



ORION

**Building
well-being
through actions**

ANNUAL REPORT 2009

Building well-being – responsibility for the future

What stood out for you in 2009? Here at Orion, there were so many exciting developments, moments of success and challenges, too, that we could write a book on them. And so we did. Also, we gave the floor to our customers and partners. In this Annual Report, you can read about what Orion is like as a coworker.

For one, Orion is a company where people have a good time. This is easy, when work is guided by a common goal: developing medicines and delivering them to patients in need – today and tomorrow. We shoulder responsibility for the future.

Come and get to know Orion!

P.S. If you want to study the figures that made up Orion's 2009, start with our Financial Statements. You'll find them on the flip side of this Annual Report.



In this report:

20 Exploration and discovery

Did you know that the journey from idea to drug can take up to 15 years? In this section, we'll tell you how Orion's researchers take nearly invisible molecules and turn them into something great. Furthermore, we'll shed light on our cooperation with top researchers from India.

30 Close to our hearts

Reacquiring the rights to the heart failure drug Simdax®, developed by Orion for decompensated heart failure, was one of the milestones for Orion in 2009. In this text, we'll tell you about the use of Simdax in Italy to treat patients suffering from critical heart failure.

43 Responsibility in pocket size

Attached to the Annual Report, you'll find a short guide to making responsible choices. It gives, in a nutshell, an overview of corporate responsibility at Orion. It is choices made for the benefit of our fellow man, the environment and society as a whole. On the pages of the guide, we'll also give you hints to making responsible choices in your own life. And do try the responsibility test, as well!





Would you prefer to read the
Annual Report in electronic form?
Download a copy from our website at
www.orion.fi/en

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The homepage provides a facility for subscribing to Orion's publications. The publications can also be ordered by e-mailing us at corpcom@orion.fi

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Annual Report 2009



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Shares and shareholders

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The Financial Statements are found on the reverse side of the Annual Report.



Orion in brief

Building well-being

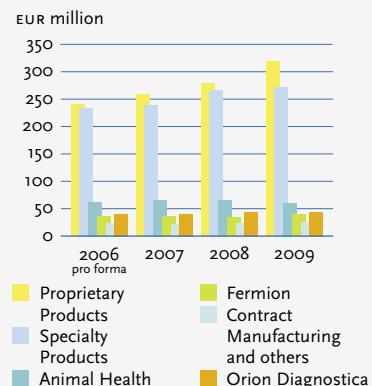
Orion is an innovative European R&D-based pharmaceuticals and diagnostics company with a special emphasis on developing medicinal treatments and diagnostic tests for global markets. Orion develops, manufactures and markets human and veterinary pharmaceuticals, active pharmaceutical ingredients and diagnostic tests.

Orion's customers are mainly healthcare service providers and professionals such as specialist and general doctors, veterinarians, pharmacies, hospitals, healthcare centres, clinics and laboratories. Consumers with pets are another important customer group.

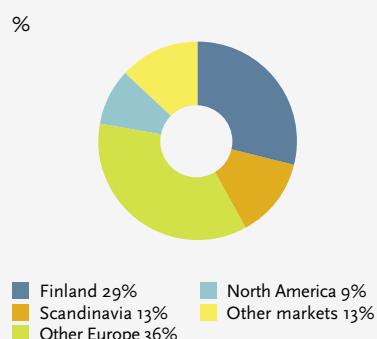
The objective of Orion's intensive research efforts is to bring new innovative patented proprietary drugs to international markets. Orion's pharmaceutical R&D focuses on the following core therapy areas: central nervous system drugs, cancer and critical care drugs, and Easyhaler® pulmonary drugs.

- The Group's net sales in 2009 were EUR 771.5 million and the operating profit was EUR 207.0 million. Orion invested EUR 95.2 million in research and development.
- Orion's products are marketed in over one hundred countries. Finland is the most important market for Orion, and the Group's own human pharmaceuticals sales organisation covers almost all key European markets. In markets outside Europe, Orion operates through partners.
- At the end of 2009 the Group had a total of 3,147 employees, of whom 2,529 worked in Finland and 617 in other European countries.
- Orion's A shares and B shares are listed on NASDAQ OMX Helsinki under the trading codes ORNAV and ORNBV.
- The Group's auxiliary business names include Orion Pharma, Fermion and Orion Diagnostica.

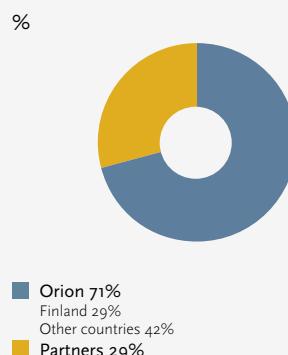
Net sales by Business Division
Largest divisions are Proprietary Products and Specialty Products



Net sales by market area
Europe is the main market area

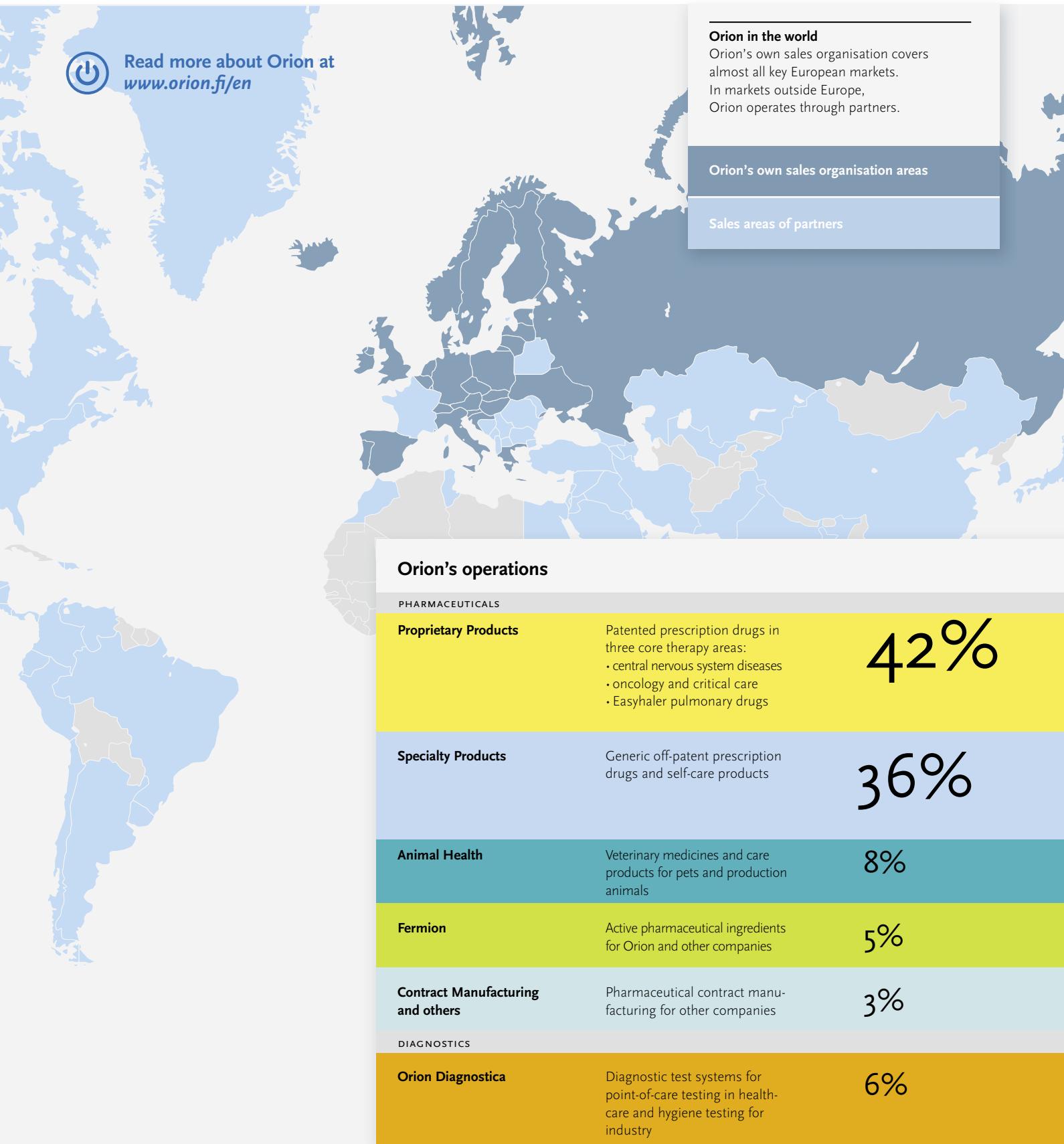


Net sales by distribution channel
A third of net sales from partner distribution





*Investments in R&D increased
from the previous year*



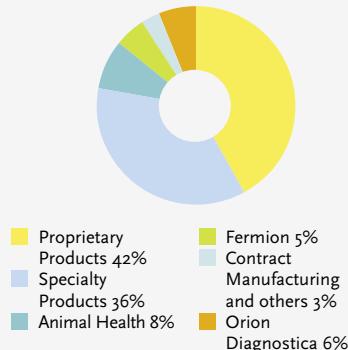


Sincere about building well-being

Orion's year 2009 was successful. Now, our sights are focused on the road ahead. The responsibility we have to patients, customers, partners and investors is what drives our work in today's changing operating environment. We are continuing to promote well-being across a broad front, and we are doing this with our feet firmly on the ground and with a full heart.

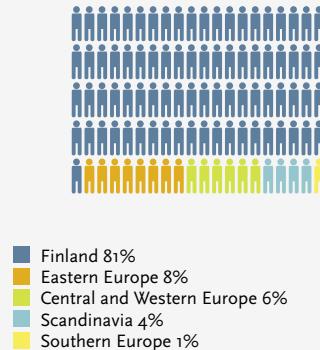
Net sales by business division
Largest divisions are Proprietary Products and Specialty Products

%



Personnel by area
Most of the personnel work in Finland

%



The Orion Group's business continued to grow in 2009 amidst challenging market conditions. Net sales were up by 8.5 per cent, to EUR 771.5 million (EUR 710.7 million in 2008), and the operating profit (EBIT) improved by 11.9 per cent, to EUR 207.0 (185.0) million. In Finland, our position as market leader was further strengthened, and deliveries of Parkinson's disease drugs to Novartis increased clearly. I'm proud of the good performance by everyone at Orion.

The most significant event of the year was our re-purchase of the rights to the heart failure drug Simdax from Abbott in the spring. Simdax is a proprietary drug developed by Orion and was part of our product range in the past. With the aid of Simdax we expanded our business in new markets in Southern and Central Europe during the year. Our efficient sales and marketing organisation is making progress there in a cost-effective manner and in line with our strategy, with a limited number of well-targeted products.

In the summer, we revised Orion's financial targets and decided to place particular emphasis on two key elements:

the need to ensure financial stability and to have a firm basis for profitable long-term growth. We are seeking to achieve these through our own operations, which will be reinforced through product, product portfolio and corporate acquisitions. In addition, the focus is on improving the efficiency of our operations and on controlling costs. We will maintain a stable financial position and will ensure our equity ratio does not fall below 50 per cent.

Focus on a broad portfolio

Our total number of shareholders rose from 40,000 to almost 55,000 during the year. Many of Orion's shareholders are domestic retail investors who believe in Orion and wish to invest in us. We remain a growth sector and represent a sound investment option even during challenging times for the global economy. I feel it is very important that all our shareholders should receive enough information about where they have chosen to invest their money, and also about the implications of the expiry of our main Parkinson's drug patents within the next few years.

We are preparing for the challenges that lie ahead by focusing on a broad product

portfolio. While the products of proprietary drug development represent the high-tech end of our product range, cost-effective generic drugs and self-care products are another key pillar of our business. International operations are naturally also vital for our success.

Pharmaceuticals provide savings for society

Drug-based treatments, as part of a comprehensive healthcare system, provide a cost-effective way of enhancing well-being in society and, for example, helping employees look after their health. This also means less time spent or cared for in institutional facilities, thus reducing costs to society at large.

In my view, drug pricing is likely to come under further pressure in the future, and the new reference price system that was implemented last spring in Finland will certainly not be the last of the changes to reimbursement systems.

Pharmacies are without doubt the best distribution channel for Orion's drugs. Pharmaceutical products belong on the shelves of pharmacies.

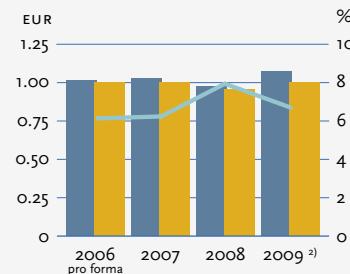


See the CEO's review at the Financial Statements release conference at www.orion.fi/en



*Pharmaceutical products belong on
the shelves of pharmacies*

Earnings per share and dividend
Earnings per share clearly higher



¹⁾ The Company has no items that could dilute the earnings per share.

²⁾ The Board proposes that the dividend for 2009 be EUR 1.00 per share and that EUR 0.10 per share be distributed as a repayment of capital.

More flexible approach to research

In the early part of 2009, we remodelled the way in which our research and development organisation functions, and Orion's research and development work now involves more partnering than before. The background to this flexible operating model was the need to prepare for the future, as it was essential that we find new ways of securing our productivity. As part of this process, we intensified our collaboration with pharmaceutical and research companies based in Finland and abroad.

Our goal is to bring drugs to the market that will improve well-being. This is a key motivating factor for all of us at Orion. I would like to thank all our stakeholders for enabling the implementation of this goal, and I wish everyone a year full of well-being in 2010!

Timo Lappalainen
PRESIDENT AND CEO



WELLNESS PRESCRIPTION

Name: Timo Lappalainen

Recommendation:

For work

For leisure

My own prescription for well-being: "Everything in moderation." This applies to both work and leisure.

It's worth remembering that people's capacity for different forms of exercise varies, not least for health reasons. But we can each discover for ourselves the best way of building our own well-being – this naturally also applies to everyone at Orion. As for myself, I like to keep in shape by engaging regularly in outdoor activities.

A successful year

Orion's good result for 2009 was the sum of many factors. The key figures in the accompanying tables show on a general level how our business divisions performed over the year and in which geographical areas our sales were focused. More detailed information on the figures for 2009 can be obtained by studying the Financial Statements, which you will find in their entirety on the reverse side of this Annual Report.



Orion provides comprehensive information to investors at www.orion.fi/en/investors



Growth continued and the EBIT improved

Orion's net sales were up by almost 9% in 2009 compared with the previous year. The growth in net sales later in the year was better than forecast in almost all business divisions and geographic regions. With respect to individual therapy areas, the most significant was still the treatment of Parkinson's disease.

The year's best performers were particularly Orion's major products based on its own research, i.e. the Parkinson's disease drugs, the Simdax drug for heart failure, respiratory products for the Easyhaler device and the Precedex intensive care sedative, all of which increased their sales. In addition, Orion expanded its market share and sales in its domestic markets in Finland, even though the reference price system introduced in April further tightened price competition between pharmaceutical companies.

In 2009, the net sales of EUR 771.5 million (EUR 710.7 million in 2008) generated an operating profit of EUR 207.0 million (EUR 185.0 million). Thanks to strong sales, Orion's operating profit for the first time exceeded EUR 200 million.

One of the main events in 2009 was the re-acquisition of the Simdax marketing rights from Abbot. Fixed costs were higher, mainly due to the repurchase of Simdax and starting sales and marketing of it in a number of new countries. In addition, the costs of outsourced research projects and the ongoing patent litigation in the United States were higher. Our focus on R&D continued in 2009 and R&D expenditure increased to EUR 95.2 million.

The European distribution rights for animal sedatives were returned from Pfizer to Orion towards the end of the year, as a result of which Pfizer paid Orion EUR 4.0 million.

We believe that in the current year this good progress will continue, and we estimate that our net sales and operating profit will be slightly higher than in 2009.

Key figures

	2009	2008	Change %
Net sales, EUR million	771.5	710.7	+8.5%
International operations, EUR million	548.2	493.6	+11.1%
% of net sales	71.1%	69.4%	
Operating profit, EUR million	207.0	185.0	+11.9%
% of net sales	26.8%	26.0%	
Profit before taxes, EUR million	203.7	184.2	+10.6%
% of net sales	26.4%	25.9%	
R&D expenses	95.2	90.0	+5.7%
% of net sales	12.3%	12.7%	
Equity ratio, %	60.6%	60.2%	
Gearing, %	-8.9%	-7.1%	
ROCE, %	37.4%	38.5%	
ROE, %	35.3%	32.1%	
Earnings per share (EPS), EUR	1.07	0.97	+11.1%
Cash flow per share before financial items, EUR	1.03	0.66	+56.9%
Dividend per share, EUR	1.00 ¹⁾	0.95	+5.3%
Personnel at the end of the period	3,147	3,309	-4.9%

¹⁾ The Board's proposal to the AGM. Additionally the Board proposes that EUR 0.10 per share be distributed as a repayment of capital.

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Orion's operating profit exceeded
EUR 200 million for the first time

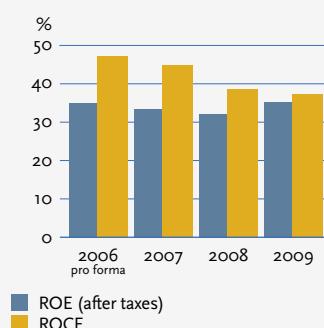
Top 10 pharmaceutical products

EUR million	Used for	2009	2008	Change %
Stalevo®	Parkinson's disease	167.6	141.0	+18.8%
Comtess®/Comtan®	Parkinson's disease	67.3	67.4	-0.1%
Simdax®	acute decompensated heart failure	29.4	17.3	+69.6%
Easyhaler® product family	asthma, COPD	24.9	22.2	+12.2%
Burana®	inflammatory pain	19.9	19.4	+2.4%
Domitor®, Dexdomitor®, Domosedan® and Antisedan®	animal sedatives	19.3	24.6	-21.4%
Precedex®	intensive care sedative	14.6	9.6	+51.0%
Divina® product range	menopausal symptoms	13.2	14.7	-10.8%
Enanton®	prostate cancer	11.9	12.7	-6.8%
Fareston®	breast cancer	10.2	10.5	-2.8%
Total		378.3	339.7	+11.4%
Share of pharmaceutical net sales, %		52%	51%	

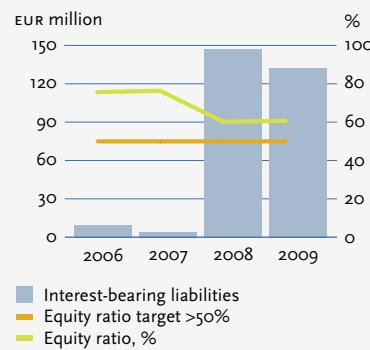
Net sales and operating profit Operating profit grew



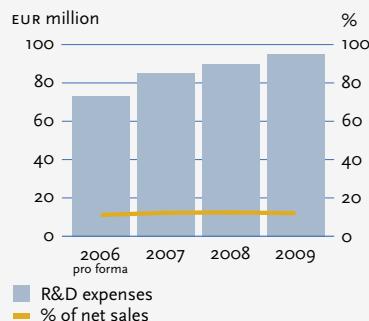
Return on equity High return on equity



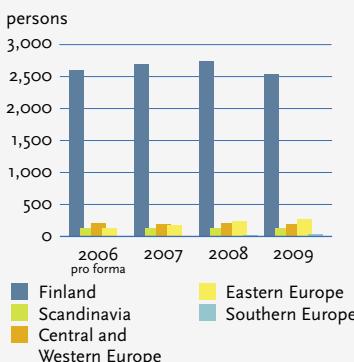
Equity ratio and liabilities Equity ratio well over target



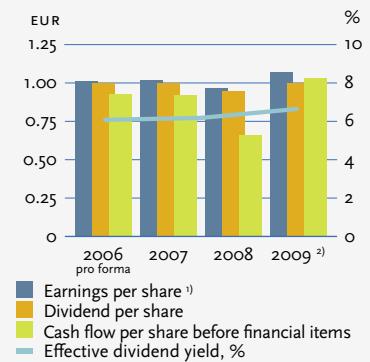
R&D expenses Expenditure on R&D increased



Personnel by area Clear majority of personnel in Finland



Earnings per share and dividend Earnings per share clearly higher



¹⁾ The Company has no items that could dilute the earnings per share.
²⁾ The Board proposes that the dividend for 2009 be EUR 1.00 per share and that EUR 0.10 per share be distributed as a repayment of capital.



Information for shareholders

Annual General Meeting

The Annual General Meeting of shareholders of Orion Corporation will be held at 14:00 Finnish time on Wednesday 24 March 2010 in the Helsinki Fair Centre. Shareholders intending to attend the Annual General Meeting must be registered as shareholders in the Company's shareholder register maintained by Euroclear Finland Ltd (formerly Finnish Central Securities Depository) on 12 March 2010.

Nominee-registered shareholders should request from their nominee in good time the instructions required for registration in the shareholder register, proxies and notice of attendance at the AGM. The nominee's account operator shall submit notification that a nominee-registered shareholder intending to attend the AGM is to be registered in Orion Corporation's temporary shareholder register by 10:00 Finnish time on 19 March 2010.

The Annual General Meeting will be held in Finnish. Information on the AGM and the material for the meeting are available on Orion's website www.orion.fi/en/.

Notice of attendance

Notice of attendance at the AGM should be submitted by 10:00 Finnish time on 19 March 2010 at the latest. Notice of attendance can be submitted:

- via the Internet at www.orion.fi
- by telephone +358 10 426 5252
- by fax +358 10 426 2323
- in writing to Orion Corporation, Shareholder Affairs, P.O. Box 65, FI-02101 Espoo, Finland

Notices of attendance and any proxies must be received by Orion Corporation by the deadline.

Distribution of dividend and equity

The Board of Directors of Orion Corporation proposes to the Annual General Meeting on 24 March 2010 that a dividend of EUR 1.00 per share be paid for the financial year that ended on 31 December 2009. The dividend payout ratio would be 93.5%. Additionally, the Board proposes that EUR 0.10 per share be distributed from the expendable fund in

the distributable equity as a repayment of capital.

If the AGM approves these proposals, the dividend and the distribution of equity shall be paid to the Orion Corporation shareholders registered in the shareholder register maintained by Euroclear Finland on 29 March 2010, the record date for dividend payment. According to the proposal by the Board of Directors, the payment date shall be 7 April 2010.

Shareholders that have not transferred their shares to the book-entry system by the record date for dividend payment shall receive the dividend payment and the repayment of equity only after their shares have been transferred to the book-entry system.

Orion's publications and their distribution

Orion's publications are available in English and Finnish at www.orion.fi/en/ > News and media.

Orion no longer automatically posts the Annual Report to shareholders, but a printed report will be posted on application.

To subscribe to Orion publications visit www.orion.fi/en or apply by email to Orion Corporate Communications at corpcom@orion.fi.

Orion will post statutory information for shareholders to each shareholder at the mailing address entered in the shareholder register maintained by Euroclear Finland. Statutory information includes invitations to shareholders' meetings, which under the Limited Liability Companies Act must be posted to shareholders.

Change of address

Shareholders are advised to notify a change of address to all banks and brokerage firms where the shareholder has a book-entry account. Orion cannot change an address in the book-entry system on behalf of the shareholder.

Data in the register of subscribers to publications can be updated using the registration form on Orion's website.



Dates in Orion's Calendar for 2010

- Annual Report 2009 will be published the week beginning 1 March 2010
- Deadline for registering for AGM 19 March 2010 at 10:00 EET
- Annual General Meeting 24 March 2010 at 14:00 EET
- Record date for dividend payment 29 March 2010
- Payment date for dividend and repayment of capital 7 April 2010
- Interim Report January–March 2010 27 April 2010
- Interim Report January–June 2010 10 August 2010
- Interim Report January–September 2010 26 October 2010

Closed period

Orion observes a closed period of three weeks prior to announcing its financial results. During this period, representatives of the Company will not meet analysts or investors and will not attend any events relating to the capital markets.

During the closed period, the Company does not comment on the outlook for the Company or the financial performance for the current or non-disclosed period.



Orion's stock exchange releases published in 2009 are available at www.orion.fi/en

 Orion in 2009

Q1

“First quarter as expected”

- ▶ In January 2009, Orion completed statutory co-determination negotiations to restructure its pharmaceutical R&D operating model and structure. As a result of the negotiations, Orion decided on staff reductions of about 205 people in Finland.
- ▶ In March, Orion announced that it would withdraw the EU marketing authorisation application to expand the indication of Stalevo®.

Q2

“Repurchase of Simdax rights helps Orion build its European presence”

- ▶ At the beginning of April, a price reference system was implemented in Finland. Since this change, Orion has strengthened its market leadership position despite the end of general market growth in Finland due to the implementation of the system.
- ▶ In April, Orion and the Wockhardt companies reached an agreement in the dispute in which Orion had filed a lawsuit against Wockhardt in the United States after Wockhardt had submitted Abbreviated New Drug Applications (ANDA) for generic versions of Orion's Comtan® and Stalevo® products.
- ▶ In May, Orion repurchased the rights to intravenously administered levosimendan (Simdax®). Simdax is Orion's proprietary drug for acute decompensated heart failure.

Q3

“Strong growth in business”

- ▶ In September, Orion and Hospira, Inc. started legal proceedings against Sandoz companies in the United States to enforce their patents covering the proprietary drug Precedex®.

Q4

“A successful year”

- ▶ In October, Orion withdrew the application in the United States to extend the indication of Stalevo®.
- ▶ In October, Orion and Pfizer Animal Health agreed that the rights in Europe to an animal sedative product family that Orion had developed would revert to Orion.



Looking into the future

Orion's strategic aim is to achieve profitable growth and increase shareholder value while keeping business risks under control. Orion's strategic themes are based on the Company's Mission and the Group's Values, and they define the key focus areas of the current strategy.



<p>Strategic aim: Profitable growth and increasing shareholder value whilst keeping the business risks under control</p>									
<p>Strategic focus areas:</p>									
Competitive product portfolio		Strengthening market position in Europe		Efficient and competitive operations					
<p>Partnerships and networks</p>									
<p>Financial objectives:</p>									
Ensuring financial stability			Creating a foundation for long-term profitable growth						
<p>Business Divisions:</p>									
Proprietary Products		Specialty Products		Animal Health	Fermion				
				Contract manufacturing and others	Orion Diagnostica				
<p>Personnel: Competent and motivated personnel in demanding expert tasks</p>									
<p>Values:</p>									
Mutual trust and respect		Customer focus		Innovation	Achievement				
				Quality, reliability and safety					
<p>Mission: Building well-being</p>									

Strategy

Orion's strategy focuses on the following main themes:

- competitive product portfolio
- strengthening the market position in Europe
- efficient and competitive operations
- active development of partnerships and networks

All of Orion's business divisions have an important role in achieving the objectives set for the businesses. Nevertheless, the main focus is on the two largest business divisions, Proprietary Products and Specialty Products. Orion aims to develop synergies between patent-protected

proprietary products, off-patent (i.e. generic) prescription drugs and self-care products. The Animal Health, Fermion and Orion Diagnostica divisions are also seeking growth.

Orion's excellent personnel ensure the strategy is implemented. Orion's employees are dedicated and motivated to achieve top performance by the inspiring atmosphere created by commitment to management and leadership, and to operating according to Orion's Values.

Competitive product portfolio

The basis for growth is the competitive product portfolio developed through Orion's in-house research and development, co-operation in research and proactive product

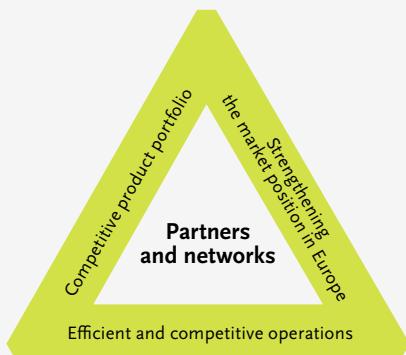


Read more about Orion's partner collaboration at [>Orion>Partnering](http://www.orion.fi/en)



Building well-being is our mission

Profitable growth as strategic aim

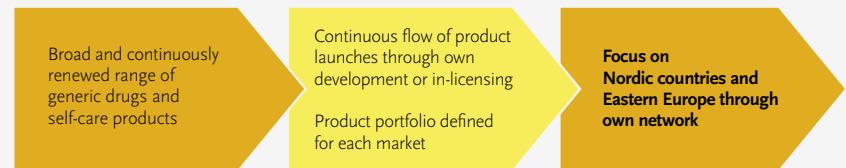


Growth based on a competitive product portfolio in main business areas

Specialist care



Generic prescription drugs and self-care products



Expansion into Europe continued with Simdax

Repurchasing of the rights to Simdax from Abbott was the key event for Orion in 2009.

Simdax, with levosimendan as its active ingredient, is Orion's own in-house developed proprietary drug for acute decompensated heart failure. It is intravenously administered in acute care settings in hospitals.

Following the repurchase, Orion's rights to Simdax cover all markets worldwide except Latin America, where Abbott has retained the marketing rights. With its partners, Orion continues to sell Simdax in nearly 40 countries. Orion's own sales network markets the drug throughout Europe. Following the Simdax deal, Orion has expanded into new countries in Southern and Central Europe, and established subsidiaries in Spain, Italy, Austria, Greece and Portugal in 2009.

Customers for Simdax, a product already familiar to Orion, are limited to cardiologists, anaesthetists and critical care doctors in hospitals, so it fits in well with Orion's portfolio of other products for critical care use. The acquisition also supports Orion's growth targets in Europe and creates a foundation for launching other products throughout Europe. Currently, for instance, Orion is in the late stage of conducting Phase III clinical studies on the critical care sedative dexmedetomidine intended for the same limited group of customers as Simdax.

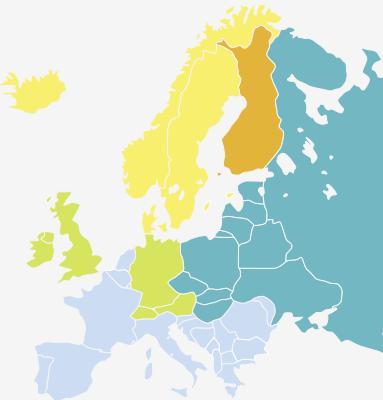
acquisition. Orion is also continuously evaluating potential corporate acquisitions.

The focus of Orion's R&D operations remains on early-phase research. Partnerships are generally sought for undertaking Phase III, and possibly also earlier, clinical studies. It is intended to increase the total number of research projects and spread the risks of individual projects in the research pipeline. Acquisitions of new product candidates are also sought to supplement the research pipeline based on the Group's own research projects.

Orion has a market-specific focus in acquiring generic products, one aim being to increase the portfolio of self-care products in Finland, Scandinavia and Eastern Europe.



Market position strengthened by region



Finland
Market leader

Scandinavia
Established home market

Western and Central Europe
Strong position with Proprietary Products

Eastern Europe
Orion brand with Specialty Products

Southern Europe
Progress with Proprietary Products

Strengthening market position in Europe

In line with its strategy, Orion continued to strengthen and expand its presence in Europe in 2009 by establishing new subsidiaries and repurchasing the rights to Sirmdax. Orion's own sales network currently covers all the key European pharmaceutical markets except France.

Orion is determined to remain the market leader in Finland and make the Scandinavian countries a domestic market in which it has a strong presence. In Central, Western and Southern Europe, the emphasis is on Proprietary Products, and in Eastern Europe on Specialty Products.

Outside Europe, Orion operates mainly with partners.

Efficient competitive operations

Orion systematically strives to improve its competitiveness throughout the value chain, which means that increasing the efficiency of operations and cost control are particularly important. This is achieved through proactive networking and partnership building, for instance. Currently, key projects include implementing the new R&D operating model, increasing the efficiency of the supply chain and improving the competitiveness of sales operations.

ORION'S STRATEGIC THEMES

ACHIEVED IN 2009

Competitive product portfolio	<ul style="list-style-type: none"> • Active in-licensing • Constant flow of product launches • Building self-care product portfolio in Nordic countries • Progress in R&D projects 	<ul style="list-style-type: none"> • In-licensing of value-added products for selected therapy areas • Nearly 150 launches of human pharmaceuticals • Continuously renewed generic and self-care portfolio in Finland, Nordic countries and Eastern Europe • Progress on target in research projects to develop dexmedetomidine, Easyhaler combined formulation, and Stalevo for Japanese markets • Launches of Vantas drug in several markets • Many new research projects with partners
Strengthening market position in Europe	<ul style="list-style-type: none"> • Europe-wide presence • Strengthening market position • Targeted customer groups 	<ul style="list-style-type: none"> • Strengthened position as market leader in Finland • Expansion of sales network coverage in Europe through new subsidiaries • Strengthened market position in Scandinavia through expansion of generic and self-care product portfolio • Different target customer groups in different areas
Efficient and competitive operations	<ul style="list-style-type: none"> • Improving efficiency of operations • Cost control 	<ul style="list-style-type: none"> • Improved efficiency throughout value chain • Improved cost control • New R&D operating model with increased flexibility • More efficient supply chain • Creation of flexible sales organisation
Partnerships and networks		<ul style="list-style-type: none"> • Continued active building of partnerships and networking throughout the value chain



Outside Europe, we operate mainly with partners

Orion markets over 200 prescription drugs and nearly 100 self-care products in Finland.



Self-care product portfolio strengthened in the Nordic countries

Orion continued to expand its self-care product portfolio in the Nordic countries during 2009. In Finland, Orion improved its position as market leader thanks to its extensive and continually changing product portfolio.

Orion markets over 200 prescription drugs and nearly 100 self-care products in Finland, where it has gained a market share of nearly 10% in euros. In terms of number of packages, Orion has been the clear market leader in Finland for a long time already with a bit less than 30% market share. Orion's position in Finland is especially strong in self-care products and generic prescription drugs.

Orion intends to utilise its experience from the Finnish market and expand its mode of operation in other Nordic countries through, for instance, development of its self-care product portfolio. Orion's aim is to extend its domestic market to include all the Scandinavian countries.

The human pharmaceutical markets of Norway, Sweden and Denmark total about EUR 6 billion, and generic products account for about 10–15% and self-care products about 8–12% of the total. This represents good growth potential for Orion.

Orion is also continuing to strengthen its generic portfolio in Eastern Europe, where the intention is to expand the specific product portfolio of each market.



Familiarise yourself with Orion's products and services at www.orion.fi/en



Values

The values of Orion Group communicate our common goals and help us orientate in a changing world. They unite us in our important task of producing products and services that promote the well-being and health of our customers.

Mutual trust and respect

We want to act so that we can trust each other and respect each other's work, thus creating a firm basis for co-operation. Trust springs from keeping promises, and respect from understanding the importance of one another's contribution to the whole process.

Customer focus

We want to understand, anticipate and meet our customers' present and future needs. This presupposes that all of us closely cooperate and exceed the limits of normal work communities in order to bring our expertise to our customers.

Innovation

We want to create and develop innovative solutions and ways of working. This challenges each of us to explore new possibilities in our daily work, in co-operation with professionals from various fields and to bring our own expertise into our joint projects.

Achievement

We want to be the best in our field, developing products, services and solutions that promote well-being and health. This challenges each of us as an individual and all of us together to strive for the best in all that we do.

Quality, reliability and safety

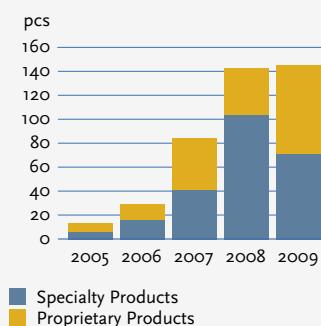
We want high quality, reliability and safety to underline our actions. This presupposes that all of us, together and as individuals, are accurate and timely in all our procedures.

Trust springs from kept promises.

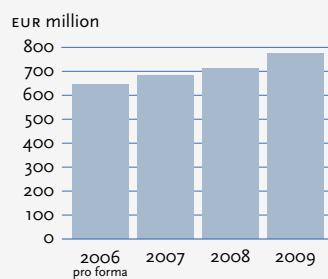


Read about quality in Orion's operations
[>Orion](http://www.orion.fi/en) [>Operational model](http://www.orion.fi/en)

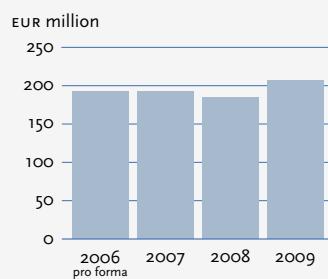
Number of launches; product/country
 Increasing number of product launches in human pharmaceuticals



Net sales



Operating profit





We believe that our good progress will continue this year

Financial objectives

Orion reviewed its financial objectives in summer 2009

The revised objectives are

- ensuring the Group's financial stability
- 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 an equity ratio remaining at a level of at least 50%

Sales of the Parkinson's drugs Stalevo and Comtess/Comtan currently account for approximately one-third of Orion's net sales. The key patents for these 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 will also bring new products to the market to make up for 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.

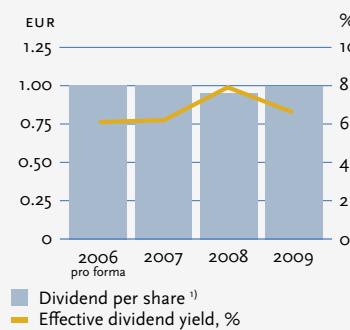
Outlook estimate for 2010

- Net sales will be slightly higher than in 2009.
- Marketing expenditure will be higher due to the increased number of product launches and increased costs of sales and marketing related to Simdax. Research expenditure will be slightly lower than in 2009. The costs of ongoing patent litigation in the United States are also expected to be similar to 2009.
- Operating profit excluding non-recurring items will be slightly higher than in 2009.
- The Group's capital expenditure will be about EUR 40 million excluding substantial corporate or product acquisitions.

Equity ratio



Dividend per share



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.

¹⁾ The Board proposes that the dividend for 2009 be EUR 1.00 per share and that EUR 0.10 per share be distributed as a repayment of capital.



Pharmaceutical sector is changing

Orion's operating environment is global. Orion's own human pharmaceuticals sales network covers almost all key European markets. Outside Europe, Orion operates through partners. Orion also uses an extensive network of importers and agents for diagnostic products.

Orion's products are sold worldwide and marketed in over one hundred countries. For Orion, Finland is the most important individual market and treatment of Parkinson's disease is its most important individual therapy area. The Finnish market and the Parkinson's disease drugs in each case account for approximately one-third of Orion's net sales. Orion is a medium-sized company in Europe and about the 70th largest pharmaceutical company in the world.

The pharmaceutical sector is very competitive and demanding, but it grows steadily. Regulations of authorities and other requirements are becoming increasingly strict. Orion is responding to the challenges of the sector through focusing on its own strengths, active co-operation with partners and building up networks with other players in the sector.

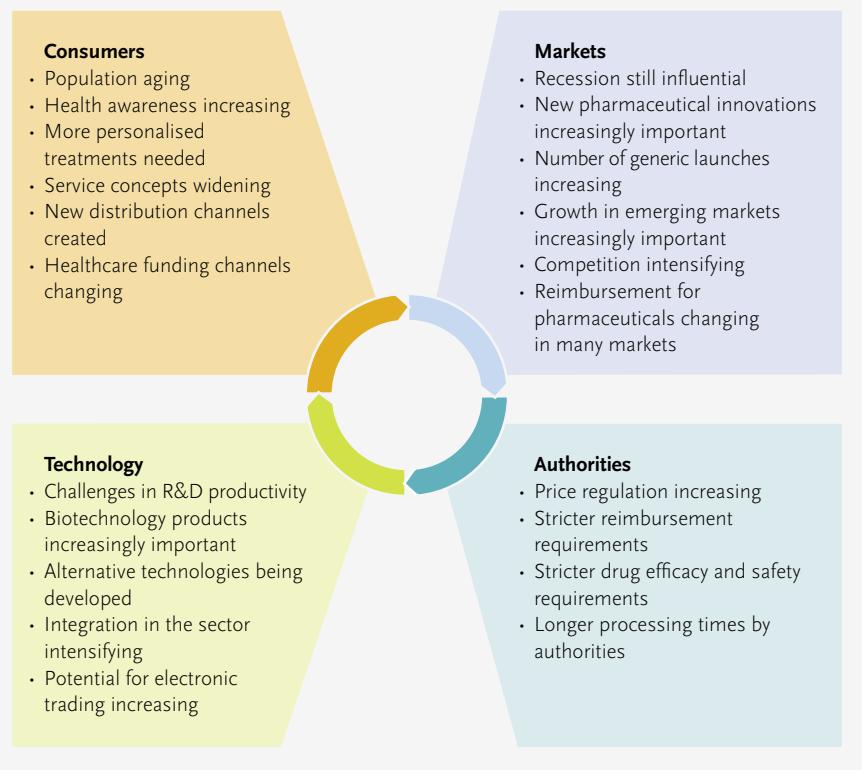
Change in pharmaceutical sector

The pharmaceutical sector has been a stable and steadily growing sector. Economic cycles affect it mainly through the ever-stricter requirements of authorities, market-specific cuts in prices or other factors influencing the growth of sales. Increasingly intense competition in the sector and numerous changes in the behaviour of different stakeholder groups are creating their own challenges to growth in the sector. The pharmaceutical sector is changing, and companies are now seeking new ways of operating in the changing environment.

Steady growth

The steadily growing pharmaceutical sector is able to predict and increase demand due

Pressures for change in the pharmaceutical sector come from various sources



to its creative and innovative nature. The global market for pharmaceuticals is expected to grow by 4–6% in 2010 and sales are expected to reach USD 825 billion. Pharmaceutical markets are forecast to grow annually by 4–7% up to 2013, with sales exceeding USD 975 billion by the end of 2013.¹⁾

Generic products are estimated to account for about USD 80 billion of the entire pharmaceutical markets. Markets for generic products are growing significantly faster than pharmaceutical markets as a whole, even though price competition is clearly more intense for generic products.¹⁾

The market for veterinary drugs accounts for only about 3–5% of all pharmaceutical markets by value. This includes veterinary drugs for production animals and pets, and other care products.

Action to curb the rise in drug costs has clearly slowed the rate of growth of drug sales in all major markets, even in the United States in recent years. The increasing wealth of developing countries will facili-

tate expenditure on drugs, and this will be reflected in rapid growth of pharmaceutical markets in these areas.

Competition intensifying

All the players in the sector are Orion's competitors in pharmaceutical markets. In addition to the traditional, long-established pharmaceutical companies, Indian and Chinese generic pharmaceutical companies, for example, are also generating competition.

There are many substitutable products available in the generic pharmaceuticals market, which makes availability of a product and competitive pricing important competitive advantages for a pharmaceutical company. In some market areas, however, the brand or other properties of a product are more important than price. In these markets, a company's good reputation and reliability, profound understanding of the products and high-quality medical expertise in customer service are essential.

Regulatory differences in Europe

Europe is an integrated economic area, but there are many national regulations in the pharmaceutical sector. Legislation on sales, registration and marketing of drugs is rather well harmonised in EU countries, but there are significant differences between countries in pricing and reimbursement systems for drugs.

In 2009, there were many changes in European pharmaceutical markets. In numerous markets, authorities put pressure on prices for drugs, and subsequently prices were cut substantially. The reference price system for reimbursement implemented in Finland in April is one such example. The pharmaceutical market was dramatically changed in Sweden, too, when the country's pharmacy monopoly was abolished and pharmacy operations were opened up for competition.

Finnish market decreased

Finnish wholesale of human pharmaceuticals in 2009 totalled EUR 1,947.3 million, down by 0.5% on the previous year. In terms of the number of packages, overall sales were down by 2.3%. ²⁾

Orion continued to strengthen its position as leader in marketing pharmaceuticals in Finland. Its wholesale of pharmaceuticals in Finland in 2009 amounted to EUR 186.0 million, up by 3.2% on the previous year. Orion's sales grew slightly, even though the reference price system implemented in April reduced the value of the overall market. Orion's market share was 9.6%. ²⁾

Markets for Parkinson's drugs grew

The total sales of Parkinson's drugs in the United States in the 12-month period ending in September 2009 came to USD 981 (1,057) million, which is 7.2% less than in the comparative period. ³⁾

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 totalled EUR 895 (852) million, and the average market growth was five per cent. ³⁾

Pharmaceutical markets by area

Total USD 775 billion

North America 40%

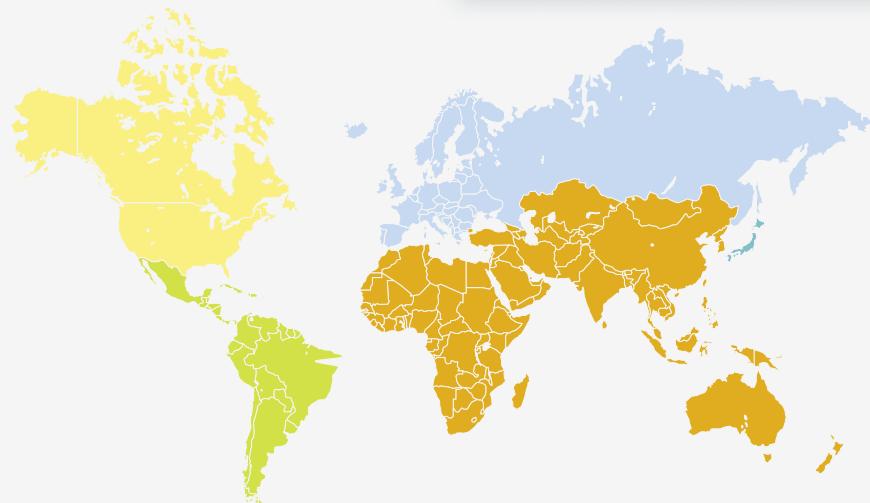
Europe 32%

Asia, Africa and Australia 12%

Japan 10%

Latin America 6%

Source: PharmaExecutive



Sales of Orion's Parkinson's drugs continued to grow clearly faster than the market as a whole. The Company's sales of Parkinson's drugs in the same 12-month period were up by 15.3% at EUR 492 (427) million. ³⁾

In the United States sales of Orion's Parkinson's drugs in the 12-month period ending in September were USD 171 (154) million, up by 10.9% on the comparative period. The market share of Orion's Parkinson's drugs in the United States was about 17%. In the five largest Parkinson's drugs markets in Europe, sales of Orion's Parkinson's drugs in the 12-month period ending in September totalled EUR 147 (138) million, up 6.3% from the comparison period. Orion's Parkinson's drugs have an average market share of about 16% in these five markets. ³⁾

Markets for diagnostics grew slightly

The global market for diagnostics is estimated to be about EUR 25 billion (EUR 24 billion in 2008). Growth was slowed slightly

by the global recession. Last year, the fastest growth was in molecular diagnostics and point-of-care testing equipment.

The diagnostics sector is undergoing rapid change, which is apparent in consolidation in the sector, for instance. The sector is growing slowly and competition is intense. Orion Diagnostica is medium-sized for the sector.

¹⁾ IMS Health

²⁾ Finnish Pharmaceutical Data Ltd, December 2009

³⁾ IMS Health, December 2009

Wide spectrum of customers

Orion strictly complies with the stringent ethical guidelines and practices required of the pharmaceutical sector by the authorities. There are many other players in the sector, and each has an important role in the route of a drug, from pharmaceutical company to consumer.

Different authorities regulate and monitor the pharmaceutical sector and the operations of pharmaceutical companies on a national and regional level. Authorities negotiate about reimbursement and prices, for example, on the national level. This often restricts the range of products available nationally.

Doctors select and prescribe for their patients the specific drug needed by the individual. The patient buys the drug with a prescription from a pharmacy. Pharmacies can for their part affect the range of drugs supplied for sale in their pharmacy. The drug is paid for by the authority, an insurance company or the patient. Finally, the patient consumes the drug. Defining the pharmaceutical industry's customer is therefore not straightforward.

Broad product range

Orion supplies innovative products for central nervous system diseases, cancer, critical care and pulmonary diseases. In Finnish, Scandinavian and Eastern European pharmaceutical markets, Orion also supplies generic pharmaceutical products and self-care products to its customers.

Orion provides contract manufacturing services and a wide range of active pharmaceutical ingredients to other pharmaceutical companies.

Orion also provides a wide selection of veterinary medicines and numerous care products for vets and owners of production animals and pets.

Examples of what Orion offers

Customer group	Orion offers
Specialist doctors, among others • Neurologists • Urologists • Oncologists • Cardiologists • Critical care doctors • Pulmonary doctors	<ul style="list-style-type: none"> High-quality value-added product ranges for core therapy areas High medical expertise Training and support High-quality product ranges for diagnostics and treatment follow-up
General doctors	<ul style="list-style-type: none"> Wide range of generic prescription drugs at competitive price Easyhaler product family High medical expertise Training and support Numerous new-product launches High quality product ranges for diagnostics and treatment follow-up
Pharmacies and pharmacy personnel	<ul style="list-style-type: none"> Wide product range Highly reliable delivery High-quality products Excellent personal service High medical expertise Training and support Numerous new-product launches Well-known trademarks
Patients and consumers	<ul style="list-style-type: none"> High-quality innovative proprietary drugs Wide range of generic prescription products at competitive price Wide selection of self-care products Clear user instructions and product information Numerous new-product launches Well-known trademarks
Partners and other pharmaceutical companies	<ul style="list-style-type: none"> Reliable, flexible and committed partner High medical expertise Latest technology Willingness to learn and develop Flexible and responsive organisation Whole value chain from research to production and sales
Hospitals, surgeries, laboratories and clinics	<ul style="list-style-type: none"> Wide range of diagnostic tests Wide spectrum of proprietary drugs and generic prescription drugs
Authorities	<ul style="list-style-type: none"> High quality standards of drugs Co-operativeness High medical expertise High-quality diagnostic products



Orion responds to the challenges of the sector through focusing on its own strengths and active co-operation with partners



In diagnostics, Orion supplies testing systems for many uses in healthcare and industry.

Extensive networks

Orion has a number of partners in various parts of the value chain. Some are small local players, some are large global companies. All of them are required to achieve high reliability in deliveries, excellent quality standards and a broad product portfolio.

The extensive network of partners ensures wide distribution channels for the proprietary drugs developed by Orion. In addition, Orion supplements its product portfolio by selling partners' products through its own sales network.

Diverse customer base

Customers for Orion's human pharmaceuticals include specialist and general doctors, hospitals and clinics, pharmacies and their personnel, consumers, and other pharmaceutical companies. In many countries, the aim is to target marketing at selected groups of doctors specialising in specific fields, hospitals' procurement organisations and pharmacies. Customers for Orion's veterinary drugs include vets, animal clinics and owners of pets and production animals.

Customers for diagnostic products include hospitals, healthcare centres, surgeries, laboratories, clinics, other companies in the sector and the food, processing and engineering industries. Orion also undertakes contract manufacturing of diagnostic products for other companies in the sector.



Read an example of Orion's partnering activities on page 21.

Keeping on the pulse of the times

The new reference price system for pharmaceuticals that was introduced in April 2009 provides an example of how Orion has adapted to the tightening competition.

Savings for society

Finland's reference price system is based on the Health Insurance Act and the Medicines Act, and complements the generic substitution policy implemented in 2003. Under the new legislation, patients can receive full reimbursement from Kela (the Social Insurance Institution of Finland) only for products included in the reference price system. The reference price is determined by the most inexpensive product in a certain product group plus 1.50 euros – or plus 2 euros in the case of the most expensive medicines.

The pharmacy is obliged to point out to the patient that the medicine prescribed by the physician may be substituted by another product in the reference price system, unless the medicine prescribed is already such a product. If the patient is unwilling to change, he/she must – unlike the previous practice – pay the cost in excess of the reference price him/herself. Experience since this system was introduced has shown that patients are nearly always willing to choose a medicine for which they will receive full Kela reimbursement.

For the society, the reference price system will bring annual savings of tens of millions of euros, since the total sum of Kela reimbursements paid for medicines will decrease. The intention is to use these savings to manage the growth in medical costs, while at the same time supporting other health care and reducing the pressure to raise health insurance premiums.

For pharmaceutical companies, the change means even tighter price competition in the market for generic substitution. If pharmaceutical companies wish to compete, they must not only adjust the prices of their generic products to stand up to reference pricing, but also seek to broaden their product range always when patents expire on the market.

Orion is very competitive

Orion decided to compete in earnest for generic products at the beginning of the 2000s, even before the generic substitution policy came into force. The goal is that patients will have the option, in almost all product groups, of choosing an inexpensive Orion product that is included in reference pricing. In such a way, it is possible to ensure that the chronically ill can continue to be treated with Orion products.

The new reference price system has further increased the need for greater efficiency throughout the value chain, from production to marketing and sales. Orion has successfully broadened its product range. At the present time, about 200 of Orion's generic prescription drugs are available in Finland.

"The first months of the reference price system have shown that we are very competitive," says Pekka Kaivola, Orion's Senior Vice President, Global Sales. "The competition is tough, but our share of the Finnish market for generic medicines has continued to grow."



Exploration and discovery

Orion's pharmaceutical innovations are created within its research and development organisation. The goal is to bring new drugs to market to make patients' lives easier. This would not be possible without world-class scientific expertise and carefully chosen partners.

Searching for new chemical entities and improving and testing them requires patience because a project may produce results only after many years of research. However, the goal of helping patients by discovering new drugs is what inspires and motivates Orion's research and development organisation.

Our organisation comprises some 550 professionals, most of whom work in Espoo, Turku and Kuopio. We also have a smaller unit in Nottingham in the United Kingdom, employing around twenty people, which is our link to the rest of Europe.

Because Orion is a mid-sized pharmaceutical company, it does not make sense for us to invest in all areas of pharmaceutical research. The basis for success is to concentrate on the areas in which we have the best expertise.

Our research activities focus on three areas, which we call core therapy areas. They are the diseases of the central nervous system, oncology and critical care, and our patented Easyhaler respiratory products for asthma and for chronic obstructive pulmonary disease (COPD). We also develop veterinary medicines in many therapy areas.

The pharmaceutical industry traditionally invests more in product development than is the case in other industries. In fact, roughly 12% of Orion's net sales is allocated

to research and development. In 2009, the total sum was increased to EUR 95.2 million from the previous year's figure of 90.0.

Detective work

A substantial proportion of our research and development personnel concentrate on the study of new chemical entities. Orion also produces generic drugs, which are substitutes for drugs on the market whose patent protection has expired.

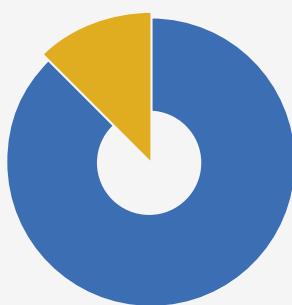
Pharmaceutical research is based on the knowledge that specific proteins in our body have an influence on certain vital functions and thus also diseases. By activating or blocking these target proteins we can induce effects in the body that can stop a disease, slow down its progress or alleviate its symptoms.

This may sound simple, but in reality the research and development of a new proprietary drug can take around 12 years.

Initially, new drug molecules are sought from up to millions of alternatives using three-dimensional computer models, the aim being to discover clues about the chemical structures that are expected to bind to the target protein. Based on the structural clues, new chemical substances are produced for tests.

At this stage, the properties of hundreds of different molecules are studied

Research and development
R&D expenses of net sales 12.3%



Comprehensive global network

Orion's operating environment is genuinely global, highlighting the importance of global networks to us. Target proteins affecting diseases are studied mainly in universities, and we are continuously in contact with university research departments in order to ensure that we are aware of the progress of research in our core therapy areas.

Orion is also a member of the Innovative Medicines Initiative (IMI) supported by the European Commission, in which European universities and pharmaceutical companies conducting research are jointly seeking to develop solutions for the most difficult stages of drug development. One of the project's goals is to make Europe the world leader in pharmaceutical research again, shifting the focus from North America and Asia.

Orion is also part of the mid-sized pharmaceutical companies' Mid Pharma network, in which companies can anonymously compare their own research and product development processes with those of their competitors. This opportunity for comparison is beneficial for all involved in that it can help them develop their own operations.



The basis for success is to concentrate on the areas in which we have the best expertise



in dozens of tests and their structures are optimised. Computers are used to assist in this work, and existing computer-based molecule models can be enhanced on the basis of chemically obtained results. Testing continues until a substance is discovered that meets the criteria.

However, the road from identifying a suitable candidate to obtaining a drug is a long one. At first, a chemical drug molecule must be developed on the basis of computer-assisted design, and its absorption, distribution, metabolism, efficacy, adverse effects and excretion from the body must be studied. This initial phase of pharmaceutical research takes 5–6 years. It is only after completion of this phase that the efficacy of a drug is tested in humans.

In all phases of pharmaceutical research, special attention is paid to the safety of the drug. Recording of any adverse effects is started at the laboratory stage and continues even when the drug is on the market. All Orion employees are required to make an official notification of suspected side effects from any of our drugs.

Only one in ten thousand molecules studied becomes a drug. Since the other alternatives are discarded, research and development involves a great deal more failures than successes. The total cost of developing a new proprietary drug is measured in hundreds of millions of euros, because, in addition to finding the right molecules, massive financial investment is required, especially for large-scale patient trials at the later stage.

The investment is worthwhile, however, because success will bring help to thousands in the form of a new drug. The positive effects on health can be very extensive because the market for a new proprietary drug is always global.

Worldwide, only a few dozen new chemicals acceptable as new chemical entities are registered annually, and so the development of a successful new proprietary drug is always very significant. Over the years, Orion has developed and brought to market eight proprietary drugs, which is more than many of the much larger pharmaceutical companies have done.

Top research in India

An example of Orion's early-stage partnering operations is its research cooperation with an Indian company, Aurigene Discovery Technologies Limited.

"We started our first project with Aurigene in 2007. The collaboration has been such a success that, at the end of December 2008, both parties decided to start another project alongside the first one," says Dr. Antti Haapalinna, Vice President, Research at Orion.

Aurigene is a biotechnology firm specialising in early-stage drug research. Orion chose Aurigene as a partner after learning about the company's impressive technological and research capabilities within the relevant areas of medicine.

The partnership focuses on research into new treatments for cancer. Aurigene's work includes searching for, testing and developing molecules that could affect the action of particular target proteins selected with Orion and considered to have a central role in the growth and spreading of cancer.

"Our organisational structure has been kept as lean as possible, and all of our researchers have the opportunity to concentrate on their own core competences. In addition, our staff are in contact with top-level experts in our client companies," says Mr. CSN Murthy, President and CEO of Aurigene.

Each researcher working on the collaborative projects of Orion and Aurigene has a responsible counterpart appointed in the partner organisation. The data accumulated in the research is collected on an encrypted website, where researchers from both companies can interact and exchange their views.

"We want the researchers to meet face-to-face as well. This brings trust between the partners and improves both cooperation and information exchange," says Haapalinna.

According to Haapalinna, partnerships like the one with Aurigene enable Orion to conduct a number of early-stage research projects simultaneously: "Despite diligent efforts and no shortage of expertise, a majority of the projects don't get as far as introducing products to the market. But working like this, it's possible to have a number of early-stage projects going on, with no dip in quality. This helps us minimise the risks involved in getting research results, and to secure our future."



Strength through cooperation

Orion's research and development organisation is engaged in world-class science. We seek success in developing proprietary drugs by focusing on the stages of research we know best.

We focus especially on studies in which molecules considered for drug development are produced, tested and improved, and which therefore take place before clinical testing.

We would not be able to focus on our core competence without the partners with whom we cooperate globally, especially at the initial and final phases of pharmaceutical research.

For example, screening for the best possible drug molecule from innumerable candidates requires a lot of work that Orion itself does not have the capacity to perform. This is why in early research we usually turn to fairly small technology companies with competence in a certain area of pharmaceutical development. A good example of this is our co-operation with the Indian company Aurigene. We also cooperate with universities conducting basic research in different fields.

At the late stage of the drug development process, the situation is quite different. Our resources are mostly within Europe and often insufficient for conducting phase III patient trials in which a drug is studied in thousands of people around the world. Because of this we often conduct extensive clinical studies in collaboration with partners that are larger than Orion and already have networks in, for instance, Asia and North America.

Pharmaceutical research also involves business risks because the development of new drugs takes many years and the outcome is difficult to predict. Partners share the risks with us, but they also enjoy a significant share of any success – perhaps the discovery of a new molecule, or bringing a new drug to the market.

There may be many partners involved over the various stages of research and development, and they can vary from small research organisations to universities and the world's biggest pharmaceutical companies. With all partners engaging in open interac-

Orion's Proprietary Products

	Indication	Active ingredient	Launched in	
Stalevo®	Parkinson's disease	Entacapone	2003	<chem>O=[N+]([O-])c1ccc(Cc2c(C)c(=O)n3cnc(C)c3)cc1</chem>
Simdax®	Acute decompensated heart failure	Levosimendan	2000	<chem>CN1C=NC2=C1Nc3ccccc3C(=O)N=C2N</chem>
Precedex®	Sedative for patients in intensive care	Dexmedetomidine	1999	<chem>CN1C=NC2=C1Nc3ccccc3C(=O)N=C2N</chem>
Comtan® & Comtess®	Parkinson's disease	Entacapone	1998	<chem>O=[N+]([O-])c1ccc(Cc2c(C)c(=O)n3cnc(C)c3)cc1</chem>
Antisedan®	Sedative-reversing drug for animals	Atipamezole	1989	<chem>CN1C=NC2=C1Nc3ccccc3C(=O)N=C2N</chem>
Fareston®	Breast cancer	Toremifene	1988	<chem>CC1=CC=C(C=C1)C2=C(C=C(C=C2)OCCN3C=NC4=C3N=C4C)C(Cl)C</chem>
Dormitor®	Animal sedative	Medetomidine	1987	<chem>CN1C=NC2=C1Nc3ccccc3C(=O)N=C2N</chem>
Domosedan®	Animal sedative	Detomidine	1983	<chem>CN1C=NC2=C1Nc3ccccc3C(=O)N=C2N</chem>
Easyhaler®	Asthma, COPD	Generic molecules for the Easyhaler device developed by Orion	Since early 1990's	

tion, the chances of discovering new drugs are significantly improved. Sharing competence helps us to improve our own organisation as well. As a partner, Orion also has great respect for the skill and competence of smaller companies.

2009 – a year of changes

Partnering and focusing on our core areas of expertise are part of Orion's new research and development approach, implemented widely in 2009.

The year was a challenging one for us because, as a result of the statutory co-determination negotiations completed in January, mainly the research and develop-

ment organisation had to give notice to about 175 people, while a further 30 or so positions were reduced through retirement and other arrangements.

Unlike in many other companies, the reason for the personnel reductions was not the poorly performing global economy but the need to prepare for the future.

The pharmaceutical industry is currently at a watershed. Regulations on both pharmaceutical research and pharmaceutical sales have become tighter, which has resulted in greater price competition. This has forced Orion's research and development organisation to find new ways of securing its productivity.



Helping in different ways is an important source of motivation for the people of Orion

The changes are also in preparation for the fact that in the near future the patent protection on some of our key drugs will end. In the pharmaceutical industry, new drug molecules are protected with a patent so that the manufacturer may cover the high research and development costs through sales and reduce the burden of unsuccessful projects. On the other hand, the expiry of patent protection helps control costs for patients and society.

To remain successful in ever tougher competition we also need new patents alongside our existing ones. What is more, Orion's internal research and development costs have increased, and cutting them was seen as the only way to ensure the vitality of our research and development activity in the future. We were also able to secure the continuing partnerships that the development of new drugs requires.

Thanks to our partners, we have access to the best possible expertise in the different phases of pharmaceutical research.

Innovations are created by people

Orion's research and development personnel have adapted well to the changes, as they now have a streamlined organisation in which freedom from excessive restrictions is still maintained, and decision-making has been brought closer to all employees.

There would be no Orion without its people. It is the people at Orion who have created innovations and developed high tech expertise through sharing ideas and working together.

Our objective is to bring drugs to the market that will improve well-being. With Orion's drugs, elderly Parkinson's patients, for instance, may be able to live at home longer, and patients suffering from heart failure may be able to cope better in everyday life. Helping in different ways is an important source of motivation for people at Orion.

Even if only a small number of the projects we are involved with today result in drugs that make the lives of patients easier, our research personnel will have made a difference. This goal inspires us and drives Orion forward every day.



World-class competence in the bioanalytics laboratory: Head of Research and development Reijo Salonen with Aira Heikkilä (left), Sari Häkkinen and Maarit Turkka.

Where science meets patients' needs

In developing drugs required by patients, we use world-class scientific expertise. We have outlined annual targets against which we can measure our progress.

We revised our operating model in 2009, and this has already had a significant impact. We are now a flexible, process-based organisation in which project goal achievement forms the framework for our daily work.

Our profound understanding of drug development, our ability to take a strategic approach and our willingness to engage in open discussion are key competitive advantages for Orion. Moreover, our research and development organisation includes top professionals in the field of developing and optimising molecules considered for drug development.

Besides our own expertise we also need the expertise of others. Collaboration with partners maintains our own vitality and allows us to achieve our goal of becoming the most productive research and development organisation in the industry.



From molecule to market

Behind every proprietary drug is an adventure of ten or more years in the molecular jungle, with one success emerging from hundreds of tests.

Before a new drug undergoes patient trials, the safety of the active pharmaceutical ingredient is verified in numerous laboratory tests and in animal models. This will have been preceded by many years of research, in which one drug candidate was chosen from thousands of molecules. The stages in which drugs are studied in humans are known as phases. These are determined by stringent international standards, as is the early research phase.

► **PHASE I:** When a drug candidate is found to have desirable effects in animal models, its efficacy can be studied in humans. This phase is normally preceded by a patent protection application for the new chemical entity being tested. The candidate now has about a 15 per cent chance of becoming a product in the market place.

In Phase I, a small number of healthy human subjects are given minor quantities of the drug candidate in tightly controlled conditions, and the dosage is increased in stages. If there are no adverse side effects, the next phase is proceeded with.

► **PHASE II:** The effect of the drug candidate is tested for the first time on a small group of patients who have the disease being studied. The purpose of this phase is to investigate whether the drug has an

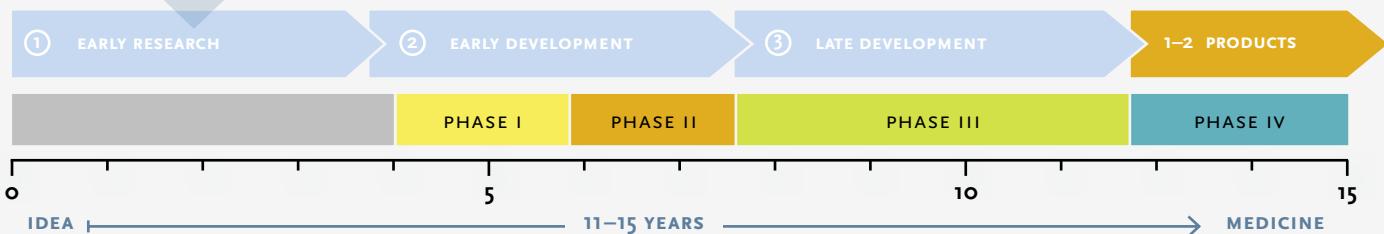
effect on the disease in question and to establish the drug dosage that offers the best possible efficacy-safety ratio.

► **PHASE III:** In this phase, Orion normally works with partners who are able to organise patient trials involving thousands of people in different countries. Phase III studies are undertaken as double-blind trials in which neither patients nor doctors know who is receiving the investigational drug, and who is receiving a placebo or possibly a similar product already on the market.

The moment of truth for the drug candidate has arrived, but now the researchers and patients have the law of probability on their side: drug candidates that make it through to Phase III have about a 75 per cent chance of succeeding.

Phase III accounts for two-thirds of the costs of developing a proprietary drug, and so there is a need for partners in order that costs and risks can be shared. If a drug candidate gets through this phase, there is cause for celebration and for despatching an application for marketing authorisation.

► **PHASE IV:** In this phase the drug is already on the market, but follow-up and further studies can still be carried out. New uses can also be sought for the drug.





*One drug candidate will be chosen
from thousands of molecules*



PROJECT	INDICATION	PRECLINICAL	CLINICAL PHASES			REGISTRATION
			I	II	III	
Histrelin implant (Vantas®)	advanced prostate cancer	Endo Pharmaceuticals Solutions				
Dexmedetomidine (intravenous) for European markets	intensive care sedative					
Easyhaler® combined formulation	asthma, COPD					
Stalevo®, development for Japanese market	Parkinson's disease					
Toremifene	prostate cancer, osteoporosis	GTx				
Paclitaxel for human use (Paclical®)	ovarian cancer	Oasmia				
Paclitaxel for dogs (Paccal®)	mastocytoma (skin cancer)	Oasmia				
Alpha 2 _c receptor pharmacology	Alzheimer's disease, schizophrenia					
Dexmedetomidine (non-intravenous)	pain management	Récro Pharma				
In early research phase	SARM, prostate cancer etc.					

 Own proprietary drug research
 Developed by a partner

Key projects

► STUDIES of dexmedetomidine, a sedative for patients in intensive care, are continuing in 2010. Orion currently has clinical Phase III patient trials under way, in which the drug is being tested in extended (i.e. longer than 24 hours') infusion. The drug is already on the market for example in the United States and Japan, where it can be used as a sedative for critical care patients for a maximum of 24 hours. Our aim is to have the drug registered in the EU. In a study under the name MIDEX, the efficacy and safety of dexmedetomidine are being compared against those of the active in-

gredient midazolam, and in another study, named PRODEX, the comparison is with propofol. The two studies each involved recruiting 500 patients, and the results for the entire programme are expected in summer 2010, at the latest.

► ANOTHER PROJECT is the expansion of the family of Easyhaler inhaled medicinal products. As part of our research programme, we are developing a new product that combines budesonide and formoterol, in which budesonide would be an anti-inflammatory and formoterol would function as a long-acting

bronchodilator. Our aim is to utilise the Easyhaler technology not only in current products and development projects but also to develop new products.

► WE ARE also developing our Stalevo drug for the Japanese market in collaboration with Novartis. Stalevo is already approved for the treatment of Parkinson's disease in other main market areas.



Listen to your body

For many, exercising is not a necessary evil but a way of relaxing, an enjoyable part of everyday life. Body and mind form a whole – the well-being of one helps the other. A healthy dose of exercise and a balanced diet are key in healthy living.

According to the National institute for health and welfare (THL), regular exercise lowers premature mortality rates and prevents many illnesses. A person who exercises regularly faces a diminished risk of depression, osteoporosis, type 2 diabetes and high blood pressure. With exercise, you can control many risk factors of coronary disease, such as elevated blood pressure, cholesterol and blood sugar levels.

A running path or a climbing wall are not everyone's domain. Start with something you feel comfortable with, such as walking or swimming.

Rest is just as important as exercise. When your body asks for a break, say yes.

Read more about Orion's products and find some useful tips at www.orion.fi/en/>Products and services

Moving technology

In the new millennium, technology has come to the aid of people who exercise in a new way. You can box or play golf or tennis with a video game console, right in your own living room. In the sole of your sneaker, you can insert a microchip which sends a continuous stream of data to a music player on your hip. Technology has not, however, taken the reigns from the person – quite the opposite, in fact: the new technologies have encouraged more and more people to get moving and find the joys of exercise.

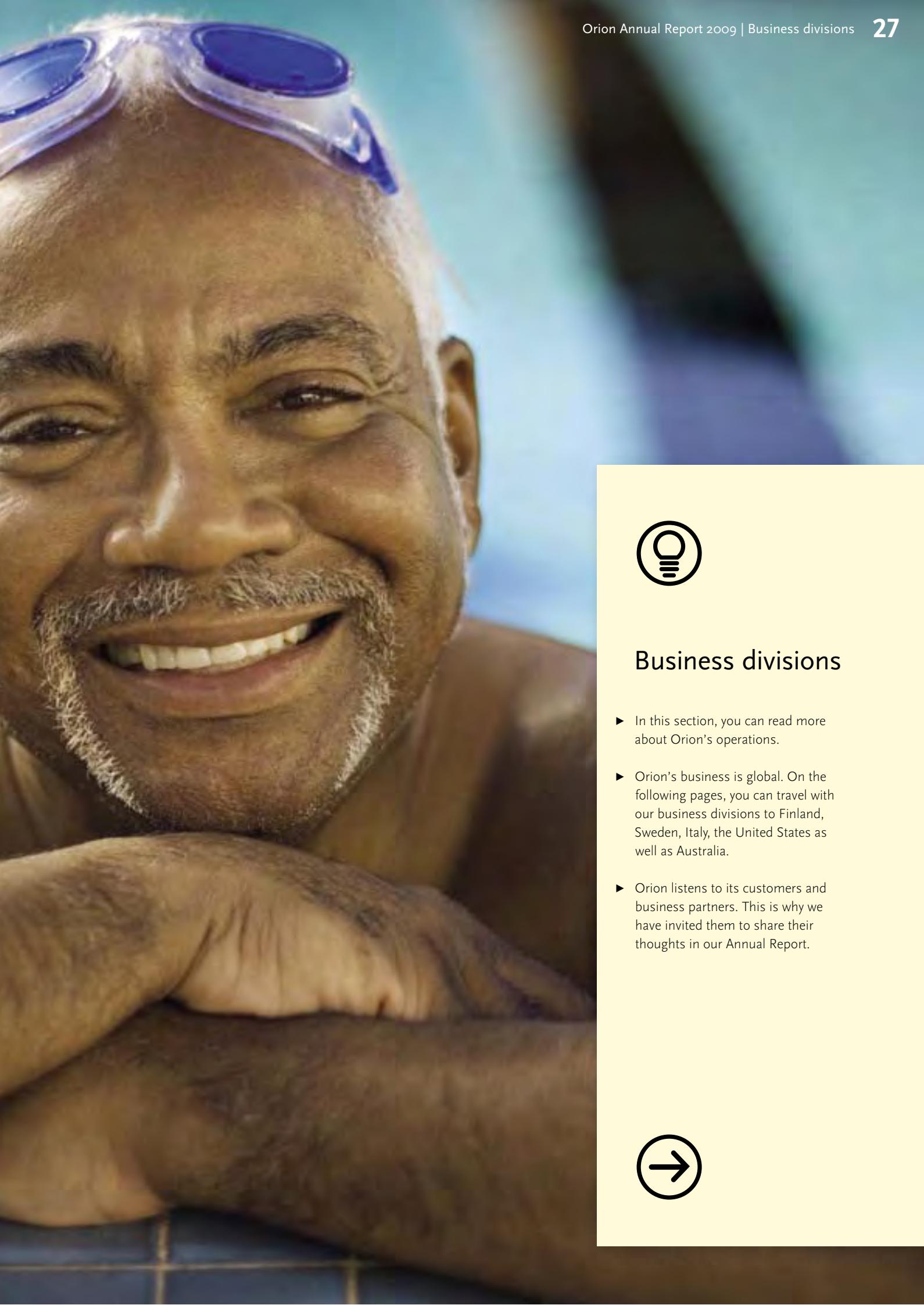


9,000
steps

For staying healthy, the UKK Institute recommends a daily walking dose of 9,000 paces. To reach this, you should walk about half an hour each day in addition to pacing around the office and at home.

Ideally, however, you should take 13,000 steps a day. This calls for an hour's brisk walk, in addition to the steps taken going about your everyday business.

Now, you don't have to test your patience by counting your steps every day. A pedometer can register all the steps you take for you.



Business divisions

- ▶ In this section, you can read more about Orion's operations.
- ▶ Orion's business is global. On the following pages, you can travel with our business divisions to Finland, Sweden, Italy, the United States as well as Australia.
- ▶ Orion listens to its customers and business partners. This is why we have invited them to share their thoughts in our Annual Report.





Orion's business divisions

Two business areas and five business divisions

Pharmaceuticals business

(Proprietary Products, Specialty Products, Animal Health, Fermion, Contract Manufacturing and others)

Research, development, manufacture and marketing of pharmaceuticals and active pharmaceutical ingredients

- Net sales EUR 728.5 million
- Operating profit EUR 210.7 million
 - 28.9% of net sales
- R&D expenditure EUR 89.4 million
- Number of personnel 2,829

Diagnostics business

(Orion Diagnostica)

Development, manufacture and marketing of diagnostic tests

- Net sales EUR 45.2 million
- Operating profit EUR 5.6 million
 - 12.3% of net sales
- R&D expenditure EUR 5.9 million
- Number of personnel 291

Proprietary Products

Net sales in 2009: EUR 324.0 million

Specialises in:

Patented prescription drugs in three core therapy areas:

- Central nervous system diseases
- Oncology and critical care
- Easyhaler pulmonary drugs

Customers:

Specialist doctors, particularly neurologists, urologists, oncologists, cardiologists, critical care physicians and respiratory physicians

Product examples:

- Eight in-house developed proprietary drugs
- Several in-licensed proprietary drugs
- Stalevo® and Comtess®/Comtan® (Parkinson's disease)
- Simdax® (heart failure)
- Easyhaler® (asthma drugs)
- Precedex® (sedative for patients in intensive care)
- Many in-licensed proprietary drugs
- Vantas® and Enanton® (prostate cancer)

Main market areas:

Orion's own Europe-wide network and a worldwide network through partners

Further information:

www.orion.fi/en

In 2009, Orion re-acquired nearly worldwide rights to the Simdax heart failure drug

Specialty Products

Net sales in 2009: EUR 274.8 million

Specialises in:

Generic, i.e. off-patent prescription drugs and self-care products

Customers:

Consumers, pharmacies, physicians, hospitals

Product examples:

- Over 200 generic prescription drugs
- Almost 100 self-care products
- Burana® and Primaspan® (inflammatory pain)
- Ketipinor® (anti-psychotic drug)
- Divina® range and Divigel® (menopausal symptoms)
- Fareston® (breast cancer)
- Marevan® (anticoagulant)

Main market areas:

Finland, the Nordic countries and Eastern Europe, including Russia

Further information:

www.orion.fi/en

"Pharmacies are key customers for Orion"

Read more on page 32

Animal Health

Net sales in 2009: EUR 62.1 million

Specialises in:

Veterinary and care products for pets and production animals

Customers:

Vets, pharmacies, consumers

Product examples:

- Four in-house developed proprietary drugs for animals
- Many prescription drugs and care products for animals
- Domosedan®, Dexdomitor® and Domitor® (animal sedatives)
- Antisedan® (sedative reversal agent)
- Aptus® (well-being range)

Main market areas:

The Nordic countries and Eastern European, a worldwide network through partners

Further information:

www.orionvet.fi

"Vets are interested in the science behind the products" – Swedish hospital director

Read more on page 34

Read more on page 30



Read more about Orion's divisions on pages 30–41.

Orion has a wide offering for cost-effective healthcare.

Fermion

External sales in 2009: EUR 41.4 million

Specialises in:

Active pharmaceutical ingredients for Orion and other companies

Customers:

Orion, other pharmaceutical companies

Product examples:

- Active pharmaceutical ingredients (API), including Orion's own proprietary substances: entacapone, levosimendan, toremifene, detomidine, medetomidine, dexmedetomidine and atipamezole
- Over 20 other APIs

Main market areas:

Worldwide

Further information:

www.fermion.fi

Read about the collaboration between Fermion and a U.S. customer in manufacturing a cancer drug

Read more on page 36

Contract Manufacturing and others¹⁾

Net sales in 2009: EUR 26.2 million

Specialises in:

Contract manufacturing of pharmaceuticals for other companies

Customers:

Other pharmaceutical companies

Product examples:

- AXIRON™ (testosterone replacement) and other products such as painkillers and drugs for brain cancer, prostate cancer and intensive care in the case of heart failure

Main market areas:

Worldwide – the market area depends on the product

Further information:

www.orion.fi

"We chose Orion after a careful assessment of quality, and customer service-related factors" – Australian customer

Read more on page 38

Orion Diagnostica

Net sales in 2009: EUR 45.2 million

Specialises in:

Diagnostic test systems for health care point-of-care testing and industrial hygiene, as well as contract manufacturing for other companies

Customers:

Hospitals, health centres, laboratories, clinics, other pharmaceutical and diagnostics companies, and food, process and mechanical engineering industries

Product examples:

- QuikRead® system and tests
- Uricult® urinary infection test
- Hygicult® test for monitoring of microbial loading and efficiency of cleaning
- Easicult® for the paper industry, airlines and oil companies
- Turbox® analyser for protein determination

Main market areas:

Worldwide

Further information:

www.oriondiagnostica.fi

"Clean Card PRO® is probably the only hygiene product in the world that operates with similar technology"

Read more on page 40

¹⁾ Contract manufacturing and others, i.e. manufacturing for other companies, is included in the Pharmaceuticals business segment. It is not, however, a separate business division, but a part of the Group's Supply Chain organisation.

Close to our hearts

Proprietary Products is Orion's largest business division. Maintaining a dialogue with doctors improves our understanding of how our drugs benefit patients. Liisa Hurme, Senior Vice President of Orion's Proprietary Products business division, and Dr. Giovanni Landoni, an Italian anaesthesiology and intensive care specialist, talk about Simdax®, Orion's proprietary drug developed for decompensated heart failure, and the subject of collaboration.

Dr. Landoni, what's the story behind your involvement with Orion's proprietary drug Simdax?

GL: I'm a senior anaesthesiologist at Milan's San Raffaele Hospital, Italy's largest surgical hospital, and I specialise in perioperative care of patients undergoing cardiac surgery. In my free time I also do research work. In late 2009, my team and I published a research paper in which we stated that levosimendan (Simdax) is one of the few drugs that can improve the survival rate for critically ill cardiac surgery patients, and we now have a large-scale randomised trial un-

der way with the aim of studying the efficacy of levosimendan in one thousand patients. I've managed to get 32 Italian hospitals to participate – it's the first time in my career that I've seen such an enthusiastic response to a single drug.

What has Orion's involvement been in the project?

GL: We're undertaking this project on a completely independent basis. But when I launched the project, Orion was interested straight away. Orion's representatives visited our hospital and gave their full support for the project, which was very important for us.

LH: Collaboration with hospitals is extremely important. At Orion, we have leading expertise in developing drug molecules, but when it comes to actually using the drugs, the true professionals are the doctors and nurses in hospitals and clinics who care for patients on a daily basis.

What are the experiences so far in using Simdax?

GL: The drug clearly improves cardiac function and relieves patients' symptoms. With critically ill cardiac surgery patients, the period prior to surgery will already be challenging. Levosimendan can be used to stabilise the patient either before or after surgery, or at a particular stage during surgery. The trial now under way should give more detailed results regarding patient survival over the next couple of years.

LH: Simdax is an important drug for Orion. The American healthcare company Abbott held the license for it from 1998 to spring 2009, when Orion re-acquired the rights to the drug in all regions of the world except Latin America. Our strategy has focused on strengthening our position in Europe, and in February 2009 we established a subsidiary in Italy, among several other countries. Critical care hospital products occupy a key position in Orion's strategy in Europe. We see considerable potential in Simdax, and we're keen to work with medical professionals in order to help patients in the best way possible. For Orion, too, that's a fundamental goal.

What form do you think collaboration between pharmaceutical companies and doctors should take?

GL: Pharmaceutical companies could bring together medical professionals and assist in promoting discussion between them. This would help professionals work together in tackling challenges.

LH: That's a very interesting idea. We could provide a communications channel in which doctors, for example, could discuss new findings in the medical field with each other or with a wider audience. I think it would also be very useful if pharmaceutical companies, experts on the clinical side and the regulatory authorities that oversee the pharmaceutical industry could come together to discuss how the well-being of patients can best be promoted.

Simdax® – helping the heart



Heart failure is a condition in which the heart can no longer pump sufficient amounts of blood for the body's needs. An estimated 15 million people worldwide suffer from heart failure. Levosimendan, developed by Orion and marketed under the product name Simdax, is a drug intended for intravenous use in hospitals for treating severe decompensated heart failure. Simdax is a calcium sensitizer and, through this mechanism of action, it increases the contractile force of the heart. It also enhances vasodilation, which eases the delivery of oxygenated blood and nutrients to the body and to the heart itself.



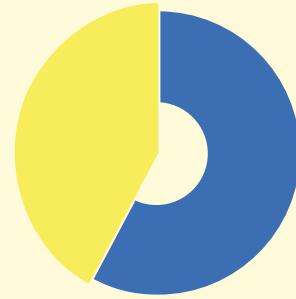
*When it comes to actually using the drugs,
the true professionals are the doctors and
nurses in hospitals and clinics*



Liisa Hurme and Giovanni Landoni have a common goal: helping patients.

Pharmaceutical companies could facilitate dialogue between medical experts.

Proprietary Products
Business division's share of net sales
42%



Proprietary Products

- A proprietary drug is a product whose mechanism of action is based on unique, patented properties concerning the particular molecule involved, the method of administration or the dosage.
- At Orion, eight proprietary products have been developed by the company's own research and development organisation over the years. These form the core of our product range. Four of Orion's proprietary drugs are for veterinary use. In addition to our own products, we sell and market proprietary drugs of other pharmaceutical companies.
- Among the molecular discoveries made by Orion, the greatest global success has been achieved with entacapone, developed for the treatment of Parkinson's disease. The number of patients treated with Stalevo, which contains entacapone, increased considerably during 2009, and the drug is becoming well established as a standard treatment for more advanced cases of Parkinson's disease.
- The Proprietary Products division accounts for about 42% of Orion's net sales. In 2009, the net sales of the Proprietary Products division amounted to EUR 324.0 million, up 16.5% from the previous year.

Promoting health

Pharmacies are key customers for Orion, as our self-care products and generic prescription drugs are available mostly through pharmacies. Markku Huhta-Koivisto, Senior Vice President of Orion's Specialty Products business division, and Riikka Aahe, pharmacist at the Turku-based pharmacy Joutsen ApteeKKI, are firm believers in sustained collaboration.

Riikka Aahe, could you tell us briefly about the Joutsen ApteeKKI pharmacy?

RA: We are a Turku-based pharmacy that goes back almost 200 years. Although I'm a fairly recent arrival myself, the pharmacy's strengths include its long-serving employees and high standard of customer service.

What kind of collaboration is there between Orion and Joutsen ApteeKKI?

RA: Our collaboration is mainly in the field of drug sales and marketing of self-care products. Orion supplies us not only with products but also marketing materials that we display in the pharmacy.

MH: We have also arranged a number of joint training sessions and have discussed our values and delivery commitments.

On what basis do pharmacists arrange prominent displays of certain manufacturer's products?

RA: Simply sending us a product poster, for example, won't guarantee us displaying it in the window. The principle is that the product must be good and the support behind it must be in place. This means that the product concept must be ready and complete, and we must be able to rely on the company behind it.

MH: We have sought systematically to develop our operations in such a way that our campaigns are run according to pre-determined plans and our products are always available.

RA: My own experience is that Orion's products and other materials are delivered on time, and often there is a sales representative, too. In addition, Orion's on-line ApteeKKikanava pharmacy service is a really good source of information that we make use of in our pharmacy.

Could you explain a little more about the on-line ApteeKKikanava service?

RA: The on-line service has all the necessary information on Orion's new product launches and a range of background information. When the service is updated, we get an e-mail notification. It's a valuable addition to the other contacts we have with Orion.

MH: The ApteeKKikanava service is intended as a modern communications channel between Orion and the pharmacies, accessible

anytime, anywhere. But most important of all is still the role of our representatives working directly with the people concerned.

Has the Joutsen ApteeKKI pharmacy had the impression that personal customer service is also available from Orion?

RA: Definitely – I always know who to get in touch with if the need arises. I would think that all Finnish pharmacists are aware of who their representative is at Orion. In some cases the same representatives have been serving pharmacies for decades. Over the years, I've got to know Orion's representatives really well. It's a great strength for a company to have a familiar face in this way.

MH: Listening to what pharmacists have to say is naturally very important for us. We're interested in knowing what we can do for them, and we also welcome constructive feedback that can allow us to further develop our activities. Open discussion and mutual trust are key factors.

What is your view on the regulation of drug sales?

MH: The present system, which is used in a number of countries, is built around the professional skills and competence of pharmacists. If this regulatory framework were to be removed and pharmacy products permitted to be sold through grocery and convenience stores, the prices of individual products could fall, but the total cost to society could rise as a result of the elevated level of risk and lack of professional expertise in customer service.

RA: I'd say that the regulation of the pharmaceutical industry is a great blessing for the industry. If even just a proportion of the self-care drugs are made available through grocery and convenience stores, it would mark the end of regulation. This, in turn, would reduce safety for customers. Currently, pharmacies provide a considerable amount of 'outpatient services' in healthcare, where patients with minor ailments do not need to go to a health centre but can instead obtain professional service from a qualified pharmacist. To ensure we can provide this service we need partners like Orion.

Ketipinor® – a successful innovation



Ketipinor is an antipsychotic used in the treatment of schizophrenia and the manic phase of bipolar disorder. Ketipinor is one of Orion's new generic products and it has had good success on several markets. Ketipinor was developed by Orion and it is manufactured and packaged by Orion's own units. Orion also manufactures the active pharmaceutical ingredient quetiapine using its patented method. Quetiapine affects the neurotransmitters of nerve cells in the central nervous system.

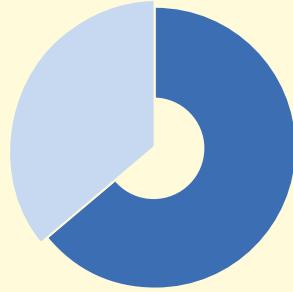


Listening to what pharmacists have to say
is naturally very important for us



Over the years, I've got to know Orion's representatives really well. It's a great strength for a company to have a familiar face.

Specialty Products
Business division's share of net sales
36%



Specialty Products

- The Specialty Products business division is an important component of Orion's business. Our product range comprises about 300 generic prescription drugs and self-care products for primary healthcare. This includes both Orion's own products and those developed by other manufacturers.
- The reference price system that was implemented at the start of April 2009 has led to even tougher price competition in Finland. Orion has succeeded well in this tougher competitive environment and what is more, we managed to strengthen our market leadership. Our more significant product launches during the year included the cholesterol drug Atorvastatin Orion® and Penomax®, an antibiotic for treating urinary tract infections.
- In 2009 our Scandinavian business, in particular, grew substantially as a result of new product launches.
- Specialty Products is Orion's second largest business division, after Proprietary Products, and accounts for about 36% of Orion's net sales. In 2009 the net sales of the division amounted to EUR 274.8 million, up 5.5% from the previous year.

Putting animals' needs first

Orion is one of the major players in the Nordic veterinary medicines market. Satu Ahomäki, Senior Vice President of Orion's Animal Health business division, and Mia Runnérus, Director of the Animal Hospital at the Swedish University of Agricultural Sciences, discuss current trends in animal care.

We are in Uppsala, at the Animal Hospital of the Swedish University of Agricultural Sciences. Why exactly has Orion come here?

SA: At Orion, we feel it is extremely important to know our customers and all the stakeholders involved in animal health. Innovations are created through discussion and collaboration, not by sitting alone in an office. In university veterinary hospitals we can work with students of veterinary medicine and their teaching staff in, for instance, clinical testing.

MR: We too want to maintain the dialogue with pharmaceutical companies, because we're interested in obtaining good products. I think it's good that I can invite familiar faces here who can explain expertly about their products without unnecessary sales talk. Veterinarians are very demanding, and they want to know the science behind the products.

What kind of collaboration have the Animal Hospital and Orion been engaged in?

SA: Here we have studied for instance the safety of Orion's Dexdomitor animal sedative in cats. Currently, we also have late-stage testing under way for Paccal® (paclitaxel), a drug developed for treating mastocytoma in dogs. It's from the Swedish company Oasmia, and Orion has the sales rights for the whole of Europe.

What are currently the core areas of veterinary medicine?

MR: Oncology is a growing area and one in which we're seeking to give our veterinarians further training. There's a need for this in Sweden because owners are increasingly interested in seeking treatment for animals with cancer. Another strongly emerging area is the desire to reduce antibiotics prescriptions and correspondingly to increase the use of analgesics. I think that Orion, too, should be actively offering alternatives to antibiotics, because you are one of the market leaders and this is something that interests animal owners.

SA: At Orion we are well aware that the Nordic countries, in particular, are at the forefront in trying to ensure that antibiotics are only used when there is evidence of a bacterial infection. And when an infection is diagnosed, the antibiotic should be carefully chosen on the basis of the particular bacterium in question. This avoids inconsistent treatment and prevents the bacterial strain from developing resistance to antibiotics.

Orion has already looked at the use of narrow-spectrum antibiotics in the health

care of both production animals and pets, and we are studying the opportunities for developing these kinds of antibiotics. Analgesia is a field close to our hearts, as we have a range of sedatives that are used in conjunction with surgery. Success in surgical operations requires overall pain treatment for the patient, from the pre- to the post-operative phase.

Orion is already offering people QuikRead® diagnostic tests that allow quick decisions on whether the patient has a viral or bacterial infection. Can the same method be applied in veterinary medicine?

SA: Orion Diagnostica does not have any QuikRead tests for animals in its product range yet. It would certainly be a good thing if, in the future, Orion could also offer diagnostic tests in some form for veterinary clinics.

MR: Such tests could be used in verifying the presence of tonsillitis in dogs, for example. For people, this kind of test is widely used already.

Will there be a greater need for advanced veterinary treatments in the future?

MR: It certainly looks that way. I sometimes wonder how long the number of pets being treated can continue to grow, but owners see their pets as part of the family and naturally think of getting them treated when they're sick.

SA: The number of dogs, for instance, that are registered is growing every year. The number of pets in general is growing steadily, and I think this trend will continue. This will generate a need for new forms of treatment.

Domosedan Gel® – for animal sedation

Domosedan (detomidine) is a proprietary drug based on Orion's proprietary molecular invention that veterinarians around the world have used especially as a sedative in horses for more than twenty years. Orion has now developed an easy-to-use gel formulation of the product which allows the drug to be absorbed through mucous membranes. Groomers or owners can apply Domosedan Gel under a horse's tongue, for example. Veterinary surgeons can begin to operate about 30 minutes after application.





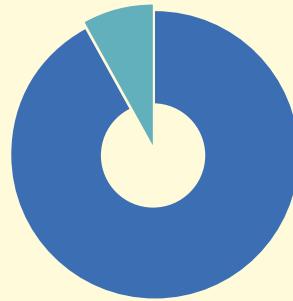
Orion is one of the main veterinary medicine manufacturers and distributors in the Nordic countries



Nordic collaboration: Orion's Satu Ahoniaki (left) and Mia Runnérus, director of an animal hospital in Sweden.

Innovations are created through discussion and collaboration, not by sitting alone in an office.

Animal Health
Business division's share of net sales
8%



Animal Health

- Orion is one of the main veterinary medicine manufacturers and distributors in the Nordic countries. Our market area also covers Poland, Hungary, the Czech Republic and Slovakia.
- Orion's proprietary veterinary medicines developed over the years are the backbone of the Animal Health division. Three of these proprietary medicines are animal sedatives and one is an anaesthetic antidote.
- In October 2009, Orion and Pfizer Animal Health agreed that the European distribution rights for the animal sedative product family developed by Orion will be returned to Orion. Pfizer will continue to market the products elsewhere in the world.
- We also agreed to take responsibility for sales in Norway, Sweden and Denmark of the Improvac® vaccine developed by Pfizer for regulating hormone production in pigs.
- Our division's net sales in 2009 came to EUR 62.1 million. Although we are the market leader in Finland, our overall result was down 7.5% due to the price competition in Europe following the expiry of our animal sedative patents.

① Active manufacturing

Orion's Fermion division specialises in manufacturing active pharmaceutical ingredients. Drug molecules are manufactured not only for Orion's own products, but also for other pharmaceutical companies. In 2009 we continued to co-operate with the U.S. company Allos Therapeutics, for example.

Jorma Mamia, President of Fermion, and Bruce K. Bennett, Vice President of Pharmaceutical Operations for Allos Therapeutics, in what way have you collaborated?

BB: Allos is a biopharmaceutical company committed to the development and commercialisation of innovative anti-cancer therapeutics. In September 2009, the U.S. Food and Drug Administration (FDA) granted accelerated approval for **FOLOTYN™** (pralatrexate injection) drug as a treatment for patients suffering from certain aggressive forms of lymphoma. Under our long-term agreement, Fermion manufactures **FOLOTYN** for our global commercial and clinical study needs.

JM: We also offer research and manufacturing services to contract partners outside Orion. The project with Allos has been ongoing for about two years.

How has the project progressed so far?

JM: We're currently transferring **FOLOTYN** manufacturing technology from Allos to Fermion. In addition, we're also conducting chemical research to find the best way to manufacture this molecule on a factory scale with Fermion's equipment. When we've completed this process, production will become routine.

BB: We believe that the active ingredient made by Fermion will be used in the commercially available drug in 2010. Until now, Allos has played an active role in the technology transfer, but the aim is for Fermion to independently supply us with the active ingredient on a turnkey basis.

Why did Allos decide on Fermion as its contract manufacturer?

BB: Allos only outsources its pharmaceutical production to skilled manufacturers. Fermion is a well-known pharmaceuticals supplier with special expertise in the large-scale manufacturing of drugs such as **FOLOTYN**. We felt that Fermion had the required capacity to meet our needs.

JM: Fermion has had long experience in making various anti-cancer drugs. This makes us a reliable partner.

Has your collaboration been successful?

JM: We've worked together very closely. For example, a chemical expert from Allos worked for some time in our plant in

Finland to assist with the project start-up.

It's rare for co-operation to go so far.

BB: We expected that Fermion's expertise and way of doing business would ensure a good partnership. Fermion has done an extremely fine job and met all our expectations concerning technology transfer and the manufacturing precision. The nine-hour time difference, the language, production-related factors and the differences between U.S. and European regulatory requirements have been a challenge—as was expected at the beginning of the project. In both countries the teams have made sure, through their hard work, that these challenges have not compromised the final result of the project.

What goals were set for the project?

BB: Our near-term goal is to conclude the transfer of active ingredient manufacturing technology to Fermion. Allos will also survey the global markets for **FOLOTYN** and assess the potential for using the ingredient in the treatment of other illnesses, too.

JM: I believe in the future of **FOLOTYN**, and we are very happy to build it together with Allos. In the long term, we can still expect good results 5–10 years from now.

Entacapone – Orion's breakthrough invention



Entacapone, the active pharmaceutical ingredient used in Parkinson's disease drugs, is the most successful active pharmaceutical ingredient invented by Orion. Every year, the Fermion plant in Hanko manufactures more than 100 tonnes of entacapone for Orion's proprietary drugs **Stalevo®** and **Comtan®/Comtess®**. Entacapone enhances the effect of levodopa, a drug used to treat Parkinson's disease, by inhibiting the **C****O****M****T** enzyme. **Stalevo**, which was launched in 2003, contains levodopa and the enhancing enzyme inhibitors entacapone and carbidopa in a single tablet.

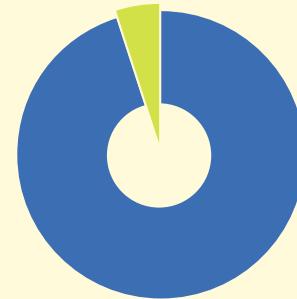


Fermion's expertise and way of doing business ensure a good partnership



A chemical expert from Allos worked in our plant in Finland to assist with the project start-up.

Fermion
Business division's share of net sales
5%



Fermion

- Fermion manufactures the active ingredients for Orion's proprietary products, for some generic preparations, and, through contract manufacture, also for the products of other pharmaceutical companies.
- Fermion is a very important division of Orion, for a significant share of Orion's pharmaceuticals production is conducted by Fermion. Fermion is also one of the world's leading manufacturers of the active ingredients of many generic products.
- The therapeutic properties of pharmaceuticals are contained in the active ingredients. These ingredients are always further developed as part of tablets, capsules, injections, fluids or inhalation products, for example, to which are added the properties affecting the absorption and distribution of the active ingredient.
- Fermion employs over 300 people in Oulu, Hanko and Espoo in Finland.
- Fermion's net sales were up by 14.5% in 2009, reaching EUR 41.4 million, excluding pharmaceutical ingredients supplied for Orion's own use.

① Made under contract

As a contract manufacturer, Orion is a reliable partner that delivers on time. This is why the Australian pharmaceutical company Acrux selected Orion to manufacture its new testosterone therapy product. Esa Nauska, Industrialisation Manager at Orion, and Clive Blower, Acrux's Director of Product Development and Technical Affairs, discuss their collaboration.

How did Acrux discover a partner from the far North?

CB: We made a worldwide survey of pharmaceutical companies that had FDA-approved production plants and the capability to manufacture hormones and handle combustible fluids. Orion was one of them. We made our final choice on the manufacturer for AXIRON™ after making a careful assessment of factors relating to quality, costs and customer service. And Orion's technical expertise as a hormone product manufacturer was also a key factor in our decision.

EN: In global terms Acrux is a small company, and so we were a suitable-sized partner. Another point in our favour was the experience we have with our Divigel® hormone drug, which we make for almost all the main market areas in the world. It quickly became apparent that we and Acrux have the potential

for excellent co-operation. The actual project was kicked off in June 2008.

What kind of product does this collaboration concern?

CB: AXIRON™ is a new kind of testosterone product applied to the axilla (armpit) for the purpose of treating male hypogonadism, or testosterone deficiency due to decreased functional activity of the testes. This complaint is particularly common in aging men, and its symptoms include fatigue and decreased libido.

EN: During 2009, the manufacturing technology was successfully transferred to Orion's Turku plant, where we had already successfully produced AXIRON™'s test and registration lots in fulfilment of the regulatory requirements. Now we focus on getting the commercial manufacturing started.

How would you characterise your work together?

EN: I would say that Acrux works in a very frank, flexible and efficient way. Problems are not allowed to hinder progress, but are dealt with immediately. We've found the right people from both companies for this collaboration. I've also noticed how those in my team have further developed their knowledge and skills. Altogether there are about 20 people actively involved in the project. They're in touch with each other every day.

CB: I'm very satisfied with our co-operation. Orion has been a really active partner in the AXIRON™ project, and this has made it possible for us to achieve our joint targets along the way. To the project, Orion has contributed

its excellent manufacturing know-how and Acrux its profound knowledge of the project and its results-oriented approach.

When can the results of your collaboration be expected on the market?

CB: AXIRON™ has completed the phase 3 clinical trials and we've filed a marketing authorisation application with the FDA in the United States. If it's approved, we expect a launch in the U.S. at the beginning of 2011.

EN: The successful patient trials, the sound technology and the information we've received from the authorities strongly indicate that the marketing authorisation will be granted. Orion's Turku plant is already prepared to begin manufacturing AXIRON™.

How will Orion and Acrux continue their collaboration in the near future?

CB: The annual global market for testosterone drugs is currently about USD 1 billion and is growing by 20 per cent per year. AXIRON™ is a new product for which we project a significant market share first in the U.S. and then in Europe. The aim is that Acrux and Orion will continue to co-operate closely in order to meet the growing international demand for AXIRON™ safely and efficiently.

EN: I believe that safety and ease-of-use will be the key selling points for this product and help it to capture market share. All of the product lots for commercial needs will be manufactured at Orion's Turku plant.

AXIRON™ – the easier choice



AXIRON™ is a testosterone replacement therapy developed by the Australian pharmaceutical company Acrux. Orion is responsible for the contract manufacturing of the product. The drug is used for the treatment of disorders caused by hyposecretion of sex hormones in men (hypogonadism). AXIRON™ is applied transdermally into the armpit. The advantages of the drug over traditional testosterone gels include, for example, applying the product by applicator rather than by hand, discrete application site and ease-of-use. The drug is awaiting marketing authorisation.



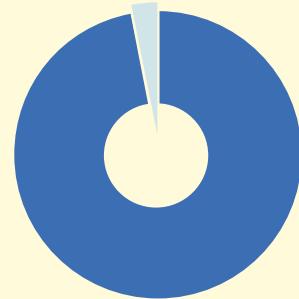
We made our final choice after a careful assessment of factors relating to quality, costs and Orion's technical expertise



Clive Blower (left) and Leah Rudd from Acrux visiting Orion's facility in Turku, Finland. On the right, Orion's Esa Nauska.

Orion has been a really active partner, and this has made it possible for us to achieve our joint targets along the way.

Contract Manufacturing and others
Share of net sales 3%



Contract Manufacturing and others

- Orion's Contract Manufacturing provides services tailored to the customer's needs in pharmaceuticals manufacturing and packaging, for example.
- For the purposes of contract manufacturing, the particular technology for making the drug in question is transferred from the customer to Orion. Orion has long experience in technology transfer projects and in the development of manufacturing processes.
- Contract manufacturing is a growing area, since pharmaceutical companies are increasingly focusing on their core expertise and outsourcing other operations.
- Orion is a respected contract manufacturer that is well-known for its high quality and reliability. Our quality system fulfils the strictest requirements of official bodies around the globe.
- In 2009, the contract manufacturing carried out at Orion's plants included the manufacture of hormone products and cancer drugs.
- The net sales of Contract Manufacturing and others were up by 1.9%, at EUR 26.2 million, in 2009.

Intelligent hygiene

Collaboration with VTT Technical Research Centre of Finland has helped Orion Diagnostica utilise its product expertise in a new way. Jaakko Rissanen, President of Orion Diagnostica, and Harri Kopola, Research Professor and Director for the spearhead programme on printed intelligence at VTT, explain how the cutting edge product Clean Card PRO® came about.

Clean Card PRO is an example of the collaborative projects of Orion and VTT. How common is it for Orion Diagnostica to work with different partners?

JR: It's essential for us to have a collaboration network, because we operate in a competitive, global environment. With VTT, our collaboration goes back many years and covers a variety of projects.

How did the Clean Card PRO project get started?

HK: At VTT, we've been studying printed intelligence since the turn of the millennium. The idea for Clean Card PRO emerged a few years ago in one of our joint meetings. Orion Diagnostica inquired if hygiene tests could be performed with printing technology, and the whole thing took off from there.

JR: We felt that there might be something in it, so we took a considered risk.

What kind of goals were set for the project at the initial stage?

JR: I think that right from the start both sides were set on also achieving commercial results in this project.

HK: That's true. When we launched the spearhead programme on printed intelligence at VTT in 2006, we weren't interested in turning it into a long-term research programme, but instead wanted to produce innovations. By innovations I mean inventions or discoveries that are turned into commercial ventures. Clean Card PRO is an excellent example of what you can do with technology in a short time span.

How has the collaboration worked out?

JR: We've worked together very closely in this project. An indication of this is the fact that our personnel are on first-name terms with their VTT colleagues. The success of the project has been very much based on having the same people involved throughout, on both sides. Working like this has meant actively innovating together.

HK: Everyone's really enjoyed being involved in this project. Neither side has waited for the other to act—instead, we've built the project up together and benefited from everyone's expertise. It's been a win-win situation where each partner has generated added value for the other.

How have the special competence areas of Orion Diagnostica and VTT been applied in this project?

JR: Orion Diagnostica's strength has certainly been its understanding of customer needs

and the leading expertise it has in its own products. VTT, of course, has brought its profound knowledge of the technology.

HK: Orion Diagnostica has brought its special expertise in chemistry and colour indicators. VTT's contribution has been the use of intelligent printing technology to bind chemicals and sensors into a multilayered textile structure of the type that is now also being used in Clean Card PRO.

Will your collaboration in intelligent printing technology continue in 2010?

JR: I think that the use of tests of this kind will grow in the future. Clean Card PRO has already generated a huge amount of interest. As far as I know, it's the only hygiene product in the world that uses this kind of technology. There are countless new opportunities, even including household uses, as people place increasing value on tests that are user-friendly, quick and reliable.

HK: What's more, the capacity for manufacturing technological solutions of this kind is growing all the time. I think that we've only scratched the surface so far, and that printed intelligence will have a lot more applications in health diagnostics.

Clean Card PRO® – intelligent hygiene test



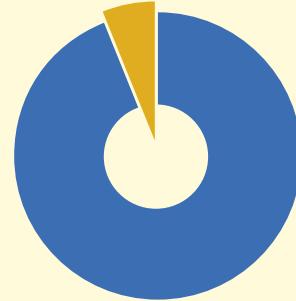
The new generation of hygiene testing launched in 2009 under the name Clean Card PRO is well suited for use in sectors such as food and health care, where a high standard of hygiene is essential. By wetting the surface in question and then wiping it with Clean Card PRO, it can be established whether there is any protein residue on the surface, i.e. signs of insufficient hygiene. If the surface is not clean, the fibre-based test sheet will change colour in 30 seconds.



*People place increasing value on tests
that are user-friendly, quick and reliable*



Orion Diagnostica
Business division's share of net sales
6%



Orion Diagnostica

- Orion Diagnostica manufactures convenient, quick and reliable in vitro diagnostic tests as well as testing systems suitable for point-of-care testing.
- With our QuikRead® system, for instance, tests of blood samples and throat swabs give doctors an instant assessment of whether the patient has a viral or a bacterial infection. This information allows the doctor to more effectively determine the necessity for a course of antibiotics.
- In 2009, Orion Diagnostica's Senior Technology Manager, Juhani Luotola, was awarded the Finnish Engineering Award for his work in developing nanoparticle technology for use in the QuikRead systems. Expansion of our QuikRead product family is continuing.
- Orion Diagnostica's market is global. Besides the health care sector, our test systems are also used in various other fields, for example in determining the purity of aircraft fuels.
- Orion Diagnostica's net sales in 2009 came to EUR 45.2 million.

**An indication of the close-
ness of our collaboration is the
fact that Orion Diagnostica
personnel are on first-name
terms with their VTT colleagues.**



Through the years

Old age need not be a time of aches and ailments. In fact, according to a study published by Stanford University in 2009, happiness increases as we grow older.

At the same time, however, there is talk of senior citizens' feelings of loneliness and alienation from society. To stay healthy, the elderly require company and regular exercise. So make friends with a senior! Just be sure you're able to keep up.

It's surprisingly easy to cross the generational divide, to find a common footing for young and old. And before you know it, you may have made a friend with whom to share stories about the goings-on in the world.



25%

Learn more about corporate responsibility at Orion from our corporate responsibility report, to be published in spring 2010
www.orion.fi/en

Happy days

Active living doesn't end when you walk out of the office as a pensioner. Quite the opposite, in fact. Many people feel the best years are yet to come. Have you yourself made plans for your retirement days? Or if you've already reached that stage, how do you spend your time? There are plenty of options: reading, listening to music, writing, picking berries, cooking, gardening, enjoying the sunrise, rafting, playing with children...doesn't sound so bad, now does it?

By 2020, 25% of EU citizens are more than 65 years of age. The EU has invested millions in a research project to support the development of digital technologies to aid in seniors' everyday life and communications. In this way, the EU is aiming to help the elderly live at home for longer, and to offer them the opportunity to keep up with the latest societal developments. Another goal of the project is to generate new business in the field of technology for elderly consumers.



Responsibility

- ▶ On the following pages, you will learn about responsibility at Orion. Responsibility is part of the everyday work of our personnel, as well as our view on creating well-being.
- ▶ In the Economic responsibility section, we'll tell you how Orion meets the expectations of its owners, and how we support the well-being of the society as a whole both as an employer and a taxpayer.
- ▶ In addition to caring for patients, we are dedicated to the well-being of our personnel and partners. For more information, see the Social responsibility section.
- ▶ In the Environmental responsibility text you will find information on how the environment is taken into account in Orion's daily operations.



On solid foundations

Orion's main task is to create well-being. Responsible operations enable us to fulfil this task.

Our work as an innovative pharmaceutical and diagnostics company is guided by our compliance with legislation and ethically acceptable modes of operation. We are targeting the global markets, and we will follow the same principles of responsibility around the world.

We are known for our high quality and for ensuring the safety of its products and the patients using them. Our manufacturing operations meet the strictest requirements set by the authorities.

Promoting patient health is important work that calls for innovation. At Orion, innovations come about through cooperation and mutual respect between professionally skilled people.

High-quality manufacturing

Orion's product range includes hundreds of different pharmaceuticals and self-care products. Orion ensures that its operations are efficient and flexible by managing the entire value chain of products, from R&D and production all the way to sales and marketing.

About 60 million product packages are produced every year at our plants in Finland, in Espoo, Turku and Kuopio. Active pharmaceutical ingredients are manufactured at our Fermion's units in Hanko and Oulu, and diagnostic products are manufactured in Espoo and Turku.

In addition to its own products, Orion also manufactures and markets products developed by other companies under licence agreements. We also carry out contract manufacturing of both final products and active pharmaceutical ingredients for our customers.

Orion manufactures active pharmaceutical ingredients in Finland, for example for all of its proprietary products. However, the majority of the raw materials used

by Orion are imported. We choose our partners, such as raw materials suppliers, on the basis of careful auditing. We visit our suppliers' facilities to ensure that the quality of their manufacturing meets both Orion's standards and the criteria set by the authorities.

Achievement of high quality is evident everywhere in Orion's operations – in products and services alike. Orion's employees are very committed to fulfilling the requirements of first-rate quality.

Maintaining delivery reliability is also important for Orion, as the availability of our pharmaceuticals has an impact on patients' well-being. High-level quality control in manufacturing and a carefully organised delivery chain ensure that our medicines are always available to those who need them.

Orion monitors and assesses the safety of its pharmaceuticals throughout their life cycle, from the selection of a drug candidate through to the expiry of its marketing authorisation. Guaranteeing patient safety is our priority.

Taking responsibility for tomorrow

As an employer, Orion wants to enhance the well-being of its personnel. We support the development of our employees' skills and provide opportunities for job rotation in various ways.

Orion takes care of its financial responsibilities by carefully considering its actions, employing a long-term approach in its operations and promptly fulfilling the obligations to its employees, partners and the authorities. Responsible operations also form the basis for creating economic added value to our shareholders over the long term.

Orion cares for its environment. We are committed to strict targets for reducing emissions and have made substantial environmental investments in recent years. These have contributed to a dramatic reduction in the emissions into the air from chemicals used in our production, in particular.

Jyrki Linnankivi with Golicha Hussein, UNICEF programme officer of provinces between Kenya and Somalia.



Enough well-being to go around

Orion's cooperation with UNICEF is an important channel for the company to create well-being in Finland and abroad.

The most important criteria in the selection of UNICEF Finland to receive donations from Orion were the organisation's international nature and its compatibility with the sector in which Orion operates. We decided to focus our support on one organisation so that our donations would have the biggest impact possible.

Orion has cooperated with UNICEF since 2008 and is among the organisation's 20 biggest Finnish donors. UNICEF works towards securing children's basic rights in more than 190 countries. The organisation's aim is to provide each and every child with the opportunity to attend school and receive healthcare, and to protect them from abuse, violence and discrimination.

Jyrki Linnankivi, an Orion employee who is famous for being a member of the Finnish rock band 'The 69 Eyes', has served as a UNICEF goodwill ambassador since 2005. He has made two field trips to Kenya and visited Finnish schools to speak about life in Africa.

"I never hesitated to take up the post of ambassador, because children are entitled to a childhood. I think it's great that I can combine my different roles in this way and help children around the world," Linnankivi explains.



Guaranteeing patient safety is our priority

Stakeholders support our operations

It is not practical for a pharmaceutical company the size of Orion to do everything itself. We use partners and subcontractors that have proven to be reliable not only in conducting R&D work but also in manufacturing, selling and marketing our products.

Orion's products are sold in over one hundred countries. Our sales organisation that markets human pharmaceuticals covers almost all of the important markets in Europe. In addition to this, we rely on our global network of partners. We also sell our partners' products through our own sales organisation.

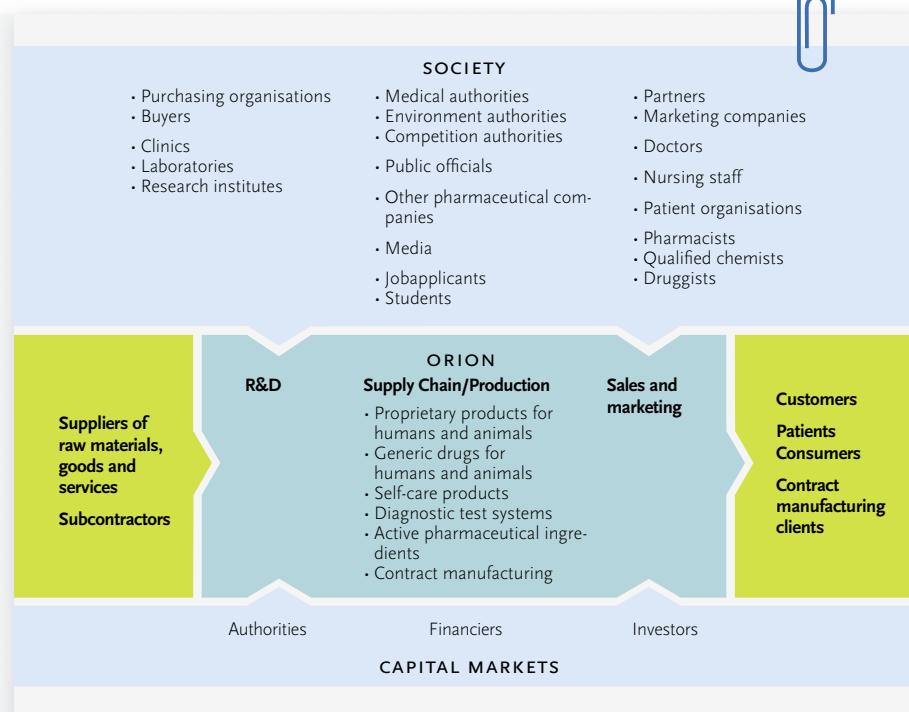
Our partners are among our most important stakeholders, alongside personnel, customers, shareholders and investors. Other important stakeholders include the media and various educational institutions. We cooperate with educational institutions in the field of research and development, for example.

We also want to make sure that we actively provide information about events concerning Orion through our various channels.

Society is also one of Orion's stakeholders, the well-being of which we promote not only as an employer and taxpayer, but also as a supporter of a wide range of civic activities.



**Read more about
Orion's cooperation with
patient organisations**
www.orion.fi/en > Orion
> Corporate responsibility



Close to the patient

Working with various patient organisations is one of the ways Orion meets its responsibilities as a pharmaceutical company and promotes the well-being of patients.

Orion cooperates with several national patient organisations across Europe. Orion already has decades of experience in cooperating with the Finnish Parkinson Association. This includes providing support at training events organised by the association for healthcare personnel and creating a guide entitled 'How to look after myself' intended for patients suffering from Parkinson's disease.

"The guide provides patients with instructions for their daily routines and on how to maintain mobility, since it is also important for Parkinson's patients to take care of their physical fitness," says Outi Knaapi, Product Manager in charge of neurological pharmaceuticals at Orion.

Cooperation between patient organisations and pharmaceutical companies is very common, but highly regulated. Materials handed out to patients through the Parkinson Association must not have any product advertising on them.

According to Outi Knaapi, the work done with the Parkinson Association is based on promoting a common cause. "We share the same goal as the association, which is to increase awareness of Parkinson's disease so that patients know when to seek treatment."

Kirsti Martikainen, a specialist in neurology with the Parkinson Association, agrees: "We cooperate with Orion in the same way as we do with other pharmaceutical companies. The support and knowledge we receive from Orion are important for us."

Using the same principles of openness, Orion engages in cooperation with the Finnish Epilepsy Association (FEA). Similar cooperation is also conducted elsewhere in Europe between patient organisations and Orion's local organisations.



Getting results – responsibly

Orion takes its economic responsibility seriously, whether it concerns its employees, its partners, its shareholders or society as a whole.

Taking economic responsibility means that we plan for the future and strive to understand and manage the risks related to business growth.

In the summer of 2009 Orion revised its economic objectives. According to the revised approach, Orion's objectives are to ensure economic stability and to create a basis for sustained profitable growth. This will ensure that the company is successful in the future, too. Operational continuity also creates a platform for economic responsibility.

Economic responsibility will be reflected in all of Orion's business operations. We believe that economic responsibility also includes the economic value added for the Group's stakeholders.

Orion's most important task is to supply pharmaceuticals to the patients that need them. For example, roughly every third packet of pharmaceuticals that is available for sale in Finland is a product of Orion. Globally, too, Orion is a significant supplier of remedies for certain illnesses such as Parkinson's disease. In 2009, Orion's net sales totalled EUR 771.5 million.

To ensure that our pharmaceuticals are always available, we need partners such as goods suppliers that share our responsible approach. In return, we make sure that all our financial obligations to our partners

are fulfilled on time. Without competent partners we would not succeed in global competition. In 2009, we paid a total of EUR 265.2 million, in cost of goods sold, to suppliers of raw materials, goods and services.

People are our key resource

Orion is a workplace where people feel content. This can be seen in the low turnover of personnel and the high ratings scored in job satisfaction surveys. Orion's strength is being able to offer people work that is meaningful for society.

We offer our personnel a high quality working environment and competitive earnings. In 2009, Orion paid altogether EUR 171.4 million in salaries, wages and other personnel expenses.

We use a variety of methods to help our employees develop their knowledge and skills and to ensure that their work experience is a pleasant one. A personnel that is healthy, motivated and skilled is essential for Orion's financial success.

A solid listed company

As a stock exchange listed company Orion's duty is to produce economic value added for its owners. We have been able to operate efficiently and make a good profit even in economically challenging times.

Example of distribution of Orion's economic value added (EVA)

EUR million		2007	2008	2009	% of net sales
Formation of economic value added					
Customers	+ Net sales	680.0	710.7	771.5	100%
Suppliers and other production costs	- Cost of goods sold	-232.8	-243.4	-265.2	34.4%
	= Gross profit	447.2	467.4	506.3	65.6%
Distribution of value added					
Personnel of business operations	- Salaries and other personnel expenses	111.8	121.2	121.8	15.8%
Public sector	- Income taxes	49.5	47.8	52.3	6.8%
Finance providers	- Financial income and expenses	-1.4	0.9	3.3	0.4%
Community involvement	- Grants and membership fees	0.9	1.1	1.1	0.1%
	= Total	302.0	311.9	312.4	40.5%
Distributable earnings					
Shareholders	- Dividends	141.3	133.9	141.0 ¹⁾	18.3%

¹⁾ The Board of Directors proposes to the Annual General Meeting that the dividend for 2009 be EUR 1.00 per share and that EUR 0.10 per share be distributed from the expendable fund in the distributable equity as a repayment of capital.



Healthy, motivated and skilled personnel is essential for Orion's financial success

For this, we also want to reward our almost 55,000 shareholders. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.00 per share be distributed for 2009. If the proposal is accepted, it will mean that we will distribute 93.5 per cent of our profit for the year as dividends, and that the effective dividend yield will be 6.6 per cent.

In addition the Board of Directors proposes that EUR 0.10 per share be distributed from the expendable fund in the distributable equity as a repayment of capital.

Orion as a corporate citizen

Orion's status as a corporate citizen promoting the public good is particularly significant in Finland, since we are a major employer and tax payer in our country. In 2009, we paid EUR 52.3 million in income taxes.

Of our total personnel of over 3,000 employees, 80 per cent work in Finland, where our whole production and core operations are also concentrated. For example, we are among the biggest private employers in the cities of Espoo and Hanko.

Orion also supports public well-being through donations. In addition to promoting the health care sector, which is close to us, we have a significant co-operation agreement with UNICEF. In 2009, we paid a total of EUR 1.1 million in various grants and membership fees.

Jouko Mäkinen, Mayor of Hanko, knows the worth of the chemical industry for his home town.



A beacon of light in Finland's southernmost city

Fermion is a division of Orion that manufactures active pharmaceutical ingredients in production plants in Espoo, Oulu and Hanko, Finland's southernmost city.

Fermion's Hanko plant, which has operated since the 1970s, originally manufactured antibiotics. Nowadays, Fermion's largest production unit is known, for example, for its entacapone molecule developed by Orion as part of its proprietary pharmaceuticals for the treatment of Parkinson's disease.

"My overall impression of Fermion is very positive," says Jouko Mäkinen, Mayor of Hanko. "I've never heard anything negative about it at any stage. Fermion is a key player in our local community."

Fermion employs 150 people in Hanko. Mäkinen praises the plant not only for its employment impact, but also for its sound environmental policy. In the plant's solvent gas treatment facilities, solvent gases are combusted into non-hazardous compounds and also generate energy for Fermion's processes.

The City Mayor believes in the future of the chemical industry.

"Generally speaking, the chemical industry is important for Hanko and I intend, for my own part, to see that the industry's future labour needs are catered for in vocational education in our area. When we think of all the gloomy economic news we've received in recent times, Fermion has been a beacon of light in Hanko," says Mäkinen.



**More key figures
can be found on
the flip side of
the Report.**



Well-being for personnel and society

Social responsibility at Orion covers the well-being of personnel, work with customers and cooperation with partners.

Orion's success is dependent on people – on successful recruitment and the enhancement of expertise and well-being at work. We offer challenging tasks and an enjoyable working environment in a company that, in addition to promoting patient health, takes care of its own personnel.

Orion's reputation as a responsible and stable company often comes across when we receive feedback in recruitment situations, for example. We intend to preserve this reputation in the future and to incorporate this responsible approach into our work with customers in a more concrete way. We also expect responsibility from all of our partners.

Orion employs more than 3,100 people across Europe. Employees with different nationalities and cultural backgrounds all share the common corporate culture of Orion.

Moving forwards safely

The pharmaceutical industry is a highly regulated sector, which means that Orion has to meet strict quality and safety requirements in its operations. Promoting occupational safety is the responsibility of Orion's safety management team, which is in charge of enhancing operations and providing practical proposals for improvements. All of our personnel are obliged to comply with workplace safety regulations in accordance with our Safety Guide.

Ensuring that personnel are familiar with the requirements for acting in accordance with the guidelines is of utmost importance in order to guarantee occupational safety. Safety also includes ensuring well-being at work. For example, during 2009, the Turku plant organised the 'Healthy at Work' project, under the leadership of the occupational safety unit, occupational health services and HR management. This project charted safety risks and solutions for minimising them as well as reasons for sickness absences and ways



Orion's values are presented on page 14.

Chemical risks under control

During 2009, Fermion, which manufactures active pharmaceutical ingredients, introduced new guidelines for the assessment of the risk of exposure to chemicals.

The guidelines took the form of the pharmaceutical industry's Standard Operating Procedures (SOP), which can now be used to more accurately identify the risks of exposure resulting from the use of chemicals at Fermion's plants. As an employer, Orion is obliged to provide safe working conditions for its personnel.

"The new guidelines help in prioritising the areas that need to be developed. We use them to assess new chemicals being put into use and active pharmaceutical ingredients entering production, in addition to the ingredients already being produced by Fermion and the methods of handling them," says Fermion's Safety Manager, Mervi Satta.

The assessments made using the guidelines created at Fermion in 2009 have enabled the company to present concrete proposals on how to make certain manufacturing processes more enclosed than before.

"In order to avoid chemical exposure, employees use personal protective gear. Our objective, however, is to reduce the need for using personal protective gear in the future by improving equipment and working methods," says Satta.

Similar guidelines have already been drawn up for Orion's other production plants on the basis of the Fermion model.



Values in mind: striving for top results. Ville Ojanen (left), Jukka Leppänen and Anna Laakso.

We aim to enhance motivation through job rotation and training.

of reducing them. After the completion of the project, occupational accidents and sickness absences declined significantly at the plant.

Orion's goal for occupational safety is to achieve a zero accident rate. The ratio of accidents to working hours performed was 6.5 per million working hours in 2009. In 2008, the corresponding figure was 7.3. Occupational accidents at Orion consist mostly of minor injuries caused by tripping or slipping.

Orion's occupational health services provide the company's employees with a professional service and promote well-being at work, with the emphasis on prevention. Personnel at the Espoo and Turku business locations are served by Orion's own occupational health service, which also coordinates the purchased services in the other locations.

Respect forms the basis for workplace culture

Early in 2009, Orion completed statutory co-determination negotiations that mainly concerned the pharmaceutical R&D unit. As a result of the negotiations the company's personnel in Finland was reduced by about 205 persons. With the help of this difficult decision, Orion braced itself for tougher competition in the pharmaceutical industry and the expiry of some important patents.

Despite the changes, day-to-day life at Orion has mostly continued on a positive note. For employees to feel comfortable in the workplace it is essential for mutual respect and cooperation to remain among the factors that define Orion's working culture.

We aim to enhance motivation through job rotation and training.

Each supervisor at Orion must participate in a three-stage coaching programme called 'Being a Supervisor at Orion'. This type of coaching is arranged throughout



our organisation across Europe and one of its objectives is to provide supervisors with the tools to further the implementation of Orion's strategy at their units.

Supervisors must also make sure that all employees are treated fairly and that they have the necessary skills to carry out their tasks. In addition to supervisors, employees also receive support from personal mentors.

A large number of people at Orion carry out demanding expert tasks. For these employees, we have tailored a coaching programme called 'Being an Expert at Orion', which is another important area of focus in training.

Orion's extensive selection of training covers the needs of all personnel groups. Each Orion employee is carefully familiarised with his or her task. Through training, employees can put their professional skills to better use in furthering the company's strategic objectives.

In 2009, Orion employees received 5.6 days of training per person on average.

Dialogue between supervisors and subordinates

Regular performance reviews between employees and their supervisors are an important communication channel, the significance of which we emphasised in 2009. The Happy@Work workplace atmosphere survey, which is conducted annually in

cooperation between Orion and the Finnish Institute of Occupational Health, indicated that some of Orion's employees felt that performance reviews were not a suitable way of voicing their opinions.

For this reason, we organised several events for discussing the objectives and content of performance reviews at various Orion business locations towards the end of the year. Employees were also given tips on how to prepare for performance reviews and how to gain the most benefits from them. We want to ensure that performance reviews provide employees with a chance to freely discuss matters pertaining to their work and to provide feedback on their supervisor's performance and the working community's atmosphere.

In addition to performance reviews, the performance of project and unit leaders is measured using a 360-degree evaluation, which involves receiving feedback from supervisors, colleagues and subordinates, or from other members of the project. After each feedback session, the employees being evaluated draft a plan with their supervisors for improving their leadership skills in the future. Similarly, a 180-degree evaluation has been created for employees working in expert tasks, in which supervisors and colleagues provide feedback.

Employees at Orion can also voice their opinions through a permanent representative on the company's Executive

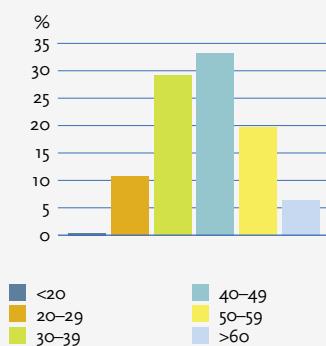
Management Board. In addition to official joint events, the company's management discusses current issues with the representatives of the personnel at many unofficial meetings.

Our employees are doing well

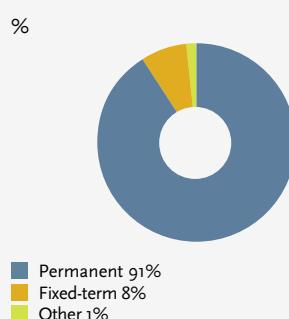
More than 80 per cent of Orion's personnel responded to our Happy@Work survey in 2009. According to the results, Orion employees are satisfied with their work, and the relatively low turnover in our personnel is evidence of this. The average period of service with Orion is 11 years. According to our surveys, Orion employees also identify with the company's values and feel that they are doing important work helping patients.

Orion listens to feedback from its personnel and develops its operations accordingly. A good indication of this is the fact that the results of the Happy@Work survey have improved every year.

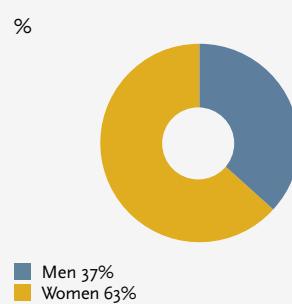
Age structure 2009



Personnel by employment type 2009



Personnel by gender 2009





Orion's relatively low employee turnover shows that personnel is satisfied with their work



Learn more about Orion as a workplace
www.orion.fi/en/careers



Orion Horizon looks to the future

The Orion Horizon training programme, which was first organised in 2009, is an example of Orion's sound investment in the development of its personnel.

Concluded in December, the Horizon programme lasted for 6 months and 17 Orion employees were selected to participate.

"We wanted different people from different countries and various areas of the organisation to join the programme. Orion's business environment is continuously becoming more challenging, and so we selected people to initiate change at Orion in the future," says HR Director Kirsi Nurmela.

The programme's four teaching modules enhanced the participants' expertise in the areas of strategy, business, finance and management. Special attention was paid to methods with which customer needs can be identified and better fulfilled. The participants were coached by Orion's own experts, as well as trainers invited from British and American universities.

Hao Pan, Head of Region Western Europe in Orion's sales organisation, and Satu Vartiainen, Production Development Manager, participated in Horizon. They were eager to take up the opportunity when it was offered. Even though the coaching took up a lot of time and was hard work, they were both satisfied with the rewards.

"We got to listen to some excellent guest speakers who shared their ideas on developments in global business," says Vartiainen.

"The theoretical content of the training was first-class. By working together on projects related to the coaching, we were able to apply theory to practical work in the pharmaceutical industry. These two aspects complemented each other perfectly," says Pan.

"Orion Horizon enabled us to network with people working in different parts of Orion," Vartiainen says.

Timo Lappalainen, Orion's President and CEO, was actively involved in the implementation of Orion Horizon. Each group also presented its project work, based on real business proposals, to Orion's Executive Management Board and the Chairman of the Board of Directors.

According to Kirsi Nurmela, the programme can be considered a success. "As the people participating in Horizon learned new things, expertise at Orion also grew. In addition to new business opportunities, the fruits of this training programme can be used to improve the entire company's operating capacity."



Caring for the environment

Caring for the environment is an essential part of Orion's way of working.

Orion's environmental objectives have been determined at the company's highest level, and the entire organisation is committed to achieving them.

Potential effects on the environment resulting from Orion's own operations include chemical emissions from production, energy consumption, and adverse environmental effects from the end use of products and the waste generated by it.

At Orion, the areas of focus in environmental responsibility are air pollution control, wastewater management, soil protection, general waste management and recycling. During 2009, we continued to enhance our operations in all of these areas.

Over the years Orion has striven to be a pioneer in its sector, going beyond what is required by law in its attention to the environment.

Promoting cleaner air

In 2009, Orion's environmental investments totalled EUR 1.3 million, similar to 2008. One of the core areas of development in the past year was a reduction in the use of solvents at our plants to meet the requirements of the Government Decree on the limitation of emissions of volatile organic compounds

(the VOC decree). Orion's operations around the world are also compliant with the EU's REACH legislation, the aim of which is to ensure safety in the handling of chemicals.

Orion has, in fact, been able to significantly lower the use of harmful solvents in its production of pharmaceuticals. In the manufacture of pharmaceuticals, solvents are traditionally used for the granulation and coating of tablets, for example. These solvents are harmful to the environment when they evaporate into the atmosphere.

At the Espoo and Turku pharmaceuticals plants, the use of the solvent most harmful to the air, methylene chloride, has been completely replaced with environmentally friendly processes. Meanwhile, we have also substantially reduced the use of acetone and methanol.

Discontinuing the use of all harmful chemicals at the Hanko and Oulu production plants of our Fermion unit, which is responsible for the production of active pharmaceutical ingredients, is not possible since this type of production relies on synthesis between chemical compounds. On the other hand, methylene chloride emissions, for example, have ceased almost completely after the installation of combustion systems at the plants in 2007 and their subsequent introduction into service. When solvent fumes are burned by the combustion systems, they produce harmless compounds and generate energy for the plant's own processes.

Top priority to the safety of people and the environment

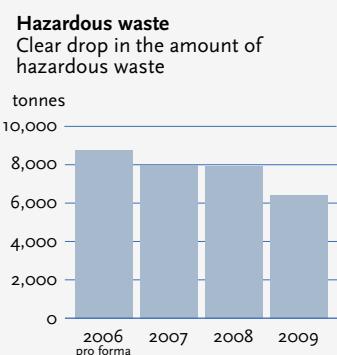
None of the waste generated by Orion's production operations is released into the environment without treatment.

For example, production tools and utensils are suction cleaned after their use to remove all visible particles which are then sent to the central cleaning systems of Orion's plants where they are disposed of as hazardous waste. Once this procedure is complete, the equipment is washed and the cleaning water is released in accordance with the environmental permit into the municipal sewer system, and from there it goes to the waste water cleaning facility for further processing.

In addition to chemicals and active pharmaceutical ingredients, Orion classifies all materials that have been in contact with the pharmaceuticals manufacturing process as hazardous waste. This includes disposable wear, respirators and gloves used in production work, all of which are disposed of among hazardous waste. This prevents anyone from accidentally coming into contact with materials that may pose a risk of exposure to the residues of active pharmaceutical ingredients.

The majority of the non-recyclable waste generated by Orion is burned at Ekokem Oy's Riihimäki plants. The thermal energy generated by the plant is used, for example, for heating the towns of Riihimäki and Hämeenlinna.

In 2009, the amount of hazardous waste



Taking responsibility for tomorrow

In 2009, we continued our membership in the international Responsible Care programme, which is a voluntary environment, health and safety initiative of the chemical industry.

The objective of the programme is to promote operations that are in line with sustainable development, both from the social and environmental point of view. All participating companies are committed to developing their products and operations in a way that increases social well-being.

The Responsible Care programme has participants from 52 different countries. An open international community offers an excellent channel for dialogue and cooperation between its stakeholders.

delivered to Ekokem decreased almost 19 per cent to 6,398 tonnes, down from 7,891 tonnes in the previous year, owing to the processing of hazardous waste at Fermion's plants, among other things.

Activities throughout the organisation

In 2009, we appointed a number of persons to be in charge of processing waste at the production departments in Turku. Their task is to inform their departments of the best recycling practices and how operations are being developed.

Cardboard, paper, plastic, metal and glass, for instance, are sorted and separated and sent for recycling. Only mixed and biodegradable waste is taken to a landfill.

We have made efforts to facilitate the recycling of products that customers wish to discard, by encouraging customers to return expired products to a pharmacy and making it easier for pharmacies to deliver expired products for disposal.

Orion is also a member of the non-profit Environmental Register of Packaging PYR Ltd, which promotes the recycling of discarded packaging.

Saving energy is our goal

In 2008, Orion committed itself to the energy efficiency programme of the Confederation of Finnish Industries, the objective of which is to achieve a nine per cent reduction in energy consumption from the 2005 level by 2016. The aim is to cut the consumption of electricity, heating and fuels.

The reduction in energy consumption must not take place at the expense of quality in working conditions and production. In 2009, we continued to chart the areas where energy can be saved at each unit. Our next step is to undertake concrete measures to achieve our challenging goal.



Cardboard converted to energy in Turku

Orion's plant in Turku annually generates about 200 tonnes of burnable waste, which includes printed packaging material. Even though this waste does not contain any residues of pharmaceuticals, it often contains material that has information relating to Orion's products printed on it and therefore cannot be taken to an ordinary landfill or a paper recycling facility.

In the past, the Turku plant used to send this type of waste to the local waste burning facility for disposal. Due to problems relating to the continuity of the plant's operations, Orion had to find another way to dispose of this waste. Together with Lassila & Tikanoja plc, a company specialising in environmental management, we came up with an innovative solution, in which the waste is crushed at Lassila & Tikanoja's facility in Turku and then transported to the neighbouring municipality of Parainen, where Finnsementti Oy uses it as fuel in its cement production operations.

"Lassila & Tikanoja's processing facility is located about five kilometres from Orion's plant in Turku. Picking up the waste in this way is obviously worthwhile. The waste crushed in Parainen partly replaces coal as a source of energy in the manufacture of cement, and results in a much smaller carbon footprint," says Pasi Kollanus, the expert on environment, health and safety at Orion's Turku plant.

According to Kollanus, the Turku plant's objective in the near future is to recycle up to half of the annual waste that is currently sent to landfills.



Learn more about environmental responsibility at Orion from our corporate responsibility report, to be published in spring 2010
www.orion.fi/en



Meet young people from Orion
www.orion.fi/en/careers

Easing into work

They say that the young are indefatigable. However, as the world of work is becoming increasingly straining, soft values have started to gain a stronger foothold amongst young people, as well.

No longer are young people starting their career necessarily looking for a quick ride into the limelight, promotion, or a bloated paycheck. Instead, the meaningfulness of the job, the atmosphere at the office or the match between corporate and personal values, may weigh more in the great scheme of things.

People work to live, not the other way around.

To balance out a hectic lifestyle, we seek security and stability from family and friends. We also derive joy from pets, such as cats and dogs. In Finland alone, tens of thousands of them are registered annually.

The home becomes all the more important in financially stressful times. *Cocooning* and *homing* both refer to a yearning to be in that safe environment.



76 %

The ABC of happiness

What makes you happy? There are as many responses as responders. From year to year, however, researchers have tried to map out the happiest countries in the world by analysing huge amounts of information and global surveys. For example, the World Values Survey has been ongoing since the 1980s. According to the results of the study in 2008, the happiest people in the world are the Danish. Scientists at Michigan University responsible for the study say that wealth alone does not equate happiness, but that tolerance and freedom of choice are equally important.

According to a survey on the values and lifestyles among the young in 2009 by the Economic Information Office, up to 76 per cent of people between the ages of 15 and 21 are worried about the toughening of our societal value base. About half also worry about their own stamina and well-being at work in the future. Simultaneously, however, up to 85 per cent regard their life a happy one.



Corporate Governance

- ▶ Starting from the next page, you can learn more about Orion's Corporate Governance.
- ▶ In the section, we also cover risk identification and management practices at Orion.
- ▶ At the end of the section, you can familiarise yourself with our Board of Directors and hear our Executive Board's tips for improving your personal well-being.





Corporate Governance Statement of the Orion Group

General principles

The operations and activities of Orion Corporation and its subsidiaries (the Orion Group) are based on compliance with laws and regulations issued thereunder, as well as with ethically acceptable operating practices. The tasks and duties of the different governance bodies of the Group are determined in accordance with legislation and the corporate governance principles of the Group.

In its governance, Orion Corporation follows the Finnish Corporate Governance Code 2008 for companies listed on NASDAQ OMX Helsinki. Orion Corporation deviates from the Code's recommendation No. 22 concerning the election of members to the Nomination Committee, which can also include persons other than members of the Board. The Company considers the exception justified in view of the Company's ownership structure and the potential for flexibility when preparing for the election of the Board members.

Management system

The management system of the Orion Group consists of the Group-level functions and Business Divisions. In addition, the system includes the organisation of the administration of the legal entities. For the steering and supervision of operations, the Group has a control system for all levels.

The management of the whole Group takes place at the Group level. The follow-

ing are examples of management of the whole Group at the Group level:

- determination and follow-up of the Group strategy
- the basic organisation and the steering and supervision of the operations of the Business Divisions
- investment decisions (the budgets and the largest investment decisions)
- issues concerning the entire parent company and the Group

The business operations of the Group take place in Business Divisions. The different Group-level functions provide services to the Business Divisions, each function being responsible for organising its own responsibility area Group-wide.

Group level

Parent company Orion Corporation

The parent company of the Group is Orion Corporation, whose shareholders exercise their decision-making power at a General Meeting of Shareholders in accordance with the Limited Liability Companies Act and the Articles of Association.

Board of Directors of parent company

The Board of Directors of the parent company comprises at least five and at most eight members elected by a General Meeting of

Shareholders. The term of the members of the Board of Directors ends at the end of the Annual General Meeting of Shareholders following the election. A General Meeting of Shareholders elects the Chairman of the Board of Directors, and the Board of Directors elects the Vice Chairman of the Board of Directors, both for the same term as the other members. A person who has reached the age of 67 may not be elected a member of the Board of Directors.

The Board of Directors manages the operations of the Company in accordance with the provisions of the law and the Articles of Association. The Board of Directors of the parent company also functions as the so-called Group Board of Directors. It handles and decides all the most important issues relating to the operations of the whole Group or any units irrespective of whether the issues legally require a decision of the Board of Directors. The Board of Directors may handle any issue relating to a company or unit of the Orion Group if deemed appropriate by the Board of Directors or the President and CEO of the parent company. The Board also makes sure that good corporate governance practices are followed in the Orion Group. The Board's charter includes a list of key matters to be handled by the Board of Directors.

The Board of Directors has an **Audit Committee**, a **Remuneration Committee**

Composition of the Board of Directors and Board committees as of 23 March 2009

	Board of Directors ¹⁾	Audit Committee	Remuneration Committee	R&D Committee
Matti Kavetvuo	Chairman		Chairman	Member
Jukka Ylppö	Vice Chairman	Member		Member
Sirpa Jalkanen ²⁾	Member			Member
Eero Karvonen	Member	Member		Member
Leena Palotie	Member			Chairwoman
Vesa Puttonen	Member	Chairman	Member	
Hannu Syriänen	Member		Member	

¹⁾ All Board members are independent of the Company in the manner described in the Finnish Corporate Governance Code.

²⁾ New member as of 23 March 2009





Orion's management practices and culture are based on compliance with laws and regulations issued thereunder, as well as with ethically acceptable operating practices

and an **R&D Committee**. The members of the committees are elected from the Board members by the Board of Directors. The designated auditor of the Company's auditor also attends the meetings of the Audit Committee. The committees prepare matters belonging to their sphere of responsibility and make proposals on these matters to the Board of Directors.

In addition to the committees composed of Board members, the Company has a **Nomination Committee** which can also include persons other than members of the Board.

President and CEO of the parent company
The President and CEO of the parent company is elected by the Board of Directors. In accordance with the Limited Liability Companies Act, the President and CEO is in charge of the day-to-day management of the Company in accordance with instructions and orders issued by the Board of Directors. In addition, the President and CEO ensures that the bookkeeping of the Company complies with the law and that its asset management is arranged in a reliable way.

The President and CEO of the parent company manages the Group's business operations via the Business Divisions. Accordingly, the executives responsible for the Business Divisions report to the President

and CEO. The President and CEO carries out the steering and supervision of the operations of the divisions with the assistance of the Executive Management Board and the Group-level staff functions.

Executive Management Board

The Executive Management Board includes the President and CEO as Chairman, and other persons appointed by the Board of Directors of the parent company as members. The Executive Management Board assists the President and CEO in decision-making.

The Executive Management Board handles all important issues relating to the whole Group and its units, including all the matters of the Business Divisions or line functions that are to be handled by the Board of Directors of the parent company. However, the President and CEO can, if considered appropriate, decide not to take a matter to the Executive Management Board.

Staff functions

The Group-level staff functions participate in the steering and supervision of the operations of the units belonging to the Group as part of the management and control system. In this task they assist the President and CEO in the management of the Group.

The staff functions are in charge of, among other things, the following Group-level functions: finance, treasury, investor relations, human resources, legal affairs and intellectual property rights, communications, internal audit, and insider affairs.

Business Divisions and line functions **Business Divisions**

The operations of the Group are organised into Business Divisions. Each Business Division is managed by an executive who is responsible for the operations and operative management of the Business Division and who reports to the President and CEO.

Line functions

The line functions provide function-specific support and services to all Business Divisions within the Group. The responsibilities of the line functions include:

- sales and marketing
- supply chain
- research and development
- business support

Administration of legal entities

From the point of view of business operations, the Group subsidiaries operate in accordance with the Group's management system. In matters that are not directly subject to any Business Division or line

Composition of the Nomination Committee as of 21 September 2009

Timo Maasilta, Chairman
Kari Jussi Aho
Matti Kavetvuo
Timo Ritakallio
Jukka Ylppö

Composition of the Executive Management Board as of 1 January 2008

Timo Lappalainen	President and CEO, Chairman of the Executive Management Board ¹⁾
Satu Ahomäki	Senior Vice President, Animal Health
Markku Huhta-Koivisto	Senior Vice President, Specialty Products and Fermion
Olli Huotari	Senior Vice President, Corporate Functions
Liisa Hurme	Senior Vice President, Proprietary Products
Pekka Kaivola	Senior Vice President, Global Sales
Jari Karlson	Chief Financial Officer
Pekka Konsi	Senior Vice President, Supply Chain
Reijo Salonen	Senior Vice President, Research and Development
Riitta Vartiainen	Senior Vice President, Business Development and Support
Liisa Remes	Employee Representative

¹⁾ Also representing Orion Diagnostica in the Executive Management Board



Remunerations¹⁾ paid to the members of the Board of Directors in 2009

	Total remuneration, EUR	Portion paid in B shares, No. of shares
Matti Kavetvuo, Chairman	103,080	2,674
Jukka Ylppö, Vice Chairman	69,100	1,820
Sirpa Jalkanen	43,200	1,337
Eero Karvonen	48,600	1,337
Leena Palotie	45,000	1,337
Vesa Puttonen	54,000	1,337
Hannu Syrjänen	48,500	1,337
Board of Directors total	411,580	11,179

¹⁾ The figures comprise the remunerations for the Board meetings and the Committee meetings, including fringe benefits.



Corporate risk management is described in more detail on pages 63–65.

function, the subsidiaries operate in accordance with instructions by the President and CEO of the parent company.

Control systems

Internal control principles

Management practices and management culture

The Board of Directors of Orion has defined the Company's principles for internal control in the Company. Management practices and management culture are based on compliance with the law and the Articles of Association, and with Orion's values and ethical business practices. Internal control is part of normal steering and management of operations, as described in the management system, and it is supported by risk management, the audit and internal audit-

ing. The aim of internal control is to ensure that operations are efficient and profitable, operational risks are adequately managed, laws and regulations are complied with and information is reliable. It is based on clear setting and monitoring of objectives, and effective and pragmatic risk management. In practice, the management of each subunit is responsible for its internal control, and each business unit or function organises internal control in its own unit or organisation in accordance with the principles in the policies and guidelines set at Group level. Key guidelines are included in the Group's Corporate Governance Manual.

Risk management

Risk management constitutes a significant part of Orion Group's corporate govern-

ance and is an integral part of the Company's responsibility structure and business operations. The aim is to identify, measure and manage the risks that might threaten the Company's operations and the achievement of the objectives set for the Company. Overall risk management processes, practical actions and the definition of responsibilities are developed by means of regular risk identification approaches covering the following areas:

- strategic risks, including research and development risks
- operational risks, including sales and business risks, as well as risks related to production, safety and the environment
- financial risks, including market, credit and liquidity risks

Shareholdings¹⁾ of the members of the Board of Directors on 31 December 2009

	A shares	Change since 1 Jan 2009	B shares	Change since 1 Jan 2009 ²⁾	A and B total	% of total shares	% of total votes
Matti Kavetvuo, Chairman	110,596	0	87,858	2,674	198,454	0.1%	0.2%
Jukka Ylppö, Vice Chairman	1,247,136	0	291,334	1,820	1,538,470	1.1%	2.3%
Sirpa Jalkanen	0	0	1,337	1,337	1,337	0.0%	0.0%
Eero Karvonen	546,200	0	21,600	1,337	567,800	0.4%	1.0%
Leena Palotie	0	0	5,600	1,337	5,600	0.0%	0.0%
Vesa Puttonen	0	0	7,600	1,337	7,600	0.0%	0.0%
Hannu Syrjänen	0	0	3,177	1,337	3,117	0.0%	0.0%
Board of Directors total	1,903,932	0	418,506	11,179	2,322,438	1.6%	3.5%

¹⁾ Shareholdings of organisations or foundations controlled by the person are also included.

²⁾ The increased holdings of B shares in 2009 have been received by the Board members as a proportion of their annual remuneration.



Orion's effective and uniform processes are based on the Company's extensive enterprise planning system

Shareholdings¹⁾ of the Executive Management Board on 31 December 2009

	A shares	Change since 1 Jan 2009	B shares	Change since 1 Jan 2009 ²⁾	A and B total	% of total shares	% of total votes
Timo Lappalainen, President and CEO	0	0	11,950	4,400	11,950	0.0%	0.0%
Satu Ahomäki	0	0	1,963	1,250	1,963	0.0%	0.0%
Markku Huhta-Koivisto	0	0	23,110	2,860	23,110	0.0%	0.0%
Olli Huotari	0	0	2,940	1,740	2,940	0.0%	0.0%
Liisa Hurme	0	0	3,045	2,520	3,045	0.0%	0.0%
Pekka Kaivola	764	0	11,535	2,860	12,299	0.0%	0.0%
Jari Karlsson	0	0	8,760	2,860	8,760	0.0%	0.0%
Pekka Konsi	428	0	4,504	1,240	4,932	0.0%	0.0%
Reijo Salonen	0	0	4,380	2,680	4,380	0.0%	0.0%
Riitta Vartiainen	36	0	5,268	1,405	5,304	0.0%	0.0%
Executive Management Board total²⁾	1,228	0	77,455	23,815	78,683	0.1%	0.0%

¹⁾ Shareholdings of organisations or foundations controlled by the person are also included.

²⁾ Liisa Remes, employee representative in the Executive Management Board, is not included in the public insiders of the Company.

Operational risk management also includes project-specific risk management.

Control measures

For financial steering and reporting, the Group has a reporting system intended to provide the management sufficient and timely information to plan and manage the operations. Orion has Group-wide guidelines and supporting policies for financial steering and harmonising practices. The guidelines and the Company's extensive enterprise resource planning system ensure uniformity in processes. The Group's finance department handles financing, Group accounting and tax affairs centrally. In addition, finance personnel in subsidiaries, and the centralised Controller function ensure uniform practices in every country and business area.

Reporting and communications

Orion's efficient and uniform processes are based on the integrated enterprise resource planning system. For steering of operations, monthly financial reports are produced presenting actual results achieved, a comparison of actual results with targets, and a forecast of future development. Orion also uses numerous indicators in target setting and follow-up

in various functions to aid supervision and steering of operations in accordance with the objectives set.

Follow-up and auditing

The Audit Committee of the Board of Directors evaluates the effectiveness of the Company's internal control and is responsible for evaluating the effectiveness of the internal reporting process. The external audit of the Group companies is carried out in accordance with the applicable laws and the Articles of Association. The objective of the statutory audit is to verify that the financial statements and the report of the Board of Directors give a fair and adequate presentation of the results of the operations and the financial position of the Group. The audit also includes auditing of the Company's accounting and administration. The designated auditor of the parent company's auditor co-ordinates the audit of the subsidiaries of the Group in co-operation with the President and CEO and the Internal Audit of the Group. For the purpose of the supervision and steering of operations, the Group has in addition an internal audit function subordinate to the President and CEO with the central task of examining and evaluating the effectiveness and credibility of the internal control and

risk management of the companies and units belonging to the Group.

Insiders in the Orion Group

The Orion Group follows the insider guidelines issued by NASDAQ OMX Helsinki, on which the Group's own Guidelines for Insiders are based. The Group's permanent insiders comprise the insiders with the duty to declare their holdings in Orion's public insider register and other persons defined by the Company as permanent company-specific insiders in accordance with the Company's own insider register. The insiders with the duty to declare comprise the members of the Board of Directors of Orion Corporation, the President and CEO, the designated auditor, and the members of the Executive Management Board. The permanent company-specific insiders are persons that the Company has decided are permanent company-specific insiders.

The Company maintains its insider register in the SIRE system of Euroclear Finland Ltd.

The key practices applied by the Company to the administration of insider affairs are consistent with the insider guidelines of NASDAQ OMX Helsinki.



Independence of the Board members

Based on an evaluation, the Board of Directors has determined that all the members are independent of the Company and its significant shareholders in the manner described in the Finnish Corporate Governance Code.

Charter of the Board of Directors

The Board of Directors has adopted a written charter containing the rules for:

- constitution of the Board of Directors
- meeting arrangements
- minutes of the meetings
- confidentiality obligations of Board members
- ineligibility situations
- most important matters to be handled by the Board
- communication about the matters handled by the Board
- self-evaluation of the Board's performance and working methods

Charters of the committees

The role of the committees, according to their charters, is limited to making proposals to the Board, without decision-making authority. A charter has been confirmed by the Board for each committee.

Charter of the Audit Committee

According to its charter, the Audit Committee shall comprise at least three members elected by the Board annually for the term of the Board. The members shall have the qualifications necessary to perform the responsibilities of the committee, and at least one member shall have expertise specifically in accounting, bookkeeping or auditing.

The members shall also be independent of the Company, and at least one member shall be independent of significant shareholders of the Company. The qualifications and the independence are evaluated as provided in the Finnish Corporate Governance Code.

The committee shall meet at least four times per year, and it shall report to the Board.

The committee concentrates particularly on matters pertaining to financial reporting and control in the Orion Group. Its duties include:

- monitoring the reporting process of the financial statements
- supervising the financial reporting process
- monitoring the efficiency of the Company's internal control, internal audit, and risk management systems
- monitoring the audit of the financial statements
- evaluating the independence of the auditor, particularly the provision of related services to the Company
- proposing a resolution on the election of the auditor
- monitoring the financial position of the Company
- evaluating the compliance with laws and regulations in the Company

Charter of the Remuneration Committee

According to its charter, the Remuneration Committee shall comprise at least three members elected by the Board annually for the term of the Board. The majority of the members of the committee shall be independent of the Company in the manner described in the Finnish Corporate Governance Code.

The committee shall meet at least twice a year, and it shall report to the Board.

The committee shall handle and prepare matters concerning compensation and remuneration of the management and the personnel of the Orion Group, as well as the nominations of executives appointed by a decision by the Board.

Charter of the R&D Committee

According to its charter, the R&D Committee shall comprise at least three members elected by the Board annually for the term of the Board. The majority of the members of the committee shall be independent of the Company in the manner described in the Finnish Corporate Governance Code.

The committee shall meet at least twice a year, and it shall report to the Board.

The committee shall deal with and evaluate questions concerning research and development within the Orion Group, and make proposals concerning them to the Board.

Charter of the Nomination Committee

In addition to the committees composed of Board members, the Company has a Nomination Committee which, deviating from the recommendation of the Corporate Governance Code, can also include persons other than members of the Board. The Company considers the exception justified in view of the Company's ownership structure and the potential for flexibility when preparing for the election of the Board members. The majority of the members of the Committee shall be independent of the Company in the manner described in the Finnish Corporate Governance Code.

According to the Nomination Committee's charter, the members of the committee are appointed by the Board annually for a term ending at the closing of the Annual General Meeting of shareholders following the appointment. For the appointments, the Board shall hear the views of the largest shareholders in the shareholder register by the number of votes about the composition of the committee. The hearing takes place at a meeting to which the twenty (20) largest registered shareholders by the number of votes shall be invited. Shareholders not entitled to participate in General Meetings on the basis of their shareholdings are, however, disregarded in calculating the largest shareholders.

The committee shall meet when necessary.

The task of the committee is to prepare and present a recommendation to the Board of Directors for the proposal to the Annual General Meeting of shareholders concerning the composition and compensation of the Board. The committee shall inform the Board of its recommendation. The recommendation prepared by the committee shall not be regarded as a proposal by a shareholder to a General Meeting of shareholders. Nor shall the recommendation have any impact on the Board's independent decision-making powers or its

right to make proposals to General Meetings of shareholders.

Board of Directors and Committees

In 2009, altogether 15 Board meetings were held (15 Board meetings in 20008), of which 2 (2) were teleconferences. The average attendance of the members was 95% (94%).

Committee meetings were held in 2009 as follows, with average attendance in parentheses:

- Audit Committee 4 meetings (100%)
- Remuneration Committee 7 meetings (100%)
- R&D Committee 2 meeting (100%)
- Nomination Committee, appointed on 21 September 2009, 3 meetings (100%)

The Board of Directors conducted a self-evaluation in autumn 2009.

Remuneration of the members of the Board of Directors

According to the decision by the Annual General Meeting held on 23 March 2009 concerning the annual fees for the term of office of the Board of Directors, the Chairman shall receive EUR 72,000, the Vice Chairman shall receive EUR 49,000 and the other members shall receive EUR 36,000 each. As a fee for each meeting attended, the Chairman shall receive EUR 1,200, the Vice Chairman shall receive EUR 900 and the other Board members shall receive EUR 600 each. The aforementioned fees shall also be paid to the Chairmen and to the members of the committees established by the Board for each committee meeting attended. The Chairman of the Board shall have a telephone as a fringe benefit. The travel expenses of all Board members shall be paid in accordance with the travel policy of the Company.

Of the annual fee, 60% is paid in cash and 40% in Orion Corporation B shares, which were acquired for the members on 8 April 2009 from the NASDAQ OMX Helsinki stock exchange in amounts corresponding to EUR 28,834.95 for the Chairman, EUR 19,625.88 for the Vice Chairman



and EUR 14,417.47 for each of the other Board members. The part of the annual fee paid in cash, which corresponds to the approximate sum necessary for the payment of the income taxes on the fees, was paid on 25 March 2009. The annual fees encompass the full term of office of the Board of Directors.

Auditors in 2009

The auditor of Orion Corporation is Price-waterhouseCoopers Oy, Authorised Public Accountant Firm, the designated auditor being Janne Rajalahti, Authorised Public Accountant.

Remuneration of auditors

The remunerations to the auditors are paid against accepted invoicing.

Executive management of the Orion Group

President and CEO

The President and CEO of Orion Corporation is Timo Lappalainen as of 1 January 2008.

Service contract of the President and CEO

If the service contract of the President and CEO is terminated on the Company's initiative, the notice period is 6 months. If the service contract is terminated on the initiative of the President and CEO, the notice period is 6 months, unless otherwise agreed. The service ends at the end of the notice period. If the service contract is terminated either on the Company's initiative or on the initiative of the President and CEO because of a breach of contract by the Company, the President and CEO will be compensated with a total sum corresponding to the monetary salary for 18 months, unless otherwise agreed. No such separate compensation will be paid if the President and CEO resigns at his own request for reasons other than a breach of contract by the Company.

The retirement age of the President and CEO has been agreed to be 60 years, the target level of the pension being 60%.

Remuneration of the President and CEO

The remuneration of the President and CEO is subject to a decision by the Board

of Directors. The salaries, remuneration and performance-based bonuses paid to the President and CEO in 2009 totalled EUR 640,651 (EUR 501,039 in 2008), consisting of EUR 420,383 (EUR 390,839) in salary and benefits and EUR 220,268 (EUR 110,200) in bonuses.

Executive Management Board

Remuneration of the members of the Executive Management Board

The remuneration of the other members of the Executive Management Board is subject to a decision by the Board of Directors or its Chairman. The remuneration system for these persons consists of a monthly salary and a performance-based bonus. The performance-based bonuses are based on predefined profit targets as well as personal goals. Some of the members of the Executive Management Board have the right to retire at the age of 60 to 63 years with a pension amounting to about 60% of the pensionable salary.

The salaries, remunerations, benefits and performance-based bonuses paid to the President and CEO and the other members of the Executive Management Board for 2009 totalled EUR 3,045,717 (EUR 2,689,051), comprising EUR 2,034,077 (EUR 1,958,658) of salaries and benefits and EUR 1,011,640 (EUR 730,393) of performance-based bonuses.

Share-based incentive plan

In January 2007, the Board of Directors of Orion Corporation decided on a new share-based incentive plan for about thirty (30) key persons in the Orion Group. The aim of the plan is to encourage them to sustained efforts to increase shareholder value and to strengthen their commitment to the development of the Company's operations.

The possible incentive is determined on the basis of the growth of Orion's operating profit in the years 2007–2009 and separately agreed personal performance objectives. The incentive is granted in the form of the Company's B shares or cash, or both. The number of shares included in the plan shall not exceed 350,000, corresponding to about 0.25% of the total share stock

of Orion Corporation. A recipient may not transfer the bonus shares during the first two years after the date of receipt, except for certain special circumstances.

Management remunerations total

The salaries, remunerations, benefits and bonuses paid to the members of the Board of Directors of Orion Corporation, the President and CEO and the other members of the Group's Executive Management Board for 2009 totalled EUR 3,457,300 (EUR 3,056,200).



The remunerations paid to the auditors in 2009 are specified in Note 4 on page 25 of the Financial Statements.

» Risk management

Risk management constitutes a significant element of Orion's corporate governance and is an integral part of the Company's responsibility structure and operative control principles. Orion aims to identify, measure and manage the risks that might threaten the Company's operations and the achievement of the objectives set for the Company.

Overall risk management processes, practical actions and the definition of responsibilities are developed by means of regular risk identification approaches covering the following areas:

- strategic risks, including research and development risks
- operational risks, including sales and business risks, as well as risks related to production, safety and the environment
- financial risks, such as market, credit and liquidity risks

Operational risk management also includes project-specific risk management.

Strategic risks

Long-term business development risks

Development of new pharmaceuticals involves considerable risks because of the long time spans required by the development work and the inherent uncertainties related to the final outcome, i.e. whether the product can ever be launched in the markets. This strategic risk is managed by the following means:

- the Group includes business units that focus on areas of health care other than the development of its own proprietary products. These units that balance the Group's operations include generic drugs, veterinary medicines and diagnostic tests
- the pharmaceutical product range is to be kept sufficiently broad
- product development and marketing risks are shared by working in close co-operation with partners

Proprietary drugs account for a considerable proportion of the Group's net sales and earnings. Orion engages in intensive research with the aim of introducing its own new proprietary drugs in markets worldwide. However, the Group cannot guarantee that new products can be introduced in the markets in accordance with expectations. Furthermore, changes can occur in the co-operation with partners, for example due to corporate actions.

The scope of strategic risks also includes the thoroughness of the Company's corporate governance and reporting principles. In line with the Finnish Corporate Governance Code 2008, Orion Group's explicit corporate governance code inspires public trust in the Orion Group and its management. The trust is based on transparently published fundamental characteristics and principles of the system, as well as clear definitions of the responsibilities, rights, obligations and reporting relationships of the persons involved.

In addition, the Company enhances the confidence of its stakeholders, such as people affected by its operations, capital markets and its shareholders, by providing open, truthful and consistent information about events, the Company's operations and financial status in a timely manner.

Research and development risks

The development of proprietary drugs involves many uncertainties. Typically, only about one in ten research projects that reach the clinical phase is launched in the markets. The main reasons for discontinuing a development project relate to the efficacy and safety of the drug candidate. This is why the pharmacological properties of drugs under development, such as their efficacy and safety, are delineated through phased research that can progress to clinical trials with humans only with the approval of regulatory drug authorities.

The pharmacology and safety of a drug candidate are extensively studied using preclinical laboratory models and by monitoring tolerability and adverse effects throughout the clinical trials.

In major research projects, Orion's Board of Directors takes the decision on whether to progress from one research phase to the next. In minor research projects, the decision is taken by the executive management. The decisions are always based on a comprehensive analysis of the accumulated research results and the current market situation. For the marketing authorisation application and the summary of product characteristics (SPC), all phases and results of the research are carefully



documented for regulatory approval. In accordance with statutory requirements, the adverse effects of a drug continue to be monitored even after it has been launched.

The financial risks increase as research projects progress to clinical trials in humans. The most expensive phase is the last, Phase III clinical trials, which are multinational and involve hundreds or thousands of patients. Double-blind studies are used to ensure as reliable as possible evidence of the efficacy and safety of the drug. This is why Orion generally shares the high financial risks of Phase III trials by conducting them jointly with another pharmaceutical company that will also be a marketing partner for the drug.

Risks relating to competing so called generic drugs

A characteristic feature of the pharmaceutical industry is that manufacturers of so called generic drugs seek to launch into a market at the earliest possible stage their own versions of drugs, which are generally cheaper than the originator company's products. This can be done by, for example, trying to use the courts to invalidate the originator company's patents or other intellectual property rights well before they are due to expire. These actions can result in high litigation and other expenses for an originator company, and may lead to significant losses of sales.

In developing its products, Orion endeavours to protect them as well and extensively as possible, whilst defending its product rights effectively by itself and together with its marketing partners.

Downward pressure on pharmaceutical prices

In addition to normal price competition, there are many other factors putting downward pressure on the prices of pharmaceuticals, mainly due to decisions by authori-

ties as governments seek to curb the rise in national drug costs. They include generic substitution and reimbursement systems based on reference prices, changes in regulations concerning them, and cuts in drug prices and reimbursement. Parallel imports in the EU area are also depressing prices.

Orion is responding to these challenges by maintaining a sufficiently diverse product range, continuously enhancing cost-effectiveness and allocating its development and sales resources appropriately.

Operational risks

Sales and business risks

Sales of pharmaceuticals generally require a fairly extensive network of sales representatives, and maintaining the sales force requires substantial fixed costs. Orion's business operations are based on its own sales network in Europe and sales through partners elsewhere in the world. This structure is intended to optimise available resources and risk-bearing capacity, in view of the input required for worldwide marketing of own new proprietary products.

Where Orion has its own sales organisation, sales must be kept sufficiently high to maintain profitability. This generally requires a broad enough product range.

Launching a new proprietary product into the markets is particularly expensive for a relatively small company like Orion. The costs are significant, especially if the company does not yet have operations in the country where the product is to be launched.

Risks associated with pharmaceutical production

Pharmaceutical manufacturing is subject to regular inspections by the authorities. Pharmaceutical products must be safe and efficacious, and they must meet all quality

standards. To comply with statutory requirements, in pharmaceutical production close attention must be paid to various safety and quality risks.

Adequate quality of pharmaceuticals is ensured through systematic overall management of operations covering all factors with direct or indirect impact on the quality of the drugs. The operations are directed with comprehensive instructions and adequate control of materials and products before and after production.

Legal, intellectual property rights and regulatory risks

The pharmaceutical sector is subject to some special regulations and close regulatory control by authorities. Pharmaceutical manufacture, distribution and research require licences from authorities. The pharmaceutical sector is also overseen by the competition authorities. Orion has clear policies and principles for its operations that ensure compliance with these regulations.

Intellectual property rights are inherently crucial importance to the pharmaceutical sector. To protect Orion's position, the patent situations of its products available for sale and in the pipeline are continuously monitored worldwide. This is done to ensure the rights to products developed by Orion can be defended and to prevent Orion itself from infringing patents or other intellectual property rights of others.

Patent protection is nevertheless of limited duration, and the expiry of patent protection on an important product can have a negative impact on the Orion Group's operations, financial position or operating results. Nor does Orion have guarantees that patent protection will be obtained for new products in the pipeline to the desired extent or that the authorities will grant the



The pharmaceutical sector is subject to special regulations and close regulatory control by authorities

marketing authorisations required for the products.

Product liability risks

As explained in the description of research and development risks above, the launch of a new drug in markets is preceded by extensive phased trials that delineate the drug's pharmacological properties, such as its efficacy and safety. Marketing authorisation issued by drug authorities is required to start sales and marketing of a drug.

The adverse effects of a drug are monitored as required by the authorities even after the launch of the product. Through the trials and pharmaceutical production methods described above, Orion strives to ensure in advance that its products do not have any adverse effects such as might lead to a liability to pay compensation or to withdrawal of a major product from markets.

As cover for the financial impact of product liability risk, the Orion Group's products and operations are insured through operational and product liability insurance that also covers clinical studies, except for clinical studies carried out in the United States or Canada. The purpose of the insurance is to provide cover for any liability for damages on the part of the policyholder. As is customary in insurance terms, this protection is limited as regards to potential payout, for example. Certain products and active pharmaceutical ingredients are also excluded from the cover, some of which are included in Orion's operations. Nevertheless, they are not estimated to increase Orion's product liability risk materially.

Risks of damage

In addition to statutory insurance, Orion has property, business interruption and

liability insurance to cover such risks of damage as are deemed to be material and limitable through insurance.

Corporate safety risks

Orion's Corporate Governance Manual includes the Group's corporate safety guidelines. The objective of the Group's corporate safety policy is to ensure the uninterrupted continuation of operations, the safety of people, the protection of property and the environment against damage, and the adequacy of the measures relating to data protection. The corporate safety guidelines set out the principles for corporate safety activities, and also cover guidelines for crisis management. In addition to guidelines, the data protection policy includes the objectives, key principles and responsibilities for data protection.

Environmental risks

The Group's environmental protection guidelines include detailed instructions and responsibilities. Persons responsible for development and monitoring of environmental issues have been appointed for each unit of the Group. Environmental impacts are monitored through, for example, emissions measurement, waste quantity control and statistics on the consumptions of various raw materials. The implementation of environmental protection is monitored through annual internal audits. The Company has the valid environmental permits required for its operations.

Product procurement and corporate acquisition risks

Orion endeavours to expand its operations by purchasing from other pharmaceutical companies or in-licensing products that are under development or already available in markets, or possibly by acquiring other pharmaceutical and biotechnology compa-

nies. In carrying out such projects, Orion strives to observe due care and diligence and to utilise both internal and external expertise in the planning and implementation phases, as well as when integrating acquired operations within the overall business.

Product procurement and possible corporate acquisitions can involve customary corporate acquisition liabilities or risks as well as other liabilities and risks connected with the nature and value of the purchased assets.

Ensuring competence

Orion's success depends on the competence of its executive management, R&D staff and other personnel. Human resources management strives to promote well-being at work and continuous improvement of competence and the workplace. Orion's success also depends on the Company's ability to recruit, develop, train, motivate and retain professionally skilled personnel.

Financial risks

The objective of the Group's financial risk management is to minimise adverse effects of changes in the financial market on the Group's results and to ensure sufficient liquidity. Financial risks consist of market, credit and liquidity risks. The Group's most important financial risks are exchange rate risk and counterparty risk.

The main principles of financial risk management are described in the Group's treasury policy approved by the Company's Board of Directors. The treasury operations are centralised in the Group's Treasury department.



A more detailed description of Orion's financial instruments and financial risk management is in Notes 23 and 24 on pages 34–36 of the Financial Statements.



Board of Directors

31 December 2009



1 Matti Kavetvuo

Chairman

M.Sc. (Eng.), M.Sc. (Econ.), b. 1944

- Member and Chairman of the Board of Directors of Orion Corporation since 1 July 2006
- Member and Chairman of the Board of Directors of the demerged Orion 2004–30 June 2006
- Chairman of the Remuneration Committee, member of the R&D Committee and the Nomination Committee

CAREER HISTORY

Pohjola Insurance Group: President and CEO (2000–2001)

Valio Ltd: President and CEO (1992–1999)

Former Orion Corporation: President and CEO (1985–1991)

CURRENT KEY POSITIONS OF TRUST

Member of the Board: Alma Media Corporation (2000–), Konecranes Plc (2001–), Lasinsila & Tikanoja Plc (2008–)

2 Jukka Ylppö

Vice Chairman

M. Sc. (Eng.), M. Sc. (Econ.), b. 1955

- Member of the Board of Directors of Orion Corporation since 2 April 2007
- Member of the Audit Committee, the R&D Committee and the Nomination Committee

CAREER HISTORY

ABB Corporation: Senior Advisor in the development of control systems for industrial electric drives (1999–), Head of the development of a control system for a new thyristor supply unit (1996–1998), Development of new controls for direct-current drives (1993–1995), Automation system development engineer, Västerås, Sweden (1991–1992)

3 Sirpa Jalkanen

Professor, M.D., b. 1954

- Member of the Board of Directors of Orion Corporation since 23 March 2009
- Member of the R&D Committee

CAREER HISTORY

University of Turku: Vice Dean (2010–), Professor of Immunology (2001–)

Finnish Academy: Director of a Centre of Excellence (2000–2005; 2008–)

THL, National Institute for Health and Welfare: Research professor (2006–)

Academy professor (1996–2006)

CURRENT KEY POSITIONS OF TRUST

Member of the Board: Emil Aaltonen Foundation (2000–)

Member of the committee of medical experts: Sigrid Juselius Foundation (2001–)

Member of scientific committee: Cancer Institute (2002–)

Vice Chairman: Finnish Academy of Sciences and Letters (2008–)

4 Eero Karvonen

M.Sc. (Eng.), b. 1948

- Member of the Board of Directors of Orion Corporation since 1 July 2006
- Member of the Board of Directors of the demerged Orion 2004–30 June 2006
- Member of the Audit Committee and the R&D Committee

CAREER HISTORY

EVK-Capital Oy: Owner and Managing Director (1986–)

Rintekno Oy: Process Engineer, Division Manager and Technology Manager for biochemical and pharmaceutical process engineering (1980–1986)

VTT Technical Research Centre of Finland: Biotechnical laboratory, researcher (1975–1980)

5 Leena Palotie

Professor, M.D., Ph.D., b. 1952

- Member of the Board of Directors of Orion Corporation since 1 July 2006
- Member of the Board of Directors of the demerged Orion 2004–30 June 2006
- Chairman of the R&D Committee

CAREER HISTORY

Head of Human Genetics, Wellcome Trust Sanger Institute, Hinxton, Cambridge, UK: Professor, (2007–)

Institute for Molecular Medicine Finland FIMM, University of Helsinki and National Public Health Institute: Research director (2007–)

Centre of Excellence in Disease Genetics of the Academy of Finland: Academy Professor, Director (2003–2007)

CURRENT KEY POSITIONS OF TRUST

Member of the Institute of Medicine: United States National Academy of Sciences (2006–)

Member of the scientific council: European Research Council, ERC (2005–)

6 Vesa Puttonen

Professor, D.Sc. (Econ.), b. 1966

- Member of the Board of Directors of Orion Corporation since 1 July 2006
- Member of the Board of Directors of the demerged Orion 2004–30 June 2006
- Chairman of the Audit Committee, member of the Remuneration Committee

CAREER HISTORY

Helsinki School of Economics: Professor in Finance (1996–1998; 2001–)

Conventum Fund Management: Managing Director (1999–2000)

HEX Helsinki Exchanges: Senior Vice President (1998–1999)

CURRENT KEY POSITIONS OF TRUST

Member of the Board: Oras Invest Ltd, HSE Executive Education Ltd and Rocla Oyj

7 Hannu Syrjänen

B.Sc. (Econ.), Master of Law, b. 1951

- Member of the Board of Directors of Orion Corporation since 2 April 2007
- Member of the Remuneration Committee

CAREER HISTORY

Sanoma Corporation: President and CEO and Chairman of the Executive Management Group (2001–)

Rautakirja Corporation: President and CEO, Vice President, Executive Vice President and Deputy CEO (1989–2001)

CURRENT KEY POSITIONS OF TRUST

Chairman of the Board: Ilmarinen Mutual Pension Insurance Company (2004–)

Member of the Board: Sanoma Corporation (2001–), East Office of Finnish Industries (2008–)

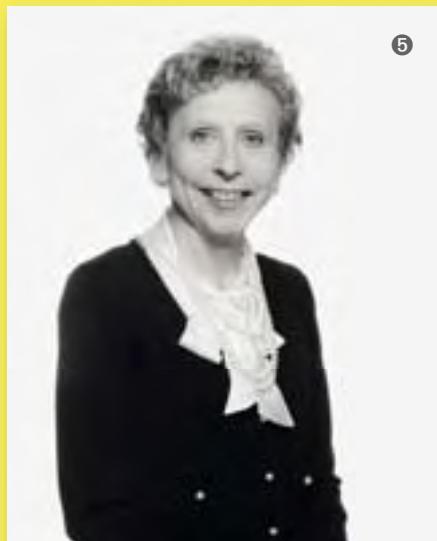
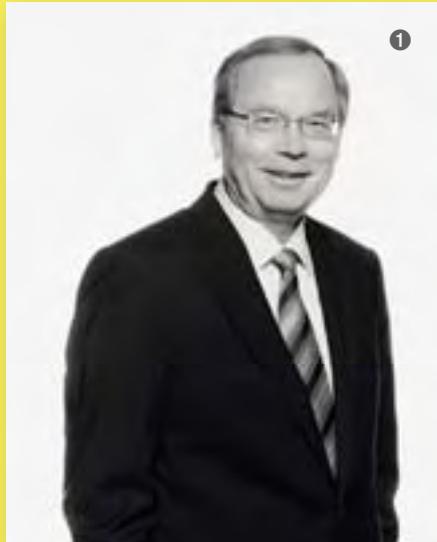
Chairman in subsidiaries of Sanoma Corporation: Rautakirja Corporation, Sanoma Magazines B.V. (Executive Board), Sanoma News, Sanoma Entertainment and WSOY



More detailed presentations
www.orion.fi/en

29%

*of the members of Orion's
Board of Directors are women*



**The Board makes sure that
good corporate governance
practices are followed in the
Orion Group.**



Executive Management Board



1 Timo Lappalainen

President and CEO as well as the Chairman of the Executive Management Board since 1 January 2008

M.Sc. (Eng.), b. 1962

CAREER HISTORY

Orion Corporation: Senior Vice President, Proprietary Products and Animal Health (2005–2007), Executive Vice President, Orion Pharma (2003–2005), Senior Vice President, Business Development (1999–2003)

Leiras Oy: Vice President, International Marketing and Business Development (1994–1999)

Finvest Ltd.: Vice President, Business Development and General Manager of Finvest's German unit (1989–1993)

Arthur Andersen & Co., Chicago, USA: Consultant (1987–1988)

CURRENT KEY POSITIONS OF TRUST

Member of the Board: Chemical Industry Federation of Finland (2008–), Finnish Foundation for Cardiovascular Research (2010–)

Member of the Advisory Board: The Finnish Fair Corporation (2009–)

2 Satu Ahomäki

Senior Vice President, Animal Health, since 1 January 2008

M.Sc. (Econ.), b. 1966

CAREER HISTORY

Orion Corporation: Head of Business Development (2006–2007), Business Development Director (2005), Project Manager and Program Leader of hormonal and urological therapies (2000–2004), Research Manager of hormonal therapies (1992–1999)

3 Markku Huhta-Koivisto

Senior Vice President, Specialty Products and Fermion, since 1 November 2006

M.Sc. (Eng.), MBA, b. 1956

CAREER HISTORY

Orion Corporation, Orion Pharma: Senior Vice President, Supply Chain (2004–2006), Fermion Oy: President (2004–2005)

Former Orion Corporation, Orion Pharma: Senior Vice President, Supply Chain (2002–2004), Programme Director, business processes and information systems

(2000–2002), Vice President, International Sales (1998–2000), Director and Vice President, Materials Management (1996–1998), Orion-Farmos Pharmaceuticals: Director, Materials Management (1991–1996), Farmos Oy, Pharmaceutical Division: Director and Vice President, Materials Management (1990–1991), Materials Manager (1987–1990), Plant Manager (1984–1987), Production Planning Manager (1982–1983) Oy Santasalo-Sohlberg Ab: Development Engineer (1981–1982)

CURRENT KEY POSITIONS OF TRUST

Member of Health Cluster: National Emergency Supply Organisation, NESO (2007–) Chairman: Fermion Oy (2005–)

4 Olli Huotari

Senior Vice President, Corporate Functions (i.e. Communications, Human Resources, Intellectual Property Rights and Legal Affairs), since 1 July 2006

Secretary to the Board of Directors of Orion Corporation, since 1 October 2002

Master of Laws, LL.M., b. 1966

CAREER HISTORY

Orion Corporation: Vice President, Human Resources at Orion Pharma and Corporate Vice President, HR development of the Orion Group (2005–2006), General Counsel of Orion Group (2002–2006), Legal Counsel in Corporate Administration (1996–2002) University of Kent at Canterbury, England: Master of Laws in International Commercial Law degree (1995–1996)

Law firm Asianajotoimisto Jouko Penttilä Oy: Legal Counsel (1992–1995)

CURRENT KEY POSITIONS OF TRUST

Orion Corporation: Secretary to the Board of Directors (2002–)

5 Liisa Hurme

Senior Vice President, Proprietary Products, since 1 January 2008

Ph.D. (Biochemistry), b. 1967

CAREER HISTORY

Orion Corporation: Head of Urology and Oncology business (2005–2007), Program Leader of pharmaceutical development projects for hormonal and urological therapies (2004–2005), Portfolio Manager

(2002–2004), Project Manager (2001–2002), Researcher and Project Manager, Hormonal therapies (1999–2001) Pharmacia & Upjohn: Researcher, Diagnostics Unit, Sweden and Researcher, Development projects at ELIAS GmbH, Germany and Institute Pasteur, France (1995–1999)

6 Pekka Kaivola

Senior Vice President, Global Sales, since 1 February 2004

Ph.Lic., b. 1950

CAREER HISTORY

Orion Corporation: Head of Marketing for Orion's core therapy areas (2003–2004), Managing Director of Orion's marketing subsidiary in New Jersey, USA (2002–2003), Director of Sales and Marketing (1979–2002)

CURRENT KEY POSITIONS OF TRUST

Member of the Trade Policy Committee: Chemical Industry Federation of Finland Vice Chairman: Pharma Industry Finland (2008–)

Member: Confederation of Finnish Industries, EK (2004–)



The President and CEO is in charge of the Group's operations through the business divisions



More detailed presentations
www.orion.fi/en

1

WELLNESS PRESCRIPTION
 For work For leisure

"Everything in moderation"

2

WELLNESS PRESCRIPTION
 For work For leisure

"An active leisure time can boost your working life as well"

3

WELLNESS PRESCRIPTION
 For work For leisure

"Pay it forward"

4

WELLNESS PRESCRIPTION
 For work For leisure

"Keep your life in balance and don't forget the importance of joy as your resource."

5

WELLNESS PRESCRIPTION
 For work For leisure

"First things first"

6

WELLNESS PRESCRIPTION
 For work For leisure

"Doing things with a happy mind-set! Invest in exercise, family and friends, and the world around you."

The Executive Management Board assists the President and CEO in decision-making.



7

**WELLNESS PRESCRIPTION** For work For leisure

"Invest in what you're doing, but remember to keep an open mind and take time for other things as well"

8

**WELLNESS PRESCRIPTION** For work For leisure

"With trust in people"



More detailed presentations
www.orion.fi/en

9

**WELLNESS PRESCRIPTION** For work For leisure

"Plan like you would live forever, live like you will die tomorrow."

10

**WELLNESS PRESCRIPTION** For work For leisure

"Go for a nature walk"

11

**WELLNESS PRESCRIPTION** For work For leisure

"Where there's a will, there's a way! Remember to relax when you have the chance."

The remuneration of the members of the Executive Management Board is subject to a decision by the Board of Directors or its Chairman.



*The Board of Directors nominates the members of the Executive Management Team.
The President and CEO acts as the Chairman of the Team*



7 Jari Karlson

Chief Financial Officer (CFO),
since 1 August 2002
M.Sc. (Econ.), b. 1961

CAREER HISTORY

Orion Corporation, Orion Pharma: Vice President, Finance (2001–2002)
Kuusakoski Group Oy: Vice President, Finance (1999–2001)
Genencor International Inc: Controller, Director of Planning for the Europe and Asia region and Director of Finance in Europe (1990–1999)
Cultor Oy: Financial controller for the Biochem division (1988–1989)

CURRENT KEY POSITIONS OF TRUST
Member of the Board: Tapiola Mutual Pension Insurance Company (2010–)

8 Pekka Konsi

Senior Vice President, Supply Chain,
since 1 November 2006
M.Sc. (Eng.), b. 1948

CAREER HISTORY

Orion Corporation: Plant Manager of the Espoo and Kuopio plants (1994–2006), Planning Director (1988–1994), Technical Planning Manager (1977–1988)

9 Reijo Salonen

Senior Vice President, Research and Development and Chief Medical Officer,
since 1 November 2006
Professor, Docent, M.D., Ph.D. b. 1956

CAREER HISTORY

Pfizer: Vice President, Neurology, Psychiatry and Ophthalmology and Worldwide Therapeutic Area Head Neurosciences, USA (2004–2006)
GlaxoSmithKlein: Vice President, Clinical Development and Medical Affairs, Neurosciences (2002–2004), Vice President, Clinical Development, Neurology and GI (2001–2002)
GlaxoWellcom: Director, Medical Strategy and Communications in the Neurosciences Therapy Group (1999–2001), Principal Medical Strategy Head in Neurology and Psychiatry (1998–1999), Senior Medical Strategy Head, Neurology, USA (1997–1998), Country Medical Director, Finland (1995–1997)

CURRENT KEY POSITIONS OF TRUST

Chairman: European Brain Council (2006–)
Chairman: European Brain Council Industry Board (2006–)

10 Riitta Vartiainen

Senior Vice President, Business Development and Support (Global Business Development and Alliance Management, Business Intelligence, Medical Affairs, Project Management and Mergers & Acquisitions), since 1 November 2006

B.Sc. (Biochemistry), b. 1951

CAREER HISTORY

Orion Corporation: Senior Vice President, Specialty Products (2004–2006), Project Leader, Specialty Products (2002–2004), Project Leader, Easyhaler projects (2000–2002), Research Manager, Levosimendan Project (1995–2000), Product Manager of antimicrobials (1992–1995), Marketing Manager of DNA diagnostics (1988–1992)
Oy Alko Ab: Product and Sales Manager of biotechnology products (1982–1988)
Orion Corporation: Export Manager (1980–1982)
Finland's Embassy, Copenhagen, Denmark: Commercial Attaché (1979–1980)
Tam Drug/Tamro Oy: Product Expert of Diagnostics (1976–1979)

11 Liisa Remes

Employee representative in the Executive Management Board
Research Assistant

Eat in peace

Food is not simply the prerequisite for life. At its best, it can be the source of endless pleasure. The slow food movement, originating in Italy in the 1980s, promotes unhurried eating and using ecologically sound ingredients produced nearby. Adherents to the movement, including Prince Charles of England, are active in voicing their support for small farms and treasuring a traditional, varied food culture.

Ethical consumption is a global trend visible also in eating habits. The origins and production methods of goods have become important factors in purchase decisions for an increasing number of people.

Organic food production has remained popular over the years. The organic label requires that the farm meet strict criteria supervised by local authorities.

Organic food is available in shops and markets, but also in nature. When you're feasting on mushrooms you've picked yourself or tomatoes from your own garden, you are indeed enjoying organic food.



**Read more about Orion
as an investment case at
www.orion.fi/en/investors**

What is healthy?

Vitamins, benign fatty acids and other helpers of health have been added to food products for a long time now. In the 2010s, however, the consumer has an enormous array of foodstuffs with health benefits to choose from – starting with cosmeto food, claimed to possess beautifying effects. But you shouldn't be discouraged by the width of the offering, for building a balanced diet isn't rocket science. It can be reached with simple, basic ingredients.

According to WHO, the World Health Organization, important steps on the road to healthy eating are, for example, to constrain the use of salt and sugar, to consume more vegetables, fruit, wholegrains and nuts, and to replace saturated fats and trans fatty acids with unsaturated fats. Just by eating sufficient amounts of fruit and vegetables, up to 2.7 million lives could be spared annually, according to WHO.

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According to the Research Institute of Organic Agriculture, an area of approximately 32 million hectares is used for organic cultivation globally. This amounts to about 0.8 per cent of the whole surface used for agriculture, but the popularity of organic farming is expected to keep on growing. Measured in hectares, the biggest region of organic agriculture is Oceania (Australia, New Zealand and the surrounding isles) with over 12 million hectares used for the purpose. Next on the list is Europe, with 7.8 million hectares.



Shares and shareholders

- ▶ How many B shares did Orion have at the end of 2009? How many votes does an A share carry at the Annual General Meeting? How did Orion's share price develop in 2009? Read more about Orion as a public listed company on the following pages.
- ▶ In 2009, Orion got ten thousand new shareholders. In this section, you can also find a list of our major shareholders.
- ▶ Looking for investment advice? At the end of the section you will find a list of banks and brokerage companies that analyse Orion.



Shares and shareholders

On 31 December 2009, Orion had a total of 141,257,828 shares, of which 51,340,668 were A shares and 89,917,160 B shares. The Group's share capital was EUR 92,238,541.46. At the end of 2009, Orion held 280,030 B shares as treasury shares. On 31 December 2009, the aggregate number of votes conferred by the A and B shares was 1,116,450,490 excluding treasury shares.

Orion's shares have no nominal value. The counter book value of the A and B shares is about EUR 0.65 per share.

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 limits for maximum number of shares in the share classes. In 2009, a total of 100,000 shares were converted.

According to Orion's Articles of Association, the minimum number of all shares in the company is one (1) and the maximum number is 1,000,000,000. A maximum number of 500,000,000 of the shares shall be A shares and a maximum number of 1,000,000,000 shares shall be B shares.

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. Trading in both of the Company's share classes commenced on 3 July 2006 under the trading codes ORNAV and ORNBV. Information on trading in the Company's shares has been available since this date.

On 31 December 2009 the market capitalisation of the Company's shares excluding treasury shares was EUR 2,122.2 million.

In 2009 a total of 3,815,863 A shares and 84,568,573 B shares were traded on NASDAQ OMX Helsinki. The total value of traded shares was EUR 1,080.4 million. During the year, 7.4% of A shares and 94.1% of B shares were traded. The average turnover in Orion's shares was 62.6%.

The price of Orion's A share rose by 25.5% and the price of the B share rose by 24.7% in 2009. During the same period, the NASDAQ OMX Helsinki CAP index rose by 36.2%. The closing quotation for the A share on 31 December 2009 was EUR 15.06 and for the B share EUR 15.05. The highest quotation for Orion's A share in 2009 was EUR 15.75 and the lowest quotation was EUR 10.42. The highest quotation for the B share in 2009 was EUR 15.34 and the lowest quotation was EUR 10.35.

Authorisations of the Board of Directors

Orion's Board of Directors was authorised by the Annual General Meeting on 23 March 2009 to dispose of shares held by the Company (treasury shares). This authorisation is valid until the close of the 2010 Annual General Meeting.

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

Investor contacts

For information on Orion, please contact the following persons:

Susanna Siira

Investor Relations Manager
Tel +358 10 426 2782

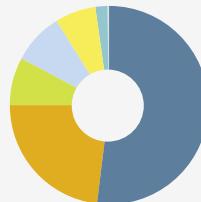
Jari Karlson

CFO
Tel +358 10 426 2883

Emails are in the form of
firstname.surname@orion.fi

Shares by type of shareholder on 31 December 2009

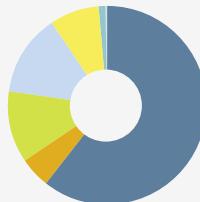
%



■ Households 52%
■ Nominee registered and foreign shareholders 23%
■ Public sector entities 8%
■ Non-financial and housing corporations 9%
■ Non-profit organisations 7%
■ Banks and insurance companies 2%
■ Other 0%

Votes by type of shareholder on 31 December 2009

%



■ Households 61%
■ Nominee registered and foreign shareholders 5%
■ Public sector entities 12%
■ Non-financial and housing corporations 14%
■ Non-profit organisations 8%
■ Banks and insurance companies 1%
■ Other 0%

Altogether 44,806 B shares held by the Company were transferred in March as a share bonus for 2008 to key persons employed by the Company and belonging to the Share-based Incentive Plan of the Orion Group. This was based on the authorisation granted by the Annual General Meeting on 25 March 2008.

The transfer price of the shares transferred was EUR 11.97 per share, which was the weighted average price of the B shares on 5 March 2009. The total transfer price of the shares transferred was EUR 536,417.43.

Following the transfer, Orion holds 280,030 B shares as treasury shares, which is 0.2% of the company's total share stock and 0.03% of the total votes.

Registration and ownership structure

Orion's shares are in the book-entry system maintained by Euroclear Finland Ltd (formerly Finnish Central Securities Depository) and Euroclear Finland maintains Orion's official shareholder register.

At the end of 2009, Orion had a total of 54,323 (43,119) registered shareholders, of whom 94.0% (94.1%) were private individuals holding 51.9% (48.3%) of the entire share stock and 60.6% (59.2%) of the total votes. There were altogether 31.3

(34.7) million nominee-registered shares, which is 22.1% (24.5%) of all shares, and they conferred entitlement to 4.2% (6.1%) of the votes.

Notification threshold

In accordance with Chapter 2, Section 9 of the Securities Markets Act, on 21 November 2007 Capital Research and Management Company notified that it had under management 7,281,692 Orion Corporation B shares, which is 5.15% of Orion's share stock and 0.65% of the total votes. According to the notification, Capital Research and Management Company is Orion's largest shareholder.

No new transactions exceeding the notification threshold set in the Finnish Securities Markets Act were brought to the attention of the Company during 2009.

Management's shareholdings

At the end of 2009, the members of the Board of Directors owned a total of 2,322,438 Orion Corporation shares, of which 1,903,932 were A shares and 418,506 B shares. At the end of 2009, the President and CEO owned 11,950 Orion Corporation shares, which were all B shares. The members of the Executive Management Board (excluding the President and CEO) owned a total of 66,733 Orion Corporation

shares, of which 1,228 were A shares and 65,505 were B shares. Thus, Orion's executive management held 1.7% of all shares and 3.5% of the total votes. The figures also include the holdings of and controlled entities.

The Company does not have stock option programmes.

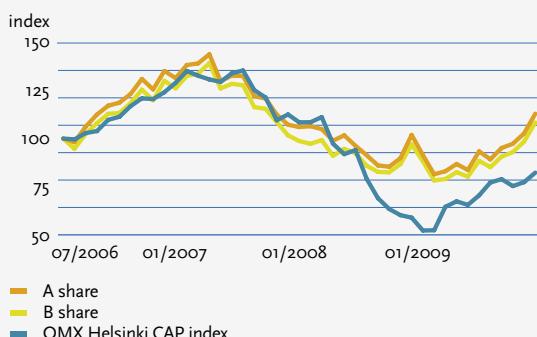


Information on Orion's shares and their prices is available at www.orion.fi/en/investors

The website also provides information on Orion's shareholder base updated monthly, including a list of the largest shareholders and updated information on the shareholdings of the Orion Group's insiders subject to disclosure requirement.

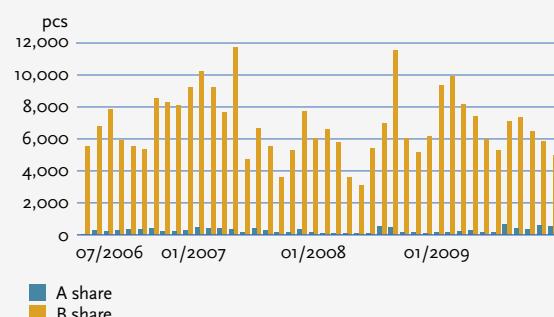
Share price development

3 July 2006 = 100



Trading volume

Monthly trading volume, 1,000 shares



Basic information on Orion's shares

31 December 2009	A shares	B shares	Total
Trading code on NASDAQ OMX Helsinki	ORNAV	ORNBV	
Listed	1 July 2006	1 July 2006	
ISIN code	FI0009014369	FI0009014377	
GICS code	30101030	30101030	
Reuters code	ORNAV.HE	ORNBV.HE	
Bloomberg code	ORNAV.FH	ORNBV.FH	
Share capital, EUR million	33.6	58.6	92.2
Counter book value per share, EUR	0.65	0.65	
Total number of shares	51,340,668	89,917,160	141,257,828
% of total share stock	36%	64%	100%
Number of treasury shares	280 030	280 030	
Total number of shares excluding treasury shares	51,340,668	89,637,130	140,977,798
Minimum number of shares			1
Maximum number of shares	500,000,000	1,000,000,000	1,000,000,000
Votes per share	20	1	
Number of votes excluding treasury shares	1,026,813,360	89,637,130	1,116,450,490
% of total votes	92%	8%	100%
Total number of shareholders	17,125	43,728	54,323

Information on trading

1 January–31 December 2009	A shares	B shares	Total
Shares traded	3,815,863	84,568,573	88,384,436
% of the total number of shares	7.4%	94.1%	62.6%
Trading volume, EUR million	48.3	1,032.2	1,080.4
Closing quotation on 31 Dec 2008, EUR	12.00	12.07	
Lowest quotation, EUR (A and B, 30 March 2009)	10.42	10.35	
Average quotation, EUR	12.65	12.21	
Highest quotation, EUR (A/B 22/30 Dec 2009)	15.75	15.34	
Closing quotation on 31 Dec 2009, EUR	15.06	15.05	
Market capitalisation on 31 Dec 2009 excluding treasury shares, EUR million	773.2	1,349.0	2,122.2

Performance per share

	2009	2008	Change %
Earnings per share ¹⁾ , EUR	1.07	0.97	+11.1%
Cash flow per share before financial items, EUR	1.03	0.66	+56.9%
Equity per share, EUR	3.11	2.97	+4.9%
Dividend per share, EUR	1.00 ²⁾	0.95	+5.3%
Payout ratio, %	93.5%	97.9%	
Average number of shares excluding treasury shares	140,970,942	141,002,721	

¹⁾ The Company has no items that could dilute the earnings per share.

²⁾ The Board's proposal to the AGM. Additionally the Board proposes that EUR 0.10 per share be distributed as a repayment of capital.



Information on
management's shareholdings
can be found on page 75.

Share-related ratios are
presented on page 3 of the
Financial Statements.

Changes in share capital

1 July 2006–31 December 2009	A shares	B shares	Total number of shares	Total number of votes	Share capital EUR million
No. of shares on 1 July 2006	56,397,540	84,860,288	141,257,828	1,212,811,088	92.2
Share conversions 1 July–31 December 2006	-843,300	843,300			
No. of shares on 31 December 2006	55,554,240	85,703,588	141,257,828	1,196,788,388	92.2
Share conversions 1 January–31 December 2007	-2,995,552	2,995,552			
No. of shares on 31 December 2007	52,558,688	88,699,140	141,257,828	1,139,872,900	92.2
Share conversions 1 January–31 December 2008	-1,118,020	1,118,020			
Repurchase of own shares	-	350,000			
Own shares transferred	-	-25,164			
No. of shares on 31 December 2008	51,440,668	89,817,160	141,257,828	1,118,630,520	92.2
excluding treasury shares	51,440,668	89,492,324	140,932,992	1,118,305,684	92.2
Conversions of shares 1 January–31 December 2009	-100,000	100,000			
Own shares transferred	-	-44,806			
No. of shares on 31 December 2009	51,340,668	89,917,160	141,257,828	1,116,730,520	92.2
excluding treasury shares	51,340,668	89,637,130	140,977,798	1,116,450,490	92.2

Ownership base by type of shareholder

31 December 2009	Number of owners	%	A shares	%	B shares	%	Total number of shares	%	Total number of votes	%
Households	51,065	94.0%	31,738,255	61.8%	41,607,901	46.3%	73,346,156	51.9%	676,373,001	60.6%
Nominee-registered and foreign shareholders	207	0.4%	1,264,477	2.5%	31,184,580	34.7%	32,449,057	23.0%	56,474,120	5.1%
Public sector entities	47	0.1%	6,287,276	12.3%	4,649,078	5.2%	10,936,354	7.7%	130,394,598	11.7%
Non-financial and housing corporations	2,222	4.1%	7,230,414	14.1%	4,814,418	5.4%	12,044,832	8.5%	149,422,698	13.4%
Non-profit organisations	692	1.3%	4,183,586	8.2%	5,174,569	5.8%	9,358,155	6.6%	88,846,289	8.0%
Financial and insurance institutions	89	0.2%	569,756	1.1%	2,142,892	2.4%	2,712,648	1.9%	13,538,012	1.2%
Others	0	0.0%	66,904	0.1%	63,692	0.1%	130,596	0.1%	1,401,772	0.1%
Number of treasury shares	1	0.0%	0	0.0%	280,030	0.3%	280,030	0.2%	280,030	0.0%
Total	54,323	100.0%	51,340,668	100.0%	89,917,160	100.0%	141,257,828	100.0%	1,116,730,520	100.0%

Ownership base by number of shares

31 December 2009	Number of owners	%	A shares	%	B shares	%	Total number of shares	%	Total number of votes	%
1–100	11,425	21.0%	243,205	0.5%	605,157	0.7%	774,346	0.6%	4,699,784	0.4%
101–1,000	30,308	55.8%	3,610,261	7.0%	11,281,180	12.6%	13,176,992	9.3%	66,021,654	5.9%
1,001–10,000	11,396	21.0%	11,911,064	23.2%	23,965,434	26.7%	32,988,949	23.4%	233,039,474	20.9%
10,001–100,000	1,103	2.0%	10,971,846	21.4%	13,834,494	15.4%	27,488,645	19.5%	264,057,360	23.7%
100,001–1,000,000	77	0.1%	10,893,832	21.2%	8,280,420	9.2%	18,994,700	13.5%	224,758,506	20.1%
1,000,001–	13	0.0%	13,643,556	26.6%	31,606,753	35.2%	47,423,570	33.6%	322,471,940	28.9%
On joint account	0	0.0%	66,904	0.1%	63,692	0.1%	130,596	0.1%	1,401,772	0.1%
Total	54,323	100.0%	51,340,668	100.0%	89,637,130	99.7%	140,977,798	99.8%	1,116,450,490	100.0%
of which nominee registered	11	0.0%	846,168	1.7%	30,410,399	33.8%	31,256,567	22.1%	47,333,759	4.2%
Number of treasury shares	1	0.0%	0	0.0%	280,030	0.3%	280,030	0.2%	280,030	0.0%
Total number of shares	54,323	100.0%	51,340,668	100.0%	89,917,160	100.0%	141,257,828	100.0%	1,116,730,520	100.0%

Largest shareholders ¹⁾

31 December 2009	A shares	B shares	Total number of shares	% of shares	Total number of votes	% of votes	Order by number of votes
1. Capital Research and Management Company ²⁾	0	7,281,692	7,281,692	5.2%	7,281,692	0.7%	
2. Erkki Etola and companies	2,450,228	50,000	2,500,228	1.8%	49,054,560	4.4%	1.
Etola Erkki	100,228	50,000			2,054,560		
Etra Trading Oy	2,350,000	0			47,000,000		
3. Varma Mutual Pension Insurance Company	2,130,000	256,149	2,386,149	1.7%	42,856,149	3.8%	2.
4. Jouko Brade and companies	1,838,672	364,540	2,203,212	1.6%	37,137,980	3.3%	4.
Brade Jouko	255,800	29,600			5,145,600		
Brade Oy	49,111	1,305			983,525		
Medical Investment Trust Oy	1,300,000	324,955			26,324,955		
Lamy Oy	2,152	2,580			45,620		
Helsinki Investment Trust Oy	200,000	5,000			4,005,000		
Helsinki Securities Oy	31,609	1,000			633,180		
Töölö Trading Oy	0	100			100		
5. Land and Water Technology Foundation and companies	2,083,360	0	2,083,360	1.5%	41,667,200	3.7%	3.
Land and Water Technology Foundation	1,034,860	0			20,697,200		
Tukinvest Oy	1,048,500	0			20,970,000		
6. Orion Pension Fund ³⁾	1,765,624	292,699	2,058,323	1.5%	(35,605,179)	(3.2%)	
7. Ilmarinen Mutual Pension Insurance Company	1,577,440	175,450	1,752,890	1.2%	31,724,250	2.8%	5.
8. Social Security Institution of Finland, KELA	0	1,658,368	1,658,368	1.2%	1,658,368	0.2%	
9. Ylppö Jukka	1,247,136	291,334	1,538,470	1.1%	25,234,054	2.3%	6.
10. Saastamoinen Foundation	1,189,996	0	1,189,996	0.8%	23,799,920	2.1%	7.
11. Aho Group Oy's controlling votes	1,099,240	1,281	1,100,521	0.8%	21,986,081	2.0%	8.
Helsingin Lääkärikeskus Oy	658,230	4			13,164,604		
Kliinisen Kemian Tutkimussäätiö	100,000	0			2,000,000		
Aho Juhani	298,029	0			5,960,580		
Aho Kari Jussi	21,215	426			424,726		
Porkkala Miia	5,115	426			102,726		
Lappalainen Annakaija	4,944	0			98,880		
Aho Antti	7,792	0			155,840		
Aho Ville	3,915	425			78,725		
12. Into Ylppö and controlling votes	776,736	240,200	1,016,936	0.7%	15,774,920	1.4%	9.
Ylppö Into	577,936	240,200			11,798,920		
Ylppö Eeva	106,400	0			2,128,000		
Ylppö Aurora	92,400	0			1,848,000		
13. Finnish Cultural Foundation	321,946	554,620	876,566	0.6%	6,993,540	0.6%	
14. State Pension Fund	0	800,000	800,000	0.6%	800,000	0.1%	
15. Mutual Insurance Company Pension-Fennia	292,800	372,250	665,050	0.5%	6,228,250	0.6%	
16. Eero Karvonen and companies	546,200	21,600	567,800	0.4%	10,945,600	1.0%	10.
Karvonen Eero	73,170	4,929			1,468,329		
EVK-Capital Oy	473,030	16,671			9,477,271		
17. Maritza Salonen and controlling votes	545,126	0	545,126	0.4%	10,902,520	1.0%	
Salonen Maritza	445,046	0			8,900,920		
Salonen Reino (deceased's estate)	30,980	0			619,600		
Maritza ja Reino Salonen Foundation	69,100	0			1,382,000		
18. OP-Delta Fund	0	532,159	532,159	0.4%	532,159	0.1%	
19. Laakkonen Yrjö	417,000	25,000	442,000	0.3%	8,365,000	0.8%	
20. Orion-Farmos Research Foundation	132,996	282,514	415,510	0.3%	2,942,434	0.3%	
Twenty largest shareholders, total	18,414,500	13,199,856	31,614,356	22.4%	381,489,856	34.2%	
Nominee-registered (excluding Capital Research and Management Company)	846,168	23,128,707	23,974,875	17.0%	40,052,067	3.6%	
Others	32,080,000	53,308,567	85,388,567	60.4%	694,908,567	62.2%	
Orion's treasury shares	0	280,030	280,030	0.2%	280,030	0.0%	
Total	51,340,668	89,917,160	141,257,828	100.0%	1,116,730,520	100.0%	

¹⁾ The list includes the direct holdings and votes of the Company's major shareholders, corresponding holdings of organisations or foundations controlled by a shareholder in so far as they are known to the issuer, holdings of a pension foundation or pension fund of a shareholder or an organisation controlled by a shareholder, as well as any other holdings the use of which the shareholder, alone or together with a third party, may decide on under a contract or otherwise.

²⁾ Information based on Capital Research and Management Company's notification on 21 November 2007 in accordance with Chapter 2, Section 9 of Finnish Securities Market Act.

³⁾ Not entitled to vote at Orion's General Meetings of the shareholders.

Contacts for company analyses on Orion

Company analyses on Orion should be available from the following banks and brokerage firms. The list is not necessarily comprehensive. These banks and brokerage firms analyse Orion at their own initiative, and Orion takes no responsibility for the analysts' opinions.

ABG Sundal Collier
www.abgsc.se

Credit Suisse
www.credit-suisse.com

Danske Bank
www.danskebank.com

Goldman Sachs
www.gs.com

Handelsbanken
www.handelsbanken.com

Nordea Pankki
www.nordea.com

Pohjola Pankki
www.pohjola.com

SEB Enskilda
www.sebgroup.com

Standard & Poor's
www.standardandpoors.com

Öhman
www.ohman.se



For updated information about the banks and brokerage firms that follow Orion, please visit
www.orion.fi/en/investors

Flip the book around

Dear reader,

You've reached the final page of Orion's Annual Report. We hope you liked what you read.

This was our take on 2009. A Report on Orion's year is more than a report on the company. It talks about the surrounding society and patients, whose well-being we aim to improve, as well. We hope you stay with us to create brand new stories of success in 2010.

The success factors of 2009 are presented in figures in the financial statements. They begin on the flip side of this book. So, close the Report and turn it over to start on the numbers that made up Orion's year 2009.

Read on, and enjoy!



If you want to learn more about health and well-being, familiarise yourself with our OrionNOW site. OrionNOW is a themed collection of articles published periodically on our website. It is targeted to everyone interested in health and well-being – whether you are from Orion, an investor, a customer, a business partner, or someone just casually browsing the Internet.

In each issue of OrionNOW, a specific health and well-being theme is dealt with broadly. For example, you can read profiles on people, ask a professional, or take part in a survey. OrionNOW talks about well-being in an easily approachable manner.

www.orionnow.fi

This publication contains forward-looking statements which involve risks and factors of uncertainty. These forward-looking statements are not based on historical facts but relate to the company's future activities and performance. They include statements about future strategies and profit expectations of these strategies, and they are subject to risks and uncertainties. Actual results may differ substantially from those stated in any forward-looking statement. This is due to a number of factors, including the possibility that Orion may decide not to implement these strategies or that the expectations of the strategies are not achieved. Orion assumes no obligation to update or revise any information included in this publication.

Former Orion Corporation demerged on 1 July 2006 into two new companies, Orion Corporation and Oriola-KD Corporation. All financial information before that date presented in this publication (i.e. pro forma figures) is based on information extracted from the financial statements of the demerged Orion Group. However, this historical information has been prepared for illustrative purposes only and does not necessarily describe Orion Corporation's results, financial position or changes in equity or cash flows in a situation where the current Orion Corporation had acted as a separate legal entity before 1 July 2006.



Financial Statements 2009

You are holding in your hands our Financial Statements for 2009. In them, you'll find information relevant to Orion's financial success in 2009. If you want to know more about Orion in financial terms, this is the place to start. By familiarising yourself with the tables and key figures, you will learn about our net sales and operating profit structure for the year. We aim to continue on the path of success also in 2010.

We wish you insightful moments with
Orion's finances.

772 million euros were Orion's net sales in 2009.
Growth from the previous year was 8.5%.

207 million euros was Orion's operating profit for the period, 11.9% higher than in 2008.

95 million euros were invested in research and development in 2009. This was over five million more than in 2008.



Orion organised a Capital Markets Day, themed “To 2012 and onwards”, in December 2009. You can access the presentation materials and view a video clip online at [> News and media](http://www.orion.fi/en)



Financial Statements 2009



Key figures

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The Annual Report 2009 is found on the reverse side of the Financial Statements.



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All figures in the financial statements have been rounded, which is why the total sums of individual figures may differ from the total sums shown.

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Key figures

Orion's key figures for 2006–2009¹⁾

	Pro forma				
	2006	7–12/2006	2007	2008	2009
Net sales, EUR million	641.1	311.2	680.0	710.7	771.5
International operations, EUR million	456.6	217.0	479.0	493.6	548.2
% of net sales	71.2%	69.7%	70.4%	69.4%	71.1%
Operating profit, EUR million	192.7	88.4	192.0	185.0	207.0
% of net sales	30.1%	28.4%	28.2%	26.0%	26.8%
Profit before taxes, EUR million	193.3	88.9	193.4	184.2	203.7
% of net sales	30.2%	28.6%	28.4%	25.9%	26.4%
Income tax expense, EUR million	51.2	24.2	49.5	47.8	52.3
R&D expenses, EUR million	73.1	37.7	85.0	90.0	95.2
% of net sales	11.4%	12.1%	12.5%	12.7%	12.3%
Capital expenditure, EUR million	25.5	13.4	35.3	56.8	60.4
% of net sales	4.0%	4.3%	5.2%	8.0%	7.8%
Assets total, EUR million	568.3	568.3	565.7	695.5	727.1
Equity ratio, %	75.5%	75.5%	76.2%	60.2%	60.6%
Gearing, %	-23.4%	-23.4%	-20.0%	-7.1%	-8.9%
Interest-bearing liabilities, EUR million	9.8	9.8	4.0	146.3	131.5
Non-interest-bearing liabilities, EUR million	129.6	129.6	130.5	130.6	156.5
Cash and cash equivalents, EUR million	110.0	110.0	90.4	176.1	170.5
ROCE (before taxes), %	47.1%	43.7%	44.8%	38.5%	37.4%
ROE (after taxes), %	34.9%	32.1%	33.5%	32.1%	35.3%
Personnel at the end of the period	3,061	3,061	3,176	3,309	3,147
Average personnel during the period	3,066	3,066	3,160	3,270	3,192
Personnel expenses, EUR million	149.7	75.8	156.3	170.9	171.4
					+0.3%

¹⁾ Pro forma figures before 1 July 2006 are based on figures extracted from the financial statements of the demerged Orion.

Net sales by business division

	Pro forma				
EUR million	2006	7–12/2006	2007	2008	2009
Pharmaceuticals	601.4	292.0	639.7	667.6	728.5
Proprietary Products	242.0	117.2	259.6	278.1	324.0
Specialty Products	233.3	114.6	252.5	260.5	274.8
Animal Health	63.3	31.2	66.8	67.2	62.1
Fermin	38.5	16.4	38.1	36.1	41.4
Contract Manufacturing and others	24.2	12.6	22.6	25.7	26.2
Diagnostics	41.5	19.9	42.0	45.0	45.2
Group items	-1.8	-0.7	-1.7	-1.9	-2.2
Group total	641.1	311.2	680.0	710.7	771.5
					+8.5%

Orion's performance per share 2006–2009¹⁾

	7–12/2006	2007	2008	2009	Change %
Earnings per share ²⁾ , EUR	0.46	1.02	0.97	1.07	+11.1%
Cash flow per share before financial items, EUR	0.58	0.92	0.66	1.03	+56.9%
Equity per share, EUR	3.04	3.05	2.97	3.11	+4.9%
Total dividend, EUR million	141.3	141.3	133.9	141.0 ³⁾	+5.3%
Payout ratio, %	217.4%	98.0%	97.9%	93.5% ³⁾	
Dividend per share, EUR	1.00	1.00	0.95	1.00 ³⁾	+5.3%
A share					
Number of shares on 31 Dec	55,554,240	52,558,688	51,440,668	51,340,668	
Effective dividend yield, %	6.1%	6.2%	7.9%	6.6% ³⁾	
Price/earnings ratio (P/E)	17.85	15.78	12.37	14.07	
Closing quotation on 31 Dec, EUR	16.42	16.10	12.00	15.06	
Lowest quotation during the period, EUR	11.45	15.07	10.50	10.42	
Average quotation during the period, EUR	14.87	16.57	12.98	12.65	
Highest quotation during the period, EUR	16.44	20.49	16.40	15.75	
Shares traded, 1,000 shares	1,651	3,866	2,508	3,816	
% of the total number of shares	2.9%	7.2%	4.8%	7.4%	
B share					
Number of shares on 31 Dec	85,703,588	88,699,140	89,817,160	89,917,160	
Effective dividend yield, %	6.1%	6.2%	7.9%	6.6% ³⁾	
Price/earnings ratio (P/E)	17.88	15.72	12.44	14.07	
Closing quotation on 31 Dec, EUR	16.45	16.03	12.07	15.05	
Lowest quotation during the period, EUR	11.51	15.22	10.30	10.35	
Average quotation during the period, EUR	14.61	16.12	12.85	12.21	
Highest quotation during the period, EUR	16.53	20.53	16.44	15.34	
Shares traded, 1,000 shares	37,250	96,266	73,719	84,569	
% of the total number of shares	43.8%	110.5%	82.6%	94.1%	
Total number of shares on 31 Dec	141,257,828	141,257,828	141,257,828	141,257,828	
Average number of shares during the period excluding treasury shares	141,257,828	141,257,828	141,002,720	140,969,942	
Shares traded, % of all shares	27.5%	70.9%	54.1%	62.6%	
Market capitalisation on 31 Dec, excluding treasury shares, EUR million	2,322.0	2,268.0	1,697.5	2,122.2	

¹⁾ Figures on shares and dividend are available from the demerger date 1 July 2006.

²⁾ The Company has no items that could dilute the earnings per share.

³⁾ The Board of Directors proposes to the AGM that the dividend for 2009 be EUR 1.00 per share and that EUR 0.10 per share be distributed from the expendable fund in the distributable equity as a repayment of capital.

Operating profit by business area

	Pro forma					
EUR million	2006	7–12/2006	2007	2008	2009	Change %
Pharmaceuticals	186.2	82.2	197.1	188.5	210.7	+11.8%
Diagnostics	6.4	2.0	6.3	6.1	5.6	-9.1%
Group items	0.2	4.2	-11.4	-9.6	-9.3	-3.0%
Group total	192.7	88.4	192.0	185.0	207.0	+11.9%

Key figures for Pharmaceuticals business

	Pro forma					
EUR million	2006	7–12/2006	2007	2008	2009	Change %
Net sales	601.4	292.0	639.7	667.6	728.5	+9.1%
Operating profit	186.2	82.2	197.1	188.5	210.7	+11.8%
% of net sales	31.0%	28.2%	30.8%	28.2%	28.9%	
R&D expenses	68.6	35.2	80.7	85.4	89.4	+4.7%
% of net sales	11.4%	12.1%	12.6%	12.8%	12.3%	
Capital expenditure	23.1	11.8	32.5	53.3	57.6	+8.1%
% of net sales	3.8%	4.0%	5.1%	8.0%	7.9%	
Sales revenue from own proprietary products	275.2	131.2	292.3	307.5	346.5	+12.7%
Personnel at the end of the period	2,742	2,742	2,864	2,995	2,829	-5.5%

Net sales of Orion's top 10 pharmaceutical products

EUR million	Used for	2007	2008	2009	Change %
Stalevo®	Parkinson's disease	126.9	141.0	167.6	+18.8%
Comtess®/Comtan®	Parkinson's disease	73.3	67.4	67.3	-0.1%
Simdax®	Acute heart failure	15.1	17.3	29.4	+69.6%
Easyhaler® product family	Asthma, COPD	17.3	22.2	24.9	+12.2%
Burana®	Inflammatory pain	15.6	19.4	19.9	+2.4%
Dexdomitor®, Domitor®, Domosedan® and Antisedan®	Animal sedatives	27.5	24.6	19.3	-21.4%
Precedex®	Intensive care sedative	8.2	9.6	14.6	+51.0%
Divina® product range	Menopausal symptoms	15.9	14.7	13.2	-10.8%
Enanton®	Prostate cancer	12.9	12.7	11.9	-6.8%
Fareston®	Breast cancer	8.2	10.5	10.2	-2.8%
Total		320.8	339.7	378.3	+11.4%
Share of pharmaceutical net sales, %		50%	51%	52%	

Key figures for Diagnostics business

	Pro forma					
EUR million	2006	7–12/2006	2007	2008	2009	Change %
Net sales	41.5	19.9	42.0	45.0	45.2	+0.4%
Operating profit	6.4	2.0	6.3	6.1	5.6	-9.1%
% of net sales	15.3%	9.9%	15.0%	13.6%	12.3%	
R&D expenses	4.6	2.5	4.4	4.8	5.9	+23.3%
% of net sales	11.1%	12.8%	10.6%	10.6%	13.0%	
Capital expenditure	1.4	0.8	1.6	2.8	2.5	-9.6%
% of net sales	3.5%	3.9%	3.7%	6.2%	5.6%	
Personnel at the end of the period	289	289	283	287	291	+1.3%

Net sales by annual quarters

EUR million	Q3/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	Q4/08	2008	Q1/09	Q2/09	Q3/09	Q4/09	2009
Pharmaceuticals	153.4	162.7	639.7	168.5	168.5	161.0	169.6	667.6	178.9	185.9	181.8	181.9	728.5
Diagnostics	9.4	10.5	42.0	12.2	12.6	9.5	10.7	45.0	11.7	11.0	10.5	12.0	45.2
Group items	-0.3	-0.4	-1.7	-0.5	-0.5	-0.4	-0.5	-1.9	-0.5	-0.5	-0.5	-0.6	-2.2
Group total	162.5	172.8	680.0	180.2	180.5	170.1	179.9	710.7	190.1	196.4	191.8	193.3	771.5

Operating profit by annual quarters

EUR million	Q3/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	Q4/08	2008	Q1/09	Q2/09	Q3/09	Q4/09	2009
Pharmaceuticals	50.1	41.7	197.1	63.1	45.7	44.3	35.3	188.5	56.9	51.6	56.6	45.6	210.7
Diagnostics	1.2	0.1	6.3	2.3	2.5	1.0	0.2	6.1	2.2	1.1	1.0	1.2	5.6
Group items	-2.2	-3.1	-11.4	-2.1	-3.1	-1.8	-2.7	-9.6	-2.2	-2.3	-1.9	-2.9	-9.3
Group total	49.1	38.6	192.0	63.4	45.2	43.6	32.8	185.0	56.9	50.4	55.7	43.9	207.0

Geographical breakdown of net sales by annual quarters

EUR million	Q3/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	Q4/08	2008	Q1/09	Q2/09	Q3/09	Q4/09	2009
Finland	48.6	53.7	201.0	55.7	53.5	52.8	55.2	217.2	53.5	55.0	55.6	59.2	223.3
Scandinavia	23.8	24.3	97.4	28.1	26.1	23.3	23.7	101.2	25.4	25.8	24.5	25.9	101.6
Other Europe	56.0	57.5	234.8	64.4	61.4	56.2	62.0	244.0	61.2	71.8	68.9	72.8	274.7
North America	19.1	15.4	77.7	14.4	18.5	21.7	19.2	73.8	22.6	18.2	18.1	12.1	70.9
Other markets	15.0	21.9	69.0	17.6	21.1	16.1	19.8	74.6	27.4	25.6	24.7	23.4	101.0
Group total	162.5	172.8	680.0	180.2	180.5	170.1	179.9	710.7	190.1	196.4	191.8	193.3	771.5



Report by the Board of Directors

Events in 2009

In January 2009, Orion completed the statutory co-determination negotiations to restructure its pharmaceutical R&D operating model and structure. As a result of the negotiations, Orion decided on staff reductions of about 205 people in Finland.

In March, Orion announced that it would withdraw the EU marketing authorisation application to expand the indication of Stalevo®.

At the beginning of April, the price reference system was implemented in Finland. Since this change, Orion has strengthened its market leadership position despite the end of general market growth in Finland due to implementation of the system.

In April, Orion and the Wockhardt companies reached an agreement in the dispute in which Orion had filed a lawsuit against Wockhardt in the United States after Wockhardt had submitted Abbreviated New Drug Applications (ANDA) for generic versions of Orion's Comtan® and Stalevo® products.

In May, Orion repurchased the rights to intravenously administered levosimendan (Simdax®). Simdax is Orion's own proprietary drug for acute decompensated heart failure.

In September, Orion and Hospira, Inc. started legal proceedings against Sandoz companies in the United States to enforce their patents covering the proprietary drug Precedex®.

In October, Orion withdrew the application in the United States to extend the indication of Stalevo®.

In October, Orion and Pfizer Animal Health agreed that the rights in Europe to an animal sedative product family that Orion had developed would revert to Orion.

Financial review 2009

Net sales

The Orion Group's net sales in 2009 totalled EUR 771.5 million (EUR 710.7 million in 2008), up by 8.5% on the previous year. The net effect of currency exchange rates was minus EUR 0.3 million.

The Pharmaceuticals business's net sales were up by 9.1% at EUR 728.5 (667.6) million. The products based on in-house R&D accounted for EUR 346.5 (307.5) million, or 48% (46%) of the Pharmaceuticals business's net sales. Net sales of Orion's Stalevo® (carbidopa, levodopa and entacapone) and Comtess®/Comtan® (entacapone) Parkinson's drugs totalled EUR 234.9 (208.5) million, or about 32% (31%) of the segment's net sales.

The Diagnostics business's net sales were EUR 45.2 (45.0) million. Sales of QuikRead® infection tests grew, but sales of the older product portfolio were lower than in the comparative period.

Operating profit

The Orion Group's operating profit in 2009 was up by 11.9% at EUR 207.0 (185.0) million.

The Pharmaceuticals business's operating profit was EUR 210.7 (188.5) million. Although fixed costs increased, operating profit grew by 11.8% due to good sales.

The Diagnostics business's operating profit was EUR 5.6 (6.1) million, down by 9.1% due to clearly increased investment in product development.

Operating expenses

The Group's sales and marketing expenses were up by 11.2% at EUR 160.0 (143.9) million. The increase was mainly due to the repurchase of Simdax and the related establishment of sales operations in Southern Europe. Expenses in 2009 include EUR 5.7 million of royalties paid to Abbott due to the acquisition of Simdax.

R&D expenses were up by 5.7% at EUR 95.2 (90.0) million and accounted for 12.3% (12.7%) of the Group's net sales. Pharmaceutical R&D expenses amounted to EUR 89.4 (85.4) million. Ongoing research projects are reported in more detail under Pharmaceuticals in the Business Reviews.

Administrative expenses were EUR 50.2 (51.5) million. The expenses for the comparative period include a provision of EUR 3.9 million made in December 2008 for staff reduction costs. The costs of the ongoing patent litigation in the United States were EUR 8.8 (6.7) million. There is more information on the legal proceedings in the section "Legal proceedings".

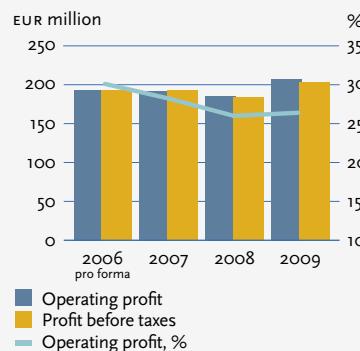
Net sales

Steady growth in net sales



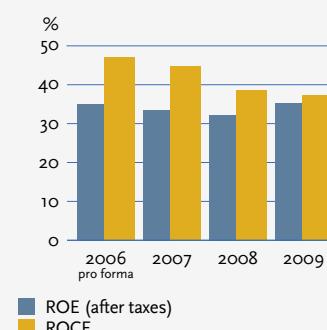
Operating profit and profit before taxes

Operating profit increased



Return on equity

High return on equity



Other operating income and expenses increased profit by EUR 6.0 (3.1) million. This includes the one-time payment of EUR 4.0 million from Pfizer related to an agreement under which animal sedative distribution rights in Europe reverted to Orion.

Profit before taxes

Group profit before taxes totalled EUR 203.7 (184.2) million. Earnings per share were EUR 1.07 (0.97) and equity per share EUR 3.11 (2.97). The return on capital employed before taxes (ROCE) was 37.4% (38.5%) and the return on equity after taxes (ROE) 35.3% (32.1%).

Financial position

The Group's gearing was -8.9% (-7.1%) and the equity ratio 60.6% (60.2%).

Total liabilities at 31 December 2009 in the Consolidated Statement of Financial Position were EUR 287.9 (276.9) million. At the end of the period, interest-bearing liabilities amounted to EUR 131.5 (146.3) million, including EUR 108.7 (109.9) million of long-term loans.

The Group had EUR 170.5 (176.1) million of cash and cash equivalents at the end of the year, which are invested in short-term interest-bearing instruments issued by financially solid financial institutions and corporations.

Cash flow

Cash flow from operating activities

increased to EUR 204.6 (144.4) million. Operating profit was EUR 22.0 million higher than in the comparative period, and the amount tied up in working capital was EUR 30.3 million less than in 2008.

Cash flow from investing activities was EUR -59.5 (-51.8) million.

Cash flow from financing activities was EUR -152.1 (-4.8) million. The change was because the Group's loans increased by EUR 141.1 million in 2008 and decreased by EUR 17.6 million in 2009.

Capital expenditure

The Group's **capital expenditure** totalled EUR 60.4 (56.8) million. This comprised EUR 25.1 (32.8) million on **property, plant and equipment** and EUR 35.2 (24.0) million on **intangible assets**. The largest individual investment was the repurchase of the Simdax marketing rights from Abbott in May for EUR 26 million, including signature and milestone payments as per the agreement.

Outlook estimate for 2010

Net sales will be slightly higher than in 2009.

Marketing expenditure will be higher due to the increased number of product launches and increased costs of sales and marketing related to Simdax. Research expenditure will be slightly lower than in 2009. The costs of ongoing patent litigation in the United States are also expected to be similar to 2009.

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

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

In-market sales of the Parkinson's drugs Stalevo and Comtess/Comtan grew by just over 10% in 2009, as in the previous year. However, the growth was faster than anticipated, and is forecast to slow down slightly in 2010. These forecasts assume that generic competition does not yet begin in the United States during 2010.

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

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

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

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 at present are difficult to estimate accurately.

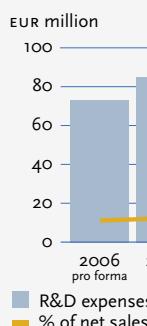
Equity ratio and liabilities

Equity ratio well over target



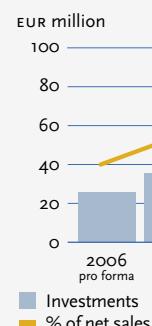
R&D expenses

Expenditure on R&D increased



Investments

Investing activities grew slightly



Near-term risks and uncertainties relating to the outlook

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

Sales of individual products and also Orion's sales in individual markets may vary slightly depending on the extent to which the ever-tougher price and other competition prevailing in pharmaceutical markets in recent years will specifically affect Orion's products. Deliveries to Novartis are based on timetables that are jointly agreed in advance. Nevertheless, they can change, for example as a consequence of decisions by Novartis concerning adjustments of stock levels. It is assumed that the ongoing litigation will not affect the sales of Comtan or Stalevo in the United States in 2010, but it is not impossible that generic competition will commence already during the current year.

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 the Parkinson's drugs Stalevo and Comtess/Comtan currently account for approximately one-third of Orion's net sales. The key patents for these 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 will also bring 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.

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.

Proposal by the Board for distribution of profit

The parent company's distributable funds are EUR 189,019,101.80, including EUR 136,467,859.83 of profit for the financial year.

The Board of Directors proposes that a dividend of EUR 1.00 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 payment record date. On the day when the profit distribution was proposed, the number of shares conferring entitlement to receive dividend totalled 140,977,798, on which the total dividend payment would be EUR 140,977,798.00. The Group's payout ratio for the financial year 2009 would be 93.5% (97.9%). The dividend payment date would be 7 April 2010, and shareholders registered in the Company's shareholder register on 29 March 2010 would be entitled to the dividend payment.

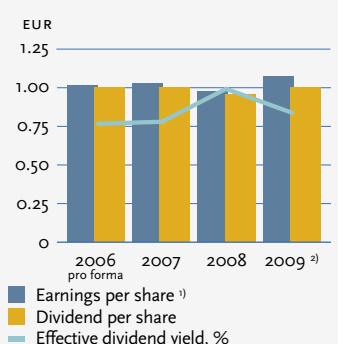
The Board of Directors further proposes that EUR 150,000.00 be donated to medical research and other purposes of public interest and that EUR 47,891,303.80 remain in the retained earnings accounts.

Proposal by the Board for distribution of equity

The Board of Directors proposes to the Annual General Meeting of Orion Corpora-

Earnings per share and dividend

Earnings per share clearly higher



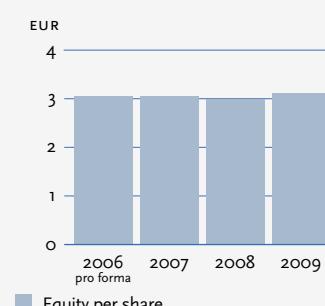
Cash flow per share

Cash flow per share considerably higher



Equity per share

Equity per share increased slightly



tion to be held on 24 March 2010 that EUR 0.10 per share be distributed from the expendable fund in the distributable equity as a repayment of capital. The repayment of distributable equity would be paid to the Orion Corporation shareholders registered in the shareholder register maintained by Euroclear Finland on 29 March 2010, the record date for dividend payment. The payment date would be 7 April 2010.

Business Reviews

Pharmaceuticals

Review of human pharmaceuticals market Finland is the most important individual market for Orion, generating about one-third of the Group's net sales. According to statistics collected by Finnish Pharmaceutical Data Ltd, **Finnish wholesale of human pharmaceuticals** in 2009 totalled EUR 1,947.3 million, down by 0.5% on the previous year. In terms of the number of packages, overall sales were down by 2.3%. Total pharmacy sales were down by 0.9%, while hospital sales were up by 0.9%. The wholesale of prescription drugs in the whole market was down by 0.9% and wholesale of self-care products up by 3.0%. According to Statistics Finland, pharmaceutical prices in Finland decreased by 3.6% in 2009.

Orion continued to strengthen its position as leader in marketing pharmaceuticals in Finland. According to statistics collected by Finnish Pharmaceutical Data, **Orion's wholesale of pharmaceuticals in Finland** in 2009 amounted to EUR 186.0 million, up by 3.2% on the previous year. Orion's sales grew slightly, even though

the reference price system implemented in April reduced the overall market. Orion's market share was 9.6% (9.2%), which was 2.5 percentage points higher than the second-largest company's market share.

The most important individual therapy area for Orion is still the treatment of Parkinson's disease. Orion's Parkinson's drugs account for approximately one-third of the Group's net sales. According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in September 2009 the **total sales of Parkinson's drugs** in the United States came to USD 981 million (USD 1,057 million in the previous 12-month period), which is 7.2% less than in the comparative period. The rapid change in the market trend was caused by the expiry of the patent for the leading product, a dopamine agonist, and the resulting competition from generic 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 September totalled EUR 895 (852) million, and the average market growth was 5.1%.

Sales of Orion's Parkinson's drugs continued to grow clearly faster than the market as a whole. According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in September 2009, sales of Orion's Parkinson's drugs were up by 15.3% at EUR 492 million (EUR 427 million in the previous 12-month period).

According to statistics, in the United States sales of Orion's Parkinson's drugs in the same 12-month period were USD 171 (154) million, up by 10.9% on the comparative period. The market share of Orion's Parkinson's drugs in the United States was about 17%. In the five largest Parkinson's drugs markets in Europe, sales of Orion's Parkinson's drugs in the same 12-month period totalled EUR 147 (138) million, up by 6.3% on the comparative period. Orion's Parkinson's drugs have an average market share of about 16% in these five markets.

Net sales and operating profit of the Pharmaceuticals business

Net sales of the Pharmaceuticals business in 2009 were EUR 728.5 (667.6) million, up by 9.1% on the previous year. The operating profit of the Pharmaceuticals business was up by 11.8% at EUR 210.7 (188.5) million. The operating profit of the Pharmaceuticals

business was 28.9% (28.2%) of the segment's net sales.

Net sales of the top ten pharmaceuticals in 2009 were up by 11.4% at EUR 378.3 (339.7) million. They accounted for 52% (51%) of the total net sales of the Pharmaceuticals business. Among these best-sellers, the fastest-growing products were Simdax heart failure drug, Precedex sedative for patients in intensive care, Stalevo Parkinson's drug and Easyhaler pulmonary drugs.

Net sales of the products based on own in-house R&D in 2009 were up by 12.7% at EUR 346.5 (307.5) million. These products accounted for about 48% (46%) 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® pulmonary drugs. At the beginning of the year, Easyhaler drugs were transferred from the Specialty Products to the Proprietary Products division. At the same time, hormone replacement products, such as the Divina® range, and toremifene products, such as Fareston®, were transferred to Specialty Products.

Net sales of Proprietary Products were up by 16.5% in 2009 at EUR 324.0 (278.1) million.

Net sales of Orion's Parkinson's drugs in 2009 totalled EUR 234.9 (208.5) million. The net sales were up by 12.7% and accounted for 32% (31%) of the total net sales of the Pharmaceuticals business. Net sales from deliveries of Stalevo and Comtan to Novartis totalled EUR 137.8 (118.1) million, up by 16.7% on the previous year. Deliveries of Stalevo to Novartis increased by 20.6%, and deliveries of Comtan by 9.8%. Total net sales generated by Stalevo and Comtess in Orion's own sales organisation were up by 7.5% at EUR 97.1 (90.4) million. Net sales of Stalevo through Orion's own sales organisation were up by 16.8% at EUR 77.1 (66.0) million. The depreciation of the British pound and Scandinavian currencies have slowed euro-denominated sales.

Orion has withdrawn the applications in the EU countries and the United States to extend the indication of Stalevo. Currently, Stalevo is approved for treatment of advanced Parkinson's disease.

Orion has ongoing patent litigation in the United States against the Sun compa-



nies and Sandoz companies. The Sun companies aim to launch generic versions of Orion's Comtan and Stalevo, and the Sandoz companies a generic version of Orion's Precedex in the United States. Legal proceedings against the Wockhardt companies ended in settlement in April 2009.

In May, Orion repurchased from Abbott the rights to intravenously administered Simdax (levosimendan), a drug for acute decompensated heart failure. The transfer of the rights to Simdax has proceeded according to plan and the sales progressed well.

Net sales of the Easyhaler® product family in 2009 were up by 12.2% at EUR 24.9 (22.2) million. The marketing rights to Easyhaler products in the United Kingdom and Hungary were transferred back to Orion in 2009.

Launches of the Vantas® implant (histrelin) for treatment of advanced prostate cancer began in Europe during 2009. Orion acquired the European-wide rights for the drug from Endo Pharmaceuticals Solutions Inc. of the United States.

Specialty Products

Net sales of the Specialty Products business division's off-patent, i.e. generic, prescription drugs and self-care products were up by 5.5% in 2009 at EUR 274.8 (260.5) million. Depreciation of Scandinavian and Eastern European currencies in 2009 slowed the growth of euro-denominated net sales of the business division.

Net sales of Orion's human pharmaceuticals in Finland in 2009 were up by 4.6% at EUR 204.3 (195.3) million. Specialty Products accounted for the majority of sales in Finland. Orion improved its market position owing to its broad product portfolio, particularly in substitutable prescription drugs, although market conditions deteriorated following the introduction of the reference price system in Finland in April. The reference price system has further intensified price competition, but also expanded the range of substitutable products. For example, the anti-psychotic drug Ketipinor® (quetiapine) and cholesterol-lowering drug Atorvastatin Orion® (atorvastatin) launched at the beginning of the year have been particularly successful.

Net sales of Orion's human pharmaceuticals in Eastern Europe in 2009 were up by 1.8% at EUR 38.7 (38.0) million. Specialty Products accounted for the majority of sales in the region. The growth of euro-denominated net sales in Eastern Europe was slowed by the severe depreciation of

currencies in the region and the economic recession.

Orion has strengthened its product portfolio in Scandinavia, especially in self-care products. Orion aims to make its domestic market all the Nordic countries, not just Finland. Strong growth in Scandinavia has been supported by transfer of distribution of the Sebamed product family to Orion and, for instance, the successful launch of Penomax® antibiotic (pivmecillinam) in the Nordic countries. Orion is preparing for changes in distribution channels in Sweden too, where the national pharmacy monopoly was abolished in 2009.

A limitation based on new safety data has been added to the product information for Fareston® breast cancer drug (toremifene) stating that the drug should not be used by patients with arrhythmia, or increased risk of arrhythmia.

Animal Health

Net sales of the Animal Health business division were down by 7.5% in 2009 at EUR 62.1 (67.2) sales of the animal sedatives Dexdomitor® (dexmedetomidine), Domitor® (medetomidine), Domosedan® (detomidine) and Antisedan® (atipamezole) were down by 21.4% and accounted for 31% (37%) of the division's net sales. Sales of animal sedatives decreased due to price competition in Europe following the expiry of patents.

The rights in Europe to an animal sedative product family that Orion had developed reverted from Pfizer Animal Health to Orion at the end of the year. Following the agreement, Orion will start marketing the product family in some Eastern European markets in addition to the Nordic countries. Pfizer will continue to market Orion's animal sedatives in, for example, North and South America. In other markets partners will market the products. Pfizer paid Orion four million euros at the end of 2009 in connection with this arrangement.

In late 2009, Orion obtained market authorisation in Europe for Domosedan gel, a sedative for horses. Product launches in Europe will begin in early 2010.

Orion remained the Finnish market leader in veterinary drugs with a market share of about 20%. According to statistics for veterinary drugs, the Finnish market for veterinary drugs was about EUR 46 million in 2009, up by 6.8% on the previous year. Orion's position as the market leader is due to Orion's extensive product portfolio

and its operations in the Finnish market for veterinary drugs over a long time.

Following the results of the LEVET research programme, Orion is not intending to submit marketing authorisation applications for levosimendan in the United States and Europe. The programme studied the efficacy of orally administered levosimendan in the treatment of heart diseases in dogs.

Fermion

Fermion manufactures active pharmaceutical ingredients for Orion and other pharmaceutical companies. Its product range comprises nearly 30 pharmaceutical ingredients. Fermion's net sales were up by 14.5% in 2009 at EUR 41.4 (36.1) million, excluding pharmaceutical ingredients supplied for Orion's own use. Orders for some key products are still high, even though competition in the markets remains intense. Special attention has been paid to improving cost efficiency in the business division to maintain competitiveness.

Research and development

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. In addition to in-house research, Orion invests in early-stage R&D jointly with universities and other pharmaceutical companies. In Phase III clinical studies, Orion prefers to share the costs with other pharmaceutical companies. In this way, Orion can ensure an increasing number of new research projects and balance the risks of projects in the research pipeline. Orion also seeks to purchase new product candidates to reinforce the research pipeline based on its own research projects. In this way Orion reinforces its capability to continue operating as a company that provides new drugs and engages in pharmaceutical R&D.

The Group's **R&D expenses** totalled EUR 95.2 (90.0) million, of which the Pharmaceuticals business accounted for EUR 89.4 (85.4) million. The Group's R&D expenses accounted for 12.3% (12.7%) of the Group's net sales.

Orion has Phase III clinical studies of the **sedative dexmedetomidine** in progress in patients in intensive care as a prolonged infusion administered for over 24 hours. In the United States and Japan, for example, the drug is already available as a sedative for patients in intensive care administrable for a maximum of 24 hours. The aim

is to have the drug registered also in the EU. Dexmedetomidine is compared with midazolam in the MIDEX study and with propofol in the PRODEX study. For both studies, 500 patients have been recruited and results of the research programme are expected at the latest in summer 2010.

Orion has an ongoing project to broaden the range of the **Easyhaler** product family. A new **budesonide–formoterol formulation** is being developed in this research that combines budesonide as an anti-inflammatory agent and formoterol as a long-acting bronchodilator. Orion's aim is to utilise Easyhaler technology not just in current products and development projects, but also to develop new products.

Orion is collaborating with Novartis to develop **Stalevo for the Japanese market**.

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

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

Orion has withdrawn the applications in the EU countries and the United States to extend the indication of Stalevo. Currently, Stalevo is approved for treatment of advanced Parkinson's disease.

Following the results of the LEVET programme, Orion is not intending to submit marketing authorisation applications for levosimendan in the United States and Europe. The programme studied the efficacy of orally administered levosimendan in the treatment of heart diseases in dogs.

Diagnostics

Net sales of the Orion's Diagnostics business in 2009 were EUR 45.2 (45.0) million. Euro-denominated net sales were slowed by depreciation of the Nordic currencies, whereas sales to China and the Czech Republic were higher than in the previous year.

QuikRead® tests maintained their position as the main products, with reagent and equipment sales continuing to grow strongly. The tests are used in, for example, detecting infection from the CRP level in a blood sample. The tests can also detect streptococcus A, the causative agent of bacterial tonsillitis, in a pharyngeal sam-

ple. The increasing selection of QuikRead products in doctors' surgeries and clinical laboratories creates a solid basis for future demand for reagents.

Sales of dip slide tests, especially sales of hygiene tests for industry, decreased as capacity utilisation rates in industries declined.

Operating profit was EUR 5.6 (6.1) million, down by 9.1% due to increases in planned investments in product development.

Shares and shareholders

On 31 December 2009, Orion had a total of 141,257,828 shares, of which 51,340,668 were A shares and 89,917,160 B shares. The Group's share capital was EUR 92,238,541.46. At the end 2009, Orion held 280,030 B shares as treasury shares. On 31 December 2009, the aggregate number of votes conferred by the A and B shares was 1,116,450,490 excluding treasury shares.

Voting rights conferred by shares

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

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

Conversion of shares

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares. In 2009 a total of 100,000 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 2009 the market capitalisation of the Company's shares excluding treasury shares was EUR 2,122.2 million.

In 2009 a total of 3,815,863 A shares and 84,568,573 B shares were traded on NASDAQ OMX Helsinki. The total value of traded shares was EUR 1,080.4 million. During the year, 7.4% of A shares and 94.1% of B shares were traded. The average turnover in Orion's shares was 62.6%.

Authorisation of the Board of Directors to dispose of shares

Orion's Board of Directors was authorised by the Annual General Meeting on 23 March 2009 to dispose of shares held by the Company (treasury shares). This authorisation is valid until the close of the 2010 Annual General Meeting.

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

Altogether 44,806 B shares held by the Company were transferred in March 2009 as a share bonus for 2008 to key persons employed by the Company and belonging to the Share-based Incentive Plan of the Orion Group. This was based on the authorisation granted by the Annual General Meeting on 25 March 2008. The transfer price of the shares transferred was EUR 11.97 per share, which was the weighted average price of the B shares on 5 March 2009. The total transfer price of the shares transferred was EUR 536,417.43.

Share ownership

At the end of 2009, Orion had a total of 54,323 (43,119) registered shareholders, of whom 94.0% (94.1%) were private individuals holding 51.9% (48.3%) of the entire share stock and 60.6% (59.2%) of the total votes. There were altogether 31.3 (34.7) million nominee-registered shares, which is 22.1% (24.5%) of all shares, and they conferred entitlement to 4.2% (6.1%) of the votes.

At the end of 2009, Orion held 280,030 B shares as treasury shares, which is 0.2% of the Company's total share stock and 0.03% of the total votes.

In accordance with Chapter 2, Section 9 of the Securities Markets Act, on 21 November 2007 Capital Research and Management Company notified that it had under management 7,281,692 Orion Corporation B shares, which is 5.15% of Orion's share stock and 0.65% of the total votes. According to the notification, Capital Research and Management Company is Orion's largest shareholder.

No new transactions exceeding the notification threshold set in the Finnish Securities Markets Act were brought to the attention of the Company during 2009.

Management's shareholdings

At the end of 2009, the members of the Board of Directors owned a total of 2,322,438 Orion Corporation shares, of which 1,903,932 were A shares and 418,506 B shares. At the end of 2009, the President and CEO owned 11,950 Orion Corporation shares, which were all B shares. The members of the Executive Management Board (excluding the President and CEO) owned a total of 66,733 Orion Corporation shares, of which 1,228 were A shares and 65,505 were B shares. Thus, Orion's executive management held 1.7% of all shares and 3.5% of the total votes. The figures also include the holdings of controlled entities.

The Company does not have share option schemes.

Corporate Governance

The management system of the Orion Group consists of the Group level functions and business divisions. In addition, the system includes the organisation of the administration of the legal entities. For the steering and supervision of operations, the Group has a control system for all levels.

The parent company of the Group is Orion Corporation, whose shareholders exercise their decision-making power at a General Meeting of Shareholders in accordance with the Limited Liability Companies Act and the Articles of Association. General Meetings of Shareholders elect the Board of Directors and decide on amendments to the Articles of Association, issuance of shares and repurchase of the Company's own shares, among other things.

The Board of Directors of the Group handles and decides all the most important issues relating to the operations of the whole Group or any units irrespective of whether the issues legally require a decision of the Board of Directors. The Board also ensures that good corporate governance practices are followed in the Orion Group.

The Board of Directors of the parent company comprises at least five and at most eight members elected by a General Meeting of Shareholders. The term of the members of the Board of Directors ends at the end of the Annual General Meeting of Shareholders following the election. A General Meeting of Shareholders elects

the Chairman of the Board of Directors, and the Board of Directors elects the Vice Chairman of the Board of Directors, both for the same term as the other members. A person who has reached the age of 67 may not be elected a member of the Board of Directors.

The President and CEO of the parent company is elected by the Board of Directors. In accordance with the Limited Liability Companies Act, the President and CEO is in charge of the day-to-day management of the Company in accordance with instructions and orders issued by the Board of Directors. In addition, the President and CEO ensures that the bookkeeping of the Company complies with the law and that its asset management is arranged in a reliable way.

If the service contract of the President and CEO is terminated on the Company's initiative, the notice period is 6 months. If the service contract is terminated on the initiative of the President and CEO, the notice period is 6 months, unless otherwise agreed. The service ends at the end of the notice period. If the service contract is terminated either on the Company's initiative or on the initiative of the President and CEO because of a breach of contract by the Company, the President and CEO will be compensated with a total sum corresponding to the monetary salary for 18 months, unless otherwise agreed. No such separate compensation will be paid if the President and CEO resigns at his own request for reasons other than a breach of contract by the Company.

Annual General Meeting on 23 March 2009

Orion Corporation's Annual General Meeting was held on 23 March 2009 in the Helsinki Fair Centre. In addition to matters in accordance with Section 10 of the Articles of Association and Chapter 5, Section 3 of the Limited Liability Companies Act, the meeting dealt with the proposals concerning amendments to the Articles of Association, authorisation of the Board of Directors to dispose of treasury shares in the Company, and the election and remuneration of the Board of Directors and the auditor.

A dividend of EUR 0.95 per share was approved for 2008, in accordance with the Board's proposal.

Authorised Public Accountants PricewaterhouseCoopers Oy were elected as the Company's auditor for the following term of office.

Annual General Meeting on 24 March 2010

Orion Corporation's Annual General Meeting will be held at 14:00 on Wednesday 24 March 2010 in the Helsinki Fair Centre.

Significant risks and uncertainties

Risk management constitutes a significant part of Orion Group's corporate governance and is an integral part of the Company's responsibility structure and business operations. The aim is to identify, measure and manage the risks that might threaten the Company's operations and the achievement of the objectives set for the Company. Overall risk management processes, practical actions and the definition of responsibilities are developed by means of regular risk identification approaches covering the following areas:

- strategic risks, including research and development risks
- operational risks, including sales and business risks, as well as risks related to production, safety and the environment
- financial risks, including market, credit and liquidity risks

Operational risk management also includes project-specific risk management.

Agreements referred to in Ministry of Finance decree 153/2007, Section 6.1, Paragraph 11

Orion and its marketing partner Novartis have marketing agreements concerning the Comtess®/Comtan® and Stalevo® drugs. These agreements include terms concerning change of control in the company that entitle a party to terminate the agreement in certain circumstances, as referred to in the Ministry of Finance Decree 153/2007, Section 6.1, Paragraph 11.

Personnel

The average number of employees in the Group in 2009 was 3,192 (3,270). At the end of 2009, the Group had a total of 3,147 (3,309) employees, of whom 2,529 (2,726) worked in Finland and 617 (583) outside Finland.

Salaries and other personnel expenses in 2009 totalled EUR 171.4 (170.9) million.

Environmental issues

Orion's own production operations have only minor environmental impacts, mainly relating to consumption of energy, raw materials and water, emissions into the air and amounts of waste. All Orion's produc-

tion units are in Finland. The operations of the plants are regulated by environmental permits. Orion has manufacturing plants at five locations: Espoo, Hanko, Kuopio, Turku and Oulu.

The environmental impacts of Orion's production operations are monitored by, for example, measuring emissions into the air and water, keeping track of amounts of waste (especially hazardous waste), monitoring consumption of raw materials and measuring energy efficiency. Orion continuously strives to improve its environmental protection, and controls its operations through, for example, internal audits.

Significant legal proceedings

Legal proceedings against the Sun companies

On 13 November 2007, 7 February 2008 and 12 November 2008, Orion Corporation filed patent infringement lawsuits in the United States to enforce US Patents No. 6,500,867 and 5,446,194 against companies belonging to the Sun Group.

Sun Pharmaceutical Industries Limited seeks to market generic versions of Orion's Stalevo® drug (25/100/200 and 37.5/150/200 mg strengths of carbidopa, levodopa and entacapone) in the United States. Sun Pharma Global, Inc. seeks to market a generic version of Orion's proprietary drug Comtan® in the United States.

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. The legal proceedings concern Orion's US Patent No. 4,910,214 and Orion's and Hospira's commonly owned US Patent No. 6,716,867.

Sandoz Inc. has sought authorisation to produce and market in the United States a generic version of Orion's proprietary drug Precedex® (dexmedetomidine hydrochloride 100 µg base/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 ongoing entacapone patent litigation in the United States.

Agreement reached in legal proceedings against the Wockhardt companies

On 29 April 2009, Orion Corporation and Wockhardt USA, LLC and Wockhardt Limited (jointly "Wockhardt") reached a settlement agreement in the dispute in which Orion had filed a lawsuit against Wockhardt to enforce its US patents after Wockhardt had filed Abbreviated New Drug Applications (ANDA) for generic versions of Orion's Comtan® and Stalevo® products.

Orion filed its first lawsuit against Wockhardt in the United States in 2007 and two more in 2008. The settlement agreement applies to all three lawsuits. According to the terms of the settlement agreement, Wockhardt may launch generic versions of Comtan and Stalevo in the US market on 30 September 2012, or possibly before that if certain conditions are met. The parties have agreed that Orion will supply the said generic products to Wockhardt. Any other terms of the agreement will not be made public by the parties.

Due to the settlement, all three lawsuits were terminated and Orion's US patents No. 5,446,194; 5,135,950; 6,599,530; 6,797,732; and 6,500,867 will remain in force.

In accordance with current US legislation, Orion has submitted all of the above-mentioned agreements to the US Federal Trade Commission and the United States Department of Justice.



Consolidated financial statements (IFRS)

Consolidated statement of comprehensive income

EUR million	Note	2009	2008
Net sales	1	771.5	710.7
Cost of goods sold		-265.2	-243.4
Gross profit		506.3	467.4
Other operating income and expenses	2	6.0	3.1
Selling and marketing expenses	3, 4	-160.0	-143.9
R&D expenses	3, 4	-95.2	-90.0
Administrative expenses	3, 4	-50.2	-51.5
Operating profit		207.0	185.0
Finance income	5	5.1	7.6
Finance expenses	5	-8.4	-8.5
Profit before taxes		203.7	184.2
Income tax expense	6	-52.3	-47.8
Profit for the period		151.4	136.3
Other comprehensive income			
Translation differences		1.3	-2.8
Cash flow hedges		0.9	-1.0
Other comprehensive income net of tax		2.1	-3.9
Comprehensive income for the period		153.5	132.5
Profit attributable to			
Owners of the parent company		151.4	136.3
Minority interest		0.0	0.0
Total comprehensive income for the period attributable to			
Owners of the parent company		153.5	132.5
Minority interest		0.0	0.0
Earnings per share, EUR ¹⁾		1.07	0.97
Depreciation and amortisation		34.4	31.6
Personnel expenses		171.4	170.9

¹⁾ The figure has been calculated from the profit attributable to the owners of the parent company. The Company has no items that could dilute the earnings per share.

The notes are a material part of the Financial Statements.

Consolidated statement of financial position

Assets

EUR million, 31 Dec	Note	2009	2008
Property, plant and equipment	8	192.0	192.4
Goodwill	9	13.5	13.5
Intangible rights	9	63.4	37.5
Other intangible assets	9	3.7	2.9
Investments in associates	10	0.1	0.1
Available-for-sale investments	11	1.0	0.9
Pension asset	12	29.8	29.3
Deferred tax assets	13	5.5	4.2
Other non-current receivables	14	0.9	1.5
Non-current assets, total		309.9	282.3
Inventories	15	122.7	131.7
Trade receivables	16	102.6	83.1
Other receivables	16	21.4	22.3
Cash and cash equivalents	17	170.5	176.1
Current assets, total		417.2	413.1
Assets, total		727.1	695.5

Equity and liabilities

EUR million, 31 Dec	Note	2009	2008
Share capital		92.2	92.2
Share premium		17.8	17.8
Expendable fund		23.0	23.0
Other reserves		0.0	-0.9
Retained earnings		306.0	286.3
Equity attributable to owners of the parent company		439.1	418.5
Minority interest		0.0	0.0
Equity, total	18	439.1	418.6
Deferred tax liabilities	13	43.0	42.0
Pension liability	12	0.8	0.8
Provisions	19	0.5	0.4
Interest-bearing non-current liabilities	20	108.7	109.9
Other non-current liabilities	21	0.1	0.9
Non-current liabilities, total		153.1	153.9
Trade payables	22	42.3	30.2
Current tax liabilities		3.0	2.4
Other current liabilities	22	66.8	54.0
Provisions	19	0.0	
Interest-bearing current liabilities	20	22.7	36.4
Current liabilities, total		134.8	123.0
Liabilities, total		287.9	276.9
Equity and liabilities, total		727.1	695.5

The notes are a material part of the Financial Statements.

Consolidated statement of changes in equity

		Equity attributable to owners of the parent company							
EUR million	Note	Share capital	Share premium	Expendable fund	Other reserves	Translation differences	Retained earnings	Minority interest	Equity total
Equity at 1 January 2008		92.2	17.8	23.0	0.5	-4.1	301.7	0.0	431.1
Dividend	18						-140.9		-140.9
Repurchase of own shares	18						-4.8		-4.8
Share-based incentive plan	4						0.6		0.6
Other changes					-0.3		0.4		0.1
Comprehensive income for the period					-1.0	-2.8	136.3		132.4
Equity at 31 December 2008		92.2	17.8	23.0	-0.9	-6.9	293.3	0.0	418.6
Dividend	18						-133.9		-133.9
Share-based incentive plan	4						0.9		0.9
Other changes					0.0		0.1	-0.0	0.1
Comprehensive income for the period					0.9	1.3	151.4		153.5
Equity at 31 December 2009		92.2	17.8	23.0	0.0	-5.7	311.7	0.0	439.1

The notes are a material part of the Financial Statements.

Consolidated statement of cash flows

EUR million	Note	2009	2008
Operating profit		207.0	185.0
Depreciation and amortisation	3	34.4	31.6
Gains/losses on sales of property, plant and equipment and disposals of property, plant and equipment		1.1	0.1
Unrealised foreign exchange gains and losses		1.7	-1.3
Change in pension asset and pension obligation	12	-0.5	-2.6
Change in provisions	19	0.1	0.2
Other adjustments		0.9	0.7
Adjustments to operating profit, total		37.7	28.7
Change in trade and other receivables		-20.8	-2.1
Change in inventories		9.1	-10.7
Change in trade and other payables		27.0	-2.2
Change in working capital, total		15.3	-15.0
Interest paid		-9.7	-7.0
Interest received		4.9	7.5
Income taxes paid	6	-50.6	-54.9
Net cash generated from operating activities, total		204.6	144.4
Investments in property, plant and equipment	8	-24.6	-30.8
Investments in intangible assets	9	-36.1	-23.0
Acquisition of subsidiary, net of cash acquired		-0.0	-0.0
Proceeds from sales of property, plant and equipment and available-for-sale investments	8	0.8	1.5
Proceeds from sales of intangible assets	9	0.5	0.5
Net cash used in investing activities, total		-59.5	-51.8
Short-term loans raised	20	0.7	121.7
Repayments of short-term loans	20	-19.8	-105.1
Long-term loans raised	20	22.8	125.0
Repayments of long-term loans	20	-21.3	-0.5
Repurchase of own shares			-4.8
Dividends paid and other distribution of profits	18	-134.4	-141.1
Net cash used in financing activities, total		-152.1	-4.8
Net change in cash and cash equivalents		-7.0	87.7
Cash and cash equivalents at 1 Jan	17	176.1	90.4
Foreign exchange differences		1.4	-2.1
Net change in cash and cash equivalents		-7.0	87.7
Cash and cash equivalents at 31 Dec	17	170.5	176.1

The notes are a material part of the Financial Statements.



Notes to the consolidated financial statements

General information

Orion Corporation is a Finnish public limited liability company domiciled in Espoo, Finland, and registered at Orionintie 1, FI-02200 Espoo. Orion Corporation and its subsidiaries develop and manufacture pharmaceuticals, active pharmaceutical ingredients and diagnostic tests that are marketed globally.

The Orion Group's first financial year was 1 July–31 December 2006, because the Group came into being on 1 July 2006 following the demerger of its predecessor Orion Group into the pharmaceuticals and diagnostics businesses as well as the pharmaceutical wholesale and distribution business. Orion Corporation is listed on the NASDAQ OMX Helsinki stock exchange since 3 July 2006.

At its meeting on 9 February 2010, Orion's Board of Directors approved the publication of these Consolidated Financial Statements. Under the Finnish Companies Act, shareholders have the option to accept or reject the Financial Statements at the Annual General Meeting, which is held after the publication of the Financial Statements. In addition, the AGM may amend the financial statements. Copies of the Annual Report are available at www.orion.fi, and copies of the Financial Statements are available from Orion Corporation's headquarters, Orionintie 1, FI-02200 Espoo.

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 as of 31 December 2009. International Financial Reporting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedure stipulated in the EU's regulation (EC) No. 1606/2002 and embodied in the Finnish Accounting Act and provisions issued under it. The Notes to the Consolidated Financial Statements have also been prepared in accordance with the requirements in Finnish accounting legislation and Community law that complement the IFRS regulations.

The information in the Consolidated Financial Statements is based on historical cost convention, except for financial assets recorded at fair value through profit and loss, and available-for-sale investments, derivatives and share-based payments recorded at fair value.

Monetary figures in the Financial Statements are expressed in million euros unless otherwise stated.

Change in accounting policy

Change in accounting policy regarding product development costs

The Orion Group changed its accounting policy regarding product development costs as of 1 January 2009. Costs relating to the support of products already on the market (mainly generic products) are now recognised in cost of goods sold instead of R&D expenses in the Statement of Comprehensive Income. This change has no effect on reported key figures, operating profit and Statement of Financial Position, but it reduces the R&D expenses previously reported for 2008 by EUR 13.4 million and correspondingly increases the cost of goods sold.

Adoption of new standards and interpretations

For the financial year, the Group has adopted the following relevant standards, interpretations and amendments that became effective in 2009:

- IAS 1, *Presentation of Financial Statements* (Revised). The revised standard affects the presentation of the Consolidated Statement of Comprehensive Income and the Statement of Changes in Equity.

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are

presented in the consolidated statement of comprehensive income. The revised standard also requires an entity to present a statement of financial position as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively or makes a retrospective restatement or when the entity reclassifies items in the financial statements.

The following standards and amendments that became effective in 2009 did not have material effects on the Consolidated Financial Statements:

- IFRS 8, *Operating Segments standard*. Standard replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The amendment has not changed the number of reportable segments presented and has not have any impact on the content of the segment reporting. The operating segments of the Group are the same as during IAS 14: Pharmaceuticals and Diagnostics business areas.
- IAS 23 (Revised), *Borrowing Costs*. Revised IAS 23 changes the accounting policy in respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset. Previously all borrowing costs could be recognised as an expense immediately. There were no acquisitions of qualifying assets and subsequent costs to be capitalised in the reporting period.
- IFRS 2 (Amendment), *Share-based Payment—vesting conditions and cancellations*. The amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are

non-vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

- IAS 1, *Presentation of Financial Statements* and IAS 32, *Financial Instruments: Presentation (Amendments)*. Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation. The amendments classify the puttable financial instruments as equity, provided they have particular features and meet specific conditions. Before the amendment these instruments were classified as liability.
- IFRIC 11/IFRS 2, – *Group and Treasury Share Transactions*. The interpretation provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies.
- IFRS 7 (Amendment), *Financial Instruments: Enhancing Disclosures on Financial Instruments*. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by levels of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures in the consolidated financial statements.
- IFRS 1 (Amendment), *First-time Adoption of International Financial Reporting Standards* and IAS 27 (Amendment), *Consolidated and Separate Financial Statements*. Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate in Adoption of IFRS. The amendments do not have any impact on the consolidated financial statements as the group is not a first time adopter of IFRSs.
- IAS 39 (Amendment), *Financial instruments: Recognition and measurement – Eligible Hedged Items*. The amendment does not have a material impact on the consolidated financial statements.
- IFRIC 12, *Service Concession Arrangements*
- IFRIC 13, *Customer Loyalty Programmes*. The interpretation is not relevant to the group's operations because none of the

group's companies operate any loyalty programmes.

- IFRIC 14/ IAS 19, – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The interpretation is applied to post-employment defined benefit plans and other long-term defined benefit plans under IAS 19, if the plan includes minimum funding requirements. The interpretation also clarifies the criteria for recognition of an asset on future refunds or reductions in future contributions. The interpretation does not have any impact on the consolidated financial statements as the plans of the group do not include minimum funding requirements.
- IFRIC 15, *Agreements for Construction of Real Estate*

In addition, minor amendments to various standards that became effective in 2009 but have no material effects on the Consolidated Financial Statements have been adopted.

- IAS 1 (Amendment), *Current assets and current liabilities*
- IAS 19 (Amendment), *Employee Benefits*
- IAS 20 (Amendment), *Accounting for government grants and disclosure of government assistance*
- IAS 23 (Amendment), *Borrowing costs*
- IAS 27 (Amendment), *Consolidated and Separate Financial Statements*
- IAS 28 (Amendments), *Investments in associates*
- IAS 31 (Amendment), *Interests in joint ventures*
- IAS 36 (Amendment), *Impairment of assets*
- IAS 38 (Amendments), *Intangible assets*

The following standards and amendments to existing standards issued during the year 2009 will be adopted by the group in 2010. These will have the relevant changes to the group:

- IFRS 3 (Revised), *Business Combinations*. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. The amendments apply to corporate arrangements undertaken after 1 January 2010.

The Group will adopt the following new standards, interpretations and amendments in 2010. These will not have a material impact on the consolidated financial statements.

- IFRIC 18, *Transfers of Assets from Customers*
- IFRIC 9 and IAS 39 (Amendment)¹⁾, *Reassessment of embedded derivatives on reclassification*
- IFRS 2 (Amendment)¹⁾, *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
- IFRS 1 (Amendment)¹⁾, *First-time adoption of Financial Instruments – Additional Exemptions for First-time Adopters*

IASB published changes to 12 standards or interpretations in April 2009 as part of the annual Improvements to IFRSs project, which will be adopted by the group in 2010. These will not have a material impact on the consolidated financial statements.

- IFRS 2 (Amendment), *Scope of IFRS 2 – Share-based Payment*
- IFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations*
- IFRS 8 (Amendment), *Operating Segments*
- IAS 1 (Amendment), *Presentation of Financial Statements*
- IAS 7 (Amendment), *Statement of Cash Flows*
- IAS 17 (Amendment), *Leases*
- IAS 18 (Amendment), *Revenue*
- IAS 36 (Amendment), *Impairment of Assets*
- IAS 38 (Amendments), *Intangible Assets*
- IAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*
- IFRIC 9 (Amendment), *Reassessment of Embedded Derivatives*
- IFRIC 16 (Amendment), *Hedges of a net investment in a foreign operation*

The following standards, interpretations and amendments will be adopted in 2011 or later:

- IAS 32 (Amendment), *Financial Instruments: Presentation – Classification of Rights Issues*
- IAS 24 (Revised)¹⁾, *Related Party Disclosures*
- IFRIC 19¹⁾, *Extinguishing Financial Liabilities with Equity Instruments*
- IFRIC 14 (Amendment)¹⁾, *Prepayments of a Minimum Funding Requirement*
- IFRS 9¹⁾, *Financial Assets – Classification and Measurement*

¹⁾ This revised standard / interpretation has not been approved for application in the EU.

Consolidation Principles

Subsidiaries

The Consolidated Financial Statements cover Orion Corporation and all companies directly or indirectly owned by it and controlled by the Group. A company is controlled by the Group when the Group owns more than 50% of the company's voting rights or has power to govern the financial and operating policies of the company so as to benefit from its operations.

Internal shareholdings have been eliminated using the purchase method of accounting. In the Consolidated Financial Statements, acquired subsidiaries are fully consolidated from the date the Group acquires control, and divested subsidiaries are de-consolidated from the date control ceases. All intra-Group transactions, receivables and liabilities, distribution of profit and unrealised internal gains are eliminated in the compilation of the Consolidated Financial Statements. The consolidated profit for the financial year is divided into portions attributable to owners of the parent company and non-controlling interest. The non-controlling interest is included in Group equity and is specified in the Statement of Changes in Equity.

Associates and joint ventures

Associates are all companies over which the Group has significant influence but not control. Significant influence generally means a shareholding of 20% to 50% of the voting rights. Joint ventures are companies half-owned by the parent company or a subsidiary, and half-owned by another company outside the Group, and jointly controlled by them. Associates and joint ventures are incorporated into the Consolidated Financial Statements using the equity method of accounting.

If the Group's share of the losses of an associate or joint venture exceeds the carrying amount, it is not consolidated unless the Group has made a commitment to fulfil the liabilities of the associate or joint venture.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, is the Executive Management Board that makes strategic decisions.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the company operates (the functional currency). The Consolidated Financial Statements are presented in euros, which is the functional currency of the parent company of the Group and the Group's presentation currency for the Consolidated Financial Statements.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items in foreign currencies at the end of the reporting period in the Statement of Financial Position are measured using the exchange rates at the end of the reporting period. Foreign exchange gains and losses from translation of the items are recognised in the Statement of Comprehensive Income. Exchange rate gains and losses related to business operations are included in the corresponding items above the operating profit line. Exchange rate differences resulting from hedges made for hedging purposes but not designated as hedging instruments are included as net amounts within other operating income or expenses. Exchange rate gains and losses related to financial liabilities and receivables in foreign currencies are included in financial income and expenses. Non-monetary items in foreign currencies in the Statement of Financial Position which are not measured at fair value are measured using the exchange rate at the date of the transaction.

Group companies

The statements of comprehensive income and statements of financial position of all Group companies (none of which operates in a country with hyper-inflation) with a functional currency different from the Group's presentation currency are translated into euros as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each statement of comprehensive income are translated at average exchange rates for the financial period
- all resulting exchange differences are recognised as a separate component of equity

Exchange differences resulting from translation of net investments in foreign entities are recognised under translation differences in equity in compilation of the Consolidated Financial Statements. The accumulated translation differences related to divested foreign entities, which are recognised in equity, are recognised as gains or losses on transfers in the Consolidated Statement of Comprehensive Income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the year-end exchange rate used for the Financial Statements.

Borrowing costs

Borrowing costs are recognised in the Consolidated Statement of Comprehensive Income as an expense in the period in which they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

There were no acquisitions of qualifying assets and subsequent borrowing costs to be capitalised in the reporting period.

Property, plant and equipment

Tangible assets comprise mainly factories, offices and research centres, and machines and equipment for manufacturing, research and development. Tangible assets are measured at their historical cost, less accumulated depreciation and impairment, and are depreciated over their useful life using the straight-line method. The residual value and useful life of tangible assets are reviewed when necessary, but at least at every year end for the Financial Statements, and adjusted to correspond to probable changes in the expectations of economic benefits. The estimated useful lives are as follows:

- buildings 20–50 years
- machinery and equipment 5–10 years
- other tangible assets 10 years

Land is not depreciated. Repair and maintenance costs are recognised as expenses for the period. Improvement investments are capitalised if they are expected to generate future economic benefits. Gains and losses on disposals of tangible assets are recognised in the Consolidated Statement of Comprehensive Income. Other tangible assets include improvements to rented premises, asphalting, environmental improvements and works of art.

Intangible assets

Research and development costs

Research costs are expensed as incurred in the Consolidated Statement of Comprehensive Income, because economic benefits related to them materialise at such a late stage that the proportion to be capitalised is not material, so the costs are not capitalised. Intangible assets generated from development are recognised in the Statement of Financial Position only if the conditions of IAS 38, Intangible assets, are met. As approvals by the authorities are required for pharmaceutical development projects, and there are other uncertainties related to development, the Group has not capitalised its internal development costs.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired company at the date of acquisition. Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination. Cash-generating units have been grouped according to operating segment. The goodwill in the Consolidated Statement of Financial Position arose prior to the adoption of IFRS, and it corresponds to the carrying amount according to the previous financial reporting standards, which was used as the deemed cost on 1 January 2004 when making the transition to IFRS.

Marketing authorisations and licences for products not yet launched

Marketing authorisations and licences for products not yet launched relate to products for which the company has marketing rights but selling has not yet commenced. The selling of a product can commence only when the authorities have granted authorisation for marketing of the product. Marketing authorisations and licenses for products not yet launched are stated in the Statement of Financial Position at cost less accumulated impairment. When the marketing authorisation for a product has been issued and selling of it has commenced, the asset is transferred from intangible assets in progress to intangible assets, and the depreciation over its useful life, which is five to fifteen years, starts using the straight-line method.

Other intangible assets

Other intangible assets include marketing authorisations, trademarks, patents, software licences, and product and marketing rights. Acquired intangible assets are measured at their historical cost, less accumulated depreciation and impairment. The assets are depreciated over their useful life, usually three to ten years, using the straight-line method.

Impairment of property, plant, equipment and intangible assets

At the end of each reporting period, the Group assesses whether there are indications that an asset may be impaired. If there are any such indications, the respective recoverable amount is assessed. The recoverable amount is the higher of the asset's fair value less selling costs and value in use, which is obtained by discounting the present value of the future cash flow from that asset. The discount rate is the weighted average cost of capital (WACC), calculated before tax and using Standard & Poor's index for the healthcare industry as the debt-to-equity ratio. The index corresponds to the potential and risks of the asset under review.

An impairment loss is recognised in the Consolidated Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount. An impairment loss other than on goodwill is reversed if there is a change in the circumstances and the asset's recoverable amount exceeds its carrying amount. An impairment loss is not reversed to more than what the carrying amount of the asset would have been had there been no impairment loss.

Goodwill is tested for impairment at least annually. Goodwill is tested for impairment at the level of the group of cash generating units that forms the operating segment Pharmaceuticals business area. The Pharmaceuticals business area comprises the following cash-generating units: Proprietary Products, Specialty Products, Animal Health and Fermion. An impairment loss on goodwill is not reversed.

Pre-launch intangible assets, comprising mainly marketing authorisations and marketing licenses, are tested for impairment at least annually, or more frequently if there is an indication of impairment.

Each marketing authorisation and marketing licence is tested for impairment separately. Impairment is recognised in the Consolidated Statement of Comprehensive Income under Other operating expenses,

which include expenses not allocable to specific operations.

Government grants

Government grants related to research activities are recognised as decreases in the research expenses incurred in the corresponding reporting period. If an authority decides to convert an R&D loan into a grant, that is recognised in the Consolidated Statement of Comprehensive Income under Other operating income. Government grants related to the acquisition of tangible or intangible assets are recognised as decreases in their acquisition costs. Such grants are recognised as income in the form of reduced depreciation during the useful life of the asset.

Leases

Group as lessee

Lease agreements under which the Group has substantially all the risks and rewards of ownership of the assets are classified as finance leases. Finance leases are recorded in the Statement of Financial Position under assets and liabilities at the commencement of the lease, either at the fair value of the asset or the present value of the minimum lease payments if lower.

Assets acquired under finance leases are depreciated in the same manner as any non-current assets, either over the useful life of the assets or over a shorter lease term. Each lease payment is allocated between the loan reduction and finance charge so that the interest rate on the outstanding loan remains constant. Finance lease liabilities are recorded under the non-current and current interest-bearing liabilities in the Statement of Financial Position.

If the lessor retains the risks and rewards of ownership, the lease is treated as an operating lease, and payments made under an operating lease are recognised as an expense on a straight-line basis over the period of the lease.

Group as lessor

The Group is not a lessor in any finance lease agreements.

Arrangements that contain a lease

The Group has entered into purchase contracts, which include a lease element. Determining whether an arrangement is, or contains, a lease according to interpretation IFRIC 4 Determining whether an Arrangement contains a Lease shall be based on the substance of the arrangement and requires an assessment of whether:

- fulfilment of the arrangement is dependent on the use of a specific asset or assets, and
- the arrangement conveys a right to use the asset

If an arrangement contains a lease, IAS 17 shall be applied to the lease element of the agreement. The other elements of the arrangement shall be handled in accordance with applicable IFRSs.

Employee benefits

Pension obligations

The Group has pension plans in accordance with each country's local regulations and practices. The Group has both defined contribution and defined benefit plans. In the defined contribution plans, the Group pays fixed contributions to separate entities. The Group has no legal or constructive obligations to pay further contributions if the recipient of the contributions is unable to pay the employee benefits. The benefit plans other than the defined contribution plans are defined benefit plans. The payments to the defined contribution plans are recognised as expenses in the Consolidated Statement of Comprehensive Income in accordance with the contributions payable for the period.

The Group's most important defined benefit pension plans are in Finland, where statutory insurance under the Employees' Pensions Act (TyEL) has been arranged through the Orion Pension Fund for the Group's clerical employees and supplementary pension security for some of the clerical employees. There is also one company outside Finland, Orion Diagnostica as of Norway, with a defined benefit pension plan, but it is not substantial. In addition, the Group management has defined benefit pension plans taken out with life assurance companies. The obligations under the defined benefit pension plans have been calculated separately for each plan.

The pension expenses related to the defined benefit pension plans have been calculated using the projected unit credit method. The pension expenses are recognised as expenses by distributing them over the whole estimated period of service of the personnel. The amount of the pension obligation, less the fair value of plan assets, is the present value of the estimated future pensions payable, and the discount rate applied is the interest rate of low-risk bonds issued by companies with a maturity that corresponds to that of the pension liability as closely as possible. The interest rate is derived from

bonds issued in the same currency as the benefits payable.

When the transition to IFRS was made, all actuarial gains and losses were recognised in the equity stated in the opening Statement of Financial Position in accordance with the exemption under IFRS 1. After this, any actuarial gains and losses, to the extent that they exceed fluctuation limits, will be recognised in the Consolidated Statement of Comprehensive Income and allocated over the average remaining term of service of the personnel. The fluctuation limits are the greater of the following: 10% of the present value of the defined benefit obligation, or 10% of the fair value of the plan assets.

Share-based payments

The benefits under the share-based incentive plan for key employees approved by the Board of Directors are recognised as an expense in the Consolidated Statement of Comprehensive Income during the vesting period of the benefit. The equity-settled portion is measured at fair value at the time of granting the benefit, and an increase corresponding to the expense entry in the Consolidated Statement of Comprehensive Income is recognised in equity. The cash-settled portion is recognised as a liability, which is measured at fair value at the end of the reporting period. The fair value of shares is the closing quotation for B shares on the day of granting the benefit. Non-market vesting conditions, such as individual goals and result targets, affect the estimate of the final number of shares and amount of associated cash payments. The estimate of the final number of shares and associated cash payments is updated at the end of each reporting period. Changes in estimates are recognised in the Consolidated Statement of Comprehensive Income.

Inventories

Inventories are presented in the Statement of Financial Position as the value of the purchase or production costs, or the net realisable value if lower. The cost is based on the weighted average price method. Inventories are valued at the cost of the materials consumed plus the cost of conversion, which comprises costs directly proportional to the amount produced and a systematically allocated share of fixed and variable production overheads.

The net realisable value is the estimated selling price obtainable through normal business, less the estimated expenses incurred in finalising the product and selling it.

Financial assets and liabilities

The financial assets and liabilities of the Orion Group are classified as follows: financial assets and liabilities measured at fair value through profit and loss; loans and other receivables; available-for-sale financial assets; and financial liabilities measured at amortised cost.

The classification is based on the purpose for which the financial assets or liabilities were acquired, and they are classified on initial recognition. Financial instruments are recognised in the Statement of Financial Position on the trade date.

Financial assets and liabilities are initially measured at fair value including transaction costs, except for financial assets and liabilities measured at fair value through profit and loss. Subsequently, they are measured at amortised cost.

The available-for-sale financial assets included in non-current assets in the Statement of Financial Position comprise unlisted shares and holdings that are measured at fair value. The fair value measured is recognised as an item in the Consolidated Statement of Comprehensive Income. If the fair values of unlisted shares cannot be determined reliably, they are measured at cost, less any impairment.

Other non-current receivables include loans to associated or other companies. They are measured at amortised cost using the effective interest rate method.

Other (current) receivables include derivative instruments entered into for trading purposes, which are described in detail under Derivative financial instruments and hedging.

The Group recognises an impairment loss on trade receivables when there is objective evidence that a receivable cannot be recovered in full. Such evidence includes the debtor's considerable financial problems, high probability of bankruptcy, neglected payments or a payment more than 90 days overdue.

Non-current interest-bearing liabilities include loans raised by the Group, product development loans and liabilities for assets leased under finance lease agreements of over 12 months duration. The credit limits of bank accounts to the extent that they are used and commercial paper issued by the Company are included in interest-bearing current liabilities. Transaction charges are included in the original carrying amount of financial liabilities. Subsequently, all financial liabilities are valued at amortised cost using the effective interest method.

At the end of each reporting period, it is assessed whether there is any evidence that an item of Group cash and cash equivalents might be impaired. If there is any objective evidence of impairment of the value of some category of financial assets, an impairment loss is calculated and recognised through profit and loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and assets in bank accounts, and liquid debt instruments. Debt instruments are characterised by low risk and a maturity of less than three months. Liquid debt instruments are short-term certificates of deposit and commercial paper issued by banks and companies. Bank overdrafts are included in short-term borrowings under current liabilities in the Statement of Financial Position.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are recognised under other receivables and liabilities in the Statement of Financial Position.

The Group does not apply IFRS hedge accounting to foreign exchange derivatives that hedge items in foreign currencies in the Statement of Financial Position or hedge highly probable forecast cash flows, even though they have been acquired for hedging purposes in accordance with the Group's treasury policy. These derivative contracts are classified as financial assets held for trading, and the change in their fair value is recognised through profit and loss under either Other income and expenses or Financial income and expenses, depending on whether, from the operational perspective, sales revenue or financial liabilities have been hedged.

Cash flow hedging

The Group applies hedge accounting in accordance with IFRS to electricity derivative contracts that hedge highly probable forecast cash flows associated with electricity purchases. The change in the fair value of the effective portion of qualifying derivative instruments that hedge cash flow is directly recognised against the fair value reserve included in the equity, and the gains and losses recognised in equity are transferred to the Consolidated Statement of Comprehensive Income in the period during

which the hedged electricity purchases are recognised in the Consolidated Statement of Comprehensive Income. The ineffective portion of qualifying derivative instruments is recognised in the Consolidated Statement of Comprehensive Income under Other operating income and expenses.

Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

A restructuring provision is recognised when the Group has compiled a detailed restructuring plan, launched its implementation or informed the parties concerned.

A contingent liability is a potential liability based on previous events. It depends on the realisation of an uncertain future event beyond the Group's control. Contingent liabilities include obligations that will most likely not lead to a payment or its size cannot be reliably determined. Contingent liabilities are disclosed in the Notes.

Income taxes

The income tax expense in the Consolidated Statement of Comprehensive Income includes taxes based on the operating profit of the Group companies for the financial year, tax adjustments for previous financial years and changes in deferred tax assets and liabilities. For items recognised directly in equity, the corresponding tax effect is also recognised in equity. Income tax based on the taxable income of the financial period is calculated on the basis of the tax rate in force in each country.

Deferred tax is computed on all temporary differences between the carrying amount and the taxable value. Deferred tax assets due to confirmed tax losses of Group companies are imputed only to the extent that they can be utilised in the future. The largest temporary differences arise from depreciation on property, plant and equipment, and defined benefit pension plans. Deferred taxes are computed using the tax rates valid at the end of the reporting period.

Revenue recognition

Sales of goods and services

Consolidated net sales include revenue from sales of goods and services adjusted for indirect taxes, discounts and exchange

differences on sales in foreign currencies. Net sales also include milestone payments under contracts with marketing partners, which are paid by the partner as a contribution to cover the R&D expenses of a product during the development phase and are tied to certain milestones in research projects. In addition, net sales include royalties from the products licensed out by the Group.

Revenue from sales of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer. Revenue from services is recognised when the service has been provided. Milestone payments are recognised when the R&D project has progressed to a phase that, in accordance with an advance agreement with the partner, triggers the partner's obligation to pay its share. Royalties are recorded on an accrual basis in accordance with the licensing agreements.

Interest and dividend income

Interest income is recognised using the effective interest rate method and dividend income when the right to receive payment is established.

Contents of the function-based Consolidated Statement of Comprehensive Income

Cost of goods sold

The cost of goods sold comprises wages and salaries, materials, procurement and other costs related to manufacturing and procurement.

Selling and marketing expenses

The expenses of selling and marketing operations comprise costs related to the distribution of products, field sales, marketing, advertising and other promotional activities, including the related wages and salaries.

Research and development expenses

R&D expenses comprise wages and salaries, materials, procurement of external services and other costs related to R&D.

Administrative expenses

Administrative expenses include general administrative and Group management costs. The functions also bear the depreciation of the assets they use, as well as some administrative overheads in accordance with the cost matching principle.

Critical accounting estimates and assumptions

When compiling the Financial Statements, the management had to make certain estimates and assumptions concerning the future that have an impact on the items included in the Financial Statements. The actual values may differ from these estimates. The estimates are mainly related to impairment testing of assets, the measuring of receivables and liabilities related to defined benefit pension plans, the recognition of provisions and income tax. In addition, the application of accounting policies calls for the exercise of judgement.

Within the Group, the principal assumptions concerning the future and the main uncertainties relating to estimates at the end of the reporting period that constitute a significant risk of causing a material change in the carrying values of assets and liabilities within the next financial year are the following:

Impairment testing

Actual cash flows can differ from estimated discounted future cash flows because changes in the long-term economic life of the Company's assets, the forecast selling prices of products, production costs and the discount rate applied in the calculations can lead to the recognition of impairment losses.

Employee benefits

The Group has various pension plans to provide for the retirement of its employees or to provide for when the employment ends. Various statistical and other actuarial assumptions are applied in calculating the expenses and liabilities of employee benefits, such as the discount rate, the estimated rate of return on pension plan assets, estimated changes in the future level of wages and salaries, and employee turnover. The statistical assumption made can differ considerably from the actual trend because of, among other things, a changed general

economic situation and the length of the period of service. The effect of changes in actuarial assumptions is not recorded directly in Group earnings, since this could have a significant impact on the Group's earnings for the financial year. The effect of these changes is recognised over the remaining estimated period of service.

Income taxes

In preparing the Financial Statements, the Group estimates, in particular, the basis for recording deferred tax assets. For this purpose, an estimate is made of how probable it is that the subsidiaries will generate sufficient taxable income against which unused tax losses or unused tax assets can be utilised. The factors applied in making the forecasts can differ from the actual figures, and this can lead to expense entries for tax assets in the Consolidated Statement of Comprehensive Income.

1. Operating segments

The Group has two segmentally reported segments, which are the Group's strategic business areas. The operating segments are based on the Group's internal organisational structure and internal financial reporting. The operating segments are the Pharmaceuticals business and the Diagnostics business. The Pharmaceuticals business develops, manufactures and markets pharmaceuticals and active pharmaceutical ingredients. The Diagnostics business develops, manufactures and markets diagnostic tests.

Adoption of IFRS 8 has not changed the Group's reportable operating segments.

Operating segments

EUR million	Pharmaceuticals		Diagnostics		Group items		Group total	
	2009	2008	2009	2008	2009	2008	2009	2008
Sale of goods	706.1	648.9	44.3	44.1			750.5	693.0
Rendering of services	1.9	3.5	0.8	0.9			2.8	4.4
Royalties and milestone payments	18.3	13.3	0.0	0.0			18.3	13.3
Sales to external customers	726.3	665.7	45.2	45.0			771.5	710.7
Sales to other segments	2.2	1.9	0.0	0.0	-2.2	-1.9		
Net sales	728.5	667.6	45.2	45.0	-2.2	-1.9	771.5	710.7
Operating profit	210.7	188.5	5.6	6.1	-9.3	-9.6	207.0	185.0
Assets	504.0	466.8	30.3	28.2	192.7	200.4	727.1	695.5
Liabilities	101.7	77.0	9.4	8.0	176.8	192.0	287.9	276.9
Capital expenditure	57.6	53.3	2.5	2.8	0.2	0.7	60.4	56.8
Depreciation and amortisation	31.9	29.1	1.7	1.8	0.8	0.7	34.4	31.6
Cash flow from operating activities	259.8	198.7	7.6	9.9	-62.8	-64.3	204.6	144.4
Cash flow from investing activities	-57.0	-48.8	-2.6	-2.6	0.1	-0.5	-59.5	-51.8
Cash flow from financing activities							-152.1	-4.8
Average number of personnel	2,872	2,954	292	288	28	28	3,192	3,270

The Group items include the following Group eliminations: net sales EUR 2.2 (2008: 1.9) million, operating profit EUR 0.2 (2008: 0.3) million, assets EUR 6.3 (2008: 8.5) million and liabilities EUR 6.3 (2008: 8.5) million. Other Group items relate to the Group's administrative expenses, and finance and other items not allocated to segments.

Data relating to geographical regions

These geographical regions correspond to the Group's main markets. Net sales are presented according to the customer's location. Assets and capital expenditure are presented according to their location.

EUR million	Finland		Scandinavia		Other Europe		North America		Other countries		Group total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Sales to external customers	223.3	217.2	101.6	101.2	274.7	244.0	70.9	73.8	101.0	74.6	771.5	710.7
Assets	681.1	664.6	19.4	16.4	26.5	14.5					727.1	695.5
Capital expenditure	59.5	56.2	0.2	0.2	0.7	0.4					60.4	56.8

2. Other operating income and expenses

EUR million	2009	2008
Gains on sales of property, plant and equipment and intangible assets	0.2	0.4
Rental income	1.0	1.0
Compensation on cancellation of distribution agreement	4.0	
Exchange rate gains and losses	0.1	0.2
Other operating income	1.5	1.8
Other operating expenses	-0.8	-0.4
Total	6.0	3.1

3. Depreciation, amortisation and impairment

Depreciation

EUR million	2009	2008
Cost of goods sold	14.2	13.9
Selling and marketing	5.7	3.9
Research and development	8.1	7.8
Administration	6.4	6.0
Total	34.4	31.6

Depreciation and amortisation by type of asset

EUR million	2009	2008
Buildings and constructions	7.2	6.8
Machinery and equipment	18.7	18.0
Other tangible assets	0.2	0.2
Property, plant and equipment, total	26.1	25.1
Intangible rights	7.3	5.4
Other intangible assets	1.0	1.2
Intangible assets, total	8.3	6.6

During the period, there was no need to recognise impairment of property, plant and equipment and intangible assets. The basis for depreciation and amortisation is described in the Accounting Policies for the Financial Statements.

4. Employee benefits and auditor's remuneration

EUR million	2009	2008
Wages and salaries	140.5	141.3
Pension costs		
Defined contribution plans	17.4	17.3
Defined benefit plans	-1.6	-2.0
Share-based incentive plan		
Equity-settled	1.0	0.7
Cash-settled	1.4	0.7
Other social security expenses	12.9	12.9
Total	171.4	170.9
Average number of personnel	3,192	3,270

The number of personnel in each segment is presented in Note 1, Operating Segments. The management's employee benefits are presented in Note 28, Related Party Transactions.

Share-based payments

In 2007, Orion Corporation's Board of Directors decided on a new share-based incentive plan for about 30 key persons in the Orion Group. The plan is for 2007–2009, and the incentives are granted separately for each year. The incentive for 2009 is determined on the basis of the growth of Orion's operating profit and specifically agreed personal performance objectives. The incentive is paid in the form of the Company's B shares or cash, or both. The number of shares included in the plan shall not exceed 350,000, corresponding to about 0.25% of Orion Corporation's total number of shares. Except for certain special circumstances, the recipient may not transfer the bonus shares during the first two years after the date of receipt.

During the period, 44,806 (2008: 25,164) B shares were granted as share-based remuneration for 2008. The transfer price was EUR 11.97 (the weighted average price of the B share of Orion on the day of transfer). The fair value of shares granted during the period was EUR 12.12 per share.

Auditor's remuneration

EUR million	2009	2008
Auditing	0.3	0.2
Assignments in accordance with the Auditing Act	0.0	
Advice on taxation	0.1	0.0
Other services	0.1	0.1
Total	0.5	0.3

5. Finance income and expenses

EUR million	2009	2008
Interest income on held-for-trading financial assets		0.6
Interest income on cash and cash equivalents	1.9	3.3
Dividend income on available-for-sale financial assets	0.1	
Exchange rate gains on held-for-trading financial assets and liabilities	3.0	3.6
Other finance income	0.0	0.1
Finance income, total	5.1	7.6
Interest expenses on held-for-trading financial liabilities		0.6
Interest expenses on financial liabilities measured at amortised cost	4.7	3.6
Exchange rate losses on held-for-trading financial assets and liabilities	3.1	4.0
Other finance expenses	0.6	0.3
Finance expenses, total	8.4	8.5
Finance income and expenses, total	-3.3	-0.9

Exchange rate gains (+) and losses (-) above the operating profit line

EUR million	2009	2008
In net sales	-0.7	-0.6
In other income	0.1	8.8
In purchases	-0.0	0.2
In other expenses	-0.0	-8.6

6. Income tax expense

EUR million	2009	2008
Current taxes	52.9	47.5
Adjustments in respect of prior periods	0.0	0.1
Deferred taxes	-0.6	0.2
Total	52.3	47.8
Taxes directly recognised in equity		
Electricity hedging	0.3	-0.4

Income tax reconciliation

EUR million	2009	2008
Profit before taxes	203,7	184,2
Consolidated income taxes at Finnish tax rate	53.0	47.9
Use of previously unrecognised tax losses carried forward at foreign subsidiaries	-1.8	-0.8
Revaluation of deferred taxes	-0.2	
Impact of different tax rates of foreign subsidiaries	0.5	0.4
Tax-exempt income	-0.0	-0.1
Non-deductible expenses	0.6	0.7
Adjustments in respect of prior periods	0.0	0.1
Other items	0.1	-0.4
Income tax, total	52.3	47.8
Effective tax rate, %	25.7%	26.0%

7. Earnings and dividend per share

Earnings per share

	2009	2008
Profit for the period attributable to owners of the parent company, EUR million	151.4	136.3
Weighted average number of shares during the period (1,000 shares)	140,970	141,003
Earnings per share, EUR	1.07	0.97

Earnings per share are calculated by dividing the profit for the period attributable to owners by average number of shares outstanding during the period. The average number of shares has been adjusted for the number of treasury shares held by the Company during 2009.

The Company has no items that could dilute the earnings per share.

Dividend per share

	2009	2008
Dividend paid during the period, EUR million	133.9	140.9
Number of shares at 31 Dec, (1,000)	140,978	140,933
Dividend per share paid during the period, EUR	0.95	1.00

Dividend per share is calculated by dividing the dividend distributed for the period by the number of shares outstanding. The Group held 280,030 Company's B shares as treasury shares at 31 December 2009.

A dividend of EUR 1.00 per share, amounting to a total EUR 141.0 million, and EUR 0.10 per share from the expendable fund as a repayment of capital is proposed to the Annual General Meeting on 24 March 2010. These financial statements do not reflect this dividend and repayment of capital.

8. Property, plant and equipment

EUR million	Land and water		Buildings and constructions		Machinery and equipment		Other tangible assets		Advance payments and construction in progress		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Historical cost at 1 Jan	6.5	6.2	230.5	221.1	281.2	271.2	3.6	3.6	8.1	7.5	529.9	509.7
Adjustment in respect of previous period					2.7						2.7	
Additions	0.0	0.2	2.1	7.1	17.6	18.4	0.0	0.2	5.3	6.9	25.1	32.8
Disposals	-0.0		-0.1		-10.7	-11.9	-0.0		-0.0		-10.8	-11.9
Transfers between statement of financial position items			0.2	2.2	5.3	4.1		0.0	-5.6	-6.3	-0.1	
Translation differences					0.2	-0.5	0.0	-0.1		-0.0	0.2	-0.7
Historical cost at 31 Dec	6.4	6.5	232.7	230.5	296.4	281.2	3.7	3.6	7.8	8.1	547.0	529.9
Accumulated depreciation at 1 Jan			-135.6	-128.7	-199.4	-191.8	-2.5	-2.4			-337.5	-322.9
Adjustment in respect of previous period					-0.3						-0.3	
Accumulated depreciation on disposals and transfers			0.0		9.1	10.2					9.2	10.2
Depreciation for the period			-7.2	-6.8	-18.7	-18.0	-0.2	-0.2			-26.1	-25.1
Translation differences					-0.2	0.2	-0.0	0.1			-0.2	0.3
Accumulated depreciation at 31 Dec	-142.7	-135.6	-209.4	-209.4	-199.4	-199.4	-2.8	-2.5			-354.9	-337.5
Carrying amount 1 Jan	6.5	6.2	94.9	92.4	81.9	79.4	1.1	1.2	8.1	7.5	192.4	186.8
Carrying amount 31 Dec	6.4	6.5	90.0	94.9	86.9	81.9	0.9	1.1	7.8	8.1	192.0	192.4

Finance leases

Assets leased through finance lease agreements included in machinery and equipment

EUR million, 31 Dec	2009	2008
Historical cost	10.7	7.9
Accumulated depreciation	-7.3	-6.0
Carrying amount	3.4	1.8

The additions to the historical cost of machinery and equipment include EUR 0.4 (2008: 1.1) million of assets leased through finance lease agreements.

9. Intangible assets

EUR million	Goodwill		Intangible rights ¹⁾		Other intangible assets ²⁾		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Historical cost at 1 Jan	13.5	13.5	80.7	61.0	48.4	46.2	142.6	120.6
Additions			33.5	21.8	1.8	2.2	35.2	24.0
Disposals			-2.2	-2.0		-0.0	-2.2	-2.0
Transfers between statement of financial position items			0.0				0.0	
Translation differences			0.0	-0.0	0.0	-0.0	0.0	-0.0
Historical cost at 31 Dec	13.5	13.5	111.9	80.7	50.2	48.4	175.6	142.6
Accumulated amortisation at 1 Jan			-43.2	-39.8	-45.5	-44.3	-88.7	-84.1
Accumulated amortisation on disposals and transfers			2.0	2.0			2.0	2.0
Amortisation for the period			-7.3	-5.4	-1.0	-1.2	-8.3	-6.6
Translation differences			-0.0	0.0			-0.0	0.0
Accumulated amortisation at 31 Dec	13.5	13.5	-48.6	-43.2	-46.5	-45.5	-95.0	-88.7
Carrying amount 1 Jan	13.5	13.5	37.5	21.1	2.9	1.9	53.9	36.5
Carrying amount 31 Dec	13.5	13.5	63.4	37.5	3.7	2.9	80.6	53.9

¹⁾ Intangible rights include software, product rights, trademarks, marketing authorisations, patents and paid-up policies.

²⁾ Other intangible assets include capitalised long-term expenditure and entry fees.

In May, Orion repurchased from Abbot the rights to Simdax and the purchase price was recognised in full under intangible rights in Consolidated statement of financial position. At 31 Dec the carrying amount of the rights was EUR 24.4 million and it will be amortised in 10 years.

Besides goodwill, the Group has no other intangible assets with indefinite useful life. The Group has no internally produced intangible assets. All intangible assets have been obtained through acquisition.

Impairment testing of goodwill, property, plant, equipment and intangible assets

Goodwill

The goodwill of EUR 13.5 million originated from the acquisition of Farmos-Group Ltd. in 1990. In impairment testing, the goodwill is allocated to the group of cash generating units that form the Pharmaceuticals operating segment. The cash generating units of the segment are Proprietary Products, Specialty Products, Animal Health and Fermion.

In the impairment tests, the recoverable amount is determined on the basis of the value-in-use calculation. The cash flow forecasts used in the calculation are based on the detailed five-year plans adopted by the management. The cash flows beyond the forecast period adopted by the management have been calculated cautiously assuming that no growth can be expected. The management's forecasts are based on the growth of pharmaceutical markets, market shares in sales of pharmaceuticals and their expected trends. Actual cash flows may differ from estimated discounted cash flows.

The discount rate used is the weighted average cost of capital (WACC), in which the special risks related to the cash generating unit have been taken into account. The discount rate is defined before taxes. The discount rate for the period is 10.3% (2008: 10.5%).

Based on impairment testing, there was no need to recognise any impairment of goodwill during the period.

Pre-launch marketing authorisations and marketing licenses

The Proprietary Products, Specialty Products and Animal Health cash generating units have pre-launch marketing authorisations and licenses and these are tested for impairment annually. The tests are performed for every authorisation and license separately. The recoverable amount is based on the value in use. Forecasts adopted by the management cover a 5–15 year period from launch. The use of forecasts for periods of over five years is based on the estimated useful life of pharmaceuticals. Beyond the five-year period, the cash flow growth rate does not exceed the average growth rates of markets for the Company's products and the

pharmaceutical industry. The discount rate has been defined separately for each unit taking into account its risks. The discount rate varies from 10% to 12%.

A change in any of the main variables used would, reasonably judged, not lead to a situation in which the recoverable amounts of a group of cash-generating units were lower than their carrying amount.

Other fixed assets

During the period, there were no indications that the property, plant and equipment or intangible assets might be impaired.

10. Investments in associates and affiliates

EUR million	2009	2008
Carrying amount at 1 Jan	0.1	0.1
Carrying amount at 31 Dec	0.1	0.1

Associates and affiliates of the Group

Holding at 31 Dec, %	Domicile	2009	2008
Hangon Puhdistamo Oy	Hanko	50.0%	50.0%
Regattalämpö Oy	Hanko	42.6%	42.6%

Hangon Puhdistamo Oy engages in wastewater treatment for the companies that own it. Regattalämpö Oy provides real estate services for the residential buildings of the companies that own it.

The companies operate at cost, by covering their own expenses and without making any profit, so their impact on the consolidated statement of comprehensive Income and statement of financial position is minimal.

11. Available-for-sale investments

Available-for-sale investments, with asset value of EUR 1.0 (2008: 0.9) million at 31 December 2009, include shares and investments in unlisted companies. The shares and investments are stated at cost, because their fair value cannot be determined reliably.

12. Pension assets and pension liabilities

Defined benefit plans - amounts recognised in the statement of financial position

EUR million, 31 Dec	Pension fund 2009	Other 2009	Pension fund 2008	Other 2008
Present value of unfunded obligations		1.0		0.9
Present value of funded obligations	178.8	5.0	149.6	4.1
Fair value of plan assets	-214.0	4.5	-182.0	-3.7
Deficit/surplus	-35.2	1.5	-32.3	1.3
Unrecognised net actuarial gains (+) and losses (-)	5.5	-0.7	3.1	-0.5
Net asset (-) / liability (+) recognised in the statement of financial position	-29.8	0.8	-29.3	0.8

Amounts in Statements of Financial Position

EUR million, 31 Dec	Pension fund 2009	Other 2009	Pension fund 2008	Other 2008
Liabilities		1.0		0.8
Asset	-29.8	-0.2	-29.3	-0.0
Net asset (-) / liability (+) recognised in the statement of financial position	-29.8	0.8	-29.3	0.8

Defined benefit plan pension expenses in consolidated statement of comprehensive income

EUR million	Pension fund 2009	Other 2009	Pension fund 2008	Other 2008
Current service cost	2.9	0.4	6.4	0.6
Interest expenses	9.0	0.3	8.6	0.2
Expected return on plan assets	-10.0	-0.2	-14.3	-0.2
Actuarial gains (-) and losses (+)	-1.9	0.1	-3.3	-0.0
Losses / gains on curtailments	-2.2			
Pension expense (+) / income (-) in the consolidated statement of comprehensive income	-2.2	0.5	-2.7	0.6

The actual return on plan assets was EUR 38.5 (2008: -33.9) million in 2009.

Defined benefit plan pension expenses by function

EUR million	Pension fund 2009	Other 2009	Pension fund 2008	Other 2008
Cost of goods sold	-0.6		-0.7	
Selling and marketing	-0.4	0.2	-0.5	0.2
Research and development	-0.8		-1.1	
Administration	-0.4	0.3	-0.4	0.5
Pension expense (+) / income (-)	-2.2	0.5	-2.7	0.6

Changes in present value of defined benefit obligation

EUR million	Pension fund 2009	Other 2009	Pension fund 2008	Other 2008
Defined benefit plan obligation at 1 Jan	149.6	4.9	161.8	4.3
Current service cost	2.9	0.4	6.4	0.6
Interest expenses	9.0	0.3	8.6	0.2
Actuarial gains (-) and losses (+)	23.4	0.3	-22.9	0.2
Exchange rate differences		0.0		-0.4
Benefits paid	-4.4	-0.3	-4.1	-0.1
Gains (-) and losses (+) on curtailments	-1.7			
Obligation at 31 Dec	178.8	5.7	149.6	4.9

Changes in fair value of plan assets

EUR million	Pension fund 2009	Other 2009	Pension fund 2008	Other 2008
Fair value of plan assets at 1 Jan	182.0	3.7	220.5	2.9
Expected return on plan assets	10.0	0.2	14.3	0.2
Actuarial gains (+) and losses (-)	28.1	0.1	-48.5	0.1
Employer contributions	-1.7	0.5	-0.2	0.8
Exchange differences		0.2		-0.2
Benefits paid	-4.4	-0.2	-4.1	-0.1
Other		-0.0		-0.0
Fair value of plan assets at 31 Dec	214.0	4.5	182.0	3.7

Fair values of the assets of the benefit plan arranged through the Orion Pension Fund by asset category as percentages of the fair value of all plan assets

%	2009	2008
European equity	40%	28%
North American equity	1%	0%
Emerging market equity	8%	2%
Bonds	40%	42%
Properties	1%	0%
Certificates of deposits and commercial paper	5%	23%
Cash and cash equivalents	5%	5%
Total	100%	100%

In other benefit plans the insurance companies are responsible for the plan assets, so it is not possible to present the categories of those assets.

The plan assets in 2009 include shares issued by the parent company Orion Corporation with fair value of EUR 31.0 (2008: 25.8) million, accounting for 13.7% (2008: 13%) of the plan assets .

Actuarial assumptions used by Orion Pension Fund

%	2009	2008
Discount rate	5.0%	6.0%
Expected return on plan assets	6.0%	5%-8%
Future salary increase	2.0%	3.5%

The investment performance has been assessed for the entire assets of the Orion Pension Fund and primarily over the long term. Short-term and long-term target returns for investments have been set. The objective is to achieve 6% return on the plan assets for the long term.

Amounts for the current and two previous financial years

	Pension fund 2009	Other 2009	Pension fund 2008	Other 2008	Pension fund 2007	Other 2007
EUR million, 31 Dec						
Present value of defined benefit obligation	178.8	6.1	149.6	5.0	161.8	4.4
Fair value of plan assets	-214.0	-4.5	-182.0	-3.7	-220.5	-2.9
Surplus (-) / deficit (+)	-35.2	1.5	-32.3	1.3	-58.8	1.5
Experience adjustments on plan liabilities, gains (-) / losses (+)	-1.9	0.1	-0.9	0.5	5.2	0.0
Experience adjustments on plan assets, gains (+) / losses (-)	28.1	0.2	-48.5	0.2	-2.3	-0.0

The Group expects to contribute EUR 10 million to its defined benefit plans in 2010.

13. Deferred tax assets and liabilities**Deferred tax assets**

EUR million, 31 Dec	2009	2008
Pension liability	0.1	0.1
Internal inventory margin	1.5	1.7
Tax losses	3.6	1.8
Other deductible temporary differences	0.3	0.6
Total	5.5	4.2

Deferred tax liabilities

EUR million, 31 Dec	2009	2008
Depreciation difference and provisions	26.7	27.0
Pension asset	7.9	7.6
Effects of consolidation and elimination	0.5	0.6
Capitalised cost of inventory	5.4	5.8
Other taxable temporary differences	2.5	1.0
Total	43.0	42.0

Change in deferred tax arises from

EUR million	2009	2008
Pension asset/obligation	-0.3	-0.7
Internal inventory margin	-0.2	0.1
Change in estimate of previously unrecognised tax losses	0.2	
Depreciation difference and provisions	0.4	0.6
Consolidation measures	0.1	0.1
Capitalised cost of inventory	0.5	-0.4
Deductible losses and other timing differences	-0.3	0.6
Total	0.3	0.2

At 31 December 2009 the Group had a total of EUR 5.2 (2008: 25.7) million of temporary differences for which no deferred tax asset has been recognised. These unrecognised deferred tax assets relate to tax losses of foreign subsidiaries which will not expire but realisation of the tax benefit included in them is not likely.

During the period, EUR -0.3 (2008: 0.4) million of income taxes was recognised directly in the equity, and in the equity there is EUR 0.1 (2008: 0.4) million of recognised taxes.

14. Other non-current receivables

EUR million, 31 Dec	2009	2008
Loan receivables from associates	0.0	0.1
Other loan receivables	0.3	0.6
Other non-current receivables	0.6	0.8
Total	0.9	1.5

Loan receivables from associated companies are not interest bearing.

Other loan receivables include floating-rate market rate receivables, including some conditional interest payment obligations, and non-interest-bearing receivables. The carrying amounts do not materially differ from fair value.

15. Inventories

EUR million, 31 Dec	2009	2008
Raw materials and consumables	29.5	32.6
Work in progress	31.5	38.1
Finished products and goods	61.7	60.9
Total	122.7	131.7

An inventory impairment totalling EUR 1.7 (2008: 2.0) million has been recognised as an expense for the period.

16. Trade and other receivables

EUR million, 31 Dec	Carrying amount		Fair value	
	2009	2009	2008	2008
Trade receivables	102.6	102.6	83.1	83.1
Receivables due from associates	0.1	0.1	0.1	0.1
Prepaid expenses and accrued income	14.8	14.8	15.7	15.7
Derivative financial instruments	0.7	0.7	3.0	3.0
Other receivables	5.8	5.8	3.5	3.5
Total	124.0	124.0	105.4	105.4

Ageing analysis of trade receivables

EUR million, 31 Dec	Carrying amount		Fair value	
	2009	2009	2008	2008
Not yet due	85.4	85.4	70.7	70.7
Up to 30 days past due	13.4	13.4	10.4	10.4
31 to 60 days past due	0.9	0.9	1.5	1.5
61 to 90 days past due	1.7	1.7	0.1	0.1
Over 90 days overdue	1.3	1.3	0.3	0.3
Total	102.6	102.6	83.1	83.1

The carrying amount of trade receivables and other current receivables is a reasonable estimate of their fair value. Impairment losses recognised on trade receivables and other receivables for the period were EUR 0.2 (2008: 0.0) million.

Material items included in accrued income

EUR million, 31 Dec	2009	2008
Income tax receivable	5.2	6.7
Receivables from royalties	2.7	2.3
Pending compensations	1.3	0.4
Advances paid on IT services	0.9	0.9
Pending R&D contributions	0.8	1.8
Price differential payments	0.4	1.1
Interest	0.1	0.3
Receivables from services	0.0	0.2
Other accrued income	3.5	2.0
Total	14.8	15.7

Due to the short-term character of the receivables, the carrying amounts do not differ from fair value.

18. Equity

Changes in share capital

	A shares	B shares	Total	Share capital EUR million
Total number of shares at 1 Jan 2008	52,558,688	88,699,140	141,257,828	92.2
Conversions of A shares to B shares in 1 Jan–31 Dec 2008	-1,118,020	1,118,020		
Total number of shares at 31 Dec 2008	51,440,668	89,817,160	141,257,828	92.2
Conversions of A shares to B shares in 1 Jan–31 Dec 2009	-100,000	100,000		
Total number of shares at 31 Dec 2009	51,340,668	89,917,160	141,257,828	92.2
Number of treasury shares at 31 Dec 2009		-280,030	-280,030	
Total number of shares at 31 Dec 2009 excluding treasury shares	51,340,668	89,637,130	140,977,798	
Total number of votes at 31 Dec 2009 excluding treasury shares	1,026,813,360	89,637,130	1,116,450,490	

On 31 December 2009, Orion had a total of 141,257,828 shares, of which 51,340,668 were A shares and 89,917,160 B shares. The Group's share capital is EUR 92.2 (2008:92.2) million. At the end 2009, Orion held 280,030 B shares as treasury shares. On 31 December 2009, the aggregate number of votes conferred by both share classes was 1,116,450,490 excluding treasury shares.

17. Cash and cash equivalents

EUR million, 31 Dec	2009	2008
Cash at bank and in hand	31.7	37.0
Interest-bearing investments	138.8	139.1
Total	170.5	176.1

Interest-bearing investments are certificates of deposit and commercial paper with a maturity of less than three months issued by banks and companies.

All shares issued have been paid in full.

Orion's shares have no nominal value. The counter book value of the A and B shares is about EUR 0.65 per share.

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.

Under Section 3 of the Company's Articles of Association, shareholders are entitled to demand the conversion of their A shares to B shares. In the period 1 January–31 December 2009, a total of 100,000 shares were converted.

According to Orion's Articles of Association, the minimum number of all shares in the Company is one (1) and the maximum number is 1,000,000,000. A maximum number of 500,000,000 of the shares shall be A shares and a maximum number of 1,000,000,000 shares shall be B shares.

Orion's Board of Directors was authorised by the Annual General Meeting on 23 March 2009 to dispose of shares held by the Company (treasury shares). This authorisation is valid until the close of the 2010 Annual General Meeting.

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

Altogether 44,806 B shares held by the Company were transferred in March 2009 as a share bonus for 2008 to key persons employed by the Company and belonging to the Share-based Incentive Plan of the Orion Group. This was based on the authorisation granted by the Annual General Meeting on 25 March 2008.

The transfer price of the shares transferred was EUR 11.97 per share, which was the weighted average price of the B shares on 5 March 2009. The total transfer price of the shares transferred was EUR 536,417.43.

Following the transfer, Orion holds 280,030 B shares as treasury shares.

After the end of the period, the Board of Directors has proposed a dividend of EUR 1.00 per share to be distributed and EUR 0.10 per share to be distributed from the expendable fund as a repayment of capital.

Share premium

EUR million	2009	2008
Share premium 1 Jan	17.8	17.8
Share premium 31 Dec	17.8	17.8

Expendable fund

EUR million	2009	2008
Expendable fund 1 Jan	23.0	23.0
Expendable fund 31 Dec	23.0	23.0

The expendable fund is part of the distributable funds under the Limited Liability Companies Act.

Other reserves

Other reserves include reserve funds of EUR 0.2 (2008: 0.1) million and a fair value reserve. The fair value reserve includes a hedging reserve of EUR -0.1 (2008: -1.0) million for fair value changes of derivatives for hedging cash flow.

Translation differences

Translation differences include those arising from translation of the financial statements of foreign entities.

Dividends and other distribution of profits

A dividend of EUR 0.95 (2008: 1.00) per share was paid in the period. In addition, donations of EUR 0.1 (2008: 0.1) million were paid.

19. Provisions

EUR million	Pension provisions	Other provisions	Total
1 Jan 2009	0.4		0.4
Utilised during the period	-0.1		-0.1
Additions to provisions		0.2	0.2
31 Dec 2009	0.3	0.2	0.5
EUR million, 31 Dec		2009	2008
Non-current provisions		0.5	0.4
Current provisions		0.0	
Total		0.5	0.4

Pension provision

Pension provisions include provisions made for unemployment pension expenses for persons made redundant in 2003–2005 and 2009, who have not yet found work or may possibly not find work or have not received a decision on their unemployment pension. The provisions are expected to materialise in the next 1–3 years.

Other provisions

Other provisions include a provision for credit losses in the United Kingdom.

20. Interest-bearing liabilities

EUR million, 31 Dec	Carrying value	Fair value	Carrying value	Fair value
	2009	2009	2008	2008
Loans from financial institutions	77.4	78.8	88.7	90.7
Loans from pension insurance companies	28.7	28.4	20.0	19.9
Finance lease liabilities	2.4	2.9	0.8	0.8
Other interest-bearing liabilities	0.3	0.3	0.4	0.4
Non-current liabilities total	108.7	110.3	109.9	111.8

EUR million, 31 Dec	Carrying value	Fair value	Carrying value	Fair value
	2009	2009	2008	2008
Repayments of long-term loans	20.9	22.7	16.3	16.6
Finance lease liabilities	1.1	1.2	1.1	1.1
Commercial paper issued			17.9	18.4
Other interest-bearing liabilities	0.8	0.8	1.1	1.1
Non-current liabilities	22.7	24.7	36.4	37.2

The fair values of the liabilities have been determined by discounting future cash flows to present value using the market interest rate applicable to a similar loan at the end of the reporting period. At the end of the reporting period, market interest rates were 0.99–3.36%, to which a company-specific margin has been added in discounting.

Most of the liabilities are euro-denominated.

Maturity of finance lease liabilities

Minimum lease payments

EUR million, 31 Dec	2009	2008
No later than 1 year	1.2	1.1
Later than 1 year but no later than 5 years	2.1	0.8
Later than 5 years	0.6	
Total	3.9	1.9

Present value of minimum lease payments

EUR million, 31 Dec	2009	2008
No later than 1 year	1.1	1.1
Later than 1 year but no later than 5 years	1.8	0.8
Later than 5 years	0.6	
Present value of minimum lease payments	3.5	1.9
Future finance charges	0.4	0.1
Minimum lease payments, total	3.9	1.9

21. Other non-current liabilities

EUR million, 31 Dec	2009	2008
Derivative financial contracts included in hedge accounting	0.0	0.8
Other non-current liabilities	0.1	0.1
Total	0.1	0.9

22. Trade payables and other current liabilities

EUR million, 31 Dec	2009	2008
Trade payables	42.3	30.2
Other current liabilities to associates	0.2	0.2
Accrued liabilities and deferred income	56.1	47.1
Other current liabilities	13.4	9.1
Total	112.1	86.6

Material items included in accrued liabilities and deferred income

EUR million, 31 Dec	2009	2008
Liabilities from share-based incentive plan	1.4	0.7
R&D operating model restructuring expenses		3.6
Other accrued salary, wage and social security payments	33.1	28.6
Accrued compensations	4.6	0.4
Accrued royalties	3.9	2.1
Accrued R&D expenses	3.5	2.7
Income tax liability	3.0	2.4
Derivative liability	1.2	1.7
Accrued interest	0.4	1.5
Other accrued liabilities and deferred income	5.1	3.4
Total	56.1	47.1

Due to the short-term character of the accrued liabilities and deferred income, the carrying amounts do not materially differ from fair value.

23. Financial assets and liabilities

EUR million, 31 Dec	2009	2008
Financial assets at fair value through profit and loss		
Held-for-trading financial assets		
Derivatives not included in hedge accounting	0.7	3.0
Loans and other receivables		
Other non-current assets	0.9	1.5
Trade receivables	102.6	83.1
Other receivables	4.2	5.7
Available-for-sale financial assets		
Available-for-sale investments	1.0	0.9
Cash and cash equivalents	170.5	176.1
Financial assets, total	279.9	270.2
Derivatives included in hedge accounting		
Non-current	0.0	0.8
Current	0.3	0.7
Financial liabilities at fair value through profit and loss		
Held-for-trading financial liabilities		
Derivatives not included in hedge accounting	1.0	1.0
Financial liabilities measured at amortised costs		
Interest-bearing non-current liabilities	108.7	109.9
Other non-current liabilities	0.1	0.1
Trade payables	42.3	30.2
Other current liabilities	12.6	7.0
Interest-bearing current liabilities	22.7	36.4
Financial liabilities, total	187.8	185.9

Derivative contracts are included in other receivables and other liabilities in the statement of financial position.

24. Financial risk management

The objective of the Group's financial risk management is to minimise the adverse effects of changes in financial markets on the Group's results and to ensure sufficient liquidity. Financial risks consist of market, counterparty and liquidity risks. The Group's most important financial risks are foreign exchange risk and counterparty risk.

The main principles for financial risk management are described in the Group Treasury Policy, approved by the Company's Board of Directors. The Group Treasury is responsible for implementation of the treasury policy. Treasury activities are centralised in the Group's treasury department.

24.1. Market risk

Market risk includes exchange rate risk, interest rate risk and electricity price risk. At the end of the reporting period the Group had no investments in equities or equity funds.

24.1.1. Exchange rate risk

The Group's exchange rate risk consists of transaction risk and translation risk.

Transaction risk

Transaction risk arises from items in foreign currency in the Statement of Financial Position and forecasted sales and purchases in foreign currency over the coming 12-month period. Transaction risk is monitored and hedged actively. Sales invoiced in US dollars pose the most significant currency risk. As regards other currencies, no individual currency has a significant effect on the Group's overall position.

In accordance with the Treasury Policy, the Group seeks to hedge items in the Statement of Financial Position in full and forecasted currency flows are 0–50% hedged. Hedging of sales and purchases is based on the Group's net position presented below, and forward exchange contracts with maturities up to 12 months are used as hedging instruments.

EUR million, 31 Dec	USD		Other currencies	
	2009	2008	2009	2008
Net position in statement of financial position	2.4	8.2	12.7	12.8
Forecasted net position (12 months)	67.7	60.1	65.8	44.6
Net position, total	70.2	68.4	78.6	57.4
Hedges	-20.7	-27.8	-30.6	-24.1
Unhedged net risk exposure, total	49.5	40.6	48.0	33.4

The Group has no major external interest-bearing debt denominated in foreign currencies. The Group's internal loans and deposits are denominated in the local currency of the subsidiary, and the possible exchange rate risk is hedged in full by the parent company with forward exchange contracts.

IAS 39 compliant hedge accounting is not in use. The fair value changes of the foreign exchange derivative instruments are recognised through profit or loss in either other operating income and expenses or finance income and expenses depending on whether, from an operational perspective, sales revenue or financial assets and liabilities has been hedged.

Translation risk

Translation risk arises from the equity of subsidiaries that have a functional currency other than the euro. On 31 December 2009 the equity in these subsidiaries totalled EUR 31.7 (2008: 18.8) million. This translation position has not been hedged.

Sensitivity analysis

The effect of changes in foreign exchange rates on the Group's results (before taxes) and equity is indicated below for EUR/USD exchange rates. The assumption used in the analysis is a +/- 10% change in the exchange rate (USD depreciates/appreciates by 10%) while other factors remain unchanged.

EUR million, 31 Dec USD +/- 10%	Impact on profit		Impact on equity	
	2009	2008	2009	2008
	+1.7/-2.0	-1.8/-2.2	0	0

The sensitivity analysis includes only financial assets and liabilities in the statement of financial position, i.e. cash and cash equivalents, trade receivables and payables, and currency derivative contracts. The sensitivity analysis does not provide a representative picture of the exposure to foreign exchange risk because, under the foreign exchange hedging principles, the forecast 12-month foreign currency cash flow is 0–50% hedged, and in accordance with IFRS 7, the forecast transactions are not included in the analysis. The translation position is not included in the sensitivity analysis.

24.1.2. Electricity price risk

The price risk refers to the risk resulting from changes in electricity market prices. The market price of electricity fluctuates greatly due to weather conditions, hydrology and emissions trading, for example. The Orion Group obtains its electricity through deliveries that are tied to the spot price in price area Finland, and is therefore exposed to electricity price fluctuation.

The electricity portfolio is managed so that it is possible to hedge the cash flow risk resulting from fluctuations in the market price of electricity and continuously purchase electricity at the most competitive price available. The hedging instruments used are standard electricity derivative instruments that are quoted on Nord Pool. Nord Pool's closing prices are used as levels for valuation. For area price difference products, the valuation is based on an expert's estimate, because market quotations are not available for OTC products. Offers received are nevertheless utilised in the estimate.

Hedge accounting under IAS 39 is applied to hedging electricity price risk. In applying hedge accounting to the cash flow, the amount recognised for the hedging instrument in the fair value reserve in equity is adjusted according to IAS 39.96 so that it is the lower (in absolute figures) of the following two figures:

- the cumulative gain or loss accrued by the hedging instrument from its inception
- the cumulative change in the fair value of expected future cash flows of the item hedged from the inception of the hedge

The remaining portion of the profit or loss accrued by the hedging instrument represents the ineffective portion of the hedge and it is recognised through profit or loss.

A fair value valuation of EUR -0.2 (2008: -1.0) million for electricity hedges was recognised in the equity for 2009. The nominal values of the derivatives totalled EUR 7.0 (2008: 5.7) million.

24.1.3. Interest rate risk

Changes in interest rates affect the Group's cash flow and results. On 31 December 2009, the Group's interest-bearing liabilities totalled EUR 131.5 (2008: 146.3) million. The Group is exposed to interest rate risk associated with non-current loans raised from the European Investment Bank. The capital of these loans with interest rates tied to the 6-month Euribor rate totalled EUR 88.7 million on 31 December 2009. If interest rates rise in 2010 in parallel by one percentage point (1%) compared with market interest rates at the end of the reporting period, and other factors remain unchanged, the estimated interest expenses of the Group would rise by EUR 0.6 million in 2010 (before taxes).

The Group's exposure to risks related to changes in market rates is, however, reduced by the fact that the Group's interest-bearing investments, which totalled EUR 138.8 million on 31 December 2009, are invested in current interest-bearing instruments.

24.2. Counterparty risk

Counterparty risk is realised when a counterparty to the Group does not fulfil its contractual obligations, resulting in non-payment of funds to the Group. The maximum credit risk exposure at 31 December 2009 is the total of financial assets less carrying amounts of derivatives in financial liabilities, which totals EUR 278.6 (2008: 267.7) million. The main risks relate to trade receivables and cash and cash equivalents.

The Group Treasury Policy defines the requirements for the creditworthiness of the counterparties to financial investment transactions and derivative contracts. Limits have been set for investments and counterparties for derivative contracts on the basis of creditworthiness and solidity, and they are regularly updated and monitored. Investments are made in interest-bearing instruments with duration up to three months that are tradable in secondary markets.

The Group Customer Credit Policy defines the requirements for the creditworthiness of the customers. In the pharmaceutical industry trade receivables are typically generated by distributors representing different geographical areas. The Group's 25 largest customers generated 71% of the trade receivables. The most significant individual customers are Novartis, a marketing partner in pharmaceutical sales, and Oriola-KD Corporation, a pharmaceuticals distributor. The trade receivables do not involve significant risk, but the counterparty risk is reduced as necessary by requiring cash payments or confirmed documentary credits, for example. Credit losses for the period recognised through profit or loss were minor.

24.3. Liquidity risk

The Group seeks to maintain a good liquidity position in all conditions. In addition to cash flows from operating activities and cash and cash equivalents, the liquidity is ensured by bank overdraft limits, EUR 75 million confirmed credit limit which is available until June 2011, and an unconfirmed commercial paper programme of EUR 100 million. No issued commercial paper is included in the Financial Statements.

The Group's interest-bearing liabilities at 31 December 2009 were EUR 131.5 (2008: 146.3) million, and they were mostly non-current. The average maturity for loans from the European Investment Bank is 4.6 years and for loans from pension insurance companies 2.1 years.

At 31 December 2009, the Group's cash and cash equivalents totalled EUR 170.5 (2008: 176.1) million, so the Group had no interest-bearing net debt. To ensure the Group's liquidity, surplus cash is invested mainly in current euro-denominated interest-bearing instruments with good creditworthiness that are tradable in secondary markets. Counterparties and limits for these investments are defined in accordance with the Treasury Policy.

Cash flows of interest-bearing loan repayments and finance expenses at 31 December 2009

EUR million	2010	2011	2012	2013	2014-	Total
Loans from financial institutions	12.8	13.3	13.3	13.0	47.6	100.0
Finance expenses	-1.5	-2.0	-2.0	-1.7	-4.2	-11.3
Repayment of loans	11.3	11.3	11.3	11.3	43.5	88.7
Loans from pension insurance companies	10.8	10.5	10.1	9.8		41.3
Finance expenses	-1.3	-0.9	-0.6	-0.2		-3.0
Repayment of loans	9.6	9.6	9.6	9.6		38.2
Finance lease loans	1.1	1.0	0.4	0.4	1.0	3.9
Finance expenses	-0.1	-0.1	-0.1	-0.1	-0.1	-0.4
Repayment of finance lease loans	1.0	0.9	0.4	0.3	0.9	3.5
Other liabilities	0.8	0.1	0.1			1.0
Finance expenses	-0.0	-0.0	-0.0			-0.0
Repayment of other liabilities	0.8	0.1	0.1			1.0

The cash flows above have not been discounted. Forward rates or the average reference rate as per contract have been used in estimating finance expenses for loans with floating rates.

24.4. Capital structure management

The Group's aim as regards capital structure, as defined in its financial objectives, is to maintain the Group's equity ratio (equity/total assets) at a level of at least 50%. This equity ratio does not represent the Company's view on optimal capital structure, but is part of an overall policy defining the objectives for operational growth and profitability, as well as the Company's dividend distribution policy.

The Company has given the following covenants:

	Requirements
Group equity ratio	>35%
Group interest-bearing liabilities / EBITDA	<1.5:1
Group EBITDA / net interest	>10:1

If a covenant is breached, the lender has the right to require collateral. If in such a case collateral is not offered, the lender has the right to demand early repayment of the loan.

Group equity ratio (incl. advance payments)

31 Dec	2009	2008
Equity, EUR million	439.1	418.6
Equity and liabilities total, EUR million	727.1	695.5
Equity ratio (incl. advance payments), %	60.4%	60.2%

Group interest-bearing liabilities / Group EBITDA

EUR million, 31 Dec	2009	2008
Interest-bearing liabilities	131.5	146.3
EBITDA	241.4	216.6
Interest-bearing liabilities / EBITDA	0.5	0.7

Group EBITDA / net interest expenses

EUR million, 31 Dec	2009	2008
EBITDA	241.4	216.6
Net interest expenses	2.7	0.2
EBITDA / net interest expenses	88	948

25. Contingent liabilities

Commitments and contingencies

EUR million, 31 Dec	2009	2008
Contingencies for own liabilities		
Mortgages on land and buildings	32.0	19.0
of which those to Orion Pension Fund	9.0	9.0
Guarantees	1.1	1.0
Other	0.3	0.3

Legal proceedings

Legal proceedings against the Sun companies

On 13 November 2007, 7 February 2008 and 12 November 2008, Orion Corporation filed patent infringement lawsuits in the United States to enforce US Patents No. 6,500,867 and 5,446,194 against companies belonging to the Sun Group.

Sun Pharmaceutical Industries Limited seeks to market generic versions of Orion's Stalevo® drug (25/100/200 and 37.5/150/200 mg strengths of carbidopa, levodopa and entacapone) in the United States. Sun Pharma Global, Inc. seeks to market a generic version of Orion's proprietary drug Comtan® in the United States.

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. The legal proceedings concern Orion's US Patent No. 4,910,214 and Orion's and Hospira's commonly owned US Patent No. 6,716,867.

Sandoz Inc. has sought authorisation to produce and market in the United States a generic version of Orion's proprietary drug Precedex® (dexmedetomidine hydrochloride 100 µg base/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 ongoing entacapone patent litigation in the United States.

Agreement reached in legal proceedings against the Wockhardt companies

On 29 April 2009, Orion Corporation and Wockhardt USA, LLC and Wockhardt Limited (jointly "Wockhardt") reached a settlement agreement in the dispute in which Orion had filed a lawsuit against Wockhardt to enforce its US patents after Wockhardt had filed Abbreviated New Drug Applications (ANDA) for generic versions of Orion's Comtan® and Stalevo® products.

Orion filed its first lawsuit against Wockhardt in the United States in 2007 and two more in 2008. The settlement agreement applies to all three lawsuits. According to the terms of the settlement agreement, Wockhardt may launch generic versions of Comtan and Stalevo in the US market on 30 September 2012, or possibly before that if certain conditions are met.

The parties have agreed that Orion will supply the said generic products to Wockhardt. Any other terms of the agreement will not be made public by the parties.

Due to the settlement, all three lawsuits were terminated and Orion's US patents No. 5,446,194; 5,135,950; 6,599,530; 6,797,732; and 6,500,867 will remain in force.

In accordance with current US legislation, Orion has submitted all of the above-mentioned agreements to the US Federal Trade Commission and the United States Department of Justice.

26. Derivatives

Nominal values of derivatives

EUR million	Nominal value 2009	Remaining period to maturity			Nominal value 2008
		2010	2011	2012–	
Non-hedge-accounting derivatives					
Forward exchange contracts	86.4	86.4			64.6
Hedge-accounting derivatives					
Electricity forward contracts	7.0	2.3	2.2	2.5	5.7

Fair values of derivatives

EUR million	Positive	2009 Negative	Net	2008		
				Positive	Negative	Net
Non-hedge-accounting derivatives						
Forward exchange contracts	0.7	-1.0	-0.3	3.0	-1.0	2.0
Hedge-accounting derivatives						
Electricity forward contracts	0.4	-0.6	-0.2		-1.0	-1.0
	2009 MWh		2008 MWh			
Electricity derivatives	159,576		107,760			

Derivative categories using fair value hierarchy

EUR million	Level 1	Level 2	Level 3	Total
Forward exchange contracts		-0.3		-0.3
Electricity forward contracts	-0.2			-0.2

Forward exchange and electricity forward contracts are OTC derivatives and any market quotations available at the end of the reporting period have been used for determining their fair value.

27. Operating leases

Group as lessee

Minimum lease payments payable on the basis of other non-cancellable leases

EUR million, 31 Dec	2009	2008
Not later than 1 year	1.9	1.7
Later than 1 year but not later than 5 years	2.3	2.1
Later than 5 years	0.0	0.2
Total	4.3	4.0
Rents paid on the basis of other operating leases during the period	2.8	2.0

Other lease expenses comprise mainly expenses for business premises abroad.

Group as lessor

Rental income is presented in Note 2, Other Operating Income. The rental income comprises mainly rents from personnel and others for real estate owned by the Group.

28. Related party transactions

In Orion Group, the related parties are deemed to include the parent company Orion Corporation, the subsidiaries and associated and affiliated companies, the members of the Board of Directors of Orion Corporation, the members of the Executive Management Board of the Orion Group, the immediate family members of these persons, the companies controlled by these persons, and the Orion Pension Fund.

Group Companies at 31 December 2009

	Group Ownership, %	Share of votes, %	Parent company Ownership, %	Share of votes, %
Pharmaceuticals				
Parent company Orion Corporation				
Fermion Oy, Espoo, Finland	100.00	100.00	100.00	100.00
Finorion Lda, Portugal	100.00	100.00	100.00	100.00
OOO Orion Pharma, Russia	100.00	100.00		
Orion Pharma (Austria) GmbH, Austria	100.00	100.00	100.00	100.00
Orion Pharma (Ireland) Ltd., Ireland	100.00	100.00	100.00	100.00
Orion Pharma (UK) Ltd., United Kingdom	100.00	100.00	100.00	100.00
Orion Pharma A/S, Denmark	100.00	100.00	100.00	100.00
Orion Pharma AB, Sweden	100.00	100.00	100.00	100.00
Orion Pharma AG, Switzerland	100.00	100.00	100.00	100.00
Orion Pharma AS, Norway	100.00	100.00	100.00	100.00
Orion Pharma BVBA, Belgium ¹⁾	100.00	100.00	100.00	100.00
Orion Pharma Farmakeftiki MEPE, Greece	100.00	100.00	100.00	100.00
Orion Pharma GmbH, Germany	100.00	100.00	100.00	100.00
Orion Pharma Ilac Pazarlama Ticaret Limited Sirketi, Turkey ¹⁾	100.00	100.00	90.00	90.00
Orion Pharma Kft., Hungary	100.00	100.00	100.00	100.00
Orion Pharma S.L., Spain	100.00	100.00	100.00	100.00
Orion Pharma S.r.l., Italy	100.00	100.00	100.00	100.00
Orion Pharma SA, France ¹⁾	100.00	100.00	100.00	100.00
Orion Pharma, Inc., USA ¹⁾	100.00	100.00	100.00	100.00
OÜ Orion Pharma Eesti, Estonia	100.00	100.00	100.00	100.00
UAB Orion Pharma, Lithuania	100.00	100.00	100.00	100.00
Orion Export Oy, Espoo ¹⁾	100.00	100.00	100.00	100.00
Saijh Therapeutics Oy, Espoo ¹⁾	100.00	100.00	100.00	100.00
Kiinteistö Oy Harmaaparta, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Kalkkipellontie 2, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Kapseli, Hanko	100.00	100.00		
Kiinteistö Oy Nilsiänkatu 10, Helsinki	100.00	100.00	100.00	100.00
Kiinteistö Oy Pilleri, Hanko	70.39	70.39		
Kiinteistö Oy Tonttuvainio, Espoo	100.00	100.00	100.00	100.00
Diagnostics				
Orion Diagnostica Oy, Espoo	100.00	100.00	100.00	100.00
Orion Diagnostica AB, Sweden	100.00	100.00		
Orion Diagnostica as, Norway	100.00	100.00		
Orion Diagnostica Danmark A/S, Denmark	100.00	100.00		

¹⁾ These companies are not engaged in business activities.

There are no companies in which the Group's ownership is 1/5 or more that have not been consolidated as associated companies or subsidiaries.

Related party transactions

The Group has no significant business transactions with the related parties, except for the pension expenses resulting from the defined benefit plans with Orion Pension Fund.

Management's employment benefits

EUR million	2009	2008
Salaries and other short-term employment benefits	3.0	2.7
Post-employment benefits	0.3	0.5

Salaries and remuneration ¹⁾

EUR million	2009	2008
Timo Lappalainen, President and CEO	0.6	0.5
Matti Kavetvuo, Chairman	0.1	0.1
Jukka Ylppö, Vice Chairman	0.1	0.1
Sirpa Jalkanen	0.0	
Eero Karvonen	0.0	0.1
Leena Palotie	0.0	0.0
Vesa Puttonen	0.1	0.1
Hannu Syrjänen	0.0	0.0
Board of Directors, total	0.4	0.4

¹⁾ Exact figures are presented on pages 58 and 62.

The retirement age of the parent company's President and CEO is agreed to be 60 years and the pension level 60% of salary. In addition, some of the members of the Executive Management Board have the right to retire at the age of 60 to 63 years, the pension level being 60% of the pensionable salary.

Loans, guarantees and other commitments to or on behalf of the related parties

Orion Corporation has issued a mortgage on land and buildings of EUR 9.0 million to Orion Pension Fund to cover the pension liability if necessary.

The Group is the lender of an interest-free loan of EUR 0.0 million to its associate Hangon Puhdistamo Oy.

29. Events after the reporting period

There have been no significant events after the reporting period, which would have had an impact on the financial statements.



Parent company Orion corporation's financial statements (FAS)

Income statement

EUR million	Note	2009	2008
Net sales	1	634.8	586.9
Other operating income	2	10.2	15.1
Operating expenses	3, 4	-450.8	-426.1
Amortisation of goodwill	4	-3.4	-3.4
Depreciation and amortisation	4	-23.7	-21.5
Operating profit		167.0	151.0
Financial income and expenses	5	4.8	22.9
Profit before appropriations and taxes		171.8	173.9
Extraordinary items	6	11.8	13.3
Appropriations	7	-0.8	-0.4
Income taxes	8	-46.3	-43.3
Profit for the period		136.5	143.5

Balance sheet

Assets

EUR million, 31 Dec	Note	2009	2008
Intangible rights		60.9	34.5
Goodwill			3.4
Other long-term expenditure		3.6	2.8
Intangible assets total	9	64.5	40.8
Land		3.7	3.7
Buildings and constructions		73.3	76.2
Machinery and equipment		58.0	54.6
Other tangible assets		0.7	0.8
Advance payments and construction in progress		3.8	4.6
Tangible assets total	10	139.5	139.9
Holdings in Group companies		85.5	84.9
Other investments		1.3	1.3
Investments total	11	86.9	86.2
Non-current assets total		290.8	266.9
Inventories	12	83.5	92.9
Non-current receivables	13	0.3	0.5
Trade receivables	14	88.6	72.1
Other current receivables	14	22.4	27.3
Investments	15	138.8	139.1
Cash and bank		13.7	22.6
Current assets total		347.2	354.5
Assets, total		638.0	621.4

Liabilities

EUR million, 31 Dec	Note	2009	2008
Share capital		92.2	92.2
Share premium		17.8	17.8
Hedging fund		-0.2	-1.4
Expendable fund		23.0	23.0
Retained earnings		29.5	19.3
Profit for the period		136.5	143.5
Shareholders' equity	16	298.9	294.5
Appropriations	17	74.0	73.2
Provisions	18	0.9	0.9
Loans from financial institutions		77.4	88.7
Loans from pension insurance companies		28.7	20.0
Other non-current liabilities		0.3	1.2
Non-current liabilities total	19	106.3	109.8
Trade payables		43.3	30.9
Other current liabilities		114.7	112.0
Current liabilities total	20	158.0	142.9
Liabilities, total		638.0	621.4



Notes to the financial statements of the parent company

Cash flow statement

EUR million	2009	2008
Operating profit	167.0	151.0
Depreciation and amortisation according to plan	27.1	24.9
Other adjustments	2.8	0.1
Adjustments to operating profit, total	29.9	25.0
Change in non-interest-bearing current receivables	-3.0	-5.3
Change in inventories	9.4	-9.4
Change in non-interest-bearing current liabilities	9.9	-1.0
Change in working capital, total ¹⁾	16.3	-15.7
Interest paid	-9.7	-9.2
Dividends received ²⁾	9.4	11.2
Interest received ²⁾	4.5	7.0
Income tax paid	-43.1	-45.4
Cash flow from operating activities, total	174.5	124.0
Investments in tangible assets	-18.3	-22.0
Investments in intangible assets	-34.6	-22.7
Proceeds from sale of tangible assets	1.2	1.2
Investments in subsidiary shares	-0.2	-0.0
Proceeds from sale of other shares	0.0	
Loans granted (-) / repayments of loans granted (+)	-0.5	-0.7
Cash flow used in investing activities, total	-52.3	-44.1
Short-term loans raised	6.5	134.8
Repayments of short-term loans	-18.6	-104.2
Long-term loans raised	22.8	125.0
Repayments of long-term loans	-21.2	-0.3
Repurchase of own shares		-4.8
Dividends paid and other distribution of profits	-134.2	-141.1
Group contributions received	13.3	
Cash flow from financing activities, total	-131.4	9.4
Net change in cash and cash equivalents	-9.2	89.3
Cash and cash equivalents at 1 Jan ³⁾	161.7	72.4
Net change in cash and cash equivalents	-9.2	89.3
Cash and cash equivalents at 31 Dec ³⁾	152.4	161.7

¹⁾ The change of the loans and receivables between the parent company and the Finnish subsidiaries are recorded in the change of the parent company's working capital at their gross value.

²⁾ The dividends and interest paid by the subsidiaries are included in the cash flow from operating activities of the parent company.

³⁾ Cash and cash equivalents include liquid securities with a very low fluctuation-in-value risk, as well as cash in hand and at bank.

The parent company of the Orion Group is Orion Corporation, domiciled in Espoo. The business ID code of Orion Corporation is FI 1999212-6 (VAT FI 19992126).

Orion Corporation's first financial period was 1 July–31 December 2006, because the company came into being following the demerger of its predecessor Orion Group into pharmaceuticals and diagnostic businesses and pharmaceutical wholesale and distribution business. Trading in both of the company's share classes commenced on 3 July 2006 on the Helsinki Stock Exchange.

Accounting policies for the financial statements of the parent company

The Financial Statements of Orion Corporation are prepared in compliance with the Finnish Accounting Act, as well as other dispositions and regulations related to the compilation of the financial statements. The following are the most significant differences compared with the IFRS standards applied in the preparation of Consolidated Financial Statements:

Inventories

The cost of inventories includes the value of inventories and the costs of conversion, which comprise the expenses directly associated with production.

Goodwill

The balance sheet value of goodwill included in intangible assets is based on historical cost depreciated according to plan. As a rule, goodwill is amortised over 5 years. In some cases the estimated economic life of the goodwill is longer, maximum 20 years.

Pension arrangements

The pension security of the company's employees is arranged through the Orion Pension Fund and through pension insurance companies. In the Parent Company Financial Statements, pension costs include contributions to the pension fund in addition to pension insurance premiums to pension insurance companies.

Leases

Lease payments payable on the basis of leases are recognised as an expense that is allocated evenly over the entire lease term.



Proposal by the Orion Corporation Board of Directors on use of profit funds from the financial year

The parent company's distributable funds are EUR 189,019,101.80, including EUR 136,467,859.83 of profit for the financial year.

The Board of Directors proposes that the distributable funds of the parent company be used as follows:

- distribution of EUR 1.00 of dividend per share.

No dividend shall be paid on treasury shares held by the Company on the record date for dividend payment. On the day when the profit distribution was proposed, the number of shares conferring entitlement to receive dividend totalled 140,977,798 on which the total dividend would be

EUR 140,977,798.00

- donations to medical research and other purposes of public interest as decided by the Board of Directors

EUR 150,000.00

- retention in retained earnings

EUR 47,891,303.80

EUR 189,019,101.80

There have been no material changes in the Company's financial position since the end of the financial year. The liquidity of the Company is good and, in the opinion of the Board of Directors, the proposed profit distribution would not compromise the liquidity of the Company.

The Board of Directors also proposes to the Annual General Meeting of Orion Corporation to be held on 24 March 2010 that EUR 0.10 per share be distributed from the expendable fund as a repayment of capital.

The Board of Directors submits these Financial Statements and the Report by the Board of Directors to the Annual General Meeting of Shareholders for approval.

Espo, 9 February 2010

Matti Kavetvuo
Chairman

Jukka Ylppö
Vice Chairman

Sirpa Jalkanen

Eero Karvonen

Leena Palotie

Vesa Puttonen

Hannu Syrjänen

Timo Lappalainen
President and CEO



Auditor's report

To the Annual General Meeting of Orion Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Orion Oyj for the year ended on 31 December, 2009. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the

report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations

governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Espoo, 9 February 2010

PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
APA



Calculation of the key figures

Return on capital employed (ROCE), %	=	$\frac{\text{Profit before taxes} + \text{Interest and other finance expenses}}{\text{Total assets} - \text{Non-interest-bearing liabilities (average during the period)}} \times 100$
Return on equity (ROE), %	=	$\frac{\text{Profit for the period}}{\text{Total equity (average during the period)}} \times 100$
Equity ratio, %	=	$\frac{\text{Equity}}{\text{Total assets} - \text{Advances received}} \times 100$
Gearing, %	=	$\frac{\text{Interest-bearing liabilities} - \text{Cash and cash equivalents}}{\text{Equity}} \times 100$
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	=	$\frac{\text{Cash flow from operating activities} + \text{Cash flow from investing activities}}{\text{Average number of shares during the period, excluding treasury shares}}$
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 \times Closing quotation of the period

This publication contains forward-looking statements which involve risks and factors of uncertainty. These forward-looking statements are not based on historical facts but relate to the company's future activities and performance. They include statements about future strategies and profit expectations of these strategies, and they are subject to risks and uncertainties. Actual results may differ substantially from those stated in any forward-looking statement. This is due to a number of factors, including the possibility that Orion may decide not to implement these strategies or that the expectations of the strategies are not achieved. Orion assumes no obligation to update or revise any information included in this publication.

Former Orion Corporation demerged on 1 July 2006 into two new companies, Orion Corporation and Oriola-KD Corporation. All financial information before that date presented in this publication (i.e. pro forma figures) is based on information extracted from the financial statements of the demerged Orion Group. However, this historical information has been prepared for illustrative purposes only and does not necessarily describe Orion Corporation's results, financial position or changes in equity or cash flows in a situation where the current Orion Corporation had acted as a separate legal entity before 1 July 2006.



Notes



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**Building
well-being
in numbers**

FINANCIAL STATEMENTS 2009

