



## Orion Group Interim Report January–June 2011

Orion's net sales for January–June 2011 totalled EUR 471 million (EUR 422 million for January–June 2010), up by 12% on the comparative period last year.

- Operating profit was EUR 158 (131) million.
- Profit before taxes was EUR 158 (130) million.
- Equity ratio was 61% (59%).
- ROCE before taxes was 59% (50%).
- ROE after taxes was 53% (47%).
- Basic earnings per share were EUR 0.83 (0.68).
- Cash flow per share before financial items was EUR 0.54 (0.48).
- Orion estimates that net sales will be slightly higher and operating profit excluding non-recurring items higher in 2011 than in 2010.

### ORION'S KEY FIGURES FOR THE REVIEW PERIOD

	Q2/11	Q2/10	Change %	Q1–Q2/11	Q1–Q2/10	Change %	2010
Net sales, EUR million	<b>227.0</b>	207.4	+9.5%	<b>471.2</b>	421.9	+11.7%	849.9
International operations, EUR million	<b>167.3</b>	153.7	+8.8%	<b>352.3</b>	311.2	+13.2%	620.7
% of net sales	<b>73.7%</b>	74.1%		<b>74.8%</b>	73.8%		73.0%
Operating profit, EUR million	<b>65.1</b>	60.0	+8.5%	<b>158.0</b>	131.0	+20.6%	254.2
% of net sales	<b>28.7%</b>	28.9%		<b>33.5%</b>	31.1%		29.9%
Profit before taxes, EUR million	<b>64.8</b>	59.4	+9.0%	<b>157.5</b>	130.2	+20.9%	252.6
% of net sales	<b>28.5%</b>	28.6%		<b>33.4%</b>	30.9%		29.7%
Income tax expense, EUR million	<b>16.8</b>	15.4	+8.9%	<b>41.0</b>	33.9	+21.0%	67.9
R&D expenses, EUR million	<b>22.9</b>	20.2	+13.4%	<b>42.7</b>	39.4	+8.4%	85.5
% of net sales	<b>10.1%</b>	9.7%		<b>9.1%</b>	9.3%		10.1%
Capital expenditure, EUR million	<b>10.1</b>	9.7	+3.4%	<b>17.3</b>	17.8	-2.7%	39.2
% of net sales	<b>4.4%</b>	4.7%		<b>3.7%</b>	4.2%		4.6%
Assets total, EUR million				<b>668.5</b>	655.5	+2.0%	745.8
Equity ratio, %				<b>60.7%</b>	58.7%		62.7%
Gearing, %				<b>11.2%</b>	12.6%		-12.2%
Interest-bearing liabilities, EUR million				<b>105.7</b>	127.0	-16.7%	110.0
Non-interest-bearing liabilities, EUR million				<b>157.3</b>	146.0	+7.7%	168.4
Cash and money market investments, EUR million				<b>60.4</b>	78.9	-23.5%	167.2
ROCE (before taxes), %				<b>59.0%</b>	49.5%		45.0%
ROE (after taxes), %				<b>53.4%</b>	46.9%		40.7%
Basic earnings per share, EUR	<b>0.34</b>	0.31	+9.2%	<b>0.83</b>	0.68	+21.0%	1.31
Diluted earnings per share, EUR	<b>0.34</b>	0.31	+9.2%	<b>0.83</b>	0.68	+21.0%	1.31
Cash flow per share before financial items, EUR	<b>0.20</b>	0.25	-23.3%	<b>0.54</b>	0.48	+13.2%	1.26
Equity per share, EUR				<b>2.88</b>	2.71	+6.2%	3.32
Personnel at the end of the period				<b>3,435</b>	3,228	+6.4%	3,131
Average personnel during the period				<b>3,245</b>	3,135	+3.5%	3,137
Personnel expenses, EUR million				<b>94.0</b>	84.6	+11.2%	170.3



## President and CEO Timo Lappalainen's review

### **"Solid growth continued"**

"Our net sales and operating profit in the first half of the year were higher than a year ago.

"In Orion's key markets in Europe, the prices of drugs reimbursed under healthcare systems continued to decline in many countries. Nevertheless, we performed well in this very challenging operating environment. Sales of our Parkinson's drugs continued to rise, mainly because deliveries to Novartis increased. Sales from our other product ranges grew throughout the first half of the year. We strengthened our market position in Finland and maintained our growth in Scandinavia and Eastern Europe.

"As anticipated, sales drives increased sales and marketing expenses. Research and development expenses also increased slightly because new clinical trials commenced this year.

"In July we took a significant step forward for Orion's future when the Committee for Medicinal Products for Human Use of the European Medicines Agency issued a positive opinion recommending the granting of marketing authorisation for *dexdor*<sup>®</sup> (dexmedetomidine), a new intensive care sedative.

"The key themes of our strategy remain the same following the review in June. The strategic focus remains on growth of business operations through a competitive product portfolio, strengthening the market position in Europe and improving the flexibility and efficiency of operations. A prerequisite for achieving these objectives is continuous enhancement of our capability to network and collaborate with partners at all stages of the value chain. The progress made in all these areas in the past couple of years is a good foundation for continuing to implement our strategy in the future when sales of our Parkinson's drugs start to decline due to generic competition.

"Our outlook estimate remains the same. We estimate that net sales will be slightly higher and operating profit excluding non-recurring items higher than in 2010. More information on the outlook forecast and the basis for it can be found on pages 6–7 of this Interim Report."



## Events during the period

On 13 April Orion upgraded its full-year outlook for 2011 because sales had developed well in the first quarter.

## Events after the period

On 22 July Orion announced that it had received information that the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) had issued a positive opinion recommending the granting of marketing authorisation for *dexdor*<sup>®</sup> (dexmedetomidine), a new intensive care sedative.

On 22 July Orion Diagnostica strengthened its research and product development base by acquiring new early-phase technology through purchasing all the shares of English technology company GeneForm Technologies Ltd.



## News conference and teleconference

A news conference and teleconference on the published results will be held today, Tuesday 2 August 2011, at 13:30 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 via the Orion website at [www.orion.fi/en/](http://www.orion.fi/en/). After the presentation, questions can be asked by telephone in Finnish and English.

The teleconference code is **891284** and to participate in the teleconference please call:  
from United States: +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

Financial reports and related presentation material are available at [www.orion.fi/en/](http://www.orion.fi/en/) promptly after publication. The website also has a form for subscribing to Orion's releases.

## Dates in Orion Calendar 2011 and 2012

Interim Report January–September 2011	Tuesday 25 October 2011
Financial Statements 2011	Tuesday 7 February 2012
Annual General Meeting 2012	Tuesday 20 March 2012
Interim Report January–March 2012	Tuesday 24 April 2012
Capital Markets Day in Helsinki	Thursday 24 May 2012
Interim Report January–June 2012	Tuesday 31 July 2012
Interim Report January–September 2012	Tuesday 23 October 2012

The Annual Report 2011 will be published on the company's website latest on week 10/2012.

## For additional information about the financial review:

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[www.orion.fi/en](http://www.orion.fi/en)  
[www.orion.fi/en/investors/](http://www.orion.fi/en/investors/)



## Financial review Q1–Q2/2011

### Net sales

**The Orion Group's** net sales in January–June 2011 totalled EUR 471 million (EUR 422 million in January–June 2010), up by 12% on the comparative period of the previous year. Foreign exchange rates had no significant effect on net sales in the review period.

**The Pharmaceuticals business's net sales** were up by 12% at EUR 447 (399) million. The products based on in-house R&D accounted for EUR 217 (197) million, or 49% (49%) of the Pharmaceuticals business's net sales. Net sales of Orion's Stalevo<sup>®</sup> (carbidopa, entacapone and levodopa) and Comtess<sup>®</sup>/Comtan<sup>®</sup> (entacapone) Parkinson's drugs were up by 14% at EUR 143 (126) million, which is 32% (31%) of the Pharmaceuticals business's net sales. The net sales of other products in the portfolio (excluding Parkinson's drugs) were up by 11% at EUR 304 (274) million.

**The Diagnostics business's net sales** were up by 6% at EUR 25 (24) million.

### Operating profit

**The Orion Group's operating profit** was up by 21% at EUR 158 (131) million.

**The Pharmaceuticals business's operating profit** was EUR 159 (131) million, up by 22% on the comparative period. The gross profit grew faster than net sales due especially to an increase in royalties and milestone payments. The fixed costs of the business operations were as anticipated higher than in the comparative period.

**The Diagnostics business's operating profit** was at EUR 3.4 (4.1) million, down by 17% on the comparative period. Despite the increase in net sales, the gross profit was only similar to the comparative period and fixed costs were higher.

### Operating expenses

**The Group's sales and marketing expenses** were higher, as anticipated, at EUR 107 (89) million. Costs were increased by additional expenditure for enhancing the sales operations especially in Scandinavia and Eastern Europe. Expenses include also write downs of the value of product rights in intangible assets.

**R&D expenses** were up by 8% at EUR 43 (39) million and accounted for 9% (9%) of the Group's net sales. Pharmaceutical R&D expenses amounted to EUR 40 (37) million. Research projects are reported in more detail under Pharmaceuticals in the Business Reviews.

**Administrative expenses** were EUR 20 (20) million.

**Other operating income and expenses** increased profit by EUR 3 million (profit decrease in comparative period EUR 5 million). They comprise items arising mainly from foreign exchange hedges.

### Profit before taxes

Group profit before taxes totalled EUR 158 (130) million. Basic earnings per share were EUR 0.83 (0.68) and diluted earnings per share were EUR 0.83 (0.68). Equity per share was EUR 2.88 (2.71). The return on capital employed before taxes (ROCE) was 59% (50%) and the return on equity after taxes (ROE) 53% (47%).

### Financial position

The Group's gearing was 11% (13%) and the equity ratio 61% (59%).

**Total liabilities** at 30 June 2011 were EUR 263 (273) million. At the end of the period, interest-bearing liabilities amounted to EUR 106 (127) million, including EUR 83 (104) million of long-term loans.



The Group had EUR 60 (79) million of **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 higher than in the comparative period at EUR 92 (84) million. Operating profit was clearly higher in the first half of 2011, but the amount tied up into working capital was more than in the comparative period at EUR 50 (44) million. The increase in working capital was due to growth in net sales, which led to the increase in trade receivables and stocks.

**Cash flow from investing activities** was EUR -16 (-17) million. **Cash flow from financing activities** was EUR -182 (-160) million. This change was due to the higher dividend than in the previous year.

### Capital expenditure

The Group's capital expenditure totalled EUR 17 (18) million. This comprised EUR 11 (11) million on property, plant and equipment and EUR 7 (7) million on intangible assets.

## Outlook for 2011

**Net sales** will be slightly higher than in 2010.

Marketing expenditure will be higher due to the increased number of product launches. Research expenditure will be higher than in 2010.

**Operating profit** excluding non-recurring items will be higher than in 2010.

**The Group's capital expenditure** will be about EUR 45 million excluding substantial corporate or product acquisitions.

## Basis for outlook

Price competition in the Finnish market will persist in 2011. However, product launches will continue to support Orion's position as market leader.

In-market sales of the Parkinson's drugs grew by just under 10% in 2010. The pace of growth of sales is forecast to continue to slow in 2011. Deliveries to Novartis have typically been greatest in the first half of the year and least in the last quarter of the year. The generic competition commencing in April 2012 in the United States is not expected to have a material impact on Orion's sales in 2011.

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 2011 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 2011 are either ongoing from the previous year or at an advanced stage of planning, therefore their cost level can be estimated rather accurately.

The estimated costs of the ongoing patent litigation in the United States are based on the planned timetables and work estimates. The costs due to the litigation will depend on a number of factors, which are difficult to estimate accurately.



## 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 2011.

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<sup>®</sup> and Comtess<sup>®</sup>/Comtan<sup>®</sup> 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.

## Strategy

In June, Orion's Board of Directors confirmed that the strategic focus remains the same for 2012–2016. Orion's strategic aims are profitable growth and increased shareholder value, whilst keeping business risks under control.

Orion's strategic focus continues to be on:

- growth of business operations through a competitive product portfolio
- strengthening market position in Europe
- improving the flexibility and efficiency of operations

All of Orion's business divisions have a major role in achieving the financial objectives of the Group, but the two largest divisions, Proprietary Products and Specialty Products, are crucial. Orion strives to enhance



synergies between patent-protected proprietary drugs, off-patent (i.e. generic) prescription drugs and self-care products.

### **Competitive product portfolio**

Growth is based on a competitive product portfolio developed through Orion's in-house R&D, collaborative research and active product acquisition. Potential corporate acquisitions are also continually evaluated.

Orion's core therapy areas are central nervous system drugs, oncology and critical care drugs, and inhalable Easyhaler<sup>®</sup> pulmonary drugs. Orion's R&D operations concentrate on early-phase research. In addition to in-house research, Orion invests in early-phase R&D jointly with universities and other pharmaceutical companies. In the late phase of clinical development, Orion aims to share the costs with other pharmaceutical companies. Orion generally seeks partnerships for undertaking at least Phase III clinical trials, which are the final phase, especially for projects outside Europe. Orion also seeks to purchase new product candidates and further developed products to reinforce the research pipeline based on its own research projects.

In recent years Orion has worked to build up a competitive product portfolio. As regards Proprietary Products customers, the focus is on neurologists, urologists, pulmonary doctors, critical care doctors and other health care professionals in these specialised fields. For Specialty Products, important customer groups in Finland, for example, are general practitioners and pharmacy staff. Orion's primary aim is to exploit all business opportunities from the drugs in the current product portfolio, such as Stalevo<sup>®</sup>, Simdax<sup>®</sup> and the Easyhaler product family. Orion's next projects in late-phase development and commercialisation are launching the intensive care sedative dexmedetomidine in European markets, development of inhalable Easyhaler combined formulation products and development of the Parkinson's drug Stalevo for Japanese markets. Orion also aims to ensure continuity of clinical trials through active early-phase research.

To be successful in the generic (i.e. off-patent) prescription drug and self-care product sector, it is especially important to have a broad and continually renewed portfolio. Orion seeks to secure a continuous stream of product launches through active product acquisition and its own development work. Orion determines the product portfolios individually for each market. The Company continues to strive for growth, especially through expanding the self-care product portfolio in the Nordic countries. In Eastern Europe, for example Russia, Orion's product portfolio focuses on generic prescription drugs in certain therapy areas.

### **Strengthening market position in Europe**

In the current year Orion continued to strengthen its market position and sales network in the key European markets.

In specialised medical care, especially critical care and urology, Orion concentrates on certain customer groups through its own sales network throughout Europe and through partners worldwide. Orion markets generic prescription drugs and self-care products mainly in the Nordic countries and Eastern Europe through its own sales network. Orion aims to strengthen its market leadership in Finland and make the Scandinavian countries a domestic market in which it has a strong presence. Orion's aim in all the Nordic countries is to have a presence with a broad product range. In Central and Southern Europe the emphasis is on proprietary products and in Eastern Europe on generic products. Outside Europe, Orion operates mainly with partners.

### **Flexible and efficient operations**

Because the operating environment changes all the time, the agility and flexibility of operations will in future be as crucial as cost-effectiveness. Efficiency improvement, cost control and complexity management are all essential for systematic improvement of competitiveness throughout the value chain. Orion's key projects to improve operating efficiency have been implementing a new research and development model, building up partnership models for early-phase research, increasing efficiency in the supply chain and improving the competitiveness of sales operations.

Networking and seeking partners throughout the value chain will facilitate improvements to competitiveness and establishing a foundation for profitable future growth. R&D collaboration and active networking will enable Orion to increase the number of new research projects and balance the risks of projects in the





research pipeline. Through partnerships in the supply chain, Orion will improve the efficiency of its operations by determining which products it will manufacture itself and to what extent products or semi-finished products will be acquired through its collaboration network. Partnerships in sales and marketing will ensure a broad network of distribution channels through which proprietary drugs developed by Orion will be distributed worldwide. Moreover, the product portfolio can be expanded by selling the partners' products through Orion's own sales network.

Through these strategic actions, Orion seeks to enhance its capability to continue operating as a pharmaceuticals and diagnostics company that provides new products and engages in R&D.

## 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 June 2011 Orion had a total of 141,257,828 (141,257,828) shares, of which 46,183,877 (48,320,530) were A shares and 95,073,951 (92,937,298) B shares. The Group's share capital was EUR 92,238,541.46 (92,238,541.46). At the end of June 2011 Orion held 413,754 (214,424) B shares as treasury shares. On 30 June 2011 the aggregate number of votes conferred by the A and B shares was 1,018,337,737 (1,059,133,474) excluding treasury shares.

At the end of June 2011, Orion had 56,655 (56,615) registered shareholders.

### 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 within the limitation on the maximum number of shares of a class. In January–June 2011 a total of 1,379,688 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 June 2011 the market capitalisation of the Company's shares excluding treasury shares was EUR 2,504 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.



On 18 May 2010 the Board of Directors of Orion Corporation decided to repurchase shares as authorised by the Annual General Meeting. Orion acquired in total 300,000 B shares of Orion Corporation on 11–18 August 2010 in accordance with the decision. The shares were acquired for use as part of the long-term incentive plan for the Orion Group's key persons. Following this acquisition, the Board of Directors is not authorised to repurchase any more of the Company's own shares. The terms for repurchasing the Company's own shares under the authorisation were published in a stock exchange release on 24 March 2010.

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 authorisation was exercised as described below under the heading "Share-based Incentive Plan". On 30 June 2011 the Board of Directors had remaining authorisation to decide on conveyance of 397,100 Orion Corporation B 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

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.

On 1 March 2011 Orion transferred altogether 102,900 Orion Corporation B shares held by the Company as a share bonus for 2010 to the key persons employed by the Group and belonging to the Share-based Incentive Plan of the Group. The transfer was based on the authorisation by the Annual General Meeting on 24 March 2010.

### Share ownership

At the end of June 2011 Orion had a total of 56,655 (56,615) registered shareholders, of whom 94% (95%) were private individuals holding 50% (52%) of the entire share stock and 64% (64%) of the total votes. There were altogether 43 (37) million nominee-registered shares which is 31% (26%) of all shares, and they conferred entitlement to 6% (5%) of the votes.

At the end of June 2011 Orion held 413,754 (214,424) B shares as treasury shares, which is 0.3% (0.2%) of the Company's total share stock and 0.04% (0.02%) of the total votes.

No new transactions exceeding the notification threshold set in the Finnish Securities Markets Act were brought to the attention of the Company during the review period.



## Personnel

The average number of employees in the Orion Group in January–June 2011 was 3,245 (3,135). At the end of June 2011 the Group had a total of 3,435 (3,228) employees, of whom 2,729 (2,599) worked in Finland and 706 (629) outside Finland.

Salaries and other personnel expenses in January–June 2011 totalled EUR 94 (85) million.

## Significant 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<sup>®</sup> (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.

### **Legal proceedings against Caraco Pharmaceutical Laboratories, Ltd.**

On 12 November 2010 Orion Corporation and Hospira, Inc. jointly filed a patent infringement lawsuit in the United States against Caraco Pharmaceutical Laboratories, Ltd. to enforce Orion's and Hospira's joint patent No. 6,716,867 valid in the United States.

Caraco had submitted an application for authorisation to produce and market in the United States a generic version of Orion's proprietary drug Precedex<sup>®</sup> (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 Caraco to be substantially less than the costs of the entacapone patent litigation that had previously been pending in the United States. According to the schedule confirmed by the court, the main hearing of the case will commence on 13 November 2012.

### **Legal proceedings against Mylan Pharmaceuticals Inc.**

On 24 January 2011 Orion Corporation filed a patent infringement lawsuit in the United States against Mylan Pharmaceuticals Inc. to enforce its US patent No. 5,446,194.

Mylan intends to market in the United States a generic version of entacapone tablets with strength 200 mg like Orion's Comtan<sup>®</sup> proprietary drug. Comtan is used as an adjunct to levodopa/carbidopa therapy to treat patients with idiopathic Parkinson's disease who experience the signs and symptoms of end-of-dose "wearing-off." Novartis is Orion's exclusive licensee for marketing the drug Comtan in the United States.



## Business Reviews

### Pharmaceuticals

#### Review of human pharmaceuticals market

According to statistics collected by Finnish Pharmaceutical Data Ltd, **Finnish wholesale of human pharmaceuticals** in January–June 2011 totalled EUR 967 (937) million, up by 3% on the comparative period of the previous year.

Finland is the most important individual market for Orion, generating about one-quarter of the total net sales. Orion was able to increase its sales faster than the markets as a whole, so strengthened 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–June amounted to EUR 100 (92) million, up by 8% compared with the corresponding period in the previous year. Orion's market share was 10% (10%), which was over four percentage points higher than the second-largest company's market share.

According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in March 2011 the **total sales of Parkinson's drugs** in the United States were down by 18% at USD 836 million (USD 1,022 million in the previous 12-month period). The decline of in-market sales was due to start of generic competition of some products. The five largest European markets for Parkinson's disease 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 March 2011 totalled EUR 1,035 (962) million, and the average market growth was 8%.

The most important individual therapy area for Orion is still 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 well and clearly better than the market as a whole in the United States and in Japan. According to IMS Health pharmaceutical sales statistics, in the 12-month period ending March 2011, **sales of Orion's Parkinson's drugs** were up by 1% at USD 180 (178) million in the United States, up by 4% at a total of EUR 158 (152) million in the five largest markets in Europe, and up by 43% at EUR 50 (35) million in Japan. The market share of Orion's Parkinson's drugs was 22% in the United States, on average 15% in the five largest European markets and 10% in Japan.

According to IMS Health pharmaceutical sales statistics, sales of Orion's **Precedex® intensive care sedative (dexmedetomidine)** were up by 51% at USD 175 million in the 12-month period ending March 2011 (USD 116 million in the previous 12-month period). About four-fifths of the sales amounting to USD 141 (99) million were in the United States, where Precedex sales grew by 42%.

#### Net sales and operating profit of the Pharmaceuticals business

Net sales of the Pharmaceuticals business in January–June 2011 were EUR 447 (399) million, up by 12% on the comparative period of the previous year. The operating profit of the Pharmaceuticals business was up by 22% at EUR 159 (131) million. The operating profit of the Pharmaceuticals business was 36% (33%) of the segment's net sales.

Net sales of Orion's top ten pharmaceuticals in January–June 2011 were up by 11% at EUR 243 (218) million. They accounted for 54% (55%) of the total net sales of the Pharmaceuticals business. The drug Solomet® (methylprednisolone) for treatment of inflammatory diseases entered the list of the top ten best-selling pharmaceutical products, replacing Fareston® which is used for treatment of breast cancer.

Net sales of the products based on own in-house R&D were up by 10% at EUR 217 (197) million in January–June 2011. These products accounted for about 49% (49%) of the net sales of the Pharmaceuticals business.



### Proprietary Products

The product portfolio of Proprietary Products consists of patented prescription products in three therapy areas: central nervous system diseases, oncology and critical care, and Easyhaler<sup>®</sup> pulmonary drugs.

Net sales of Proprietary Products in January–June 2011 were up by 16% at EUR 214 (184) million.

Orion's drugs for treatment of Parkinson's disease are Stalevo<sup>®</sup> (active ingredients carbidopa, levodopa and entacapone) and Comtess<sup>®</sup>/Comtan<sup>®</sup> (entacapone), and their net sales in January-June 2011 totalled EUR 143 (126) million. The net sales of Parkinson's drugs were up by 14% and accounted for 32% (31%) of the total net sales of the Pharmaceuticals business. Net sales from deliveries of Stalevo and Comtan to Novartis were up by 23% at a total of EUR 95 (77) million. Deliveries of Stalevo to Novartis increased by 18%, and deliveries of Comtan by 32%. Total net sales generated by Stalevo and Comtess in Orion's own sales organisation totalled EUR 48 (49) million. Sales through Orion's own sales organisation totalled EUR 40 (40) million for Stalevo and EUR 8 (9) million for Comtess.

The US Food and Drug Administration (FDA) has an ongoing safety review of Stalevo, which began in spring 2009. Orion is assisting the FDA in undertaking the safety review. The FDA has requested additional data based on databases concerning the significance of the results of the STRIDE-PD study, and consequently Orion and Novartis have decided to undertake two epidemiological studies, which must be completed by July 2012.

Net sales of Simdax<sup>®</sup>, a drug for acute decompensated heart failure, were up by 5% at EUR 21 (20) million in January–June 2011.

Net sales of the Easyhaler<sup>®</sup> product family for treatment of asthma and chronic obstructive pulmonary disease were up by 15% in January–June 2011 at EUR 17 (15) million. Sales of Easyhaler products through Orion's own sales organisation in Europe continued to grow strongly in the first half of the year.

Net sales of the Precedex<sup>®</sup> intensive care sedative (active ingredient dexmedetomidine) were up by 12% in January-June 2011 at EUR 14 (13) million. In-market sales continued to grow well in all markets. In the United States and markets outside Europe the sedative is sold by Orion's partner Hospira. US markets account for about four-fifths of net sales of Precedex.

### Specialty Products

Net sales of the Specialty Products business division's off-patent, i.e. generic, prescription drugs and self-care products in January–June 2011 were up by 10% at EUR 158 (144) million. Net sales of the business division in markets outside Finland were up by 13% compared with the corresponding period in the previous year. Growth was especially strong in Scandinavia, which Orion aims to make its domestic market. Sales also grew in Russia. The number of generic prescription drug and self-care product launches remained high in the first half of the year.

Net sales of Orion's human pharmaceuticals in Finland were up by 8% at EUR 109 (101) million in January–June 2011. Specialty Products accounted for the majority of sales in Finland. In Finland sales growth was especially strong in the second quarter. Orion has a broad product portfolio, particularly in substitutable prescription drugs, and a competitive self-care product portfolio in Finland.

Net sales of Orion's human pharmaceuticals in Eastern Europe in January–June 2011 were up by 18% at EUR 25 (22) million. Specialty Products account for the majority of sales in the region. The strong growth in net sales is the result of prolonged work to strengthen the market position through a competitive product portfolio.

In June the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) issued a positive opinion recommending the granting of marketing authorisation for Orion's new entacapone and levodopa/carbidopa/entacapone products. They are generic versions of Orion's own Parkinson's drugs Comtess<sup>®</sup> (entacapone) and Stalevo<sup>®</sup> (levodopa/carbidopa/entacapone).



## Animal Health

Net sales of the Animal Health business division in January–June 2011 were up by 5% at EUR 34 (33) million. Net sales of the animal sedatives at EUR 11 million accounted for 32% (33%) of the division's net sales. Orion's animal sedatives are Dexdomitor<sup>®</sup> (dexmedetomidine), Domitor<sup>®</sup> (medetomidine), Domosedan<sup>®</sup> (detomidine) and Antisedan<sup>®</sup> (atipamezole).

Deliveries that commenced in the second quarter of this year following product launches and new distribution agreements in the first quarter strengthened Orion's position in the Nordic veterinary drug market, where Orion is one of the three largest marketers of veterinary drugs.

According to statistics collected by Pharma Industry Finland, the Finnish market for veterinary drugs was up by 3% at about EUR 26 (25) million in January–June 2011. Orion was the second-largest marketer, with a market share of 20% (19%). Orion was the only one of the five largest veterinary drug companies that increased its market share significantly compared with the corresponding period last year.

## 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–June 2011 excluding pharmaceutical ingredients supplied for Orion's own use were EUR 25 (26) million and accounted for about two-thirds of Fermion's entire net sales. Several key products performed well, even though competition in the markets remained intense.

## Research and development projects

The Group's R&D expenses in January–June 2011 totalled EUR 43 (39) million, of which the Pharmaceuticals business accounted for EUR 40 (37) million. The Group's R&D expenses accounted for 9% (9%) of the Group's net sales. R&D expenses also include expenses relating to development of the current portfolio.

Processing of the marketing authorisation application for Orion's intensive care sedative **dexmedetomidine** by the European Medicines Agency is continuing. After the review period, in July Orion received information that the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) had issued a positive opinion recommending the granting of marketing authorisation for the new intensive care sedative **dexdor**<sup>®</sup>. The brand name for dexmedetomidine in Europe is **dexdor**<sup>®</sup>. The European Commission is expected to make the final decision on granting the marketing authorisation in the coming months.

Orion has ongoing projects to broaden the range of the inhalable **Easyhaler**<sup>®</sup> **drugs** product family. Orion is developing a **budesonide-formoterol formulation** that combines budesonide as an anti-inflammatory agent and formoterol as a long-acting bronchodilator. Results from bioequivalence studies are anticipated in early 2012. 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.

Orion is collaborating with Novartis to develop **Stalevo**<sup>®</sup> **drug for the Japanese market**. The timeline for regulatory submission is under evaluation by Novartis.

Orion is continuing to develop an **androgen receptor antagonist** for the treatment of advanced prostate cancer jointly with Endo Pharmaceuticals Inc. with the objective of approval of the drug globally. Clinical trials commenced in the first quarter of the current year in Europe.

Orion has Phase II clinical trials with the **alpha 2<sub>c</sub> receptor antagonist** in progress. The trials are investigating the efficacy and safety of the drug candidate in treating Alzheimer's disease and Raynaud's phenomenon.

Orion is developing a new more effective **levodopa product** based on optimised new formulations and doses of known compounds. Product development is in the clinical trials phase.



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In addition, Orion has several projects in the **early research phase** investigating prostate cancer, neuropathic pain, Parkinson's disease and Alzheimer's disease, among others.

In May the US pharmaceutical company GTx announced that it had ended studies on the use of 80 mg doses of toremifene for treating the adverse effects of prostate cancer treatment. Orion originally developed toremifene for treatment of breast cancer.

## Diagnostics

Orion Diagnostica manufactures convenient and quick in vitro diagnostic tests and testing systems suitable for point-of-care testing. Net sales of the Diagnostics business in January–June 2011 were up by 6% at EUR 25 (24) million.

Sales of QuikRead<sup>®</sup> infection tests remained strong in the review period. Sales of collagen tests that measure bone and connective tissue metabolism also developed well. Progress in the Nordic countries was stronger than in the comparative period, and sales continued to grow in China and the Czech Republic, for example.

Launching of the new more user-friendly prefilled QuikRead 101 system and QuikRead go<sup>®</sup>, a new generation testing instrument, has progressed as planned, and in the case of QuikRead go is moving into the next geographical phase.

After the review period, in July Orion Diagnostica strengthened its research and product development base by acquiring new early-phase technology through purchasing all the shares of English technology company GeneForm Technologies Ltd.

The operating profit of the Diagnostics business was down 17% at EUR 3.4 (4.1) million and accounted for 14% (17%) of the segment's net sales. The profit in the second quarter decreased because fixed costs increased and the margin structure of the product sales portfolio was weaker than in the comparative period.

Espoo, 2 August 2011

Board of Directors of Orion Corporation

### Orion Corporation

Timo Lappalainen  
*President and CEO*

Jari Karlson  
*CFO*



## Tables

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Q2/11	Q2/10	Change %	Q1–Q2/11	Q1–Q2/10	Change %	2010
<b>Net sales</b>	<b>227.0</b>	207.4	+9.5%	<b>471.2</b>	421.9	+11.7%	849.9
Cost of goods sold	<b>-74.8</b>	-68.2	+9.7%	<b>-147.5</b>	-137.8	+7.0%	-283.2
<b>Gross profit</b>	<b>152.3</b>	139.2	+9.3%	<b>323.7</b>	284.0	+14.0%	566.8
Other operating income and expenses	<b>1.0</b>	-2.2	+143.2%	<b>3.0</b>	-4.6	+165.4%	1.2
Selling and marketing expenses	<b>-54.4</b>	-44.8	+21.6%	<b>-106.6</b>	-88.7	+20.1%	-188.9
R&D expenses	<b>-22.9</b>	-20.2	+13.4%	<b>-42.7</b>	-39.4	+8.4%	-85.5
Administrative expenses	<b>-10.8</b>	-12.1	-10.7%	<b>-19.5</b>	-20.3	-3.8%	-39.3
<b>Operating profit</b>	<b>65.1</b>	60.0	+8.5%	<b>158.0</b>	131.0	+20.6%	254.2
Finance income	<b>1.3</b>	1.7	-23.9%	<b>2.6</b>	2.7	-2.7%	4.2
Finance expenses	<b>-1.6</b>	-2.2	-29.1%	<b>-3.1</b>	-3.4	-9.8%	-5.9
<b>Profit before taxes</b>	<b>64.8</b>	59.4	+9.0%	<b>157.5</b>	130.2	+20.9%	252.6
Income tax expense	<b>-16.8</b>	-15.4	+8.9%	<b>-41.0</b>	-33.9	+21.0%	-67.9
<b>Profit for the period</b>	<b>48.0</b>	44.0	+9.1%	<b>116.4</b>	96.4	+20.8%	184.7
<b>OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS</b>							
Change in value of cash flow hedges	<b>-0.4</b>	0.3	-261.9%	<b>-0.9</b>	0.0		1.6
Change in value of available-for-sale financial assets	<b>-0.1</b>			<b>-0.2</b>			
Translation differences	<b>-0.5</b>	1.7	-128.3%	<b>-1.0</b>	2.1	-149.2%	1.3
<b>Other comprehensive income net of tax</b>	<b>-0.9</b>	1.9	-148.6%	<b>-2.2</b>	2.1	-200.9%	2.9
<b>Comprehensive income for the period including tax effects</b>	<b>47.0</b>	45.9	+2.4%	<b>114.3</b>	98.5	+16.0%	187.6
<b>PROFIT ATTRIBUTABLE TO:</b>							
Owners of the parent company	<b>48.0</b>	44.0	+9.1%	<b>116.4</b>	96.4	+20.8%	184.7
Non-controlling interests	<b>0.0</b>	0.0		<b>0.0</b>	0.0		0.0
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>							
Owners of the parent company	<b>47.0</b>	45.9	+2.4%	<b>114.3</b>	98.5	+16.0%	187.6
Non-controlling interests	<b>0.0</b>	0.0		<b>0.0</b>	0.0		0.0
<b>Basic earnings per share, EUR <sup>1)</sup></b>	<b>0.34</b>	0.31	+9.2%	<b>0.83</b>	0.68	+21.0%	1.31
<b>Diluted earnings per share, EUR <sup>1)</sup></b>	<b>0.34</b>	0.31	+9.2%	<b>0.83</b>	0.68	+21.0%	1.31
Depreciation, amortisation and impairment	<b>11.0</b>	8.8	+25.7%	<b>23.9</b>	17.5	+36.9%	38.9
Personnel expenses	<b>49.6</b>	44.5	+11.6%	<b>94.0</b>	84.6	+11.2%	170.3

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	6/11	6/10	Change %	2010
Property, plant and equipment	184.6	189.6	-2.7%	187.1
Goodwill	13.5	13.5		13.5
Intangible rights	60.3	65.4	-7.8%	65.3
Other intangible assets	4.5	3.9	+15.3%	4.2
Investments in associates	1.4	0.1		1.3
Available-for-sale investments	1.2	1.0	+22.4%	1.0
Pension asset	33.7	29.8	+13.0%	31.6
Deferred tax assets	2.7	5.7	-52.3%	2.9
Other non-current assets	2.0	0.8	+166.4%	2.4
<b>Non-current assets total</b>	<b>303.9</b>	<b>309.8</b>	<b>-1.9%</b>	<b>309.3</b>
Inventories	143.0	129.6	+10.3%	131.1
Trade receivables	137.3	119.8	+14.6%	118.3
Other receivables	23.9	17.4	+37.6%	20.0
Money market investments				77.7
Cash and cash equivalents	60.4	78.9	-23.5%	89.5
<b>Current assets total</b>	<b>364.5</b>	<b>345.7</b>	<b>+5.5%</b>	<b>436.5</b>
<b>Assets total</b>	<b>668.5</b>	<b>655.5</b>	<b>+2.0%</b>	<b>745.8</b>

### EQUITY AND LIABILITIES

EUR million	6/11	6/10	Change %	2010
Share capital	92.2	92.2		92.2
Share premium	17.8	17.8		17.8
Expendable fund	0.5	8.9	-94.5%	8.9
Other reserves	0.5	0.0		1.6
Retained earnings	294.5	263.5	+11.8%	346.8
<b>Equity attributable to owners of the parent company</b>	<b>405.5</b>	<b>382.5</b>	<b>+6.0%</b>	<b>467.4</b>
Non-controlling interests	0.0	0.0	+10.9%	0.0
<b>Equity total</b>	<b>405.5</b>	<b>382.5</b>	<b>+6.0%</b>	<b>467.4</b>
Deferred tax liabilities	44.7	42.3	+5.6%	44.8
Pension liability	0.7	0.8	-15.0%	0.7
Provisions	0.3	0.5	-45.4%	0.4
Interest-bearing non-current liabilities	82.6	103.7	-20.4%	87.5
Other non-current liabilities	0.1	0.3	-61.5%	0.1
<b>Non-current liabilities total</b>	<b>128.3</b>	<b>147.6</b>	<b>-13.0%</b>	<b>133.6</b>
Trade payables	40.5	37.0	+9.7%	49.0
Income tax liabilities	13.5	12.2	+10.4%	12.7
Other current liabilities	57.5	53.0	+8.5%	60.6
Provisions	0.0	0.0		
Interest-bearing current liabilities	23.1	23.2	-0.3%	22.5
<b>Current liabilities total</b>	<b>134.7</b>	<b>125.4</b>	<b>+7.4%</b>	<b>144.8</b>
<b>Liabilities total</b>	<b>263.0</b>	<b>273.0</b>	<b>-3.7%</b>	<b>278.4</b>
<b>Equity and liabilities total</b>	<b>668.5</b>	<b>655.5</b>	<b>+2.0%</b>	<b>745.8</b>



## 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							h.
	a.	b.	c.	d.	e.	f.	g.	
<b>Equity at 1 January 2010</b>	92.2	17.8	23.0	0.0	-5.7	311.7	0.0	<b>439.1</b>
Profit for the period						96.4		<b>96.4</b>
<b>Other comprehensive income:</b>								
Change in value of cash flow hedges				0.0				<b>0.0</b>
Translation differences					2.1			<b>2.1</b>
<b>Transactions with owners and non-controlling interests:</b>								
Dividend and capital repayment			-14.1			-141.0		<b>-155.1</b>
Share-based incentive plan						0.2		<b>0.2</b>
<b>Equity at 30 June 2010</b>	<b>92.2</b>	<b>17.8</b>	<b>8.9</b>	<b>0.0</b>	<b>-3.6</b>	<b>267.3</b>	<b>0.0</b>	<b>382.5</b>
<b>Equity at 1 January 2011</b>	<b>92.2</b>	<b>17.8</b>	<b>8.9</b>	<b>1.6</b>	<b>-4.4</b>	<b>351.2</b>	<b>0.0</b>	<b>467.4</b>
Profit for the period						116.4		<b>116.4</b>
<b>Other comprehensive income:</b>								
Change in value of cash flow hedges				-0.9				<b>-0.9</b>
Change in value of available-for-sale financial assets				-0.2				<b>-0.2</b>
Translation differences					-1.0			<b>-1.0</b>
<b>Transactions with owners and non-controlling interests:</b>								
Dividend and capital repayment			-8.5			-169.0		<b>-177.5</b>
Share-based incentive plan						1.4		<b>1.4</b>
Other adjustments						-0.2		<b>-0.2</b>
<b>Equity at 30 June 2011</b>	<b>92.2</b>	<b>17.8</b>	<b>0.5</b>	<b>0.5</b>	<b>-5.4</b>	<b>299.9</b>	<b>0.0</b>	<b>405.5</b>



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### CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Q1–Q2/11	Q1–Q2/10	2010
Operating profit	158.0	131.0	254.2
Adjustments	24.2	18.4	33.7
Change in working capital	-50.1	-43.5	-27.6
Interest paid	-3.0	-3.5	-5.7
Interest received	2.7	2.3	4.3
Dividends received	0.1	0.1	0.1
Income taxes paid	-40.4	-20.8	-49.9
<b>Total net cash flow from operating activities</b>	<b>91.5</b>	<b>83.9</b>	<b>209.1</b>
Investments in property, plant and equipment	-8.5	-11.4	-22.2
Investments in intangible assets	-7.6	-6.1	-13.3
Acquisition of an associate	-0.0		-1.3
Sale of a subsidiary less cash and cash equivalents at sale date	0.3		4.5
Sales of property, plant and equipment and available-for-sale investments	0.3	0.6	1.2
Sales of intangible assets	0.0	0.2	0.2
<b>Total net cash flow from investing activities</b>	<b>-15.5</b>	<b>-16.7</b>	<b>-30.9</b>
Short-term loans raised	0.7	0.6	0.6
Repayments of short-term loans	-0.6	-0.7	-2.0
Repayments of long-term loans	-4.8	-4.8	-21.0
Repurchase of own shares			-4.6
Dividends paid and other distribution of profits	-177.4	-155.2	-155.3
<b>Total net cash flow from financing activities</b>	<b>-182.1</b>	<b>-160.1</b>	<b>-182.2</b>
<b>Net change in cash, cash equivalents and money market investments</b>	<b>-106.1</b>	<b>-92.8</b>	<b>-4.0</b>
Cash, cash equivalents and money market investments at the beginning of the period	167.2	170.5	170.5
Foreign exchange differences	-0.7	1.2	0.7
Net change in cash, cash equivalents and money market investments	-106.1	-92.8	-4.0
Cash, cash equivalents and money market investments at the end of the period	60.4	78.9	167.2
<b>Reconciliation of cash and cash equivalents in Statement of Financial Position</b>			
Cash and cash equivalents at 30 June in Statement of Financial Position	60.4	78.9	89.5
Money market investments at 30 June			77.7
<b>Cash and cash equivalents in Statement of Cash Flows</b>	<b>60.4</b>	<b>78.9</b>	<b>167.2</b>



## CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	6/11	6/10	2010
Carrying amount at the beginning of the period	187.1	192.0	192.0
Additions	10.6	11.0	23.3
Sale of real estate limited company			-0.5
Other disposals	-0.4	-0.5	-1.1
Depreciation and impairments	-12.7	-13.0	-26.6
<b>Carrying amount at the end of the period</b>	<b>184.6</b>	<b>189.6</b>	<b>187.1</b>

## CHANGES IN INTANGIBLE ASSETS (EXCLUDING GOODWILL)

EUR million	6/11	6/10	2010
Carrying amount at the beginning of the period	69.5	67.0	67.0
Additions	6.6	6.7	14.6
Disposals	-0.0		-0.0
Depreciation and impairments	-11.3	-4.5	-12.3
<b>Carrying amount at the end of the period</b>	<b>64.8</b>	<b>69.2</b>	<b>69.5</b>

## COMMITMENTS AND CONTINGENCIES

EUR million	6/11	6/10	2010
<b>CONTINGENCIES FOR OWN LIABILITIES</b>			
Mortgages on land and buildings	41.0	41.0	41.0
of which those to Orion Pension Fund	9.0	9.0	9.0
Guarantees	1.2	1.1	1.3
<b>OTHER LIABILITIES</b>			
Leasing liabilities (excluding finance lease contracts)	3.6	4.1	4.1
Other liabilities	0.3	0.3	0.3

## DERIVATIVES

EUR million	6/11	6/10	2010
<b>FORWARD EXCHANGE CONTRACTS AND CURRENCY SWAPS</b>			
Fair value, EUR million	-0.2	0.8	-0.8
Nominal value, EUR million	47.6	68.0	56.1
<b>CURRENCY OPTIONS</b>			
Fair value, EUR million	0.1		-0.0
Nominal value, EUR million	37.9		33.4
<b>ELECTRICITY FORWARD CONTRACTS</b>			
Fair value, EUR million	0.6	0.2	1.9
Nominal value, GWh	170	152	171

## RELATED PARTY TRANSACTIONS

EUR million	Q1-Q2/11	Q1-Q2/10	2010
Management's employment benefits	3.8	3.1	4.4



## Operating segment performance

### NET SALES BY BUSINESS DIVISIONS

EUR million	Q2/11	Q2/10	Change %	Q1-Q2/11	Q1-Q2/10	Change %	2010
Pharmaceuticals	<b>215.9</b>	196.0	+10.2%	<b>447.0</b>	399.3	+11.9%	806.2
Proprietary Products	<b>100.2</b>	90.8	+10.4%	<b>213.6</b>	184.3	+15.9%	370.9
Specialty Products	<b>77.7</b>	70.6	+10.1%	<b>157.9</b>	143.7	+9.9%	298.6
Animal Health	<b>17.3</b>	17.4	-0.6%	<b>34.4</b>	32.7	+5.2%	67.5
Fermion	<b>12.0</b>	12.4	-3.0%	<b>24.9</b>	25.9	-3.9%	44.9
Contract manufacturing and other	<b>8.7</b>	4.8	+81.3%	<b>16.1</b>	12.6	+27.2%	24.4
Diagnostics	<b>11.7</b>	12.1	-3.8%	<b>25.4</b>	23.9	+6.3%	46.1
Group items	<b>-0.6</b>	-0.7	-14.6%	<b>-1.2</b>	-1.3	-9.1%	-2.4
<b>Group total</b>	<b>227.0</b>	207.4	+9.5%	<b>471.2</b>	421.9	+11.7%	849.9

### OPERATING PROFIT BY BUSINESS AREA

EUR million	Q2/11	Q2/10	Change %	Q1-Q2/11	Q1-Q2/10	Change %	2010
Pharmaceuticals	<b>67.1</b>	60.4	+11.2%	<b>159.4</b>	130.9	+21.8%	252.2
Diagnostics	<b>0.7</b>	1.9	-65.1%	<b>3.4</b>	4.1	-17.1%	6.1
Group items	<b>-2.7</b>	-2.3	+18.4%	<b>-4.9</b>	-4.0	+20.8%	-4.1
<b>Group total</b>	<b>65.1</b>	60.0	+8.5%	<b>158.0</b>	131.0	+20.6%	254.2

### NET SALES BY ANNUAL QUARTERS

EUR million	2011		2010				2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Pharmaceuticals	215.9	231.0	203.7	203.2	196.0	203.3	181.9	181.8
Diagnostics	11.7	13.7	11.8	10.5	12.1	11.7	12.0	10.5
Group items	-0.6	-0.6	-0.6	-0.5	-0.7	-0.6	-0.6	-0.5
<b>Group total</b>	<b>227.0</b>	<b>244.1</b>	<b>214.9</b>	<b>213.2</b>	<b>207.4</b>	<b>214.5</b>	<b>193.3</b>	<b>191.8</b>

### OPERATING PROFIT BY ANNUAL QUARTERS

EUR million	2011		2010				2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Pharmaceuticals	67.1	92.3	49.9	71.5	60.4	70.5	45.5	56.6
Diagnostics	0.7	2.8	1.0	1.0	1.9	2.2	1.2	1.0
Group items	-2.7	-2.1	1.7	-1.8	-2.3	-1.7	-2.8	-1.9
<b>Group total</b>	<b>65.1</b>	<b>92.9</b>	<b>52.6</b>	<b>70.6</b>	<b>60.0</b>	<b>71.0</b>	<b>43.9</b>	<b>55.7</b>

### GEOGRAPHICAL BREAKDOWN OF NET SALES BY ANNUAL QUARTERS

EUR million	2011		2010				2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Finland	59.8	59.1	61.0	57.6	53.7	56.9	59.2	55.6
Scandinavia	30.3	33.4	28.6	28.4	28.1	29.0	25.9	24.5
Other Europe	77.2	80.2	77.4	70.0	72.7	72.1	72.8	68.9
North America	29.2	38.7	22.1	31.1	26.3	30.3	12.1	18.1
Other markets	30.6	32.8	25.8	26.0	26.7	26.1	23.4	24.7
<b>Group total</b>	<b>227.0</b>	<b>244.1</b>	<b>214.9</b>	<b>213.2</b>	<b>207.4</b>	<b>214.5</b>	<b>193.3</b>	<b>191.8</b>



## Business reviews

### KEY FIGURES FOR PHARMACEUTICALS BUSINESS

EUR million	Q2/11	Q2/10	Change %	Q1-Q2/11	Q1-Q2/10	Change %	2010
Net sales	<b>215.9</b>	196.0	+10.2%	<b>447.0</b>	399.3	+11.9%	806.2
Operating profit	<b>67.1</b>	60.4	+11.2%	<b>159.4</b>	130.9	+21.8%	252.2
% of net sales	<b>31.1%</b>	30.8%		<b>35.7%</b>	32.8%		31.3%
R&D expenses	<b>21.4</b>	18.6	+14.6%	<b>39.6</b>	36.5	+8.5%	79.5
% of net sales	<b>9.9%</b>	9.5%		<b>8.9%</b>	9.1%		9.9%
Capital expenditure	<b>9.4</b>	9.3	+1.8%	<b>16.2</b>	16.7	-3.1%	36.2
% of net sales	<b>4.4%</b>	4.7%		<b>3.6%</b>	4.2%		4.5%
Sales revenue from proprietary products	<b>102.9</b>	96.0	+7.2%	<b>217.0</b>	196.6	+10.4%	397.1
Personnel at the end of the period				<b>3,096</b>	2,903		2,802

### NET SALES OF ORION'S TOP 10 PHARMACEUTICAL PRODUCTS

EUR million	Q2/11	Q2/10	Change %	Q1-Q2/11	Q1-Q2/10	Change %	2010
Stalevo <sup>®</sup> , Comtess <sup>®</sup> and Comtan <sup>®</sup> (Parkinson's disease)	<b>69.0</b>	59.8	+15.4%	<b>142.5</b>	125.6	+13.5%	252.7
Simdax <sup>®</sup> (acute decompensated heart failure)	<b>10.7</b>	9.9	+7.3%	<b>21.2</b>	20.2	+5.1%	39.9
Easyhaler <sup>®</sup> product family (asthma, COPD)	<b>8.2</b>	7.4	+11.6%	<b>16.8</b>	14.6	+14.8%	28.1
Precedex <sup>®</sup> (intensive care sedative)	<b>6.1</b>	7.5	-18.0%	<b>14.4</b>	12.9	+11.7%	27.2
Burana <sup>®</sup> (inflammatory pain)	<b>5.7</b>	5.1	+10.5%	<b>11.4</b>	10.1	+12.8%	21.5
Dexdomitor <sup>®</sup> , Domitor <sup>®</sup> , Domosedan <sup>®</sup> and Antisedan <sup>®</sup> (animal sedatives)	<b>4.4</b>	5.2	-16.4%	<b>11.0</b>	10.9	+1.5%	24.2
Marevan <sup>®</sup> (anticoagulant)	<b>4.3</b>	3.3	+31.8%	<b>8.1</b>	6.4	+25.7%	13.1
Divina <sup>®</sup> range (menopausal symptoms)	<b>3.4</b>	3.6	-4.7%	<b>6.8</b>	6.8	-0.5%	13.3
Enanton <sup>®</sup> (prostate cancer)	<b>3.1</b>	3.3	-6.5%	<b>6.2</b>	6.4	-4.1%	13.0
Solomet <sup>®</sup> (inflammatory diseases)	<b>2.6</b>	2.4	+6.7%	<b>4.9</b>	4.5	+8.9%	8.6
<b>Total</b>	<b>117.4</b>	107.5	+9.2%	<b>243.2</b>	218.4	+11.4%	441.5
Share of pharmaceutical net sales	<b>54%</b>	55%		<b>54%</b>	55%		55%

### KEY FIGURES FOR DIAGNOSTICS BUSINESS

EUR million	Q2/11	Q2/10	Change %	Q1-Q2/11	Q1-Q2/10	Change %	2010
Net sales	<b>11.7</b>	12.1	-3.8%	<b>25.4</b>	23.9	+6.3%	46.1
Operating profit	<b>0.7</b>	1.9	-65.1%	<b>3.4</b>	4.1	-17.1%	6.1
% of net sales	<b>5.6%</b>	15.6%		<b>13.5%</b>	17.3%		13.3%
R&D expenses	<b>1.6</b>	1.6	-1.1%	<b>3.1</b>	2.9	+6.4%	6.0
% of net sales	<b>13.3%</b>	13.0%		<b>12.3%</b>	12.3%		13.1%
Capital expenditure	<b>0.6</b>	0.4	+50.8%	<b>1.0</b>	0.9	+3.2%	2.5
% of net sales	<b>5.4%</b>	3.4%		<b>3.8%</b>	3.9%		5.5%
Personnel at the end of the period				<b>315</b>	299		302



## Information on Orion's shares

### BASIC SHARE INFORMATION 30 JUNE 2011

	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	35202010	35202010	
Reuters code	ORNAV.HE	ORNBV.HE	
Bloomberg code	ORNAV.FH	ORNBV.FH	
Share capital, EUR million	31.0	61.2	92.2
Counter book value per share, EUR	0.65	0.65	
Total number of shares	46,183,877	95,073,951	141,257,828
% of total share stock	33%	67%	100%
Number of treasury shares		413,754	413,754
Total number of shares excluding treasury shares	46,183,877	94,660,197	140,844,074
Minimum number of shares			1
Maximum number of A and B shares, and maximum number of all shares	500,000,000	1,000,000,000	1,000,000,000
Votes per share	20	1	
Number of votes excluding treasury shares	923,677,540	94,660,197	1,018,337,737
% of total votes	91%	9%	100%
Total number of shareholders	19,124	44,017	56,655

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

### INFORMATION ON TRADING 1 JANUARY – 30 JUNE 2011

	A shares	B shares	Total
Shares traded	2,517,535	40,315,711	42,833,246
% of the total number of shares	5.3%	42.9%	30.3%
Trading volume, EUR million	42.4	681.5	724.0
Closing quotation on 31 Dec 2010, EUR	16.40	16.37	
Lowest quotation, EUR (A 6 April, B 1 April 2011)	15.70	15.71	
Average quotation, EUR	16.86	16.90	
Highest quotation, EUR (A 3 June, B 1 June 2011)	18.05	18.14	
Closing quotation on 30 June 2011, EUR	17.80	17.77	
Market capitalisation on 30 June 2011 excluding treasury shares, EUR million	822.1	1,682.1	2,504.2

### PERFORMANCE PER SHARE

	Q2/11	Q2/10	Change %	Q1–Q2/11	Q1–Q2/10	Change %	2010
Basic earnings per share, EUR	<b>0.34</b>	0.31	+9.2%	<b>0.83</b>	0.68	+21.0%	1.31
Diluted earnings per share, EUR	<b>0.34</b>	0.31	+9.2%	<b>0.83</b>	0.68	+21.0%	1.31
Cash flow per share before financial items, EUR	<b>0.20</b>	0.25	-23.3%	<b>0.54</b>	0.48	+13.2%	1.26
Equity per share, EUR				<b>2.88</b>	2.71	+6.2%	3.32
Average number of shares excluding treasury shares, 1,000 shares	<b>140,844</b>	141,043		<b>140,810</b>	141,022		140,917



## 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 accordance with IAS 34 *Interim Financial Reporting* standard applying the same accounting policies as for the Financial Statements 2010. In addition, the following new standards, interpretations and amendments to existing standards and interpretations endorsed by the EU have been adopted as of 1 January 2011. However, they do not have material effects on the Consolidated Financial Statements:

- IAS 24 (Revised), *Related Party Disclosures*
- IAS 32 (Amendment), *Financial Instruments: Presentation – Classification of Rights Issues*
- IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*
- IFRIC 14 (Amendment), *IAS 19, Prepayments of a Minimum Funding Requirement*

IASB published changes to seven standards or interpretations in 2010 as part of the annual improvements to standards. As of 1 January 2011 the Group has adopted the following changes endorsed by the EU, but they do not have material effects on the Consolidated Financial Statements.

- IFRS 3 (Amendments), *Business Combinations*
- IFRS 7 (Amendment), *Financial Instruments: Financial Statement Disclosures*
- IAS 1 (Amendment), *Presentation of Financial Statements – Statement of Changes in Equity*
- IAS 27 (Amendment), *Consolidated and Separate Financial Statements*
- IAS 34 (Amendment), *Interim Financial Reporting*
- IFRIC 13 (Amendment), *Customer Loyalty Programmes*

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

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

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

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

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

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

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

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

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

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

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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, oncology and critical care drugs, and Easyhaler® pulmonary drugs.

The Group's net sales in 2010 amounted to EUR 850 million. The Company invested EUR 86 million in research and development. At the end of 2010, the Group had about 3,100 employees, of whom 2,500 worked in Finland and the rest in other countries. Orion's A and B shares are listed on NASDAQ OMX Helsinki.