



Review by the CEO  
*Timo Lappalainen*

Annual General Meeting 2009  
of Orion Corporation  
23 March 2009



*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 the 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.*



## Overview on Pharmaceutical industry

## Pharmaceutical industry grows steadily

- Global pharmaceutical market is expected to be around USD 820 billion in 2009
  - total growth +4.5–5.5%
  - USA +1–2%
  - European top 5 +3–4%
  - Emerging markets +14–15% (?)
- Global generic sales will be just under USD 100 billion in 2009, with a growth rate of +10%
- Medicinal treatments directly affect overall healthcare expenses
  - in Finland e.g. medicines account for ca. 15% of the overall expenditure on healthcare

Source: IMS Oct 2008 and RBS

## Pharma industry's main challenge is to develop new products

- In total 31 new active substances were approved in 2008
  - 24 registrations in both Europe and the USA
- Scrutiny on drug efficacy and safety will intensify
  - marketing approval processes are challenging
  - additionally novel treatments with new potential methods of action will be further studied
- In the future governments will no-longer subsidise treatments that do not offer additional benefits to patients
  - changes emerging to clinical trial designs and implementation

## Pharma sector is still attractive...

- Healthcare needs are increasing
- Science and technology are continuously advancing
- Generics are becoming increasingly important
- Industry is facing major structural changes

## ...but there are challenges, too

- Cost pressure requires to re-model operations
- Regulatory environment is expanding
- Reimbursement and price pressure are getting ever tougher
- R&D operations are facing productivity challenges

## Orion's success factors

## Diversified business portfolio balances operational risks

### New business opportunities:

In-licensing of products and portfolios as well as company acquisitions

**Fermion**  
Active pharmaceutical  
ingredients (APIs)

**Animal Health**  
Veterinary products  
for pets and  
production animals

**Orion Diagnostica**  
Diagnostic tests

**Specialty Products**  
Off-patent, generic prescription products  
as well as  
self care and over-the counter products

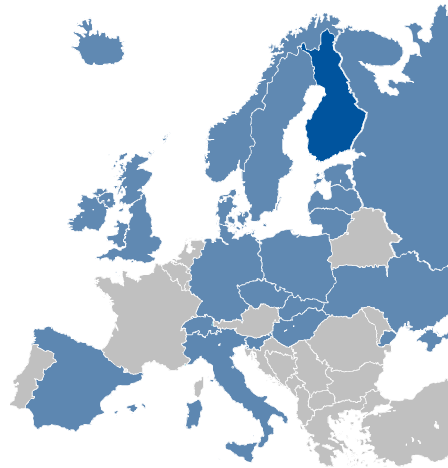
**Proprietary Products**  
Patented prescription products  
• Central Nervous System  
• Oncology and Critical Care  
• Easyhaler products

### Current business challenges:

to increase sales and profits after entacapone patent expiry

## The core of Orion's business is ever more tangible European presence

- Orion's sales network covers 20 countries in Europe
- Orion works with partners to cover the other market areas
- R&D and Supply Chain operations and networks are global



AGM 2009 - Review by the CEO

23 March 2009 9

## Well-being as a Mission – innovation as a Vision

### Orion's Mission –

Building well-being

### Orion's Vision is to be...

...an innovative European, R&D-based, pharmaceutical and diagnostic company with a special emphasis on developing medicinal treatments and diagnostic tests for global markets.



AGM 2009 - Review by the CEO

23 March 2009 10

## Orion's values supports in the navigation through the changing circumstances

### Orion's values are:

- Mutual trust and respect
- Customer focus
- Innovation
- Achievement
- Quality, reliability and safety

## Orion's aim is to grow profitably...

...and to increase the shareholder value while managing the business risks.

### Financial targets are:

- to accelerate the moderate organic growth of the net sales in the next few years via product, product portfolio and company acquisitions.
- to increase the operating profit.
- to maintain the equity ratio at the level of at least 50%

## Orion's strategic focus is on strengthening the competitiveness



## European presence is built step by step

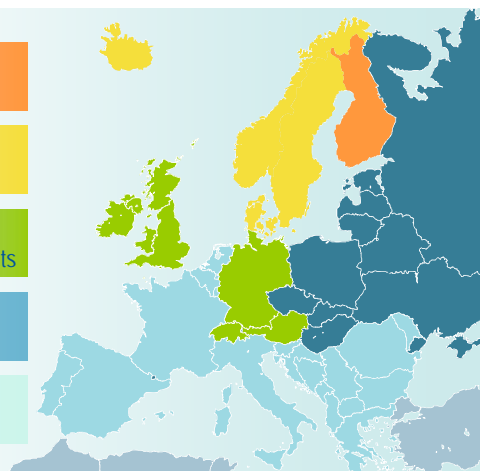
Finland  
Market leader

Scandinavia  
Home ground position

Western and Central Europe  
Strong position with Proprietary Products

Eastern Europe  
Orion brand with Specialty Products

Southern Europe  
Proprietary Products -based entry



## Review on 2008

## Main events in 2008

- Net sales increased by approximately 5% as a result of the broad basic products portfolio and numerous product launches
- Operating profit decreased by about 4%
- So far the financial and economic crisis has not had direct effects on the business
- Strong focus on research continued



## Composition of the Executive Management Board

Timo Lappalainen	President and CEO
Satu Ahomäki	Animal Health
Markku Huhta-Koivisto	Specialty Products and Fermion
Olli Huotari	Corporate Functions
Liisa Hurme	Proprietary Products
Pekka Kaivola	Global sales
Jari Karlson	CFO
Pekka Konsi	Supply Chain
Reijo Salonen	R&D
Riitta Vartiainen	Business Development and Support

Employee representative in the Executive Management Board is Liisa Remes

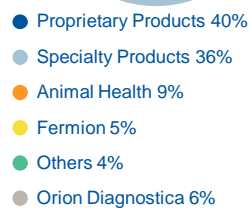
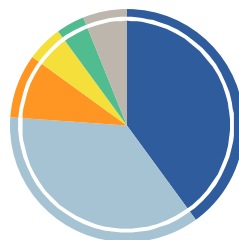


AGM 2009 - Review by the CEO

23 March 2009 17

## Breakdown of net sales in 2008 EUR 710.7 million

By business segment



By geographical area



AGM 2009 - Review by the CEO

23 March 2009 18

## Financial performance at a good level

	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 (EBIT), EUR million	102.9	153.4	192.7	192.0	185.0	-3.6%
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%
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 (EPS), 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>1)</sup>	
Personnel at the end of the period	2,997	3,003	3,061	3,176	3,309	+4.2%

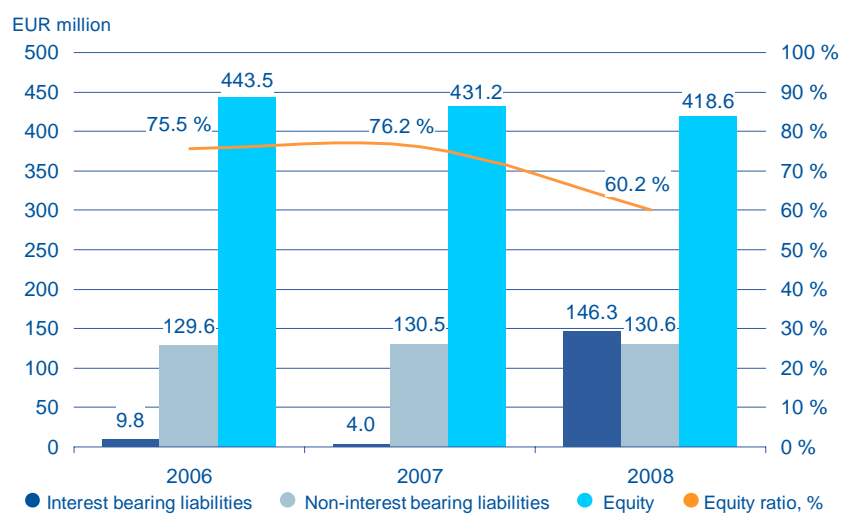
<sup>1)</sup> Board of Directors' proposal to the AGM



AGM 2009 - Review by the CEO

23 March 2009 19

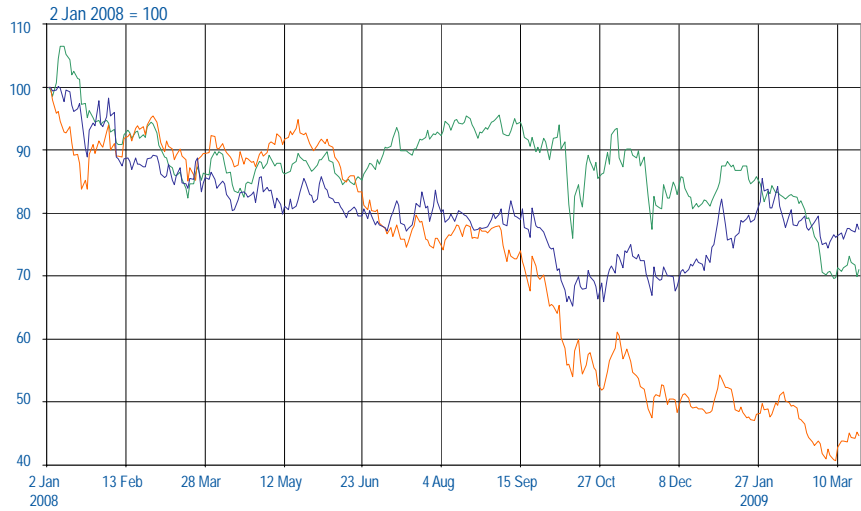
## Loan draw downs changed the structure of the Balance Sheet



AGM 2009 - Review by the CEO

23 March 2009 20

## Share price development as of 1 Jan 2008



AGM 2009 - Review by the CEO

23 March 2009 21

## 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.



AGM 2009 - Review by the CEO

23 March 2009 22

## Orion's calendar for 2009

Record date for dividend payment 26 March 2009  
Dividend payment date 2 April 2009

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)*



AGM 2009 - Review by the CEO

23 March 2009 23



AGM 2009 - Review by the CEO

23 March 2009 24