



## Orion Group Financial Statement Release for 2012

Orion's net sales in 2012 totalled EUR 980 million (EUR 918 million in 2011), up by 7% on the previous year.

- Operating profit was EUR 281 (283) million.
- Profit before taxes was EUR 279 (282) million.
- Equity ratio was 61% (64%).
- ROCE before taxes was 46% (49%).
- ROE after taxes was 41% (43%).
- Basic earnings per share were EUR 1.48 (1.49).
- Cash flow per share before financial items was EUR 1.23 (1.10).
- Board's proposal for dividend per share is EUR 1.30 (1.30) per share.
- Orion estimates that in 2013 net sales will be at similar level to 2012 and operating profit will be slightly lower than in 2012.

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

	Q4/12	Q4/11	Change %	2012	2011	Change %
Net sales, EUR million	<b>254.4</b>	236.1	+7.8%	<b>980.4</b>	917.9	+6.8%
International operations, EUR million	<b>187.1</b>	174.3	+7.3%	<b>723.1</b>	677.2	+6.8%
% of net sales	<b>73.5%</b>	73.9%		<b>73.8%</b>	73.8%	
Operating profit, EUR million	<b>59.4</b>	59.6	-0.2%	<b>280.9</b>	282.9	-0.7%
% of net sales	<b>23.4%</b>	25.2%		<b>28.7%</b>	30.8%	
Profit before taxes, EUR million	<b>58.8</b>	59.5	-1.2%	<b>279.3</b>	282.0	-0.9%
% of net sales	<b>23.1%</b>	25.2%		<b>28.5%</b>	30.7%	
Income tax expense, EUR million	<b>15.8</b>	14.3	+10.8%	<b>70.4</b>	72.4	-2.8%
R&D expenses, EUR million	<b>31.7</b>	25.4	+24.7%	<b>104.8</b>	87.5	+19.8%
% of net sales	<b>12.4%</b>	10.8%		<b>10.7%</b>	9.5%	
Capital expenditure, EUR million	<b>10.8</b>	12.9	-16.3%	<b>46.8</b>	49.5	-5.3%
% of net sales	<b>4.2%</b>	5.5%		<b>4.8%</b>	5.4%	
Assets total, EUR million				<b>836.9</b>	779.1	+7.4%
Equity ratio, %				<b>61.1%</b>	64.2%	
Gearing, %				<b>-1.7%</b>	-6.9%	
Interest-bearing liabilities, EUR million				<b>136.7</b>	88.7	+54.1%
Non-interest-bearing liabilities, EUR million				<b>189.0</b>	190.5	-0.8%
Cash and money market investments, EUR million				<b>145.2</b>	123.0	+18.1%
ROCE (before taxes), %				<b>46.2%</b>	49.4%	
ROE (after taxes), %				<b>41.3%</b>	43.3%	
Basic earnings per share, EUR	<b>0.30</b>	0.32	-5.1%	<b>1.48</b>	1.49	-0.4%
Diluted earnings per share, EUR	<b>0.30</b>	0.32	-5.1%	<b>1.48</b>	1.49	-0.4%
Cash flow per share before financial items, EUR	<b>0.32</b>	0.33	-4.6%	<b>1.23</b>	1.10	+12.1%
Equity per share, EUR				<b>3.63</b>	3.55	+2.2%
Proposed dividend per share, EUR				<b>1.30</b>	1.30	
Personnel at the end of the period				<b>3,486</b>	3,425	+1.8%
Average personnel during the period				<b>3,495</b>	3,328	+5.0%
Personnel expenses, EUR million				<b>212.1</b>	186.0	+14.0%

## President and CEO Timo Lappalainen's review

### **"Significant progress in Orion's research projects"**

"Our net sales were higher than in the previous year and our operating profit was similar to 2011 despite clearly higher research expenses.

"As anticipated, deliveries of our Parkinson's drugs to Novartis were lower than in the previous year. Total sales generated by Stalevo® and Comtess® in Orion's own sales organisation were, however, slightly higher. We were also able to compensate for a significant part of the decrease in deliveries to Novartis through sales of generic entacapone products to the USA.

"Sales from the rest of our pharmaceuticals product portfolio grew well throughout the year. We were able to strengthen our market position because in most markets our growth was faster than general growth of the pharmaceuticals market. This was the case in all the Nordic markets, for example. Sales also grew strongly in our other divisions, such as Fermion, which manufactures active pharmaceutical ingredients, Contract Manufacturing and Orion Diagnostica.

"Sales of Dexdor® intensive care sedative (dexmedetomidine) launched at the end of 2011 developed better than expected during the year and it is now available in most European countries. Dexmedetomidine (Precedex®) sold through our partner Hospira outside Europe also continued to perform well during the year.

"We made significant progress in our research projects in 2012. We received positive Phase I and II results with an alpha-2c adrenoceptor antagonist developed for the treatment of Alzheimer's disease, an androgen receptor antagonist developed for the treatment of advanced prostate cancer and a new more effective levodopa product. Our project to expand the Easyhaler® product family into combined formulations advanced to the stage of preparing the application for marketing authorisation for the first product (budesonide-formoterol), which we intend to submit in Europe in the first quarter of 2013. We also began Phase I trials with a new COMT inhibitor for Parkinson's disease. As the number of research projects increased, our research expenses were also clearly higher in the past year than in 2011.

"Following the increase in sales in recent years, Orion's production capacity reached almost full utilisation rate in 2012. To develop and ensure future growth, delivery reliability and quality standards, we started investment projects in 2012, one significant project being the packaging and logistics centre to be established in Salo.

"Sales of our Parkinson's drugs will continue to decline due to generic competition. The rest of the product portfolio will continue to grow, but products with lower margins will account for an increasing proportion of sales. Progress in our research projects will increase our research expenses. For reasons such as these, we estimate that our net sales will be at similar level to the previous year and our operating profit will be slightly lower than in 2012. More information on the outlook estimate and the basis for it can be found on pages 6–7 of this report."

## Events in 2012

On 7 February Orion announced that it would continue development of an inhalable budesonide-formoterol combined formulation.

On 26 April Orion announced that it was suing Mylan in the United States to enforce its US patents covering the proprietary drug Stalevo<sup>®</sup>.

On 1 May the United States District Court gave its decision on the US patent infringement lawsuit concerning Orion's proprietary drug Precedex<sup>®</sup>.

On 3 July Orion upgraded its full-year outlook for 2012.

On 5 September Orion announced that the total number of Orion Corporation B shares under the management of The Capital Group Companies, Inc. had increased to more than one-twentieth (1/20) of the total number of Orion Corporation shares.

On 9 October Orion upgraded its full-year outlook for 2012.

On 30 November Orion announced that it planned to apply for marketing authorisation for a combined budesonide-formoterol formulation in the Easyhaler<sup>®</sup> product family.

On 20 December Orion announced that it had reached a settlement with Mylan Pharmaceuticals Inc. to a patent dispute over the proprietary drug Comtan<sup>®</sup>.

## Events after the period

There were no significant events after the period.

## News conference and teleconference

A news conference and teleconference on the published results will be held today, Tuesday 5 February 2013, at 13:30 EET 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 <http://www.orion.fi/en/>. After the presentation, questions can be asked by telephone in Finnish and English.

The teleconference code is 927747 and to participate in the teleconference, please call:

from United States: +1 866 803 8344

from other countries: +44 (0)20 7162 0125

### News conference recordings

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

## 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 2013

Deadline for registering for Annual General Meeting	Thursday 14 March 2013 at 10:00
Annual General Meeting 2013	Tuesday 19 March 2013 at 14:00 in Helsinki
Record date for dividend distribution	Friday 22 March 2013
Dividend payment date	Thursday 4 April 2013
Interim Report January–March 2013	Tuesday 23 April 2013
Interim Report January–June 2013	Tuesday 30 July 2013
Interim Report January–September 2013	Tuesday 22 October 2013
Capital Markets Day in Helsinki	Wednesday 20 November 2013

The Annual Report 2012 will be published on the Company's website at the latest in week 9/2013.

## 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 2012

### Net sales

**The Orion Group's net sales** in 2012 were up by 7% at EUR 980 million (EUR 918 million in 2011). The net effect of currency exchange rates was plus EUR 16 million.

**The Pharmaceuticals business's** net sales were up by 7% at EUR 929 (871) million. Net sales of Orion's Stalevo<sup>®</sup> (carbidopa, levodopa and entacapone) and Comtess<sup>®</sup>/Comtan<sup>®</sup> (entacapone) Parkinson's drugs were down by 6% at EUR 250 (267) million, which was 27% (31%) of the Pharmaceuticals business's net sales. The net sales of other products in the portfolio, including EUR 17 million of net sales of generic entacapone products, were up by 12% at EUR 679 (604) million. The branded products based on in-house R&D accounted for EUR 429 (421) million, or 46% (48%) of the Pharmaceuticals business's net sales.

**The Diagnostics business's** net sales were up by 9% at EUR 54 (50) million.

### Operating profit

**The Orion Group's operating profit** was EUR 281 (283) million.

**The Pharmaceuticals business's** operating profit was EUR 289 (288) million. Net sales and operating profit were enhanced by long-term compensatory payments of EUR 10 million related to the pricing of partner deliveries. In the comparative period net sales and operating profit were enhanced by a non-recurring payment of EUR 7 million. The gross profit percentage was lower than in the comparative period because products with lower margins accounted for an increasing proportion of sales. As anticipated, research and development costs were higher than in the comparative period.

**The Diagnostics business's** operating profit was down by 47% at EUR 2.6 (4.9) million as marketing and product development costs increased, although sales grew well.

### Operating expenses

**The Group's sales and marketing expenses** were EUR 206 (205) million.

**R&D expenses** were up by 20% at EUR 105 (88) million and accounted for 11% (10%) of the Group's net sales. Pharmaceutical R&D expenses amounted to EUR 97 (81) million. Research projects are reported in more detail under Pharmaceuticals in the Business Reviews.

**Administrative expenses** were up at EUR 45 (41) million.

**Other operating income and expenses** increased profit by EUR 6 (3) million. The income includes EUR 3 million insurance compensation payments relating to the fire at the Turku manufacturing plant in 2011.

### Group's profit

The Group's profit before taxes totalled EUR 279 (282) million. Basic earnings per share were EUR 1.48 (1.49) and diluted earnings per share were EUR 1.48 (1.49). Equity per share was EUR 3.63 (3.55). The return on capital employed before taxes (ROCE) was 46% (49%) and the return on equity after taxes (ROE) 41% (43%).

### Financial position

The Group's gearing was -2% (-7%) and the equity ratio 61% (64%).

The Group's **total liabilities** at 31 December 2012 were EUR 326 (279) million. At the end of the period, interest-bearing liabilities amounted to EUR 137 (89) million, including EUR 107 (66) million of long-term loans.

The Group had EUR 145 (123) 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 221 (199) million. Cash flow was higher because the amount tied up into working capital grew by less than in the comparative period and the amount of taxes paid was lower.

**Cash flow from investing activities** was EUR -47 (-44) million.

**Cash flow from financing activities** was EUR -152 (-200) million. Cash flow from financing activities improved on the comparative period because new long-term loans were raised.

### Capital expenditure

The Group's capital expenditure totalled EUR 47 (50) million. This comprised EUR 40 (30) million on property, plant and equipment and EUR 7 (19) million on intangible assets.

## Outlook for 2013

**Net sales** will be at similar level to 2012 (net sales in 2012 were EUR 980 million).

**Operating profit** will be slightly lower than in 2012 (operating profit in 2012 was EUR 281 million).

**The Group's capital expenditure** will be about EUR 80 million excluding substantial corporate or product acquisitions (the Group's capital expenditure in 2012 was EUR 47 million).

## Basis for outlook

Competition in the Finnish market will remain intense in 2013. However, product launches will continue to support Orion's position as market leader.

The generic competition that commenced in April 2012 in the United States decreased sales of Orion's Parkinson's drugs. The decrease will continue in 2013 because generic products will be in the markets during the whole year and, in addition, the number of competitors will be greater than in 2012. US markets accounted for about EUR 60 million of the net sales of Orion's Parkinson's drugs in 2011 and about EUR 33 million in 2012. In addition, sales of generic entacapone products to the United States amounted to about EUR 17 million in 2012.

The entacapone molecule patent expired in November 2012 in the main European countries for Orion, and as a result there will be generic competitors to Comtan and Comtess in these markets in 2013. Data protection of Stalevo will remain valid in the European Union until October 2013 and generic competition is not expected to commence in Europe during the current year, even though the first generic marketing authorisation application in Europe has already been submitted. The total sales of Orion's Parkinson's drugs in Europe are expected to be slightly lower than in 2012. Elsewhere in the world generic competition is not expected to have a material impact on sales of these products in the current year.

A slight decrease in the gross profit as percentage of net sales is expected because sales of generic products will account for an even greater proportion of Orion's total sales and price competition will remain intense in many markets.

Marketing expenditure will be similar to the previous year. 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 2013 were planned mainly during the previous year.

Research and development costs will be higher than in 2012. 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 2013 are either ongoing from the previous year or at an advanced stage of planning, therefore their cost level can be estimated rather accurately. The accrued costs are materially affected by how the costs arising are allocated between Orion and its collaboration partners. The outlook estimate does not assume that Orion receives any material milestone payments from collaboration partners in 2013.

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.

Orion's production capacity is nearly fully utilised following the increase in sales in recent years. Orion will make greater investments in production in 2013 than in recent years to develop and ensure future growth, delivery reliability and quality standards. One significant project is the packaging and logistics centre to be established in Salo, but significant investments will be also made in current manufacturing plants, for instance to increase the production capacity in Easyhaler drugs.

## Near-term risks and uncertainties relating to the outlook

Sales of Orion's Parkinson's drugs will decrease in 2013 due to generic competition. The effects of the competition have been taken into account in the outlook estimate.

Sales of individual products and also Orion's sales in individual markets may vary, for example 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. Royalties from Precedex may decrease materially in mid 2013 if Hospira is not granted six months of pediatric exclusivity for the product in the United States.

Most of the exchange rate risk relates to the US dollar. Typically, only less than 15% of Orion's net sales comes 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.

Orion's currently high production capacity utilisation rate and its broad product range may cause risks to the delivery reliability and make it more challenging than before to maintain the very high quality standard required. Authorities and key customers in different countries undertake regular and detailed inspections of development and manufacturing of drugs. Possibly required corrective actions may at least temporarily reduce delivery reliability.

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. Orion generally undertakes Phase III clinical trials in collaboration with other pharmaceutical companies. Commencement of these collaboration relationships and their structure also materially affect the schedule and cost level of research projects.



## Group's financial objectives

Orion's financial objectives are ensuring the Group's financial stability and profitable growth.

These objectives are achieved through:

- Increasing net sales. Achievement of this objective requires continuous investment in development of the product portfolio.
- Maintaining profitability at a good level, the aim being operating profit that exceeds 20% of net sales.
- Keeping the equity ratio at least 50%.

## Orion's dividend distribution 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.

### Proposal by the Board of Directors for distribution of profit: dividend per share EUR 1.30

The parent company's distributable funds are EUR 246,624,622.55, including EUR 197,740,936.54 of profit for the financial year.

The Board of Directors proposes that a dividend of EUR 1.30 per share be paid from the parent company's distributable funds. No dividend shall be paid on treasury shares held by the Company on the dividend distribution record date. On the day when the profit distribution was proposed, the number of shares conferring entitlement to receive dividend totalled 140,931,837, on which the total dividend payment would be EUR 183,211,388.10. The Group's payout ratio for the financial year 2012 would be 87.8% (87.2%). The dividend payment date would be 4 April 2013, and shareholders registered in the Company's shareholder register on 22 March 2013 would be entitled to the dividend payment.

The Board of Directors further proposes that EUR 250,000 be donated to medical research and other purposes of public interest in accordance with a separate decision by the Board and that EUR 63,163,234.45 remain in equity.

## Strategy

In November 2012, Orion's Board of Directors confirmed that the strategic focus remains the same for 2013–2017. 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 pulmonary drugs. Orion's R&D operations concentrate on early-phase development. In addition to in-house research, Orion invests in early-phase research 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 oriented towards markets outside Europe. Orion also seeks to acquire new early-phase product candidates and further developed products to reinforce the research pipeline based on its own research projects.

Orion continues the work 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 Dexdor<sup>®</sup>, Stalevo<sup>®</sup>, Simdax<sup>®</sup> and the Easyhaler product family. Orion's next projects in late-phase development and commercialisation are development of inhalable Easyhaler combined formulation products, development of the Parkinson's drug Stalevo for Japanese markets, development of a more effective levodopa product (ODM-101) and development of a drug (ORM-12741) for treatment of Alzheimer's disease. In early clinical phases Orion is developing drugs for treatment of advanced prostate cancer (ODM-201) and for treatment of Parkinson's disease (ODM-103, a new more effective COMT inhibitor). Orion also aims to ensure continuance 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. In Finland Orion strives to maintain a broad range of prescription drugs and self-care products. In other key markets, such as Scandinavia, Eastern Europe and Russia, Orion's product portfolio focuses on generic prescription drugs in certain therapy areas.

### Strengthening market position in Europe

In specialised medical care, 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. 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, maintaining high delivery reliability in the supply chain cost efficiently, capacity reorganisation (including investment in Salo), managing diversification, improving the competitiveness of sales operations and general simplification and streamlining of operating practices.

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.

## Shares and shareholders

On 31 December 2012 Orion had a total of 141,257,828 (141,257,828) shares, of which 43,267,218 (44,993,218) were A shares and 97,990,610 (96,264,610) B shares. The Group's share capital was EUR 92,238,541.46 (92,238,541.46). At the end of December 2012 Orion held 325,991 (413,754) B shares as treasury shares. On 31 December 2012 the aggregate number of votes conferred by the A and B shares was 963,008,979 (995,715,216) excluding treasury shares.

At the end of December 2012, Orion had 56,519 (57,188) 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. The Company itself 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 2012 a total of 1,726,000 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 31 December 2012 the market capitalisation of the Company's shares excluding treasury shares was EUR 3,120 million.

In 2012 a total of 4,054,722 A shares and 84,056,278 B shares were traded on NASDAQ OMX Helsinki. The total value of the shares traded was EUR 1,435 million. During the year, 9% of the A shares and 87% of the B shares were traded. The average turnover in Orion's shares was 62%.

The price of Orion's A shares rose by 45% and the price of its B shares rose by 47% during 2012. On 31 December 2012 the closing quotation was EUR 22.05 for the A shares and EUR 22.18 for the B shares. The highest quotation for Orion's A shares in 2012 was EUR 22.57 and the lowest quotation was EUR 13.31. The highest quotation for the B shares in 2012 was EUR 22.74 and the lowest quotation was EUR 13.31.

Orion shares are also traded on various alternative trading platforms in addition to NASDAQ OMX Helsinki. In 2012 NASDAQ OMX Helsinki accounted for about 95% of the entire trading volume in Orion A shares. In 2012 NASDAQ OMX Helsinki accounted for about 50% of the entire trading volume in Orion B shares (source: Fidessa Fragmentation Index).

### 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 a share issue in which shares held by the Company can be conveyed. The authorisation to issue shares is valid for five years from the decision taken by the Annual General Meeting.

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 31 December 2012 the Board of Directors had outstanding authorisation to convey 309,337 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 share-based incentive plan for the Group key persons. The Plan includes earning periods and the Board of Directors annually decided on the beginning and duration of the earning periods in 2010, 2011 and 2012. The Board of Directors decided 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 12 March 2012 Orion transferred altogether 87,763 Orion Corporation B shares held by the Company as a share bonus for 2011 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. The price per share of the transferred shares was EUR 16.3848, which was the volume weighted average quotation of Orion Corporation B shares on 12 March 2012. The total transaction price of the transferred shares was therefore EUR 1,437,979.20.

### Share ownership

Orion's shares are in the book-entry system maintained by Euroclear Finland, and Euroclear Finland maintains Orion's official shareholder register.

At the end of December 2012 Orion had a total of 56,519 (57,188) registered shareholders, of whom 95% (95%) were private individuals holding 48% (50%) of the entire share stock and 64% (65%) of the total votes. There were altogether 47 (44) million nominee-registered shares, which was 33% (31%) of all shares, and they conferred entitlement to 7% (6%) of the total votes.

At the end of December 2012 Orion held 325,991 (413,754) B shares as treasury shares, which is 0.2% (0.3%) of the Company's total share stock and 0.03% (0.04%) of the total votes.

### Notification threshold

On 5 September 2012 Orion announced that on 3 September 2012 the total number of Orion Corporation B shares under the management of The Capital Group Companies, Inc. had increased to more than one-

twentieth (1/20) of all Orion Corporation shares. According to the notification, The Capital Group Companies, Inc. owned 8,313,900 Orion B shares, which was 5.89% of the shares and 0.84% of Orion's total number of votes.

### **Management's shareholdings**

At the end of 2012, the members of the Board of Directors owned a total of 2,161,100 of the Company's shares, of which 1,825,264 were A shares and 335,836 B shares. At the end of 2012, the President and CEO owned 44,750 of the Company's shares, which were all B shares. The members of the Group's Executive Management Board (excluding the President and CEO) owned a total of 126,565 of the Company's shares, which were all B shares. Thus, the Company's executive management held 1.65% of all of the Company's shares and 3.84% of the total votes.

The Company does not have stock option programmes.

## **Management**

### **Changes in Executive Management Board**

Virve Laitinen, M.Sc. (Tech.), M.B.A., became Senior Vice President for the Supply Chain line function and a member of the Executive Management Board of the Orion Group on 1 January 2012. She was previously Director responsible for the Orion Business Planning and Control function.

### **Corporate Governance Statement**

Orion will publish its Annual Report for 2012, including the Report by the Board of Directors and Financial Statements for 2012, and a separate Corporate Governance Statement, on the Company's website at the latest in week nine.

## **Personnel**

The average number of employees in the Orion Group in 2012 was 3,495 (3,328). At the end of December 2012 the Group had a total of 3,486 (3,425) employees, of whom 2,783 (2,705) worked in Finland and 703 (720) outside Finland.

Salaries and other personnel expenses in 2012 totalled EUR 212 (186) million.

## **Significant legal proceedings**

### **Legal proceedings against the Sandoz companies**

On 1 May 2012 Orion announced that it had been informed that the United States District Court for the District of New Jersey had given its decision on the patent infringement lawsuit that Orion Corporation and Hospira, Inc. filed on 4 September 2009 to enforce US Patents Nos. 4,910,214 and 6,716,867. The respondents in the case are Sandoz Inc., Sandoz International GmbH and Sandoz Canada Inc. (hereinafter collectively "Sandoz").

The court found that US Patent No. 4,910,214 is valid and enforceable. Sandoz is permanently enjoined from the commercial manufacture, use, sale or offer for sale in the United States or importation into the United States of its generic dexmedetomidine product until such time as US Patent No. 4,910,214 expires, including any applicable extensions. The Court also ordered that the effective date of Sandoz's Abbreviated

New Drug Application No. 91-465 shall not occur until the expiration of Patent No. 4,910,214, including any applicable extensions. Separately, the court found that US Patent No. 6,716,867 is invalid as obvious.

Orion's licensee Hospira, Inc. sells Precedex® in the United States and in markets outside Europe.

Orion and Hospira have filed an appeal against the decision to the court of appeals, and so has Sandoz.

#### **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. Gland Pharma Ltd. has since been added as a defendant in the lawsuit.

Caraco had submitted an application for authorisation to produce and market in the United States a generic version of Orion's proprietary drug Precedex® (dexmedetomidine hydrochloride 100 µg/ml), which is marketed in the United States by Orion's licensee Hospira.

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. Consideration of the case has been suspended pending the conclusion of the above-mentioned appeal proceedings against the Sandoz companies concerning Patent No. 6,716,867.

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

On 20 December 2012 Orion announced that Orion Corporation and Mylan Pharmaceuticals Inc. had agreed a settlement to the patent infringement lawsuit filed by Orion in the United States against Mylan Pharmaceuticals Inc. concerning Mylan's submission of an abbreviated new drug application (ANDA) for a generic version of Orion's Comtan® with strength 200 mg.

The lawsuit was filed by Orion against Mylan in the United States in 2011. Under the terms of the settlement agreement, Mylan may launch a generic version of Comtan with strength 200 mg in US markets on 1 April 2013 at the earliest.

Subject to the Court's approval, the case will be dismissed and the US Patent No. 5,446,194 will remain in force.

In addition, on 26 April 2012 Orion Corporation filed a patent infringement lawsuit in the United States against Mylan Pharmaceuticals Inc. to enforce its US Patents Nos. 5,446,194, 6,500,867 and 6,797,732.

Mylan is seeking authorisation to produce and market generic tablets (strengths 12.5/50/200 mg; 18.75/75/200 mg; 25/100/200 mg; 31.25/125/200 mg; 37.5/150/200 mg and 50/200/200 mg) in the United States, with carbidopa, levodopa and entacapone as active ingredients in the same proportion as in Orion's proprietary drug Stalevo® for treatment of Parkinson's disease. Stalevo is an enhanced levodopa treatment which is marketed in the United States by Orion's exclusive licensee, Novartis.

## Business Reviews

### Pharmaceuticals

#### Review of human pharmaceuticals market

According to statistics collected by Finnish Pharmaceutical Data Ltd, **Finnish wholesale of human pharmaceuticals** in 2012 totalled EUR 2,031 (1,972) million, up by 3% on 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 and 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 2012 amounted to EUR 219 (202) million, up by 9% compared with the previous year. Orion's market share of Finnish pharmaceuticals markets was 11% (10%).

According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in September 2012 the **total sales of Parkinson's drugs** in the United States were up by 3% at USD 751 million (USD 727 million in the previous 12-month period). 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 September 2012 totalled EUR 954 (987) million, and the average market decline was 3%.

The most important individual therapy area for Orion is still the treatment of Parkinson's disease. Orion's Parkinson's drugs account for about a quarter of the Group's net sales. Sales of entacapone drugs in the United States remained stable, and in Japan sales continued to grow well and clearly better than the market as a whole. According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in September 2012, **sales of entacapone drugs** in the United States totalled USD 195 million (USD 190 million in the previous 12-month period). Stalevo and Comtan accounted for 83% of these sales and generic entacapone products supplied by Orion accounted for 17%. Sales remained stable at a total of EUR 157 (157) million in the five largest markets in Europe, and were up by 23% at EUR 66 (53) million in Japan. The market share of entacapone drugs was 26% in the United States, on average 16% in the five largest European markets and 11% in Japan.

According to IMS Health pharmaceutical sales statistics, sales of Orion's **Precedex<sup>®</sup> intensive care sedative** (dexmedetomidine) were up by 27% at USD 248 million in the 12-month period ending in September 2012 (USD 194 million in the previous 12-month period). About four-fifths of the sales amounting to USD 193 (153) million were in the United States, where Precedex sales grew by 27%.

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

Net sales of the Pharmaceuticals business in 2012 were EUR 929 (871) million, up by 7% on the previous year. The operating profit of the Pharmaceuticals business was similar to the previous year at EUR 289 (288) million. The operating profit of the Pharmaceuticals business was 31% (33%) of the segment's net sales.

Net sales of Orion's top ten pharmaceuticals in 2012 were up by 5% at EUR 473 (451) million. They accounted for 51% (52%) of the total net sales of the Pharmaceuticals business.

Net sales of the branded products based on own in-house R&D were up by 2% at EUR 429 (421) million in 2012. These products accounted for 46% (48%) 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 2012 were similar to the previous year at EUR 404 (409) 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 2012 totalled EUR 250 (267) million. Sales of Parkinson's drugs were down by 6% and accounted for 27% (31%) of the total net sales of the Pharmaceuticals business. The decrease in sales is mainly due to commencement of generic competition in the United States in April 2012, which decreased deliveries to Novartis. Net sales from deliveries of Stalevo and Comtan to Novartis were down by 11% at a total of EUR 152 (171) million. Deliveries of Stalevo to Novartis were down by 8% at EUR 95 (103) million, and deliveries of Comtan by 17% at EUR 56 (68) million. Total net sales generated by Stalevo and Comtess in Orion's own sales organisation were up slightly at EUR 98 (96) million. Sales through Orion's own sales network were up by 6% at EUR 86 (81) million for Stalevo and down by 16% at EUR 13 (15) 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 undertaken epidemiological studies and results from them were submitted to authorities for review in the third quarter of 2012.

Net sales of Simdax<sup>®</sup>, a drug for treatment of acute decompensated heart failure, in 2012 were similar to the previous year at EUR 44 (44) million.

Total net sales of the Easyhaler<sup>®</sup> product family for treatment of asthma and chronic obstructive pulmonary disease were down by 12% in 2012 at EUR 27 (31) million. Sales of Easyhaler products through Orion's own sales network in Europe continued to grow strongly, but sales through partners were lower than in the previous year. Orion continued repatriating the rights to Easyhaler products, and this transitional phase reduced sales through partners in the financial period.

Net sales of the Precedex<sup>®</sup> intensive care sedative (dexmedetomidine) were up by 38% in 2012 at EUR 45 (33) million. 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.

Net sales of Orion's *dexdor*<sup>®</sup> intensive care sedative (dexmedetomidine) in 2012 were EUR 13 (1) million. Launching of the product progressed as planned in 2012, and it is already available in over fifteen European countries. It is anticipated that the product will be launched in Southern Europe and France during the current year.

### Specialty Products

Net sales of the Specialty Products business division's off-patent, i.e. generic prescription drugs and self-care products in 2012 were up by 14% at EUR 367 (321) million. The growth was enhanced among others by sales of Orion's generic entacapone products, which commenced at the beginning of the year and totalled EUR 17 million, and are reported as part of the net sales of the Specialty Products business division.

The launches of generic prescription drugs and self-care products were weighted more towards prescription drugs than before, and for that reason the total number of launches was less than in 2011. There were 116 (135) product launches (product/market) in 2012.

Net sales of Orion's human pharmaceuticals in Finland were up by 8% at EUR 238 (220) million in 2012. Specialty Products accounted for the majority of sales. Orion managed to increase its sales, especially in prescription drugs.

Net sales of Orion's human pharmaceuticals in Eastern Europe and Russia in 2012 were up by 16% at altogether EUR 63 (54) million. Specialty Products account for the majority of sales in the region.



## Animal Health

In the Nordic countries and some Eastern European markets Orion itself sells veterinary drugs, and in other markets the Company operates through partners. In addition, in the Nordic countries Orion markets and sells veterinary drugs manufactured by several international companies. Orion's Animal Health business division has a strong market position in the Nordic countries, its home markets.

Net sales of the Animal Health business division in 2012 were EUR 69 (68) million. Sales of the animal sedatives at EUR 23 (23) million accounted for 33% (34%) 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).

## 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 2012 excluding pharmaceutical ingredients supplied for Orion's own use were up by 12% at EUR 48 (43) 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. Capacity utilisation at Fermion's plants was very high during the period under review. Capacity utilisation was increased by manufacturing active ingredients required for development work on Orion's own proprietary drugs, in addition to the normal product range.

## Research and development projects

The Group's **R&D expenses** in 2012 were up by 20% at EUR 105 (88) million, of which the Pharmaceuticals business accounted for EUR 97 (81) million. The Group's R&D expenses accounted for 11% (10%) of the Group's net sales. R&D expenses also include expenses relating to development of the current portfolio.

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. Following the positive results obtained in the pharmacokinetic studies of the Easyhaler development programme in late 2012, Orion plans to apply for marketing authorisation for the budesonide-formoterol formulation. Orion anticipates that the application for marketing authorisation in Europe could be submitted in the first quarter of 2013.

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 markets. Novartis initiated the necessary clinical bioavailability study in November 2012.

Orion is continuing to develop an **androgen receptor antagonist (ODM-201)** for the treatment of advanced prostate cancer jointly with Endo Pharmaceuticals Inc. with the objective of approval of the drug globally. Phase I/II clinical trials on safety, efficacy and pharmacokinetics showed that initial results concerning efficacy were promising, and the product was well tolerated with no significant adverse events detected. The results were presented at the ESMO international oncology congress at the end of September 2012. Development of the product is now in Phase II clinical trials. Negotiations to find a suitable partner for markets outside Europe and North America are ongoing.

Orion has completed Phase II clinical trials with an **alpha-2c adrenoceptor antagonist (ORM-12741)**. The trials investigated the efficacy and safety of the drug candidate in treatment of cognitive and behavioral symptoms relating to Alzheimer's disease. The results from Phase II clinical trials in 2012 were positive, and negotiations to find a suitable partner for the next development phase are ongoing.

Orion is developing a new **more effective levodopa product (ODM-101)** based on optimised new formulations and doses of known compounds. The results obtained from Phase II clinical trials in 2012 were positive. Negotiations to find a suitable partner for the next development phase are ongoing.

In 2012 Orion began Phase I clinical safety trials with a new **COMT inhibitor (ODM-103)**. It is a new molecule that enhances the therapeutic effects of levodopa used to treat Parkinson's disease by blocking the COMT enzyme. The pre-clinical study results indicated that the new molecule is more effective than the COMT inhibitor entacapone, which is already in the markets.

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.

## 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 2012 were up by 9% at EUR 54 (50) million.

QuikRead® infection tests remained the main product, with sales continuing strong in the review period. Sales of the more user-friendly prefilled QuikRead 101 system and QuikRead go®, a new generation testing instrument, developed well. Launching of the FOB (Faecal Occult Blood) quantitative test for the QuikRead 101 system began during the review period. The new product version helps to screen gastrointestinal disorders.

Launching of two QuikRead go tests for the QuikRead go system also commenced during the review period. With a QuikRead go CRP+Hb test, a patient's C-reactive protein (CRP) and haemoglobin (Hb) values can be determined in one blood sample. The QuikRead go Strep A test helps to detect patients with pharyngitis who would benefit from antibiotic treatment.

Sales growth was strongest in China, Japan and Germany. In Nordic countries sales grew strongly in Norway, and in the other Nordic countries sales continued at nearly the same level as in the previous year. In 2012 Orion Diagnostica focused strongly on taking the early-phase technology it had acquired in the previous year into full use in its research and product development programmes.

The operating profit of the Diagnostics business was EUR 2.6 (4.9) million. The profit development was affected among others by the above mentioned increases in expenditure on product development and sales.

Espoo, 5 February 2013

Board of Directors of Orion Corporation

**Orion Corporation**

Timo Lappalainen  
President and CEO

Jari Karlson  
CFO

## Tables

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Q4/12	Q4/11	Change %	2012	2011	Change %
<b>Net sales</b>	<b>254.4</b>	236.1	+7.8%	<b>980.4</b>	917.9	+6.8%
Cost of goods sold	<b>-96.2</b>	-85.2	+12.9%	<b>-350.0</b>	-305.1	+14.7%
<b>Gross profit</b>	<b>158.2</b>	150.8	+4.9%	<b>630.4</b>	612.8	+2.9%
Other operating income and expenses	<b>4.3</b>	0.5	+774.3%	<b>6.3</b>	3.0	+108.8%
Sales and marketing expenses	<b>-58.2</b>	-53.7	+8.6%	<b>-205.7</b>	-204.8	+0.4%
R&D expenses	<b>-31.7</b>	-25.4	+24.7%	<b>-104.8</b>	-87.5	+19.8%
Administrative expenses	<b>-13.1</b>	-12.7	+3.3%	<b>-45.3</b>	-40.6	+11.5%
<b>Operating profit</b>	<b>59.4</b>	59.6	-0.2%	<b>280.9</b>	282.9	-0.7%
Finance income	<b>0.1</b>	1.9	-96.5%	<b>4.9</b>	5.0	-3.2%
Finance expenses	<b>-0.7</b>	-1.9	-64.2%	<b>-6.6</b>	-6.0	+9.7%
Share of associated companies' results	<b>0.0</b>	0.0		<b>0.1</b>	0.0	
<b>Profit before taxes</b>	<b>58.8</b>	59.5	-1.2%	<b>279.3</b>	282.0	-0.9%
Income tax expense	<b>-15.8</b>	-14.3	+10.8%	<b>-70.4</b>	-72.4	-2.8%
<b>Profit for the period</b>	<b>43.0</b>	45.2	-5.0%	<b>208.9</b>	209.5	-0.3%
<b>OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS</b>						
Change in value of cash flow hedges	<b>0.0</b>	-0.3		<b>-0.2</b>	-1.4	
Change in value of available-for-sale financial assets	<b>0.0</b>	-0.1		<b>0.3</b>	-0.3	
Translation differences	<b>-0.8</b>	1.1		<b>1.1</b>	0.6	
<b>Other comprehensive income net of tax</b>	<b>-0.7</b>	0.7		<b>1.1</b>	-1.1	
<b>Comprehensive income for the period including tax effects</b>	<b>42.2</b>	45.9	-8.0%	<b>210.1</b>	208.4	+0.8%
<b>PROFIT ATTRIBUTABLE TO:</b>						
Owners of the parent company	<b>43.0</b>	45.3	-5.0%	<b>208.9</b>	209.5	-0.3%
Non-controlling interests	<b>0.0</b>	0.0		<b>0.0</b>	0.0	
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>						
Owners of the parent company	<b>42.2</b>	45.9	-8.0%	<b>210.1</b>	208.4	+0.8%
Non-controlling interests	<b>0.0</b>	0.0		<b>0.0</b>	0.0	
<b>Basic earnings per share, EUR <sup>1)</sup></b>	<b>0.30</b>	0.32	-5.1%	<b>1.48</b>	1.49	-0.4%
<b>Diluted earnings per share, EUR <sup>1)</sup></b>	<b>0.30</b>	0.32	-5.1%	<b>1.48</b>	1.49	-0.4%
Depreciation, amortisation and impairment	<b>11.4</b>	9.5	+19.9%	<b>40.0</b>	42.5	-6.0%
Personnel expenses	<b>59.3</b>	51.7	+14.7%	<b>212.1</b>	186.0	+14.0%

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### ASSETS

EUR million	12/12	12/11	Change %
Property, plant and equipment	205.3	190.7	+7.7%
Goodwill	13.5	13.5	
Intangible rights	58.0	66.6	-12.9%
Other intangible assets	4.3	4.8	-8.6%
Investments in associates	1.4	1.4	+4.8%
Available-for-sale financial assets	0.5	1.1	-55.6%
Pension asset	39.6	37.4	+5.9%
Deferred tax assets	2.0	1.4	+42.2%
Other non-current assets	1.6	1.8	-12.8%
<b>Non-current assets total</b>	<b>326.2</b>	<b>318.6</b>	<b>+2.4%</b>
Inventories	179.2	151.4	+18.4%
Trade receivables	151.5	155.3	-2.5%
Other receivables	34.8	30.8	+12.9%
Cash and cash equivalents	145.2	123.0	+18.1%
<b>Current assets total</b>	<b>510.7</b>	<b>460.5</b>	<b>+10.9%</b>
<b>Assets total</b>	<b>836.9</b>	<b>779.1</b>	<b>+7.4%</b>

### EQUITY AND LIABILITIES

EUR million	12/12	12/11	Change %
Share capital	92.2	92.2	
Expendable fund	0.5	0.5	
Other reserves	0.8	17.6	-95.4%
Retained earnings	417.7	389.6	+7.2%
<b>Equity attributable to owners of the parent company</b>	<b>511.2</b>	<b>499.9</b>	<b>+2.3%</b>
Non-controlling interests	0.0	0.0	
<b>Equity total</b>	<b>511.3</b>	<b>500.0</b>	<b>+2.3%</b>
Deferred tax liabilities	43.1	42.2	+2.0%
Pension liability	0.3	0.5	-32.6%
Provisions	0.1	0.3	-54.8%
Interest-bearing non-current liabilities	107.4	66.0	+62.8%
Other non-current liabilities	0.8	0.3	+184.5%
<b>Non-current liabilities total</b>	<b>151.8</b>	<b>109.3</b>	<b>+38.9%</b>
Trade payables	59.3	66.3	-10.6%
Current tax liabilities	8.0	6.4	+24.0%
Other current liabilities	77.4	74.5	+4.0%
Provisions		0.0	
Interest-bearing current liabilities	29.3	22.7	+29.0%
<b>Current liabilities total</b>	<b>173.9</b>	<b>169.9</b>	<b>+2.4%</b>
<b>Liabilities total</b>	<b>325.7</b>	<b>279.1</b>	<b>+16.7%</b>
<b>Equity and liabilities total</b>	<b>836.9</b>	<b>779.1</b>	<b>+7.4%</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 2011</b>	92.2	17.8	8.9	1.6	-4.4	351.2	0.0	<b>467.4</b>
Profit for the period						209.5		<b>209.5</b>
<b>Other comprehensive income:</b>								
Change in value of cash flow hedges				-1.4				<b>-1.4</b>
Change in value of available-for-sale financial assets				-0.3				<b>-0.3</b>
Translation differences					0.6			<b>0.6</b>
<b>Transactions with owners</b>								
Dividend and capital repayment			-8.5			-169.0		<b>-177.5</b>
Share-based incentive plan						1.7		<b>1.7</b>
Transfer between different components of equity		-17.8		17.8				
Other adjustments				0.0		-0.1		<b>-0.1</b>
<b>Equity at 31 December 2011</b>	92.2		0.5	17.6	-3.8	393.4	0.0	<b>500.0</b>
Profit for the period						208.9		<b>208.9</b>
<b>Other comprehensive income:</b>								
Change in value of cash flow hedges				-0.2				<b>-0.2</b>
Change in value of available-for-sale financial assets				0.3				<b>0.3</b>
Translation differences					1.1			<b>1.1</b>
<b>Transactions with owners</b>								
Dividend and capital repayment				-16.9		-183.2		<b>-200.1</b>
Share-based incentive plan						1.5		<b>1.5</b>
Other adjustments				0.0		-0.1		<b>-0.1</b>
<b>Equity at 31 December 2012</b>	92.2		0.5	0.8	-2.7	420.5	0.0	<b>511.3</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	2012	2011
Operating profit	280.9	282.9
Adjustments	38.9	39.0
Change in working capital	-28.9	-42.6
Interest paid	-6.1	-6.2
Interest received	4.9	5.0
Dividends received		0.1
Income taxes paid	-68.6	-79.3
<b>Total net cash flow from operating activities</b>	<b>221.0</b>	<b>198.9</b>
Investments in property, plant and equipment	-42.4	-25.6
Investments in intangible assets	-6.7	-19.9
Acquisition of an associate		-0.0
Sale of a subsidiary less cash and cash equivalents at sale date		0.3
Sales of property, plant and equipment and available-for-sale investments	2.0	1.2
Sales of intangible assets		0.0
<b>Total net cash flow from investing activities</b>	<b>-47.1</b>	<b>-43.9</b>
Short-term loans raised	1.0	0.8
Repayments of short-term loans	-2.2	-2.1
Long-term loans raised	75.0	19.1
Repayments of long-term loans	-26.4	-40.1
Dividends paid and other distribution of profits	-199.9	-177.5
<b>Total net cash flow from financing activities</b>	<b>-152.4</b>	<b>-199.7</b>
<b>Net change in cash and cash equivalents</b>	<b>21.5</b>	<b>-44.7</b>
Cash and cash equivalents at the beginning of the period	123.0	167.2
Foreign exchange differences	0.8	0.5
Net change in cash and cash equivalents	21.5	-44.7
Cash and cash equivalents at the end of the period	145.2	123.0

## CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	12/12	12/11
Carrying amount at the beginning of the period	190.7	187.1
Additions	40.1	30.3
Disposals	-1.1	-1.4
Depreciation and impairments	-24.5	-25.3
<b>Carrying amount at the end of the period</b>	<b>205.3</b>	<b>190.7</b>

## CHANGES IN INTANGIBLE ASSETS (EXCLUDING GOODWILL)

EUR million	12/12	12/11
Carrying amount at the beginning of the period	71.3	69.5
Additions	6.6	19.1
Disposals	-0.0	-0.0
Depreciation and impairments	-15.5	-17.2
<b>Carrying amount at the end of the period</b>	<b>62.3</b>	<b>71.3</b>

## COMMITMENTS AND CONTINGENCIES

EUR million	12/12	12/11
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### CONTINGENCIES FOR OWN LIABILITIES

Mortgages on land and buildings	41.0	41.0
of which those to Orion Pension Fund	9.0	9.0
Guarantees	1.5	1.6

### OTHER LIABILITIES

Leasing liabilities (excluding finance lease contracts)	6.5	4.5
Other liabilities	0.3	0.3

## DERIVATIVES

EUR million	12/12	12/11
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### CURRENCY FORWARD CONTRACTS AND CURRENCY SWAPS

Fair value, EUR million	0.3	-0.4
Nominal value, EUR million	52.0	40.7

### CURRENCY OPTIONS

Fair value, EUR million	0.2	-0.2
Nominal value, EUR million	51.3	63.1

### INTEREST RATE SWAPS

Fair value, EUR million	-0.3	
Nominal value, EUR million	22.3	

### CROSS CURRENCY SWAPS

Fair value, EUR million	0.2	0.3
Nominal value, EUR million	9.6	19.1

### ELECTRICITY DERIVATIVES

Fair value, EUR million	-0.6	-0.4
Nominal value, EUR million	110	153

## RELATED PARTY TRANSACTIONS

EUR million	2012	2011
Management's employment benefits	4.4	4.8



## Operating segment performance

### NET SALES BY BUSINESS DIVISION

EUR million	Q4/12	Q4/11	Change %	2012	2011	Change %
Pharmaceuticals	242.1	223.8	+8.2%	928.9	870.6	+6.7%
Proprietary Products	103.9	103.4	+0.5%	403.7	408.9	-1.3%
Specialty Products	97.6	82.5	+18.3%	367.2	320.8	+14.4%
Animal Health	17.5	19.3	-9.3%	69.2	67.8	+2.0%
Fermion	12.0	11.8	+1.4%	48.4	43.3	+11.7%
Contract manufacturing and other	11.2	6.8	+64.2%	40.5	29.7	+36.1%
Diagnostics	13.1	12.9	+1.6%	54.1	49.5	+9.3%
Group items	-0.8	-0.6	+28.7%	-2.7	-2.2	+20.3%
<b>Group total</b>	<b>254.4</b>	<b>236.1</b>	<b>+7.8%</b>	<b>980.4</b>	<b>917.9</b>	<b>+6.8%</b>

### OPERATING PROFIT BY BUSINESS AREA

EUR million	Q4/12	Q4/11	Change %	2012	2011	Change %
Pharmaceuticals	62.8	61.4	+2.2%	288.9	287.6	+0.5%
Diagnostics	-0.5	0.7	-178.5%	2.6	4.9	-46.9%
Group items	-2.9	-2.5	+13.1%	-10.6	-9.5	+10.7%
<b>Group total</b>	<b>59.4</b>	<b>59.6</b>	<b>-0.2%</b>	<b>280.9</b>	<b>282.9</b>	<b>-0.7%</b>

### NET SALES BY ANNUAL QUARTERS

EUR million	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Pharmaceuticals	242.1	234.2	220.1	232.5	223.8	199.8	215.9	231.0
Diagnostics	13.1	12.1	13.4	15.5	12.9	11.3	11.7	13.7
Group items	-0.8	-0.5	-0.7	-0.6	-0.6	-0.5	-0.6	-0.6
<b>Group total</b>	<b>254.4</b>	<b>245.8</b>	<b>232.8</b>	<b>247.4</b>	<b>236.1</b>	<b>210.7</b>	<b>227.0</b>	<b>244.1</b>

### OPERATING PROFIT BY ANNUAL QUARTERS

EUR million	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Pharmaceuticals	62.8	78.6	68.1	79.4	61.4	66.8	67.1	92.3
Diagnostics	-0.5	0.0	0.5	2.5	0.7	0.8	0.7	2.8
Group items	-2.9	-2.3	-2.7	-2.7	-2.5	-2.1	-2.7	-2.1
<b>Group total</b>	<b>59.4</b>	<b>76.3</b>	<b>66.0</b>	<b>79.3</b>	<b>59.6</b>	<b>65.4</b>	<b>65.1</b>	<b>92.9</b>

### GEOGRAPHICAL BREAKDOWN OF NET SALES BY ANNUAL QUARTERS

EUR million	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Finland	67.3	63.3	62.7	64.0	61.7	60.1	59.8	59.1
Scandinavia	33.3	30.3	30.3	32.4	28.5	28.1	30.3	33.4
Other Europe	68.1	76.5	79.2	78.7	79.6	71.5	77.2	80.2
North America	54.7	27.1	30.4	38.4	36.0	24.0	29.2	38.7
Other markets	31.0	48.6	30.2	33.9	30.3	26.9	30.6	32.8
<b>Group total</b>	<b>254.4</b>	<b>245.8</b>	<b>232.8</b>	<b>247.4</b>	<b>236.1</b>	<b>210.7</b>	<b>227.0</b>	<b>244.1</b>

## Business reviews

### KEY FIGURES FOR PHARMACEUTICALS BUSINESS

EUR million	Q4/12	Q4/11	Change %	2012	2011	Change %
Net sales	242.1	223.8	+8.2%	928.9	870.6	+6.7%
Operating profit	62.8	61.4	+2.2%	288.9	287.6	+0.5%
% of net sales	25.9%	27.5%		31.1%	33.0%	
R&D expenses	29.4	23.6	+24.3%	96.6	81.1	+19.1%
% of net sales	12.1%	10.6%		10.4%	9.3%	
Capital expenditure	9.4	12.4	-24.4%	42.0	38.8	+8.4%
% of net sales	3.9%	5.6%		4.5%	4.5%	
Sales revenue from proprietary products	110.4	111.3	-0.9%	429.0	421.1	+1.9%
Assets				628.5	597.5	+5.2%
Liabilities				127.3	132.2	-3.7%
Personnel at the end of the period				3,123	3,079	+1.4%

### TOP TEN BEST-SELLING PHARMACEUTICAL PRODUCTS

EUR million	Q4/12	Q4/11	Change %	2012	2011	Change %
Stalevo <sup>®</sup> , Comtess <sup>®</sup> and Comtan <sup>®</sup> (Parkinson's disease)	57.9	64.3	-10.0%	250.1	266.7	-6.2%
Precedex <sup>®</sup> (intensive care sedative)	16.9	10.6	+59.1%	45.3	33.0	+37.5%
Simdax <sup>®</sup> (acute decompensated heart failure)	11.5	12.7	-9.4%	43.6	44.0	-0.9%
Easyhaler <sup>®</sup> product family (asthma, COPD)	6.5	7.5	-13.4%	26.8	30.5	-12.1%
Burana <sup>®</sup> (inflammatory pain)	5.8	6.1	-4.3%	23.3	23.5	-0.6%
Dexdomitor <sup>®</sup> , Domitor <sup>®</sup> , Domosedan <sup>®</sup> and Antisedan <sup>®</sup> (animal sedatives)	6.4	8.9	-28.2%	22.8	23.2	-1.9%
Generic entacapone products (Parkinson's disease)	4.2	0.3		17.0	0.3	
Marevan <sup>®</sup> (anticoagulant)	3.6	4.0	-9.2%	15.8	15.6	+1.1%
Divina <sup>®</sup> range (menopausal symptoms)	4.0	3.4	+17.1%	15.5	13.2	+17.2%
Dexdor <sup>®</sup> (intensive care sedative)	5.0	0.9	+466.3%	13.0	0.9	
<b>Total</b>	<b>121.8</b>	<b>118.6</b>	<b>+2.7%</b>	<b>473.2</b>	<b>450.9</b>	<b>+5.0%</b>
Share of pharmaceutical net sales	50%	53%		51%	52%	

### KEY FIGURES FOR DIAGNOSTICS BUSINESS

EUR million	Q4/12	Q4/11	Change %	2012	2011	Change %
Net sales	13.1	12.9	+1.6%	54.1	49.5	+9.3%
Operating profit	-0.5	0.7	-178.5%	2.6	4.9	-46.9%
% of net sales	3.9%	5.1%		4.8%	9.9%	
R&D expenses	2.4	1.8	+32.9%	8.3	6.4	+29.2%
% of net sales	18.3%	14.0%		15.3%	12.9%	
Capital expenditure	1.2	0.3	+260.2%	4.2	10.4	-60.1%
% of net sales	9.4%	2.6%		7.7%	21.1%	
Assets				47.3	44.4	+6.5%
Liabilities				16.2	17.4	-6.6%
Personnel at the end of the period				340	322	+5.5%

## Information on Orion's shares

### BASIC SHARE INFORMATION 31 DECEMBER 2012

	A shares	B shares	Total
Trading code on NASDAQ OMX Helsinki	ORNAV	ORNBV	
Listing day	1 July 2006	1 July 2006	
ISIN code	FI0009014369	FI0009014377	
ICB code	4500	4500	
Reuters code	ORNAV.HE	ORNBV.HE	
Bloomberg code	ORNAV.FH	ORNBV.FH	
Share capital, EUR million	28.2	64.0	92.2
Counter book value per share, EUR	0.65	0.65	
Total number of shares	43,267,218	97,990,610	141,257,828
% of total share stock	31%	69%	100%
Number of treasury shares		325,991	325,991
Total number of shares excluding treasury shares	43,267,218	97,664,619	140,931,837
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	865,344,360	97,664,619	963,008,979
% of total votes	90%	10%	100%
Total number of shareholders	18,946	43,937	56,519

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

### INFORMATION ON TRADING ON NASDAQ OMX HELSINKI 1 JANUARY – 31 DECEMBER 2012

	A shares	B shares	Total
Shares traded	4,054,722	84,056,278	88,111,000
% of the total number of shares	9.1%	86.9%	62.4%
Trading volume, EUR million	68.2	1,366.5	1,434.7
Closing quotation on 31 December 2011, EUR	15.18	15.05	
Lowest quotation, EUR (A and B 5 June 2012)	13.31	13.31	
Average quotation, EUR	16.82	16.26	
Highest quotation, EUR (A and B 7 December 2012)	22.57	22.74	
Closing quotation on 31 December 2012, EUR	22.05	22.18	
Market capitalisation on 31 December 2012 excluding treasury shares, EUR million	954.0	2,166.2	3,120.2

### PERFORMANCE PER SHARE

	Q4/12	Q4/11	Change %	2012	2011	Change %
Basic earnings per share, EUR	0.30	0.32	-5.1%	1.48	1.49	-0.4%
Diluted earnings per share, EUR	0.30	0.32	-5.1%	1.48	1.49	-0.4%
Cash flow per share before financial items, EUR	0.32	0.33	-4.6%	1.23	1.10	+12.1%
Equity per share, EUR				3.63	3.55	+2.2%
Proposed dividend per share, EUR <sup>1)</sup>				1.30	1.30	
Proposed payout ratio, %				87.8%	87.2%	
Total proposed dividend, EUR million				183.2	183.1	+0.1%
Effective dividend yield according to proposal, %						
A share				5.9%	8.6%	
B share				5.9%	8.6%	
Price/earnings ratio (P/E)						
A share				14.90	10.19	+46.2%
B share				14.99	10.10	+48.4%
Average number of shares excluding treasury shares, 1,000 shares	140 932	140 844		140 915	140 827	

## 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

The Consolidated Financial Statements of the Orion Group have been prepared in accordance with International Financial Reporting Standards (IFRS) applying IAS and IFRS standards as well as SIC and IFRIC interpretations effective at 31 December 2012.

The following new standards, interpretations and amendments to existing standards endorsed by the EU have been adopted as of 1 January 2012. However, they do not have material effects on the Consolidated Financial Statements:

- IFRS 7 (Amendment), Financial Instruments: Financial Statement Disclosures – Offsetting Financial Assets and Liabilities
- IAS 12 (Amendment), Income Taxes

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 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

Return on capital employed (ROCE), %	=	$\frac{\text{Profit before taxes + Interest and other finance expenses}}{\text{Total assets - Non-interest-bearing liabilities (average during the period)}} \times 100$
Return on equity (ROE), %	=	$\frac{\text{Profit for the period}}{\text{Total equity (average during the period)}} \times 100$
Equity ratio, %	=	$\frac{\text{Equity}}{\text{Total assets - Advances received}} \times 100$
Gearing, %	=	$\frac{\text{Interest-bearing liabilities - Cash and cash equivalents}}{\text{Equity}} \times 100$
Earnings per share, EUR	=	$\frac{\text{Profit available for the owners of the parent company}}{\text{Average number of shares during the period, excluding treasury shares}}$
Cash flow per share before financial items, EUR	=	$\frac{\text{Cash flow from operating activities + Cash flow from investing activities}}{\text{Average number of shares during the period, excluding treasury shares}}$
Equity per share, EUR	=	$\frac{\text{Equity of the owners of the parent company}}{\text{Number of shares at the end of the period, excluding treasury shares}}$
Dividend per share, EUR	=	$\frac{\text{Dividend to be distributed for the period}}{\text{Number of shares at the end of the period, excluding treasury shares}}$
Payout ratio, %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Effective dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Closing quotation of the period}} \times 100$
Price/earnings ratio (P/E)	=	$\frac{\text{Closing quotation of the period}}{\text{Earnings per share}}$
Average share price, EUR	=	$\frac{\text{Total EUR value of shares traded}}{\text{Average number of traded shares during the period}}$
Market capitalisation, EUR million	=	Number of shares at the end of the period x Closing quotation of the period

Publisher:

**Orion Corporation**

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

[www.twitter.com/OrionCorpIR](https://twitter.com/OrionCorpIR)

Orion is a globally operating Finnish company developing pharmaceuticals and diagnostic tests – a builder of well-being. Orion develops, manufactures and markets human and veterinary pharmaceuticals, active pharmaceutical ingredients and diagnostic tests. The company is continuously developing new drugs and treatment methods. Pharmaceutical R&D focuses on central nervous system drugs, oncology and critical care drugs, and Easyhaler® pulmonary drugs.

Orion's net sales in 2012 amounted to EUR 980 million and the Company had about 3,500 employees. Orion's A and B shares are listed on NASDAQ OMX Helsinki.