



Financial review 2008  
Orion Group  
6 February 2009

*CEO Timo Lappalainen*



*This publication contains forward-looking statements which involve risks and factors of uncertainty. These forward-looking statements are not based on historical facts but relate to the company's future activities and performance. They include statements about future strategies and profit expectations of these strategies, and they 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 or that the expectations of these strategies are not achieved. Orion assumes no obligation to update or revise any information included in this publication.*

*Orion Group changed its accounting principles regarding disability pension liabilities as of 1 January 2008. This change had a negative effect of approximately EUR 2.0 million on the operating profit reported for 2007. It improved slightly the return on capital employed and as well as the return on equity. The change had no significant effect on the equity ratio.*



## Events in 2008

- Net sales increased by approximately 5% as a result of the broad basic products portfolio and several product launches
  - business developed favourably in all the main European markets
  - new in-licensing agreements strengthen the current product portfolio
- Operating profit decreased by approximately 4%
  - planned investments in sales and research continued
  - effects of patent litigations in the US
  - effect of the provisions related to the R&D restructuring
  - effects of the termination of the Calcimagon license in 2007
- So far, the financial and economic crisis has not had direct effects on the business
  - long-term loans of EUR 85 million in order to secure the liquidity
- Strong investments in research continued also in 2008
  - restructuring of the R&D was started to adopt a more flexible operating model
  - results from the STRIDE-PD study are expected during the first quarter of 2009
  - regulatory processes for an expanded indication for Stalevo in the USA and Europe are ongoing



## Good financial performance

	2008	2007	Change %
Net sales, EUR million	710.7	680.0	+4.5%
Operating profit, EUR million	185.0	192.0	-3.6%
Profit before taxes, EUR million	184.2	193.4	-4.8%
Earnings per share, EUR	0.97	1.02	-5.1%
Cash flow per share before financing, EUR	0.66	0.92	-28.3%
Proposed dividend per share, EUR	0.95	1.00	

- Net sales grew by approximately 5%
  - number of product launches doubled from the previous year
  - also the broad basic products portfolio developed well
  - effects of weakened exchange rates: especially USD, but also GBP and SEK
- Operating profit decreased by approximately 4%
  - expenses of the patent litigations in the USA
  - provisions for costs of R&D restructuring
  - effects of the termination of the Calcimagon license
  - no non-recurring income items in 2008
- Loan draw downs changed the structure of the balance sheet



## Review of the business segments



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## Continued growth in Pharmaceuticals

EUR million	2008	2007	Change %
Net sales of Pharmaceuticals	667.6	639.7	+4.4%
Proprietary Products	284.7	270.8	+5.1%
Specialty Products	254.0	241.5	+5.2%
Animal Health	67.2	66.8	+0.5%
Fermion	36.1	38.1	-5.2%
Other	25.6	22.5	+13.9%
Operating profit of Pharmaceuticals	188.5	197.1	-4.4%

- Net sales of the Parkinson's disease drugs grew by more than 4%
  - Sales of Stalevo and Comtess through our own network grew by almost 8%
  - deliveries to Novartis increased by approximately 2% in total
  - the combined sales of Stalevo increased by 11%
- The sales of the Easyhaler asthma product portfolio developed very favourably
- Strengthening of the generic products portfolio continued
  - the number of product launches doubled compared with the previous year
  - strong growth of sales in the Eastern European markets

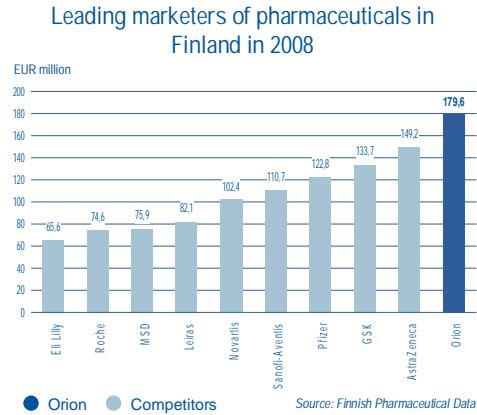


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## Orion continues to be the market leader in Finland

- Finnish wholesales of human pharmaceuticals in 2008 totalled EUR 1,945.2 million
  - market growth of 6.5%
- Orion's share was EUR 179.6 million
  - growth of more than 10%
- Orion is the market leader with 9.2% market share
- Orion is especially strong in self-care products and prescription drugs



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## Growth of the Parkinson's disease drug market continues but at a slower pace

Total sales of Parkinson's disease drugs  
12 months (Oct/07–Sep/08)

- USD 1,286 million in the USA
  - growth approximately 8% (25%)
  - the slowdown in market growth was caused by the expired patent for the leading product, a dopamine agonist
- A total of EUR 894 million in the five largest European markets
  - average growth 9% (incl. Germany, Great Britain, France, Spain and Italy).

Market shares of Orion's Parkinson's drugs  
of the total in-market sales of Parkinson's drugs

	12 months Oct/07–Sep/08	12 months Oct/06–Sep/07
Finland	30%	30%
Denmark	16%	22%
Sweden	17%	18%
Germany	16%	16%
Great Britain	13%	12%
USA	15%	15%

Source: IMS Health



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## Increased sales in Diagnostics

EUR million	2008	2007	Change %
Net sales	45.0	42.0	+7.1%
Operating profit	6.1	6.3	-2.8%

- Favourable development of sales through our own network
- Increased exports to the Czech Republic and China in particular
- Profitability fell slightly as a consequence of higher expenditure on sales and product development
- QuikRead infection tests continued to be the main products
  - reagent and equipment sales continued to grow vigorously
  - launching of QuikRead Strep A in Scandinavia continued
  - the increasing number of these tests creates a solid basis for reagent demand in future
- The sales of dip slide tests was at the level of the previous year
  - launching of the Hygicult On test continued in 2008

## R&D portfolio

## The new R&D model offers more flexibility in operations and cost structure

- The focus of R&D operations still on early research
  - partnerships are usually sought for clinical phase III at the latest, especially in marketing authorisation cases in countries outside Europe
- Partnerships cover the entire R&D chain of operations
  - increasing focus on research collaboration partnerships
  - Rights for further development and marketing of candidate compounds to Orion
  - rewards and risks are shared with partners
  - ensuring an increasing number of new research projects
- Core therapy areas: central nervous system, critical care and oncology
- R&D investments still approximately EUR 100 million in 2009



## Pharmaceutical R&D pipeline

■ Proprietary drug research  
■ Proprietary veterinary medicine research  
■ Developed by a partner

Project	Indication	Clinical phases					Registration
		Preclinical	I	II	III		
Stalevo <sup>®</sup> , expanding the indication	early stage Parkinson's disease						
Histrelin (Vantas <sup>®</sup> )	advanced prostate cancer	Indevus					
Dexmedetomidine (intravenous) for the European market	sedative for patients in intensive care						
Stalevo <sup>®</sup> , development for the Japanese market	Parkinson's disease						
Levosimendan for dogs (oral)	heart diseases of dogs						
Easyhaler <sup>®</sup> combination formulation	asthma, COPD						
Toremifene	prostate cancer, osteoporosis	GTx					
Paclitaxel for human use (Paclical <sup>®</sup> )	ovarian cancer	Oasmia					
Paclitaxel for dogs (Paccal <sup>®</sup> )	mastocytoma (skin cancer)	Oasmia					
Alfa 2 <sub>c</sub> receptor pharmacology	schizophrenia, Alzheimer's						
Levosimendan for human use (oral)	treatment of stroke						
Dexmedetomidine (non-intravenous)	pain management	Recro Pharma					
Pharmacology of steroid receptors	SARM, prostate cancer						

Note: The end point of the line indicates the current stage of development.



## Outlook and objectives

## Outlook for 2009

- **Net sales** will grow slightly from 2008. Sales of pharmaceuticals through Orion's own sales network will continue to increase both in Finland and other European countries. Total in-market sales of Orion's Parkinson's drugs will show further growth, but at a slower rate than before. Deliveries of Parkinson's drugs to Novartis are expected to increase slightly.
- Marketing expenditure will increase moderately, mainly owing to product launches. Research expenditure will remain at the level of 2008. Internal, fixed R&D expenses will decrease as a result of the restructuring, but ongoing clinical studies and studies that are about to start will increase external costs. The ongoing patent litigations in the United States will continue. Their costs are estimated to be slightly higher than in 2008.
- **Operating profit** is estimated to increase slightly from 2008. The economic crisis is not expected to have a material effect on the result, but the crisis increases uncertainty relating to profitability estimates.
- **R&D expenses** will be about EUR 100 million. **Capital expenditure** will be about EUR 45 million, not including substantial company or product acquisitions.

## Financial objectives and dividend policy

- The moderate organic growth of the net sales within the next few years is accelerated via product, product portfolio and company acquisitions.
- Operating profit will be increased.
- Equity ratio is maintained at the level of 50% at least.
  
- In dividend distribution, Orion takes into account the company's distributable funds as well as the medium-long- and long-term needs of capital expenditure and other financial needs required for the achievement of the financial objectives.

## Orion's calendar for 2009

The Annual Report for 2008	the week beginning on 2 March 2009
Annual General Meeting	23 March 2009 at 4 p.m. EET
Record date for dividend payment	26 March 2009
Dividend payment date	2 April 2009

The interim reports for 2009:

Interim Report Jan–March 2009	27 April 2009
Interim Report Jan–June 2009	7 August 2009
Interim Report Jan–Sep 2009	26 October 2009

*Additional information on Orion, including the Orion investor calendar, can be found at: [www.orion.fi/investors](http://www.orion.fi/investors)*





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## Appendices

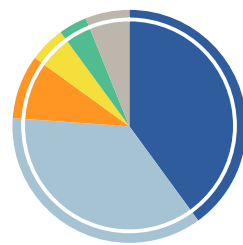


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## Breakdown of net sales in 2008 EUR 710.7 million

By business segment



- Proprietary products 40%
- Specialty Products 36%
- Animal Health 9%
- Fermion 5%
- Others 4%
- Orion Diagnostica 6%

By geographical area



- Finland 31%
- Scandinavia 14%
- Other European countries 34%
- North America 10%
- Other countries 11%

By sales network



- Orion's sales in Finland 31%
- Orion's sales in other markets 43%
- Sales through partners 26%



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## Orion's key figures<sup>1)</sup> 2004–2008

	Proforma 2004	Proforma 2005	Proforma 2006	2007	2008	Change %
Net sales, EUR million	553.0	585.6	641.1	680.0	710.7	+4.5%
Operating profit, EUR million	102.9	153.4	192.7	192.0	185.0	-3.6%
Profit before taxes, EUR million	101.7	152.5	193.3	193.4	184.2	-4.8%
R&D expenses, EUR million	79.4	80.7	85.7	98.5	103.4	+5.0%
Capital expenditure, EUR million	22.5	23.7	25.5	35.3	56.8	+61.2%
Balance Sheet total, EUR million	537.3	589.2	568.3	565.7	695.5	+22.9%
Equity ratio, %	53.6%	65.3%	75.5%	76.2%	60.2%	
Gearing, %	2.3%	-29.6%	-23.4%	-20.0%	-7.1%	
ROCE, %	25.8%	41.4%	47.1%	44.8%	38.5%	
ROE, %	19.7%	33.5%	34.9%	33.5%	32.1%	
Earnings per share, EUR	0.54	0.82	1.01	1.02	0.97	-5.1%
Cash flow per share before financing, EUR	0.95	0.87	0.93	0.92	0.66	-28.3%
Dividend per share, EUR	-	-	1.00	1.00	0.95 <sup>2)</sup>	
Personnel at the end of the period	2,997	3,003	3,061	3,176	3,309	+4.2%

<sup>1)</sup> Former Orion Corporation demerged on 1 July 2006 into two new companies, Orion Corporation and Oriolab-KD Corporation.

<sup>2)</sup> Board of Directors' proposal to the AGM



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## Group Income Statement 2006–2008

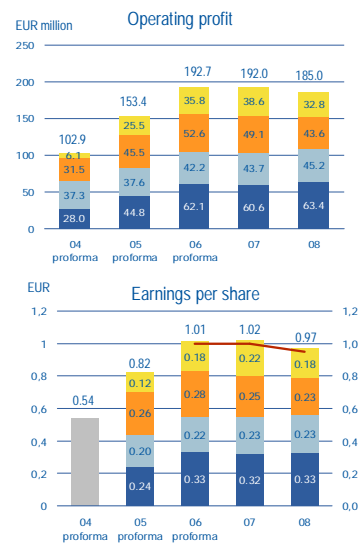
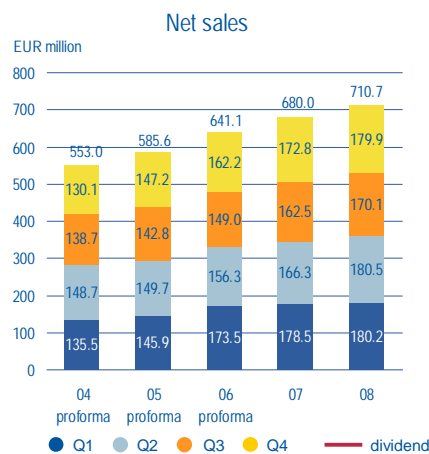
EUR million	Proforma 2006	2007	2008	Change
Net sales	641.1	680.0	710.7	+4.5%
Cost of goods sold	-206.1	-219.3	-230.0	+4.9%
Gross profit	434.9	460.7	480.8	+4.4%
Other operating income	13.8	15.5	12.1	-21.6%
Selling and marketing expenses	-129.6	-143.4	-143.9	+0.3%
R&D expenses	-85.7	-98.5	-103.4	+5.0%
Administrative expenses	-40.4	-38.8	-51.5	+32.9%
Other operating expenses	-0.4	-3.5	-9.1	+160.5%
Operating profit	192.7	192.0	185.0	-3.6%
Profit before taxes	193.3	193.4	184.2	-4.8%



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## Orion's financial figures per quarter 2004–2008



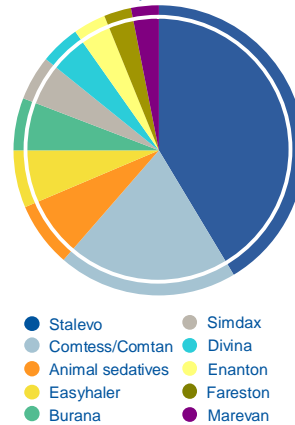
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## Stalevo continued to grow in 2008

EUR million	2008	2007	Change %
Stalevo®	141.0	126.9	+11.2%
Comtess®/Comtan®	67.4	73.3	-8.0%
Dexdomitor®, Domitor®, Domosedan® and Antisedan®	24.6	27.5	-10.5%
Easyhaler® product family	22.2	17.3	+28.3%
Burana®	19.4	15.6	+24.6%
Simdax®	17.3	15.1	+15.0%
Divina® product range	14.7	15.9	-7.0%
Enanton®	12.7	12.9	-1.3%
Fareston®	10.5	8.2	+27.7%
Marevan®	10.1	8.3	+21.4%
<b>Total</b>	<b>340.1</b>	<b>320.9</b>	<b>+6.0%</b>
% of pharmaceutical net sales	51%	50%	

Orion's 10 best-selling pharmaceutical products in 2008



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## Sales from products from in-house research

EUR million	Q4/08	Q4/07	Change %	2008	2007	Change %
Stalevo®	35.0	32.3	+8.4%	141.0	126.9	+11.2%
Comtess®/Comtan®	17.7	15.2	+16.3%	67.4	73.3	-8.0
Dexdomitor®, Domitor®, Domosedan® and Antisedan®	5.4	5.5	-1.1%	24.6	27.5	-10.5
Easyhaler® product family	5.9	5.2	+14.5%	22.2	17.3	+28.3
Simdax®	4.4	4.9	-10.5%	17.3	15.1	+15.0
Divina® product range	3.5	4.3	-18.4%	14.7	15.9	-7.0
Fareston®	3.0	2.1	+43.6%	10.5	8.2	+27.7
Precedex®	2.5	2.7	-4.9%	9.6	8.2	+17.8
<b>Total</b>	<b>77.5</b>	<b>72.1</b>	<b>+7.4%</b>	<b>307.5</b>	<b>292.3</b>	<b>+5.2%</b>
% of pharmaceutical net sales	46%	44%		46%	46%	



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## Orion's R&D programmes in brief

- Orion is applying for an expanded indication for Stalevo in the USA and Europe based on the results of the **FIRST-STEP** study
- For Stalevo, a 747-patient **STRIDE-PD** study is in clinical phase III
  - can Stalevo treatment delay the onset of involuntary movements in Parkinson's patients?
  - results are expected during the first quarter of 2009
- Orion is collaborating with Novartis to develop Stalevo for Japanese market
- **Dexmedetomidine** is studied in clinical phase III as a long-term (more than 24 hours) sedative for patients in intensive care
  - comparing with midazolam and propofol. The planned recruitment for both studies is 500 patients.
  - the studies were launched in summer 2007 and results are expected in summer 2010
- **The LEVET programme** is studying the efficacy of oral levosimendan in the treatment of heart diseases in dogs
- **The Easyhaler** product family will grow with the development of a new product combining budesonide and formoterol for the treatment of asthma and Chronic Obstructive Pulmonary Disease (COPD)
- An Alpha  $2_c$  **receptor antagonist** is in clinical phase I
  - possible indications include schizophrenia
- The potential use of oral **levosimendan** in the treatment of stroke in humans is being investigated in preliminary phase I clinical studies
- **Early research** is under way to investigate selective androgen receptor modulators (SARM), prostate cancer, neuropathic pain, Parkinson's disease, various possible indications within intensive care, etc.



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