sales, EUR million               | 37         | 34         | +7%      |
| Operating profit, EUR million        | 4.2        | 5.1        | -17%     |

- QuikRead® tests remained main product. Progress in sales in Nordic countries and, for example, China and Czech Republic.
- Profit decreased by higher expenditure on product development and marketing, and weaker margin structure of the product sales portfolio 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 2011 (no change)

- Net sales **slightly higher** than in 2010
  - marketing expenditure will be **higher** due to the increased number of product launches
  - research expenditure will be **higher** than in 2010
- Operating profit excluding non-recurring items **higher** than in 2010
- Group capital expenditure about EUR 45 million excluding substantial corporate or product acquisitions

# Orion calendar 2012

- Financial Statements 2011 7 February 2012
  - Annual General Meeting 2012 20 March 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 latest in week 10/2012



**ORION**

# 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

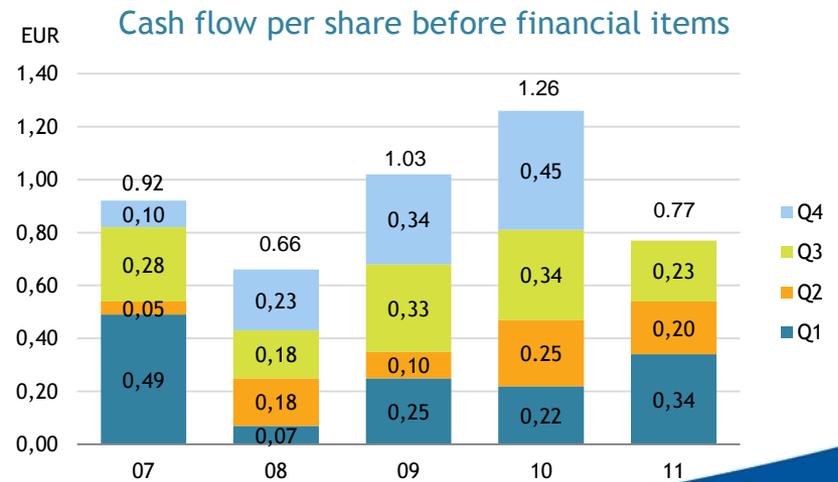
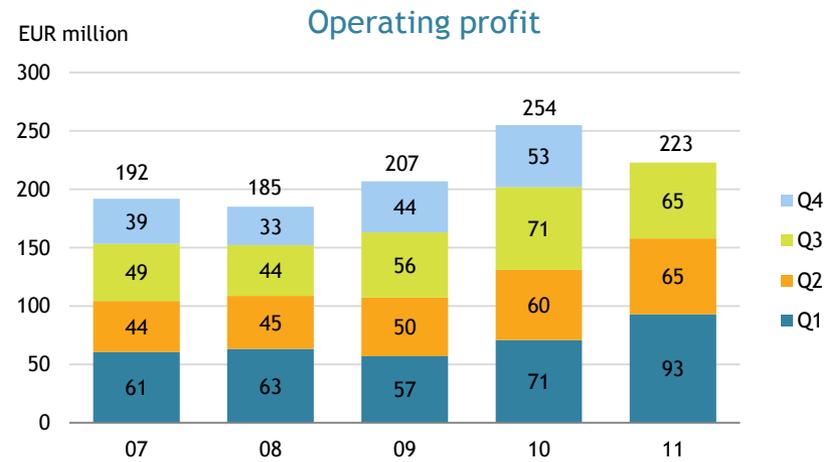
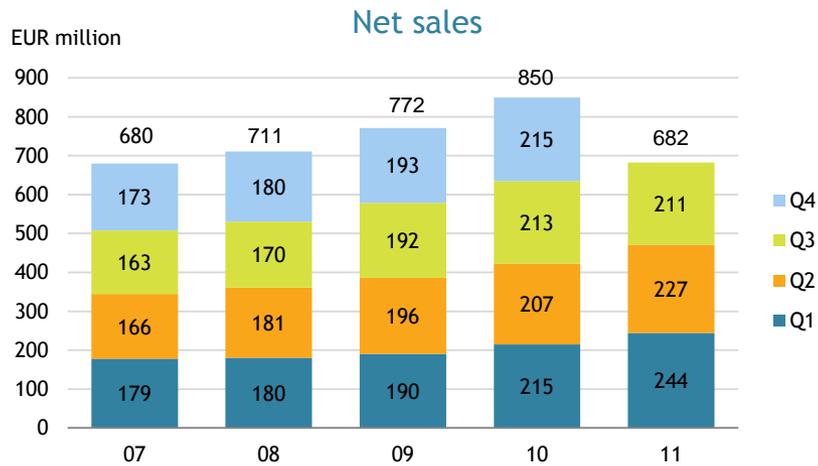
Orion's financial objectives:

1. Ensuring financial stability
2. Creating foundation for 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–Q3/2011

| Orion's key figures                             | 2007   | 2008  | 2009                 | 2010                 | Q1–Q3/2011 | Q1–Q3/2010 | Change % |
|---|--------|-------|----------------------|----------------------|------------|------------|----------|
| Net sales, EUR million                          | 680.0  | 710.7 | 771.5                | 849.9                | 681.8      | 635.0      | +7.4%    |
| Operating profit, EUR million                   | 192.0  | 185.0 | 207.0                | 254.2                | 223.4      | 201.6      | +10.8%   |
| Profit before taxes, EUR million                | 193.4  | 184.2 | 203.7                | 252.6                | 222.4      | 200.2      | +11.1%   |
| R&D expenses, EUR million                       | 85.0   | 90.0  | 95.2                 | 85.5                 | 62.1       | 58.9       | +5.4%    |
| Equity ratio, %                                 | 76.2%  | 60.2% | 60.6%                | 62.7%                | 64.2%      | 61.9%      |          |
| Gearing, %                                      | -20.0% | -7.1% | -8.9%                | -12.2%               | 2.9%       | 1.4%       |          |
| ROCE (before taxes), %                          | 44.8%  | 38.5% | 37.4%                | 45.0%                | 53.4%      | 48.8%      |          |
| Return on equity, %                             | 33.5%  | 32.1% | 35.3%                | 40.7%                | 47.6%      | 45.5%      |          |
| Basic earnings per share, EUR                   | 1.02   | 0.97  | 1.07                 | 1.31                 | 1.17       | 1.05       | +11.1%   |
| Cash flow per share before financial items, EUR | 0.92   | 0.66  | 1.03                 | 1.26                 | 0.77       | 0.82       | -5.8%    |
| Dividend per share, EUR                         | 1.00   | 0.95  | 1.00                 | 1.20                 |            |            |          |
|   |        |       | + 0.10 <sup>1)</sup> | + 0.06 <sup>2)</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.

# Growth in sales of own proprietary products

Net sales of proprietary products,  
EUR million

|  | Indication                        | Q1—Q3/2011   | Q1—Q3/2010   | Change %     | 2010         |
|--|-----------------------------------|--------------|--------------|--------------|--------------|
| Stalevo <sup>®</sup> , Comtess <sup>®</sup> and Comtan <sup>®</sup>                                | Parkinson's disease               | 202.4        | 193.3        | +4.7%        | 252.7        |
| Simdax <sup>®</sup>  | Acute decompensated heart failure | 31.3         | 29.8         | +4.9%        | 39.9         |
| Easyhaler <sup>®</sup> product family  | Asthma, COPD                      | 23.1         | 20.8         | +10.8%       | 28.1         |
| Precedex <sup>®</sup>  | Intensive care sedative           | 22.4         | 20.0         | +12.0%       | 27.2         |
| Dexdomitor <sup>®</sup> , Domitor <sup>®</sup> , Domosedan <sup>®</sup> and Antisedan <sup>®</sup> | Animal sedatives                  | 14.3         | 16.2         | -11.3%       | 24.2         |
| Divina <sup>®</sup> range  | Menopausal symptoms               | 9.8          | 9.9          | -0.6%        | 13.3         |
| Fareston <sup>®</sup>  | Breast cancer                     | 6.5          | 9.5          | -31.9%       | 11.7         |
| <b>Total</b>   |                                   | <b>309.7</b> | <b>299.5</b> | <b>+3.4%</b> | <b>397.1</b> |
| % of pharmaceutical net sales  |                                   | <b>48%</b>   | <b>50%</b>   |              | <b>49%</b>   |

# Income Statement 2007–Q3/2011

| Formation of profits, EUR million   | 2007   | 2008   | 2009   | 2010   | Q1–Q3/2011 | Q1–Q3/2010 | Change % |
|-------------------------------------|--------|--------|--------|--------|------------|------------|----------|
| Net sales                           | 680.0  | 710.7  | 771.5  | 849.9  | 681.8      | 635.0      | +7.4%    |
| Cost of goods sold                  | -232.8 | -243.4 | -265.2 | -283.2 | -219.8     | -209.4     | +5.0%    |
| Gross profit                        | 447.2  | 467.4  | 506.3  | 566.8  | 462.0      | 425.6      | +8.5%    |
| Other operating income and expenses | 12.0   | 3.1    | 6.0    | 1.2    | 2.5        | -2.9       | -188.6%  |
| Sales and marketing expenses        | -143.4 | -143.9 | -160.0 | -188.9 | -151.2     | -134.0     | +12.8%   |
| R&D expenses                        | -85.0  | -90.0  | -95.2  | -85.5  | -62.1      | -58.9      | +5.4%    |
| Administrative expenses             | -38.8  | -51.5  | -50.2  | -39.3  | -27.9      | -28.2      | -1.2%    |
| Operating profit                    | 192.0  | 185.0  | 207.0  | 254.2  | 223.4      | 201.6      | +10.8%   |
| Profit before taxes                 | 193.4  | 184.2  | 203.7  | 252.6  | 222.4      | 200.2      | +11.1%   |
| Profit for the period               | 143.9  | 136.3  | 151.4  | 184.7  | 164.3      | 148.0      | +11.0%   |

# 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.
  - Bioequivalence results from budesonide-formoterol combined formulation development programme are anticipated in early 2012.
- Orion and Novartis are developing Parkinson's drug *Stalevo*<sup>®</sup> for Japanese markets.
  - Timeline for regulatory submission is under evaluation by Novartis.
- An *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 and Raynaud's phenomenon.
- Orion has moved to clinical trials of a new more effective *levodopa product* based on optimised new formulations and doses of known compounds.
- Early-phase 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> ,<br>Comtess <sup>®</sup> and Comtan <sup>®</sup> | Parkinson's disease               | November 2012<br>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><br><i>dexdor</i> <sup>®</sup>                    | Intensive care sedative           | July 2013<br>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

