



Orion Group Interim Report January–September 2010

Orion's net sales for January–September 2010 totalled EUR 635 million (EUR 578 million for January–September 2009), up by 10% on the comparative period last year.

- Operating profit was EUR 202 (163) million.
- Profit before taxes was EUR 200 (161) million.
- Equity ratio was 62% (58%).
- ROCE before taxes was 49% (40%).
- ROE after taxes was 46% (38%).
- Diluted earnings per share were EUR 1.05 (0.84).
- Cash flow per share before financial items was EUR 0.82 (0.69).
- Outlook estimate is raised. Operating profit excluding non-recurring items is now expected to be clearly higher than in 2009. Previously, operating profit excluding non-recurring items was expected to be higher than in 2009.

ORION'S KEY FIGURES FOR THE REVIEW PERIOD

	Q3/10	Q3/09	Change %	Q1–Q3/10	Q1–Q3/09	Change %	2009
Net sales, EUR million	213.2	191.8	+11.1%	635.0	578.2	+9.8%	771.5
International operations, EUR million	155.5	136.2	+14.2%	466.8	414.1	+12.7%	548.2
% of net sales	73.0%	71.0%		73.5%	71.6%		71.1%
Operating profit, EUR million	70.6	55.7	+26.7%	201.6	163.1	+23.7%	207.0
% of net sales	33.1%	29.0%		31.8%	28.2%		26.8%
Profit before taxes, EUR million	70.0	54.9	+27.4%	200.2	160.6	+24.7%	203.7
% of net sales	32.8%	28.6%		31.5%	27.8%		26.4%
Income tax expense, EUR million	18.4	14.6	+25.7%	52.2	42.2	+23.8%	52.3
R&D expenses, EUR million	19.5	20.5	-4.8%	58.9	69.6	-15.3%	95.2
% of net sales	9.1%	10.7%		9.3%	12.0%		12.3%
Capital expenditure, EUR million	10.2	11.2	-9.0%	27.9	51.2	-45.5%	60.4
% of net sales	4.8%	5.8%		4.4%	8.9%		7.8%
Assets total, EUR million				693.8	701.6	-1.1%	727.1
Equity ratio, %				61.9%	57.6%		60.6%
Gearing, %				1.4%	1.6%		-8.9%
Interest-bearing liabilities, EUR million				121.3	158.2	-23.3%	131.5
Non-interest-bearing liabilities, EUR million				143.3	139.1	+3.0%	156.5
Cash and cash equivalents, EUR million				115.4	151.5	-23.9%	170.5
ROCE (before taxes), %				48.8%	39.6%		37.4%
ROE (after taxes), %				45.5%	38.4%		35.3%
Basic earnings per share, EUR	0.37	0.29	+28.1%	1.05	0.84	+25.0%	1.07
Diluted earnings per share, EUR	0.37	0.29	+28.1%	1.05	0.84	+25.0%	1.07
Cash flow per share before financial items, EUR	0.34	0.33	+1.3%	0.82	0.69	+18.6%	1.03
Equity per share, EUR				3.05	2.87	+6.3%	3.11
Personnel at the end of the period				3,124	3,125		3,147
Average personnel during the period				3,141	3,210	-2.2%	3,192
Personnel expenses, EUR million				123.3	123.9	-0.5%	171.4



President and CEO Timo Lappalainen's review

“Continued strong growth”

“Growth in our net sales and operating profit remained solid in the third quarter of the year.

“After a difficult first half year, the Finnish pharmaceutical market picked up slightly in August and September, but over the whole year, the market was still down on the previous year. However, Orion's sales in Finland grew clearly faster than the market as a whole, and our market position further improved.

“Sales of our Parkinson's drugs continued to grow steadily, but slightly more slowly than in previous years. Sales of other products in our portfolio again developed well, especially in Scandinavia and Eastern Europe, where we have launched many products this year. During the year, the intensive care sedative Precedex has also become one of our most important products.

“As anticipated, our operations established in Southern Europe in the second half of last year increased our sales and marketing expenses. Higher volumes in the business operations also led to higher distribution costs. Research and development expenses were lower than in the previous year, mainly due to the timing of our research programmes. The focus of research is currently on many early-phase projects and broadening the range of the Easyhaler product family. Administrative expenses were lower as litigation costs in the United States decreased.

“The intensive care sedative dexmedetomidine has an important role in the renewal of our product portfolio over the near future. We are pleased that our application for marketing authorisation for dexmedetomidine has been submitted to the European Medicines Agency, and they started processing it in October. The centralised procedure for marketing authorisation applications generally takes more than a year.

“We update our outlook estimate for 2010. We now estimate that operating profit excluding non-recurring items will be clearly higher than in 2009. Previously, we estimated that operating profit excluding non-recurring items would be higher than in 2009. Our net sales growth estimate remains unchanged. More information about the outlook estimate and the basis for it can be found on pages 5–6 of this Interim Report.”

Events during the period

On 24 September 2010 Orion announced that Riitta Vartiainen, Senior Vice President, Business Development and Support, will leave the Orion Group Executive Management Board as of 1 January 2011 and retire in February 2011. In a related organisational change, the departments of the Business Development and Support line function will be transferred to other organisations of the Group.

On 1 September 2010 Orion announced that a total of 2,230 Orion B shares had been returned to the Company free of consideration, by virtue of the terms of the Share-based Incentive Plan of 2007. Following the return of these shares, Orion holds a total of 516,654 B shares in the Company.

On 20 August 2010 Orion commented on the US Food and Drug Administration's release about the ongoing safety evaluation of Orion's drug Stalevo. The release related to cardiovascular disease events reported in the results of the STRIDE-PD study.

In the period 11–18 August 2010 Orion repurchased a total of 300,000 B shares in the Company for use as part of the long-term incentive plan for the Group's key persons.

On 13 August 2010 Orion reported two ongoing investment projects at the Turku production plant: investment of EUR 3 million in the hormonal gel department with a new production line being built for contract manufacturing of a new hormonal product, and investment of EUR 2 million in purchasing a new fluidised bed granulator for tablet manufacture.



On 1 July 2010 Orion reported the investment of EUR 5 million in Fermion's production plant at Oulu to enlarge it to produce new cancer drugs. The additional area is expected to be ready for use in the beginning of 2012. The production plant manufactures active pharmaceutical ingredients for Orion and other pharmaceutical production plants around the world.

Events after the period

On 1 October 2010 Niclas Lindstedt became Senior Vice President, Animal Health. His predecessor, Satu Ahomäki, became Senior Vice President, Global Sales, at the beginning of October. Niclas Lindstedt will report to CFO Jari Karlson.

On 15 October 2010 Orion announced that, as a result of trades on 13 October 2010, the total number of Orion B shares under the management of Capital Research and Management Company had fallen below one twentieth (1/20) of the total number of Orion Corporation shares.

News conference and teleconference

A news conference and teleconference on the published results will be held today, Tuesday 26 October 2010, at 14:30 EEST in Hotel Kämp, address: Pohjoisesplanadi 29, Helsinki. President and CEO Timo Lappalainen will give a brief presentation in English on the financial review.

The event can be followed live as a webcast accessible at www.orion.fi. After the presentation, questions can be put to the Company's management by telephone in Finnish and English.

The teleconference code is 877 537 and to participate in the teleconference, please call:
from the USA: +1 888 222 0364
from other countries: +44 (0)20 7162 0125

News conference recordings

A recording of the webcast of the event in English will be available later the same day via a link on the Orion website. A recording of the presentation by the President and CEO in Finnish will be available on the Orion website later on the same day.

Financial report material

Orion's releases and related presentation material are available on the Group's website at www.orion.fi/en/ promptly after publication. The website also has a form for subscribing to Orion's publications for investors and releases.

Dates in Orion Calendar

Capital Markets Day in Helsinki	Thursday 9 December 2010
Financial Statements 2010 Release	Wednesday 9 February 2011
Annual General Meeting 2011	Thursday 31 March 2011
Interim Report January–March 2011	Wednesday 27 April 2011
Interim Report January–June 2011	Tuesday 2 August 2011
Interim Report January–September 2011	Tuesday 25 October 2011

For additional information about the financial review:

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www.orion.fi/en
www.orion.fi/en/investors/



Financial review Q1–Q3/2010

Net sales

The Orion Group's net sales in January–September 2010 totalled EUR 635 million (EUR 578 million in January–September 2009), up by 10% on the comparative period of the previous year. Impact of exchange rate development has been positive. Net sales would have been EUR 9 million lower if calculated according to the exchange rates prevailing in the comparative period.

The Pharmaceuticals business's net sales were up by 10% at EUR 603 (547) million. The products based on in-house R&D accounted for EUR 300 (263) million, or 50% (48%) of the Pharmaceuticals business's net sales. Net sales of Orion's Parkinson's drugs were up by 6% at EUR 193 (182) million, which was 32% (33%) of the Pharmaceuticals business's net sales. The net sales of the other products in the portfolio excluding Parkinson's drugs were up by 12% at EUR 409 (364) million.

The Diagnostics business's net sales were up by 3% at EUR 34 (33) million.

Operating profit

The Orion Group's operating profit was up by 24% at EUR 202 (163) million.

The Pharmaceuticals business's operating profit was EUR 202 (165) million, up by 23% on the comparative period. The gross profit grew slightly faster than net sales. However, operating profit improved clearly more because the fixed costs of the business operations were slightly lower than in the previous year. Sales and marketing expenses were as anticipated higher, but research and administrative expenses lower than in the comparative period.

The Diagnostics business's operating profit was EUR 5 (4) million, up by 19% on the comparative period. Net sales and gross profit were slightly higher but fixed costs were similar to the comparative period.

Operating expenses

The Group's sales and marketing expenses at EUR 134 (114) million were as anticipated clearly higher, up by 18%. The increase was mainly due to the launch of operations in Southern Europe in the second half of 2009, EUR 7 (4) million of royalties paid to Abbott following its sale of Simdax and increased distribution costs due to volume growth in the business operations as a whole.

R&D expenses were down by 15% at EUR 59 (70) million and accounted for 9% (12%) of the Group's net sales. Pharmaceutical R&D expenses amounted to EUR 54 (65) million. The decrease was mainly due to the timing of the ongoing research projects, especially as clinical trials of the intensive care sedative dexmedetomidine with patients concluded at the turn of the year. Ongoing research projects are reported in more detail under Pharmaceuticals in the Business Reviews.

Administrative expenses were down by 26% at EUR 28 (38) million. The costs due to patent litigation in the United States were EUR 2 (7) million. There is more information on the legal proceedings in the section "Legal proceedings".

Other operating income and expenses decreased profit by EUR 3 million (profit increase in comparative period EUR 2 million). These expenses include items arising mainly from foreign exchange hedges.

Profit before taxes

Group profit before taxes totalled EUR 200 (161) million. Basic earnings per share were EUR 1.05 (0.84) and diluted earnings per share were EUR 1.05 (0.84). Equity per share was EUR 3.05 (2.87). The return on capital employed before taxes (ROCE) was 49% (40%) and the return on equity after taxes (ROE) 46% (38%).



Financial position

The Group's gearing was 1% (2%) and the equity ratio 62% (58%).

Total **liabilities** at 30 September 2010 were EUR 265 (297) million. At the end of the period, interest-bearing liabilities amounted to EUR 121 (158) million, including EUR 98 (117) million of long-term loans.

The Group had EUR 115 (152) million **cash and cash equivalents** at the end of the period, which are invested in short-term interest-bearing instruments issued by financially solid financial institutions and corporations.

Cash flow

Cash flow from operating activities was slightly down on the comparative period at EUR 141 (148) million. Operating profit was clearly higher in the first part of 2010, but the amount tied up in working capital was EUR 56 million more than in the comparative period. The rise in working capital was due to an increase in trade receivables and a decrease in non-interest-bearing liabilities. The strong growth in net sales and proportionally greater growth in countries where payment times are typically longer than average for Orion led to the increase in trade receivables. Orion's non-interest-bearing liabilities fluctuate quite a lot during the year. The non-interest-bearing liabilities were exceptionally high at the turn of the year, and the decrease to normal during the first half the year tied up working capital.

Cash flow from investing activities was EUR -26 (-51) million. In the comparative period, investments were increased by the repurchasing of marketing rights to the heart failure drug Simdax for EUR 26 million.

Cash flow from financing activities was EUR -171 (-122) million. The change is due to repayment of capital in 2010, repurchase of own shares and higher dividends than in the previous year. In 2009 a long-term loan was raised, which improved the cash flow for the comparative period.

Capital expenditure

The Group's capital expenditure totalled EUR 28 (51) million. This comprised EUR 17 (18) million on property, plant and equipment and EUR 11 (33) million on intangible assets.

Outlook for 2010

Net sales will be higher than in 2009.

Marketing expenditure will be higher due to the increased number of product launches and expansion of operations into Southern Europe. Research expenditure and the costs of patent litigation in the United States will be lower than in 2009.

Operating profit excluding non-recurring items will be clearly higher than in 2009.

The Group's capital expenditure will be about EUR 40 million excluding substantial corporate or product acquisitions.

Previously, the estimated outlook was:

Net sales will be higher than in 2009.

Marketing expenditure will be higher due to the increased number of product launches and expansion of operations into Southern Europe. Research expenditure and the costs of patent litigation in the United States will be lower than in 2009.

Operating profit excluding non-recurring items will be higher than in 2009.

The Group's capital expenditure will be about EUR 40 million excluding substantial corporate or product acquisitions.



Basis for outlook

The reference price system implemented in Finland in April 2009 increased price competition in the category of substitutable products, which led to a clear decrease in prices. During 2010 price competition has persisted. Product launches will support Orion's position as market leader in 2010 too.

In-market sales of the Parkinson's drugs grew by just over 10% in 2009, as in the previous year. However, the growth was faster than anticipated, and is forecast to slow down slightly in 2010.

Repurchasing of the marketing rights to Simdax from Abbott in May 2009 will increase sales compared with the previous year because in-market sales of the product will appear as Orion's own sales throughout the year. During the first four months of 2009, for Simdax Orion recorded in its own sales only sales of the product to Abbott.

Because the registrations and launches of new products are projects that take more than a year, the increases in resources and other inputs required in 2010 were planned mainly during the previous year.

Research and development costs can be estimated quite accurately in advance. They are partly the Company's internal fixed cost items, such as salaries and maintenance of the operating infrastructure, and partly external variable costs. External costs arise from, among other things, long-term clinical trials, which are typically performed in clinics located in several countries. The most important clinical trials scheduled for 2010 are either ongoing from the previous year or at an advanced stage of planning, therefore their cost level can be estimated rather accurately.

Orion Corporation and companies belonging to the Sun Group agreed a settlement in June. The agreement ended the most important litigation proceedings for Orion in the United States. As a result, the costs of patent lawsuits for the whole year can be estimated better than before.

There are no intrinsic seasonal fluctuations in business operations, but for many reasons, such as fewer days of sales and the timing of purchases by partners, operating profit in the last quarter of the year has generally been less than in other quarters of the year.

Near-term risks and uncertainties relating to the outlook

The Company is not aware of any significant risk factors relating to the earnings outlook for 2010.

Sales of individual products and also Orion's sales in individual markets may vary slightly depending on the extent to which the ever-tougher price and other competition prevailing in pharmaceutical markets in recent years will specifically affect Orion's products. Deliveries to Novartis are based on timetables that are jointly agreed in advance. Nevertheless, they can change, for example as a consequence of decisions by Novartis concerning adjustments of stock levels.

Most of the exchange rate risk relates to the US dollar. Typically, only less than 15% of Orion's net sales come from the United States. As regards currencies in European countries, the overall effect will be abated by the fact that Orion has organisations of its own in most of these countries, which means that in addition to sales income, there are also costs in these currencies.

Research projects always entail uncertainty factors that may either increase or decrease estimated costs. The projects may progress more slowly or faster than assumed, or they may be discontinued. Nonetheless, changes that may occur in ongoing clinical studies are reflected in costs relatively slowly, and they are not expected to have a material impact on earnings in the current year. Owing to the nature of the research process, the timetables and costs of new studies that are being started are known well in advance. They therefore typically do not lead to unexpected changes in the estimated cost structure.



Financial objectives

Orion's financial objectives are ensuring the Group's financial stability and creating a foundation for long-term profitable growth.

The principal means of achieving these objectives are:

- improving the organic development of net sales and operating profit through product, product portfolio and corporate acquisitions
- increasing the efficiency of operations and cost control
- maintaining a stable financial position, with the equity ratio at least 50%

Sales of Stalevo and Comtess/Comtan currently account for approximately one-third of Orion's net sales. The key patents for these Parkinson's drugs in Orion's main markets will expire in 2012–2013, which is why their sales are expected to decline over the next few years. Orion is continuously bringing new products to the market to replace this drop in net sales.

The development of Orion's net sales and profitability in the next few years will depend on how fast the sales of Parkinson's drugs will decline and, on the other hand, how the sales of other products will increase in the future. This creates a point of discontinuity in the Group's operations.

Orion's dividend policy

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

Shares and shareholders

On 30 September 2010 Orion had a total of 141,257,828 shares, of which 47,885,511 were A shares and 93,372,317 B shares. The Group's share capital was EUR 92,238,541.46. At the end of September 2010 Orion held 516,654 B shares as treasury shares. On 30 September 2010 the aggregate number of votes conferred by the A and B shares was 1,050,565,883 excluding treasury shares.

Voting rights conferred by shares

Each A share entitles its holder to twenty (20) votes at General Meetings of Shareholders and each B share one (1) vote. However, a shareholder cannot vote more than 1/20 of the aggregate number of votes from the different share classes represented at the General Meetings of Shareholders. In addition, Orion and Orion Pension Fund do not have the right to vote at Orion Corporation's General Meetings of Shareholders.

Both share classes, A and B, confer equal rights to the Company's assets and dividends.

Conversion of shares

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares. In January–September 2010 a total of 3,455,157 shares were converted.

Trading in Orion's shares

Orion's A shares and B shares are quoted on NASDAQ OMX Helsinki in the Large Cap group under the Healthcare sector heading under the trading codes ORNAV and ORNBV. Trading in both of the Company's share classes commenced on 3 July 2006, and information on trading in the Company's shares has been available since this date.



On 30 September 2010 the market capitalisation of the Company's shares excluding treasury shares was EUR 2,069 million.

Authorisations of the Board of Directors

Orion's Board of Directors was authorised by the Annual General Meeting on 24 March 2010 to decide on acquisition of shares in the Company and on a share issue in which shares held by the Company can be conveyed. The authorisation to acquire shares is valid for 18 months and the authorisation to issue shares for five years from the respective decision taken by the Annual General Meeting.

The Board of Directors is authorised to decide on acquisition of no more than 300,000 Orion Corporation B shares. Such shares shall be acquired at the market price at the time of acquisition quoted in public trading on NASDAQ OMX Helsinki using funds in the Company's distributable equity. Such shares may be acquired in public trading on the stock exchange in a proportion not corresponding to the shareholders' holdings. The shares shall be acquired and paid for in accordance with the rules of the stock exchange and Euroclear Finland. The shares acquired can be kept, cancelled or further conveyed by the Company. The shares can be acquired for the purpose of developing the capital structure of the Company, for use in financing possible corporate acquisitions or other business arrangements of the Company, for financing capital expenditure, as part of the Company's incentive plan, or for otherwise conveying or cancelling them. The Board of Directors shall decide on other matters related to the acquisition of shares in the Company.

On 18 May 2010 the Board of Directors of Orion Corporation decided to repurchase shares as authorised by the Annual General Meeting. In accordance with the decision, Orion acquired 300,000 B shares of Orion Corporation during the period 11–18 August 2010. The shares were acquired for use as part of the 2010 long-term incentive plan for the Orion Group's key persons.

The Board of Directors is authorised to decide on conveyance of no more than 500,000 Orion Corporation B shares held by the Company. Such shares held by the Company can be conveyed either against or without payment. Such shares held by the Company can be conveyed by selling them in public trading on NASDAQ OMX Helsinki; in a share issue placement to the Company's shareholders in proportion to their holdings at the time of the conveyance regardless of whether they own A or B shares; or in a share issue placement deviating from shareholders' pre-emptive rights if there is a weighty financial reason, such as the development of the capital structure of the Company, using the shares to finance possible corporate acquisitions or other business arrangements of the Company, financing capital expenditure or as part of the Company's incentive plan. The share issue placement can be without payment only if there is an especially weighty financial reason in the view of the Company and to the benefit of all its shareholders. The amounts paid for shares in the Company conveyed shall be recorded in a distributable equity fund. The Board of Directors shall decide on other matters related to the conveyance of shares held by the Company.

The Board of Directors is not authorised to increase the share capital or to issue bonds with warrants or convertible bonds or stock options.

Share-based Incentive Plan

Altogether 65,606 Orion Corporation B shares held by the Company were transferred at the beginning of March 2010 as a share bonus for 2009 to key persons employed by the Group and belonging to the Share-based Incentive Plan of the Orion Group. The price per share of the transferred shares was EUR 16.47, which was the volume weighted average quotation of Orion Corporation B shares on 1 March 2010. The total transaction price of the transferred shares was therefore EUR 1,080,564.

In February 2010 the Board of Directors of Orion Corporation decided on a new share-based incentive plan for the Group key persons. The Plan includes earning periods and the Board of Directors will annually decide on the beginning and duration of the earning periods in 2010, 2011 and 2012. The Board of Directors will decide on the earnings criteria and on targets to be established for them at the beginning of each earning period. The target group of the Plan consists of approximately 30 people. The total maximum amount of rewards to be paid on the basis of the Plan is 500,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares.



Share ownership

At the end of September 2010 Orion had a total of 57,293 (50,870) registered shareholders, of whom 95% (94%) were private individuals holding 52% (51%) of the entire share stock and 64% (60%) of the total votes. There were altogether 37 (29) million nominee-registered shares, which is 26% (21%) of all shares, and they conferred entitlement to 4% (5%) of the votes.

At the end of September 2010 Orion held 516,654 (280,030) B shares as treasury shares, which is 0.4% (0.2%) of the Company's total share stock and 0.05% (0.03%) of the total votes.

After the review period, Orion was informed that, as a result of trades on 13 October 2010, the total number of Orion B shares owned by the mutual funds under the management of Capital Research and Management Company had fallen below one twentieth (1/20) of the total number of Orion Corporation shares.

Personnel

The average number of employees in the Orion Group in January–September 2010 was 3,141 (3,210). At the end of September 2010 the Group had a total of 3,124 (3,125) employees, of whom 2,473 (2,532) worked in Finland and 651 (593) outside Finland.

Salaries and other personnel expenses in January–September 2010 totalled EUR 123 (124) million.

Legal proceedings

Legal proceedings against the Sandoz companies

On 4 September 2009 Orion Corporation and Hospira, Inc. filed together a patent infringement lawsuit in the United States against Sandoz International GmbH and Sandoz Inc. to enforce their patents valid in the United States. Sandoz Canada Inc. has since been added as a defendant in the lawsuit. The legal proceedings concern Orion's US Patent No. 4,910,214 and Orion's and Hospira's commonly owned US Patent No. 6,716,867.

Sandoz Inc. has sought authorisation to produce and market in the United States a generic version of Orion's proprietary drug Precedex[®] (dexmedetomidine hydrochloride 100 µg/ml), which is marketed in the United States by Orion's licensee Hospira.

Orion expects the costs of the legal proceedings against the Sandoz companies to be substantially less than the costs of the entacapone patent litigation that had previously been pending in the United States.

Events after the period

In October Orion was notified that Caraco Pharmaceutical Laboratories, Ltd. had submitted an application to the US Food and Drug Administration (FDA) for authorisation to produce and market in the United States a generic version of Orion's proprietary drug Precedex[®] (dexmedetomidine hydrochloride 100 µg/ml), which is marketed in the United States by Orion's licensee Hospira.

Caraco's application includes a so-called Paragraph IV certification that challenges Orion's and Hospira's commonly owned US Patent No. 6,716,867 valid until 31 March 2019 that in the United States protects Precedex, which is included in the FDA's Orange Book of officially approved drug products. In its application, Caraco is not applying to launch the product in US markets until Orion's US Patent No. 4,910,214, which protects the dexmedetomidine molecule in the United States, expires in July 2013.

Hospira and Orion are currently considering legal options to protect their rights. If a patent holder files an infringement lawsuit in the United States against a generic applicant within a 45-day time limit, the FDA cannot grant final marketing approval for 30 months, unless in the meantime the applicant wins the lawsuit



challenging the patent. Orion anticipates that if Caraco's application leads to the filing of a lawsuit, the costs will be substantially less than the costs of the entacapone patent litigation that had previously been pending in the United States.

Orion points out that, as regards the Company's communications, it does not consider an application material if it would enable the applicant to launch its generic product in the markets only after the basic patent has expired. As explained above, Caraco's application is such an application.

Business Reviews

Pharmaceuticals

Review of human pharmaceuticals market

According to statistics collected by Finnish Pharmaceutical Data Ltd, **Finnish wholesale of human pharmaceuticals** in January–September 2010 totalled EUR 1,415 (1,434) million, down by 1% on the comparative period of the previous year. The decrease in the market as a whole was mainly due to price decreases in pharmaceuticals covered by the reference price system. About half of the prescription drug market by volume is covered by the reference price system, which has been in force since the beginning of April 2009.

Finland is the most important individual market for Orion, generating one-quarter of the Group's net sales. Orion continued to strengthen its position as leader in marketing pharmaceuticals in Finland. According to statistics collected by Finnish Pharmaceutical Data Ltd, **Orion's wholesale of human pharmaceuticals in Finland** in January–September 2010 amounted to EUR 141 (137) million, up by 2% on the comparative period of the previous year. Orion's market share was 10% (10%), which was nearly four percentage points higher than for the second-largest company.

According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in June 2010 the **total sales of all Parkinson's drugs** in the United States were up by 8% at USD 1,029 million (USD 956 million in the previous 12-month period). The five largest European markets for Parkinson's drugs were Germany, the United Kingdom, France, Spain and Italy. In these countries, the combined sales of Parkinson's drugs in the 12-month period ending in June totalled EUR 966 (884) million, and the average market growth was 9%.

The most important individual therapy area for Orion is the treatment of Parkinson's disease. Orion's Parkinson's drugs account for just under one-third of the Group's net sales. **Sales of Orion's Parkinson's drugs** continued to grow and clearly faster than the market as a whole in Japan. According to IMS Health pharmaceutical sales statistics, in the 12-month period ending June 2010, total sales of Orion's Parkinson's drugs were up by 8% at USD 181 (167) million in the United States, up by 6% at a total of EUR 154 (145) million in the five largest Parkinson's drugs markets in Europe, and up by 42% at EUR 39 (27) million in Japan. The market share of Orion's Parkinson's drugs was 18% in the United States, on average 16% in the five largest European markets and 9% in Japan.

According to IMS Health pharmaceutical sales statistics, **sales of the intensive care sedative Precedex (dexmedetomidine)**, which is becoming increasingly important for Orion, were up by 68% at USD 133 million in the 12-month period ending June 2010 (USD 79 million in the previous 12-month period); 85% of the sales were in the United States, where Precedex sales grew by 72% to USD 113 (66) million.

Net sales and operating profit of the Pharmaceuticals business

Net sales of the Pharmaceuticals business in January–September 2010 were up by 10% at EUR 603 (547) million. The operating profit of the Pharmaceuticals business was up by 23% at EUR 202 (165) million. The operating profit of the Pharmaceuticals business was 34% (30%) of the segment's net sales.



Net sales of Orion's top ten pharmaceuticals in January–September 2010 were up by 14% at EUR 335 (294) million. They accounted for 56% (54%) of the total net sales of the Pharmaceuticals business. Among these best-sellers, the fastest-growing products were the intensive care sedative Precedex and the heart failure drug Simdax.

Net sales of the products based on own in-house R&D in January–September 2010 were up by 14% at EUR 300 (263) million. These products accounted for about 50% (48%) of the net sales of the Pharmaceuticals business.

Proprietary Products

The product portfolio of Proprietary Products consists of patented prescription drugs in three therapy areas: central nervous system drugs; oncology and critical care drugs; and Easyhaler[®] pulmonary drugs.

Net sales of Proprietary Products in January–September 2010 were EUR 281 (247) million, up by 14% on the comparative period of the previous year.

Orion's drugs for treatment of Parkinson's disease are Stalevo[®] (active ingredients carbidopa, levodopa, entacapone) and Comtess/Comtan[®] (entacapone), and their net sales in January–September 2010 totalled EUR 193 (182) million. The net sales were up by 6% and accounted for 32% (33%) of the total net sales of the Pharmaceuticals business. Net sales from deliveries of Parkinson's drugs to Novartis totalled EUR 118 (111) million, up by 6%. Deliveries of Stalevo to Novartis increased by 2%, and deliveries of Comtan increased by 14%. Total net sales generated by Parkinson's drugs in Orion's own sales organisation were up by 6% at EUR 75 (71) million. Net sales of Stalevo through Orion's own sales network were up by 12% at EUR 62 (55) million.

Net sales of Simdax[®] for acute decompensated heart failure (active ingredient levosimendan) intravenous drug in January–September 2010 were up by 47% at EUR 30 (20) million. Orion has signed agreements with marketing partners for Simdax in markets outside Europe, such as Turkey, Australia and many countries in Asia, the Middle East and Africa.

Net sales of the Easyhaler[®] product family for asthma and chronic obstructive pulmonary disease in January–September 2010 were up by 13% at a total of EUR 21 (19) million. The largest markets for the product family are Germany, Turkey and Finland.

Net sales of the Precedex[®] intensive care sedative (active ingredient dexmedetomidine) in January–September 2010 were up by 97% at EUR 20 (10) million. In markets outside Europe the sedative is sold by Orion's partner Hospira. The indication of Precedex has been expanded in Japan. Previously, the sedative could be administered for a maximum of 24 hours, but this limit has now been abolished in, for example, Japan. Orion has submitted an application for marketing authorisation for dexmedetomidine to the European Medicines Agency, which has confirmed that the application for marketing authorisation through the centralised procedure has been validated and processing of it started in October. The centralised procedure for marketing authorisation applications generally takes more than a year.

Marketing authorisation has been received for Vantas[®] (histrelin implant) for treatment of advanced prostate cancer in nearly all European countries. Price negotiations and reimbursement applications will be started in each country following receipt of marketing authorisation, after which the product will be launched country-by-country.

Specialty Products

Net sales of the Specialty Products business division's off-patent, i.e. generic, prescription drugs and self-care products were up by 10% at EUR 222 (202) million in January–September 2010. Net sales of Specialty Products in markets outside Finland were up by 26% on the comparative period. Orion launched 89 (40) generic prescription drugs and self-care products in the first three quarters of 2010.

Net sales in Finland of Orion's human pharmaceuticals were up by 2% at EUR 154 (150) million in January–September 2010. Specialty Products accounted for most of the sales. Orion has further strengthened its position as clear market leader owing above all to its competitive self-care product portfolio and its broad



product portfolio, particularly in substitutable prescription drugs. The implementation of the reference price system in Finland in April 2009 and intense price competition due to it continued to reduce the market as a whole, but also expanded the range of substitutable prescription drugs.

Net sales of Orion's human pharmaceuticals in Eastern Europe in January–September 2010 were up by 23% at EUR 35 (28) million. Specialty Products account for the majority of sales in the region. The growth has been clearly stronger than the market as a whole in many countries due to the good performance of individual products.

Orion continued to develop its self-care product portfolio in Scandinavia. Orion aims to make its domestic market all the Nordic countries, not just Finland. Growth in net sales was strong in the first half of the year in Denmark, Sweden and Norway due to new product launches. Among individual products, sales of Penomax[®] antibiotic (active ingredient pivmecillinam), for example, have developed especially well in all Scandinavian markets. The markets in Sweden are being transformed by the abolition of the national pharmacy monopoly. Orion has been able to strengthen its market position despite the clearly intensified price competition due to the change in the distribution channels.

Animal Health

Net sales of the Animal Health business division in January–September 2010 were up by 7% at EUR 49 (46) million. Net sales of the animal sedatives Dexdomitor[®] (dexmedetomidine), Domitor[®] (medetomidine), Domosedan[®] (detomidine) and Antisedan[®] (atipamezole) were up by 20% and accounted for 33% (29%) of the division's net sales. Pfizer, Orion's marketing partner for animal sedatives, launched Domosedan gel in the United States at the end of July.

Orion's share of the Finnish market for veterinary drugs was 20% in January–September 2010. Orion has the second-biggest share of the Finnish market for veterinary drugs. The Finnish market for veterinary drugs was up by 9% at about EUR 38 million in the first three quarters of 2010.

Oasmia has developed a new nanoparticle formulation of paclitaxel (trade name Paccal[®] Vet) for treating canine mastocytoma, a type of skin cancer. Oasmia submitted an application for European marketing authorisation in August, and it is anticipated that approval procedures would take about a year. Orion and Oasmia have signed a marketing agreement under which Orion will become the distributor of the drug throughout Europe.

Fermion

Fermion manufactures active pharmaceutical ingredients for Orion and other pharmaceutical companies. Its product range comprises nearly 30 pharmaceutical ingredients. Fermion's net sales in January–September 2010 excluding pharmaceutical ingredients supplied for Orion's own use were up by 5% at EUR 34 (32) million and accounted for about two-thirds of Fermion's entire net sales. Orders for many key products are still high, even though competition in the markets remains intense.

Research and development projects

The Group's R&D expenses in January–September 2010 totalled EUR 59 (70) million, of which the Pharmaceuticals business accounted for EUR 55 (65) million. The Group's R&D expenses accounted for 9% (12%) of the Group's net sales. R&D expenses also include expenses relating to development of the current portfolio.

Orion has submitted an application for marketing authorisation for **dexmedetomidine** to the European Medicines Agency, which has confirmed that the application for marketing authorisation through the centralised procedure has been validated and processing of it started in October. The centralised procedure for marketing authorisation applications generally takes more than a year. The initial results of studies with the sedative dexmedetomidine show that it is as effective as the standard comparative products midazolam and propofol. Compared with midazolam, dexmedetomidine also decreased the duration of treatment in a ventilator.



Orion has ongoing projects to broaden the range of the **Easyhaler product family**. Orion's aim is not only to utilise Easyhaler technology in current products and development projects, but also to develop new products. Orion is developing a **budesonide-formoterol formulation** that combines budesonide as an anti-inflammatory agent and formoterol as a long-acting bronchodilator. In addition, Orion has another Easyhaler research programme in progress to develop a **fluticasone-salmeterol formulation**. In this formulation fluticasone acts as an anti-inflammatory agent and salmeterol acts as a long-acting bronchodilator. More information on the Easyhaler research programmes and their structures will be given during 2010.

Orion is collaborating with Novartis to develop **Stalevo for the Japanese market**. Novartis intends to submit a marketing authorisation application during 2011.

Orion has an **alpha 2_c receptor antagonist** undergoing clinical Phase I studies. In early research, this compound has been found to be possibly suitable for the treatment of the symptoms of Alzheimer's disease or schizophrenia.

Orion has several projects in the **early research phase** investigating selective androgen receptor modulators (SARM), prostate cancer, neuropathic pain, Parkinson's disease and other possible indications within intensive care, among others.

US pharmaceutical company GTx has announced the discontinuance of its studies on the use of 20 mg doses of toremifene to prevent prostate cancer in men. In May the company announced that the primary variables set in the study had not been achieved. GTx also has ongoing new clinical Phase III trials on the use of 80 mg doses of toremifene for treating the side effects of prostate cancer treatment. Orion originally developed toremifene for treatment of breast cancer.

Diagnostics

Orion Diagnostica manufactures easy-to-use, rapid in vitro diagnostic tests for use externally on the body and test systems suitable for point-of-care testing. Net sales of the Diagnostics business in January–September 2010 were up by 3% at EUR 34 (33) million.

QuikRead[®] tests remained the main products. The tests are used in, for example, detecting infection from the CRP level in a blood sample or streptococcus A bacteria in a pharyngeal sample. Sales of QuikRead[®] equipment and infection tests continued to grow. Sales in the Nordic countries were similar to the previous year, and sales in China and the Czech Republic were higher than in the comparative period.

The operating profit of the Diagnostics business was up by 19% at EUR 5 (4) million and accounted for 15% (13%) of the segment's net sales. R&D expenditure on diagnostic tests and equipment totalled EUR 4 (4) million, which is 13% (13%) of the business area's net sales.

Orion Diagnostica has launched in the markets new products resulting from R&D investments. Sales of a new more user-friendly QuikRead CRP test commenced in the summer, and QuikRead go[®], an easy-to-use, new generation testing instrument in the QuikRead[®] product range, was launched at the end of September with the first deliveries of it to customers in the Nordic countries.

Espoo, 26 October 2010

Board of Directors of Orion Corporation

Orion Corporation

Timo Lappalainen
President and CEO

Jari Karlson
CFO



Tables

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Q3/10	Q3/09	Change %	Q1–Q3/10	Q1–Q3/09	Change %	2009
Net sales	213.2	191.8	+11.1%	635.0	578.2	+9.8%	771.5
Cost of goods sold	-71.6	-66.3	+8.1%	-209.4	-196.1	+6.8%	-265.2
Gross profit	141.6	125.6	+12.7%	425.6	382.1	+11.4%	506.3
Other operating income and expenses	1.7	0.0		-2.9	2.2	-228.1%	6.0
Selling and marketing expenses	-45.2	-38.2	+18.3%	-134.0	-113.5	+18.0%	-160.0
R&D expenses	-19.5	-20.5	-4.8%	-58.9	-69.6	-15.3%	-95.2
Administrative expenses	-8.0	-11.2	-28.6%	-28.2	-38.2	-26.0%	-50.2
Operating profit	70.6	55.7	+26.7%	201.6	163.1	+23.7%	207.0
Finance income	0.7	1.2	-38.1%	3.4	4.3	-21.3%	5.1
Finance expenses	-1.3	-1.9	-30.8%	-4.8	-6.8	-29.7%	-8.4
Profit before taxes	70.0	54.9	+27.4%	200.2	160.6	+24.7%	203.7
Income tax expense	-18.4	-14.6	+25.7%	-52.2	-42.2	+23.8%	-52.3
Profit for the period	51.6	40.3	+28.0%	148.0	118.4	+25.0%	151.4
OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS							
Translation differences	-0.9	-0.2	+333.3%	1.2	0.9	+28.3%	1.3
Cash flow hedges	0.3	-0.2	+287.2%	0.3	0.1	+436.8%	0.9
Other comprehensive income net of tax	-0.6	-0.4	+60.4%	1.5	1.0	+54.5%	2.1
Comprehensive income for the period including tax effects	51.0	40.0	+27.7%	149.5	119.4	+25.3%	153.5
PROFIT ATTRIBUTABLE TO:							
Owners of the parent company	51.6	40.3	+28.0%	148.0	118.4	+25.0%	151.4
Non-controlling interests	0.0	0.0		0.0	0.0		0.0
COMPREHENSIVE INCOME ATTRIBUTABLE TO:							
Owners of the parent company	51.0	40.0	+27.7%	149.5	119.4	+25.3%	153.5
Non-controlling interests	0.0	0.0		0.0	0.0		0.0
Basic earnings per share, EUR ¹⁾	0.37	0.29	+28.1%	1.05	0.84	+25.0%	1.07
Diluted earnings per share, EUR ¹⁾	0.37	0.29	+28.1%	1.05	0.84	+25.0%	1.07
Depreciation and amortisation	11.7	8.8	+32.8%	29.2	25.3	+15.6%	34.4
Personnel expenses	38.8	37.5	+3.3%	123.3	123.9	-0.5%	171.4

1) The figure has been calculated from the profit attributable to the owners of the parent company.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

EUR million	9/10	9/09	Change %	2009
Property, plant and equipment	189.0	190.3	-0.7%	192.0
Goodwill	13.5	13.5		13.5
Intangible rights	64.1	63.8	+0.5%	63.4
Other intangible assets	4.0	3.6	+11.8%	3.7
Investments in associates	0.1	0.1		0.1
Available-for-sale investments	1.0	1.0		1.0
Pension asset	29.8	33.8	-11.7%	29.8
Deferred tax assets	5.2	3.8	+38.2%	5.5
Other non-current assets	0.9	1.6	-41.9%	0.9
Non-current assets total	307.7	311.4	-1.2%	309.9
Inventories	127.5	121.9	+4.6%	122.7
Trade receivables	122.5	101.3	+21.0%	102.6
Other receivables	20.7	15.5	+33.8%	21.4
Cash and cash equivalents	115.4	151.5	-23.9%	170.5
Current assets total	386.1	390.2	-1.1%	417.2
Assets total	693.8	701.6	-1.1%	727.1

EQUITY AND LIABILITIES

EUR million	9/10	9/09	Change %	2009
Share capital	92.2	92.2		92.2
Share premium	17.8	17.8		17.8
Expendable fund	8.9	23.0	-61.2%	23.0
Other reserves	0.4	-0.8	+144.8%	0.0
Retained earnings	309.8	272.1	+13.9%	306.0
Equity attributable to owners of the parent company total	429.1	404.4	+6.1%	439.1
Non-controlling interests	0.0	0.0	+13.2%	0.0
Equity total	429.2	404.4	+6.1%	439.1
Deferred tax liabilities	42.2	41.6	+1.6%	43.0
Pension liability	0.8	0.7	+16.5%	0.8
Provisions	0.5	0.5	-3.3%	0.5
Interest-bearing non-current liabilities	98.1	117.2	-16.3%	108.7
Other non-current liabilities	0.1	0.7	-84.5%	0.1
Non-current liabilities total	141.7	160.6	-11.8%	153.1
Trade payables	38.7	35.4	+9.2%	42.3
Income tax liabilities	17.0	2.2	+686.2%	3.0
Other current liabilities	44.1	58.1	-24.2%	66.8
Provisions	0.0	0.0		0.0
Interest-bearing current liabilities	23.2	41.0	-43.3%	22.7
Current liabilities total	122.9	136.6	-10.0%	134.8
Liabilities total	264.6	297.2	-11.0%	287.9
Equity and liabilities total	693.8	701.6	-1.1%	727.1


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

- a. Share capital
- b. Share premium
- c. Expendable fund
- d. Other reserves
- e. Translation differences
- f. Retained earnings
- g. Non-controlling interests
- h. Equity total**

EUR million	Equity attributable to owners of the parent company							
	a.	b.	c.	d.	e.	f.	g.	h.
Equity at 31 December 2008	92.2	17.8	23.0	-0.9	-6.9	293.3	0.0	418.6
Profit for the period						118.4		118.4
Other comprehensive income:								
Cash flow hedges				0.1				0.1
Translation differences					0.9			0.9
Transactions with equity holders and non-controlling interests:								
Dividend						-133.9		-133.9
Share-based incentive plan						0.5		0.5
Equity at 30 September 2009	92.2	17.8	23.0	-0.8	-6.0	278.2	0.0	404.4
Equity at 31 December 2009	92.2	17.8	23.0	0.0	-5.7	311.7	0.0	439.1
Profit for the period						148.0		148.0
Other comprehensive income:								
Cash flow hedges				0.3				0.3
Translation differences					1.2			1.2
Transactions with equity holders and non-controlling interests:								
Dividend			-14.1			-141.0		-155.1
Treasury shares						-4.6		-4.6
Share-based incentive plan						0.3		0.3
Equity at 30 September 2010	92.2	17.8	8.9	0.4	-4.5	314.4	0.0	429.2

**CONSOLIDATED STATEMENT OF CASH FLOWS**

EUR million	9/10	9/09	2009
Operating profit	201.6	163.1	207.0
Adjustments	28.9	22.8	37.7
Change in working capital	-54.9	1.0	15.3
Interest paid	-4.1	-6.3	-9.7
Interest received	3.6	4.3	4.9
Income taxes paid	-34.4	-36.9	-50.6
Total net cash flow from operating activities	140.8	147.9	204.6
Investments in property, plant and equipment	-17.0	-18.1	-24.6
Investments in intangible assets	-9.9	-33.6	-36.1
Sales of property, plant and equipment and available-for-sale investments	0.8	0.8	0.8
Sales of intangible assets	0.2	-0.2	0.5
Total net cash flow from investing activities	-25.8	-51.1	-59.5
Short-term loans raised	0.6	0.6	0.7
Repayments of short-term loans	-1.0	-0.9	-19.8
Long-term loans raised		22.8	22.8
Repayments of long-term loans	-10.5	-10.8	-21.3
Repurchase of own shares	-4.6		
Dividends paid and other distribution of profits	-155.2	-133.9	-134.4
Total net cash flow from financing activities	-170.7	-122.2	-152.1
Net change in cash and cash equivalents	-55.7	-25.3	-7.0
Cash and cash equivalents at the beginning of the period	170.5	176.1	176.1
Foreign exchange differences	0.6	0.7	1.4
Net change in cash and cash equivalents	-55.7	-25.3	-7.0
Cash and cash equivalents at the end of the period	115.4	151.5	170.5



CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	9/10	9/09	2009
Carrying amount at the beginning of the period	192.0	192.4	192.4
Adjustments to previous period carrying amount			2.4
Additions	17.2	17.9	25.1
Disposals	-0.8	-0.8	-1.7
Depreciation	-19.5	-19.2	-26.1
Carrying amount at the end of the period	189.0	190.3	192.0

CHANGES IN INTANGIBLE ASSETS (EXCLUDING GOODWILL)

EUR million	9/10	9/09	2009
Carrying amount at the beginning of the period	67.0	40.4	40.4
Additions	10.7	33.3	35.2
Disposals		-0.3	-0.3
Depreciation	-9.8	-6.0	-8.3
Carrying amount at the end of the period	68.1	67.4	67.0

COMMITMENTS AND CONTINGENCIES

EUR million	9/10	9/09	2009
CONTINGENCIES FOR OWN LIABILITIES			
Mortgages on land and buildings	32.0	45.0	32.0
of which those to Orion Pension Fund	9.0	9.0	9.0
Guarantees	1.1	1.0	1.1
OTHER LIABILITIES			
Leasing liabilities (excluding finance lease contracts)	4.1	4.0	4.3
Other liabilities	0.3	0.3	0.3

DERIVATIVE CONTRACTS

EUR million	9/10	9/09	2009
FORWARD EXCHANGE CONTRACTS AND SWAPS			
Fair value, EUR million	0.3	-0.0	-0.3
Nominal value, EUR million	55.6	67.7	86.4
ELECTRICITY FORWARD CONTRACTS			
Fair value, EUR million	0.3	-1.3	-0.2
Nominal value, GWh	144	155	160

RELATED PARTY TRANSACTIONS

EUR million	Q1–Q3/10	Q1–Q3/09	2009
Management's employment benefits	3.6	2.9	3.5



Operating segment performance

NET SALES BY BUSINESS DIVISION

EUR million	Q3/10	Q3/09	Change %	Q1–Q3/10	Q1–Q3/09	Change %	2009
Pharmaceuticals	203.2	181.8	+11.8%	602.5	546.6	+10.2%	728.5
Proprietary Products	96.7	81.1	+19.2%	281.0	246.8	+13.9%	324.0
Specialty Products	77.8	67.9	+14.5%	221.5	201.8	+9.7%	274.8
Animal Health	16.4	15.6	+4.8%	49.1	46.0	+6.7%	62.1
Fermion	8.2	10.4	-21.7%	34.1	32.4	+5.4%	41.4
Contract manufacturing and other	4.2	6.6	-36.9%	16.8	19.6	-14.3%	26.2
Diagnostics	10.5	10.5	-0.8%	34.3	33.2	+3.4%	45.2
Group items	-0.5	-0.5	+6.6%	-1.8	-1.5	+15.1%	-2.2
Group total	213.2	191.8	+11.1%	635.0	578.2	+9.8%	771.5

OPERATING PROFIT BY BUSINESS AREA

EUR million	Q3/10	Q3/09	Change %	Q1–Q3/10	Q1–Q3/09	Change %	2009
Pharmaceuticals	71.5	56.6	+26.1%	202.4	165.1	+22.6%	210.6
Diagnostics	1.0	1.0	+0.2%	5.1	4.3	+18.6%	5.6
Group items	-1.8	-1.9	-5.0%	-5.8	-6.4	-8.5%	-9.2
Group total	70.6	55.7	+26.7%	201.6	163.1	+23.7%	207.0

NET SALES BY ANNUAL QUARTERS

EUR million	2010				2009				2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Pharmaceuticals	203.2	196.0	203.3	181.9	181.8	185.9	178.9	169.6	
Diagnostics	10.5	12.1	11.7	12.0	10.5	11.0	11.7	10.7	
Group items	-0.5	-0.7	-0.6	-0.6	-0.5	-0.5	-0.5	-0.5	
Group total	213.2	207.4	214.5	193.3	191.8	196.4	190.1	179.9	

OPERATING PROFIT BY ANNUAL QUARTERS

EUR million	2010				2009				2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Pharmaceuticals	71.5	60.4	70.5	45.5	56.6	51.6	56.9	35.3	
Diagnostics	1.0	1.9	2.2	1.2	1.0	1.1	2.2	0.2	
Group items	-1.8	-2.3	-1.7	-2.8	-1.9	-2.3	-2.2	-2.7	
Group total	70.6	60.0	71.0	43.9	55.7	50.4	56.9	32.8	

GEOGRAPHICAL BREAKDOWN OF NET SALES BY ANNUAL QUARTERS

EUR million	2010				2009				2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Finland	57.6	53.7	56.9	59.2	55.6	55.0	53.5	55.2	
Scandinavia	28.4	28.1	29.0	25.9	24.5	25.8	25.4	23.7	
Other Europe	70.0	72.7	72.1	72.8	68.9	71.8	61.2	62.0	
North America	31.1	26.3	30.3	12.1	18.1	18.2	22.6	19.2	
Other markets	26.0	26.7	26.1	23.4	24.7	25.6	27.4	19.8	
Group total	213.2	207.4	214.5	193.3	191.8	196.4	190.1	179.9	



Business reviews

KEY FIGURES FOR PHARMACEUTICALS BUSINESS

EUR million	Q3/10	Q3/09	Change %	Q1–Q3/10	Q1–Q3/09	Change %	2009
Net sales	203.2	181.8	+11.8%	602.5	546.6	+10.2%	728.5
Operating profit	71.5	56.6	+26.1%	202.4	165.1	+22.6%	210.6
% of net sales	35.2%	31.2%		33.6%	30.2%		28.9%
R&D expenses	18.0	19.3	-6.7%	54.5	65.4	-16.6%	89.4
% of net sales	8.9%	10.6%		9.0%	12.0%		12.3%
Capital expenditure	9.2	10.2	-9.8%	25.9	49.2	-47.3%	57.6
% of net sales	4.5%	5.6%		4.3%	9.0%		7.9%
Sales revenue from proprietary products	102.9	87.5	+17.7%	299.5	263.2	+13.8%	346.5
Personnel at the end of the period				2,802	2,806	-0.1%	2,829

NET SALES OF ORION'S TOP 10 PHARMACEUTICAL PRODUCTS

EUR million	Q3/10	Q3/09	Change %	Q1–Q3/10	Q1–Q3/09	Change %	2009
Stalevo [®] , Comtess [®] and Comtan [®] (Parkinson's disease)	67.8	58.9	+15.1%	193.3	182.2	+6.1%	234.9
Simdax [®] (acute decompensated heart failure)	9.6	8.9	+7.8%	29.8	20.3	+46.8%	29.4
Easyhaler [®] product family (asthma, COPD)	6.2	5.9	+5.1%	20.8	18.5	+12.5%	24.9
Precedex [®] (intensive care sedative)	7.1	3.4	+111.3%	20.0	10.1	+97.4%	14.6
Dexdomitor [®] , Domitor [®] , Domosedan [®] and Antisedan [®] (animal sedatives)	5.3	5.0	+5.3%	16.2	13.5	+19.9%	19.3
Burana [®] (inflammatory pain)	5.7	5.0	+12.7%	15.8	14.2	+11.4%	19.9
Divina [®] range (menopausal symptoms)	3.0	3.0	+1.1%	9.9	10.1	-2.2%	13.2
Marevan [®] (anticoagulant)	3.3	2.9	+14.0%	9.7	8.1	+19.4%	11.2
Enanton [®] (prostate cancer)	3.2	2.8	+12.6%	9.6	8.9	+7.9%	11.9
Fareston [®] (breast cancer)	3.9	2.3	+67.5%	9.5	8.5	+12.2%	10.2
Total	115.1	98.2	+17.2%	334.6	294.4	+13.7%	389.5
Share of pharmaceutical net sales	57%	54%		56%	54%		53%

KEY FIGURES FOR DIAGNOSTICS BUSINESS

EUR million	Q3/10	Q3/09	Change %	Q1–Q3/10	Q1–Q3/09	Change %	2009
Net sales	10.5	10.5	-0.8%	34.3	33.2	+3.4%	45.2
Operating profit	1.0	1.0	+0.2%	5.1	4.3	+18.6%	5.6
% of net sales	9.5%	9.4%		14.9%	13.0%		12.3%
R&D expenses	1.5	1.2	+27.1%	4.4	4.3	+3.5%	5.9
% of net sales	14.4%	11.2%		13.0%	12.9%		13.0%
Capital expenditure	0.9	1.0	-10.0%	1.8	1.9	-3.2%	2.5
% of net sales	8.4%	9.3%		5.3%	5.7%		5.6%
Personnel at the end of the period				297	292	+1.6%	291



Information on Orion's shares

BASIC SHARE INFORMATION

30 September 2010	A shares	B shares	Total
Trading code on NASDAQ OMX Helsinki	ORNAV	ORNBV	
Listing day	1 Jul 2006	1 Jul 2006	
ISIN code	FI0009014369	FI0009014377	
GICS code	30101030	30101030	
Reuters code	ORNAV.HE	ORNBV.HE	
Bloomberg code	ORNAV.FH	ORNBV.FH	
Share capital, EUR million	31.2	61.0	92.2
Counter book value per share, EUR	0.65	0.65	
Total number of shares	47,885,511	93,372,317	141,257,828
% of total share stock	34%	66%	100%
Number of treasury shares		516,654	516,654
Total number of shares excluding treasury shares	47,885,511	92,855,663	140,741,174
Minimum number of shares			1
Maximum number of shares	500,000,000	1,000,000,000	1,000,000,000
Votes per share	20	1	
Number of votes excluding treasury shares	957,710,220	92,855,663	1,050,565,883
% of total votes	91%	9%	100%
Total number of shareholders	18,678	45,210	57,293

A shares and B shares confer equal rights to the Company's assets and dividends.

INFORMATION ON TRADING

1 January – 30 September 2010	A shares	B shares	Total
Shares traded	6,557,541	75,095,129	81,652,670
% of the total number of shares	13.2%	81.9%	57.8%
Trading volume, EUR million	98.6	1,125.0	1,223.6
Closing quotation on 31 Dec 2009, EUR	15.06	15.05	
Lowest quotation, EUR (A 6 May and B 7 May 2010)	12.21	13.20	
Average quotation, EUR	15.04	14.98	
Highest quotation, EUR (A and B 23 March 2010)	17.82	17.88	
Closing quotation on 30 September 2010, EUR	14.79	14.65	
Market capitalisation on 30 September 2010 excluding treasury shares, EUR million	708.2	1,360.3	2,068.6

PERFORMANCE PER SHARE

	Q3/10	Q3/09	Change %	Q1–Q3/10	Q1–Q3/09	Change %	2009
Basic earnings per share, EUR	0.37	0.29	+28.1%	1.05	0.84	+25.0%	1.07
Diluted earnings per share, EUR	0.37	0.29	+28.1%	1.05	0.84	+25.0%	1.07
Cash flow per share before financial items, EUR	0.34	0.33	+1.3%	0.82	0.69	+18.6%	1.03
Equity per share, EUR				3.05	2.87	+6.3%	3.11
Average number of shares							
excluding treasury shares, 1,000 shares	140,751	140,978		140,977	140,967		140,970



Appendices

Reporting

Orion Corporation is the parent company of the Orion Group. The Group consists of two business areas, or operating segments, and five business divisions. Orion reports on its operations segmentally.

- Pharmaceuticals business
 - Proprietary Products (patented prescription products for three therapy areas)
 - Specialty Products (off-patent, generic prescription products and self-care products)
 - Animal Health (veterinary products for pets and production animals)
 - Fermion (active pharmaceutical ingredients for Orion and other companies)
- Diagnostics business
 - Orion Diagnostica (diagnostic test systems for point-of-care in healthcare and hygiene tests for industry).

Contract manufacturing and other, i.e. manufacturing for other companies, is included in the Pharmaceuticals business segment, but it is not a separate business division, it is part of the Group's Supply Chain organisation.

Accounting policies

This Interim Report has been prepared in compliance with IAS 34 *Interim Financial Reporting* applying the same accounting policies as for the Financial Statements 2009. In addition, the following new standards, interpretations and amendments approved by the EU have been applied as of 1 January 2010:

IFRS 3 (Revised) Business Combinations

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For instance, all payments for acquisitions shall be recognised at fair value at the time of acquisition, and liabilities that are classified as conditional payments shall be recognised later at fair value through profit or loss. For each acquisition, the share of the non-controlling interests can be measured either as their proportionate interest in the net identifiable assets of the acquisition or at fair value. All acquisition-related costs are recognised as expenses. The revised standard affects business combinations that take place after 1 January 2010.

The following new standards, interpretations and amendments to existing standards approved by the EU have been adopted as of 1 January 2010. However, they do not have material effects on the Consolidated Financial Statements:

IAS 27 (Revised), *Consolidated and Separate Financial Statements*

IFRIC 12, *Service Concession Arrangements*

IFRIC 15, *Agreements for Construction of Real Estate*

IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*

IFRIC 17, *Distributions of Non-cash Assets to Owners*

IFRIC 18, *Transfers of Assets from Customers*

IFRIC 9 and IAS 39 (Amendment), *Reassessment of Embedded Derivatives on Reclassification*

IAS 39 (Amendment), *Eligible Hedged Items*

IFRS 2 (Amendment), *Share-based Payment – Cash-settled Share-based Payment Transactions*

IASB published changes to 12 standards in April 2009 as part of the annual improvements to standards. The key changes that the Group has adopted as of 1 January 2010 are presented below, but they will not affect the Consolidated Financial Statements.

IFRS 2 (Amendment), *IFRS – scope*

IFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations*



The amendment clarifies the disclosure of information relating to assets held for sale required by IFRS 5.

IFRS 8 (Amendment), *Operating Segments*

IAS 1 (Amendment), *Presentation of Financial Statements*

IAS 7 (Amendment), *Statement of Cash Flows*

IAS 17 (Amendment), *Leases*

IAS 18 (Amendment), *Revenue*

IAS 36 (Amendment), *Impairment of Assets*

IAS 38 (Amendments), *Intangible Assets*

IAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*

IFRIC 9 (Amendment), *Reassessment of Embedded Derivatives*

IFRIC 16 (Amendment), *Hedges of a Net Investment in a Foreign Operation*

The policies and calculation methods applied during the period can be found on the Orion website at www.orion.fi/en/investors.

Other matters

The data in this financial review are not audited.

The figures in parentheses are for the comparative period of the previous year. All the figures in this report have been rounded, which is why the total sums of individual figures may differ from the total sums shown.



CALCULATION OF THE KEY FIGURES

$$\text{Return on capital employed (ROCE), \%} = \frac{\text{Profit before taxes + Interest and other finance expenses}}{\text{Total assets - Non-interest-bearing liabilities (average during the period)}} \times 100$$

$$\text{Return on equity (ROE), \%} = \frac{\text{Profit for the period}}{\text{Total equity (average during the period)}} \times 100$$

$$\text{Equity ratio, \%} = \frac{\text{Equity}}{\text{Total assets – Advances received}} \times 100$$

$$\text{Gearing, \%} = \frac{\text{Interest-bearing liabilities – Cash and cash equivalents}}{\text{Equity}} \times 100$$

$$\text{Earnings per share, EUR} = \frac{\text{Profit available for the owners of the parent company}}{\text{Average number of shares during the period, excluding treasury shares}}$$

$$\text{Cash flow per share before financial items, EUR} = \frac{\text{Cash flow from operating activities + Cash flow from investing activities}}{\text{Average number of shares during the period, excluding treasury shares}}$$

$$\text{Equity per share, EUR} = \frac{\text{Equity of the owners of the parent company}}{\text{Number of shares at the end of the period, excluding treasury shares}}$$

$$\text{Average share price, EUR} = \frac{\text{Total EUR value of shares traded}}{\text{Average number of traded shares during the period}}$$

$$\text{Market capitalisation, EUR million} = \text{Number of shares at the end of the period} \times \text{Closing quotation of the period}$$

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www.orion.fi/en

Orion is an innovative European R&D-based pharmaceutical and diagnostic company with a special emphasis on developing medicinal treatments and diagnostic tests for global markets. Orion develops, manufactures and markets human and veterinary pharmaceuticals, active pharmaceutical ingredients and diagnostic tests. Orion's pharmaceutical R&D focuses on the following core therapy areas: central nervous system drugs, cancer and critical care drugs, and Easyhaler® pulmonary drugs.

The Group's net sales in 2009 amounted to EUR 772 million. The Company invested EUR 95 million in research and development. At the end of 2009, the Group had a total of 3,100 employees, of whom 2,500 worked in Finland and 600 in other European countries. Orion's A and B shares are listed on NASDAQ OMX Helsinki.