



**Financial
Statements
2012**

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Report by the Board of Directors

Events in 2012

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

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

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

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

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

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

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

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

Events after the period

There were no significant events after the period.

Financial review 2012

Net sales

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

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

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



Operating profit

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

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

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

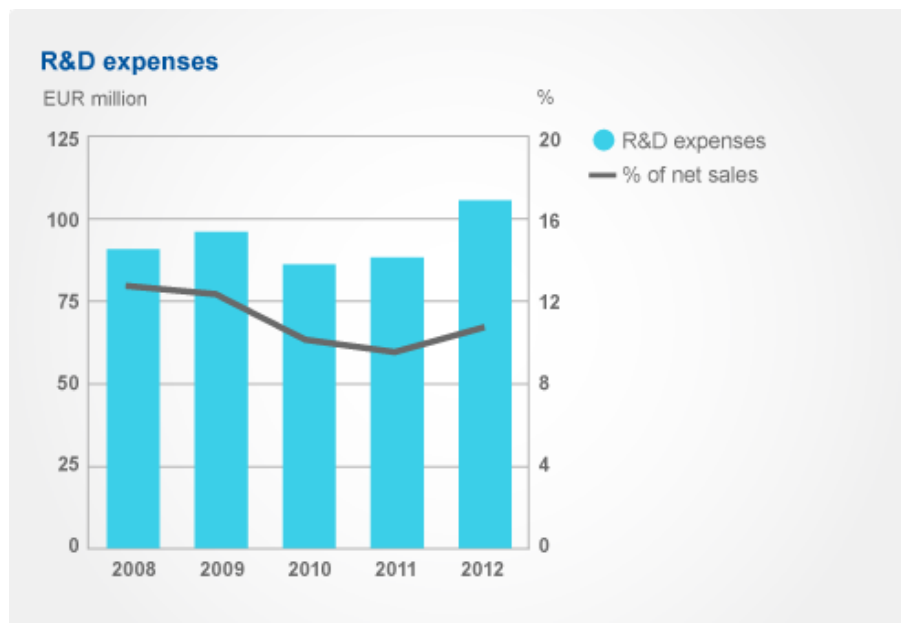
Operating expenses

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

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

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

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



Group's profit

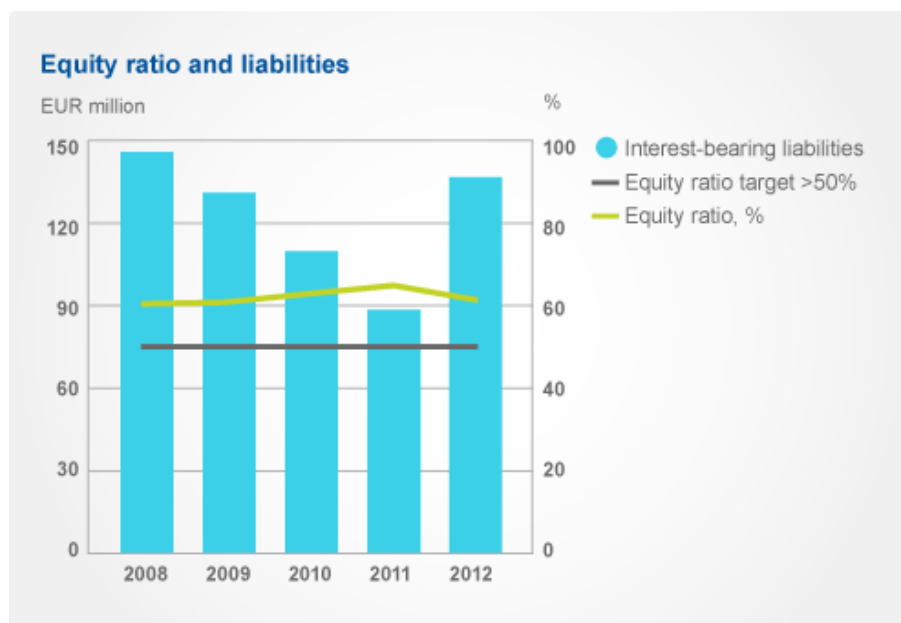
The Group's profit before taxes totalled EUR 279 (282) million. Basic earnings per share were EUR 1.48 (1.49) and diluted earnings per share were EUR 1.48 (1.49). Equity per share was EUR 3.63 (3.55). The return on capital employed before taxes (ROCE) was 46% (49%) and the return on equity after taxes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

Financial position

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

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

The Group had EUR 145 (123) million of cash and cash equivalents at the end of the period, which are invested in short-term interest-bearing instruments issued by financially solid financial institutions and corporations.

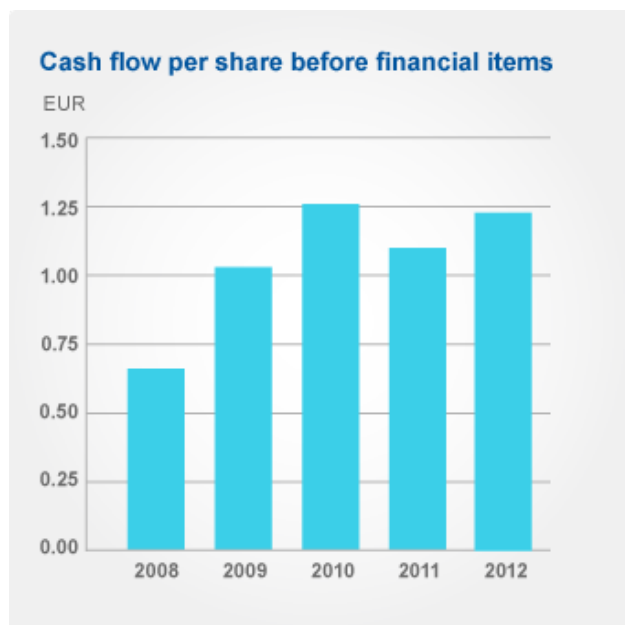


Cash flow

Cash flow from operating activities was higher than in the comparative period at EUR 221 (199) million. Cash flow was higher because the amount tied up into working capital grew by less than in the comparative period and the amount of taxes paid was lower.

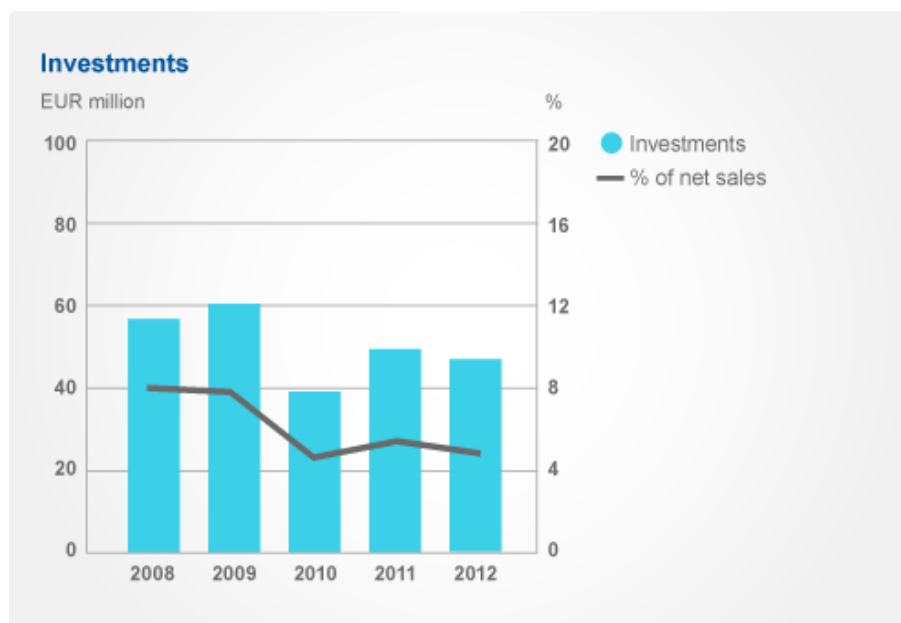
Cash flow from investing activities was EUR -47 (-44) million.

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



Capital expenditure

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



Outlook for 2013

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

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

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

Basis for outlook

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

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

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

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

Marketing expenditure will be similar to the previous year. Because the registrations and launches of new products are projects that take more than a year, the increases in resources and other inputs required in 2013 were planned mainly during the previous year.

Research and development costs will be higher than in 2012. They are partly the Company's internal fixed cost items, such as salaries and maintenance of the operating infrastructure, and partly external variable costs. External costs arise from, among other things, long-term clinical trials, which are typically performed in clinics located in several countries. The most important clinical trials scheduled for 2013 are either ongoing from the previous year or at an advanced stage of planning, therefore their cost level can be estimated rather accurately. The accrued costs are materially affected by how the costs arising are allocated between Orion and its collaboration partners. The outlook estimate does not assume that Orion receives any material milestone payments from collaboration partners in 2013.

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

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

Near-term risks and uncertainties relating to the outlook

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

Sales of individual products and also Orion's sales in individual markets may vary, for example depending on the extent to which the ever-tougher price and other competition prevailing in pharmaceutical markets in recent years will specifically affect Orion's products. Deliveries to Novartis are based on timetables that are jointly agreed in advance. Nevertheless, they can change, for example as a consequence of decisions by Novartis concerning adjustments of stock levels. Royalties from Precedex may decrease materially in mid 2013 if Hospira is not granted six months of pediatric

exclusivity for the product in the United States.

Most of the exchange rate risk relates to the US dollar. Typically, only less than 15% of Orion's net sales comes from the United States. As regards currencies in European countries, the overall effect will be abated by the fact that Orion has organisations of its own in most of these countries, which means that in addition to sales income, there are also costs in these currencies.

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

Research projects always entail uncertainty factors that may either increase or decrease estimated costs. The projects may progress more slowly or faster than assumed, or they may be discontinued. Nonetheless, changes that may occur in ongoing clinical studies are reflected in costs relatively slowly, and they are not expected to have a material impact on earnings in the current year. Owing to the nature of the research process, the timetables and costs of new studies that are being started are known well in advance. They therefore typically do not lead to unexpected changes in the estimated cost structure. Orion generally undertakes Phase III clinical trials in collaboration with other pharmaceutical companies. Commencement of these collaboration relationships and their structure also materially affect the schedule and cost level of research projects.

Group's financial objectives

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

These objectives are achieved through:

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

Orion's dividend distribution policy

Orion's dividend distribution takes into account the distributable funds and the capital expenditure and other financial requirements in the medium and long term to achieve the financial objectives.

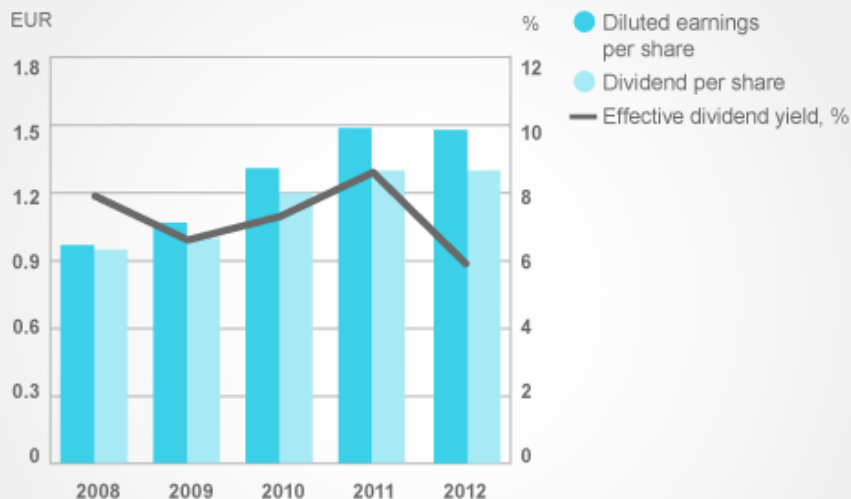
Proposal by the Board of Directors for distribution of profit: dividend per share EUR 1.30

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

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

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

Earnings per share and dividend



The Board proposes to the AGM that the dividend for 2012 be EUR 1.30. In addition to dividends, Orion has paid a capital repayment of EUR 0.10 per share in 2009, EUR 0.06 in 2010 and EUR 0.12 in 2011.

Strategy

In November 2012, Orion's Board of Directors confirmed that the strategic focus remains the same for 2013–2017. Orion's strategic aims are profitable growth and increased shareholder value, whilst keeping business risks under control.

Orion's strategic focus continues to be on:

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

All of Orion's business divisions have a major role in achieving the financial objectives of the Group, but the two largest divisions, Proprietary Products and Specialty Products, are crucial. Orion strives to enhance synergies between patent-protected proprietary drugs, off-patent (i.e. generic) prescription drugs and self-care products.

Competitive product portfolio

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

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

Orion continues the work to build up a competitive product portfolio. As regards Proprietary Products customers, the focus is on neurologists, urologists, pulmonary doctors, critical care doctors and other health care professionals in these specialised fields. For Specialty Products, important customer groups in Finland, for example, are general practitioners and pharmacy staff. Orion's primary aim is to exploit all business opportunities from the drugs in the current product portfolio, such as *dexdor*®, *Stalevo*®, *Simdax*® and the Easyhaler product family. Orion's next projects in late-phase development and commercialisation are development of inhalable Easyhaler combined formulation products, development of the Parkinson's drug *Stalevo* for Japanese markets, development of a more effective levodopa product (ODM-101) and development of a drug (ORM-12741) for treatment of Alzheimer's disease. In early clinical phases Orion is developing drugs for treatment of advanced prostate cancer (ODM-201) and for treatment of Parkinson's disease (ODM-103, a new more effective COMT inhibitor). Orion also aims to ensure continuance of clinical trials through active

early-phase research.

To be successful in the generic (i.e. off-patent) prescription drug and self-care product sector, it is especially important to have a broad and continually renewed portfolio. Orion seeks to secure a continuous stream of product launches through active product acquisition and its own development work. Orion determines the product portfolios individually for each market. In Finland Orion strives to maintain a broad range of prescription drugs and self-care products. In other key markets, such as Scandinavia, Eastern Europe and Russia, Orion's product portfolio focuses on generic prescription drugs in certain therapy areas.

Strengthening market position in Europe

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

Flexible and efficient operations

Because the operating environment changes all the time, the agility and flexibility of operations will in future be as crucial as cost-effectiveness. Orion's key projects to improve operating efficiency have been implementing a new research and development model, building up partnership models for early-phase research, maintaining high delivery reliability in the supply chain cost efficiently, capacity reorganisation (including investment in Salo), managing diversification, improving the competitiveness of sales operations and general simplification and streamlining of operating practices.

Networking and seeking partners throughout the value chain will facilitate improvements to competitiveness and establishing a foundation for profitable future growth. R&D collaboration and active networking will enable Orion to increase the number of new research projects and balance the risks of projects in the research pipeline. Through partnerships in the supply chain, Orion will improve the efficiency of its operations by determining which products it will manufacture itself and to what extent products or semi-finished products will be acquired through its collaboration network. Partnerships in sales and marketing will ensure a broad network of distribution channels through which proprietary drugs developed by Orion will be distributed worldwide. Moreover, the product portfolio can be expanded by selling the partners' products through Orion's own sales network.

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

Business Reviews

Pharmaceuticals

According to statistics collected by Finnish Pharmaceutical Data Ltd, **Finnish wholesale of human pharmaceuticals** in 2012 totalled EUR 2,031 (1,972) million, up by 3% on the previous year.

Finland is the most important individual market for Orion, generating about one-quarter of the total net sales. Orion was able to increase its sales faster than the markets as a whole and strengthened its position as leader in marketing pharmaceuticals in Finland. According to statistics collected by Finnish Pharmaceutical Data Ltd, **Orion's wholesale of human pharmaceuticals in Finland** in 2012 amounted to EUR 219 (202) million, up by 9% compared with the previous year. Orion's market share of Finnish pharmaceuticals markets was 11% (10%).

According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in September 2012 the **total sales of Parkinson's drugs** in the United States were up by 3% at USD 751 million (USD 727 million in the previous 12-month period). The five largest European markets for Parkinson's disease drugs were Germany, the United Kingdom, France, Spain and Italy. In these countries, the combined sales of Parkinson's drugs in the 12-month period ending in September 2012 totalled EUR 954 (987) million, and the average market decline was 3%.

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

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

Net sales and operating profit of the Pharmaceuticals business

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

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

Net sales of the branded products based on own in-house R&D were up by 2% at EUR 429 (421) million in 2012. These products accounted for 46% (48%) of the net sales of the Pharmaceuticals business.

Proprietary Products

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

Net sales of Proprietary Products in 2012 were similar to the previous year at EUR 404 (409) million.

Orion's drugs for treatment of Parkinson's disease are Stalevo® (active ingredients carbidopa, levodopa and entacapone) and Comtess®/Comtan® (entacapone), and their net sales in 2012 totalled EUR 250 (267) million. Sales of Parkinson's drugs were down by 6% and accounted for 27% (31%) of the total net sales of the Pharmaceuticals business. The decrease in sales is mainly due to commencement of generic competition in the United States in April 2012, which decreased deliveries to Novartis. Net sales from deliveries of Stalevo and Comtan to Novartis were down by 11% at a total of EUR 152 (171) million. Deliveries of Stalevo to Novartis were down by 8% at EUR 95 (103) million, and deliveries of Comtan by 17% at EUR 56 (68) million. Total net sales generated by Stalevo and Comtess in Orion's own sales organisation were up slightly at EUR 98 (96) million. Sales through Orion's own sales network were up by 6% at EUR 86 (81) million for Stalevo and down by 16% at EUR 13 (15) million for Comtess.

The US Food and Drug Administration (FDA) has an ongoing safety review of Stalevo, which began in spring 2009. Orion is assisting the FDA in undertaking the safety review. The FDA has requested additional data based on databases concerning the significance of the results of the STRIDE-PD study, and consequently Orion and Novartis have undertaken epidemiological studies and results from them were submitted to authorities for review in the third quarter of 2012.

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

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

Net sales of the Precedex® intensive care sedative (dexmedetomidine) were up by 38% in 2012 at EUR 45 (33) million. In the United States and markets outside Europe the sedative is sold by Orion's partner Hospira. US markets account for about four-fifths of net sales of Precedex.

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

Specialty Products

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

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

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

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

Animal Health

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

Net sales of the Animal Health business division in 2012 were EUR 69 (68) million. Sales of the animal sedatives at EUR 23 (23) million accounted for 33% (34%) of the division's net sales. Orion's animal sedatives are Dexdomitor® (dexmedetomidine), Domitor® (medetomidine), Domosedan® (detomidine) and Antisedan® (atipamezole).

Fermion

Fermion manufactures active pharmaceutical ingredients for Orion and other pharmaceutical companies. Its product range comprises nearly 30 pharmaceutical ingredients. Fermion's net sales in 2012 excluding pharmaceutical ingredients supplied for Orion's own use were up by 12% at EUR 48 (43) million and accounted for about two-thirds of Fermion's entire net sales. Several key products performed well, even though competition in the markets remained intense. Capacity utilisation at Fermion's plants was very high during the period under review. Capacity utilisation was increased by manufacturing active ingredients required for development work on Orion's own proprietary drugs, in addition to the normal product range.

Research and development projects

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

Orion has ongoing projects to broaden the range of the inhalable **Easyhaler® drugs** product family. Orion is developing a **budesonide-formoterol formulation** that combines budesonide as an anti-inflammatory agent and formoterol as a long-acting bronchodilator. Following the positive results obtained in the pharmacokinetic studies of the Easyhaler development programme in late 2012, Orion plans to apply for marketing authorisation for the budesonide-formoterol formulation. Orion anticipates that the application for marketing authorisation in Europe could be submitted in the first quarter of 2013.

In addition, Orion has another Easyhaler research programme in progress to develop a **fluticasone-salmeterol formulation**. In this formulation fluticasone acts as an anti-inflammatory agent and salmeterol acts as a long-acting bronchodilator.

Orion is collaborating with Novartis to develop **Stalevo® drug** for the Japanese markets. Novartis initiated the necessary clinical bioavailability study in November 2012.

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

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

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

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

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

Diagnostics

Orion Diagnostica manufactures convenient and quick in vitro diagnostic tests and testing systems suitable for point-of-care testing. Net sales of the Diagnostics business in 2012 were up by 9% at EUR 54 (50) million.

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

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

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

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

Shares and shareholders

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

At the end of December 2012, Orion had 56,519 (57,188) registered shareholders.

Voting rights conferred by shares

Each A share entitles its holder to twenty (20) votes at General Meetings of Shareholders and each B share one (1) vote. However, a shareholder cannot vote more than 1/20 of the aggregate number of votes from the different share classes represented at the General Meetings of Shareholders. The Company itself and Orion Pension Fund do not have the right to vote at Orion Corporation's General Meetings of Shareholders.

Both share classes, A and B, confer equal rights to the Company's assets and dividends.

Conversion of shares

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. In 2012 a total of 1,726,000 shares were converted.

Trading in Orion's shares

Orion's A shares and B shares are quoted on NASDAQ OMX Helsinki in the Large Cap group under the Healthcare sector heading under the trading codes ORNAV and ORNBV. Trading in both of the Company's share classes commenced on 3 July 2006, and information on trading in the Company's shares has been available since this date.

On 31 December 2012 the market capitalisation of the Company's shares excluding treasury shares was EUR 3,120 million.

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

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

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

Authorisations of the Board of Directors

Orion's Board of Directors was authorised by the Annual General Meeting on 24 March 2010 to decide on a share issue in which shares held by the Company can be conveyed. The authorisation to issue shares is valid for five years from the

decision taken by the Annual General Meeting.

The Board of Directors is authorised to decide on conveyance of no more than 500,000 Orion Corporation B shares held by the Company. Such shares held by the Company can be conveyed either against or without payment. Such shares held by the Company can be conveyed by selling them in public trading on NASDAQ OMX Helsinki; in a share issue placement to the Company's shareholders in proportion to their holdings at the time of the conveyance regardless of whether they own A or B shares; or in a share issue placement deviating from shareholders' pre-emptive rights if there is a weighty financial reason, such as the development of the capital structure of the Company, using the shares to finance possible corporate acquisitions or other business arrangements of the Company, financing capital expenditure or as part of the Company's incentive plan. The share issue placement can be without payment only if there is an especially weighty financial reason in the view of the Company and to the benefit of all its shareholders. The amounts paid for shares in the Company conveyed shall be recorded in a distributable equity fund. The Board of Directors shall decide on other matters related to the conveyance of shares held by the Company. The authorisation was exercised as described below under the heading "Share-based Incentive Plan". On 31 December 2012 the Board of Directors had outstanding authorisation to convey 309,337 Orion Corporation B shares held by the Company.

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

Share-based Incentive Plan

In February 2010 the Board of Directors of Orion Corporation decided on a share-based incentive plan for the Group key persons. The Plan includes earning periods and the Board of Directors annually decided on the beginning and duration of the earning periods in 2010, 2011 and 2012. The Board of Directors decided on the earnings criteria and on targets to be established for them at the beginning of each earning period. The target group of the Plan consists of approximately 30 people. The total maximum amount of rewards to be paid on the basis of the Plan is 500,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares.

On 12 March 2012 Orion transferred altogether 87,763 Orion Corporation B shares held by the Company as a share bonus for 2011 to the key persons employed by the Group and belonging to the Share-based Incentive Plan of the Group. The transfer was based on the authorisation by the Annual General Meeting on 24 March 2010. The price per share of the transferred shares was EUR 16.3848, which was the volume weighted average quotation of Orion Corporation B shares on 12 March 2012. The total transaction price of the transferred shares was therefore EUR 1,437,979.20.

Share ownership

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

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

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

Notification threshold

On 5 September 2012 Orion announced that on 3 September 2012 the total number of Orion Corporation B shares under the management of The Capital Group Companies, Inc. had increased to more than one-twentieth (1/20) of all Orion Corporation shares. According to the notification, The Capital Group Companies, Inc. owned 8,313,900 Orion B shares, which was 5.89% of the shares and 0.84% of Orion's total number of votes.

Management's shareholdings

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

The Company does not have stock option programmes.

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 Orion Corporation 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.

Orion publishes its Corporate Governance statement separately from the Report by the Board of Directors on the Company's website.

Changes in Executive Management Board

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

Annual General Meeting on 20 March 2012

Orion Corporation's Annual General Meeting was held on 20 March 2012 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 a proposal concerning distribution from the distributable equity as a repayment of capital.

Distribution of a dividend of EUR 1.30 per share was approved for 2011, in accordance with the Board's proposal. In addition, a repayment of capital to the shareholders of EUR 0.12 per share was approved, in accordance with the Board's proposal.

The decisions taken by the Annual General Meeting and the organising meeting of the Board of Directors were reported in stock exchange releases on 20 March 2012.

Annual General Meeting on 19 March 2013

Orion Corporation's Annual General Meeting will be held on Tuesday 19 March 2013 in the Helsinki Fair Centre commencing at 14:00.

Significant risks and uncertainties

Risk management constitutes a significant part of Orion Group's management system 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 1020/2012, Section 8.1, 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 1020/2012, Section 8.1, Paragraph 11.

Personnel

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

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

Environmental issues

Orion's environmental impacts relate mainly to consumption of supply chain raw materials, energy and water, emissions into the air and amounts of waste created by operations. All of the Group's manufacturing plants are in Finland. The manufacturing plants, located in Espoo, Turku, Kuopio, Hanko and Oulu, are all regulated by environmental permits issued by local environmental authorities.

Orion monitors the environmental impacts of its operations by measuring and monitoring consumption of materials, energy and water, emissions into the air and waste water, and amounts of waste created by operations. Orion reports annually on issues within its environmental responsibilities in its Sustainability Report, which is consistent with GRI guidelines.

Significant legal proceedings

Legal proceedings against the Sandoz companies

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

The court found that US Patent No. 4,910,214 is valid and enforceable. Sandoz is permanently enjoined from the commercial manufacture, use, sale or offer for sale in the United States or importation into the United States of its generic dexmedetomidine product until such time as US Patent No. 4,910,214 expires, including any applicable extensions. The Court also ordered that the effective date of Sandoz's Abbreviated New Drug Application No. 91-465 shall not occur until the expiration of Patent No. 4,910,214, including any applicable extensions. Separately, the court found that US Patent No. 6,716,867 is invalid as obvious.

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

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

Legal proceedings against Caraco Pharmaceutical Laboratories, Ltd.

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

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

Orion expects the costs of the legal proceedings against Caraco to be substantially less than the costs of the entacapone patent litigation that had previously been pending in the United States. Consideration of the case has been suspended pending the conclusion of the above-mentioned appeal proceedings against the Sandoz companies concerning Patent No. 6,716,867.

Legal proceedings against Mylan Pharmaceuticals Inc.

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

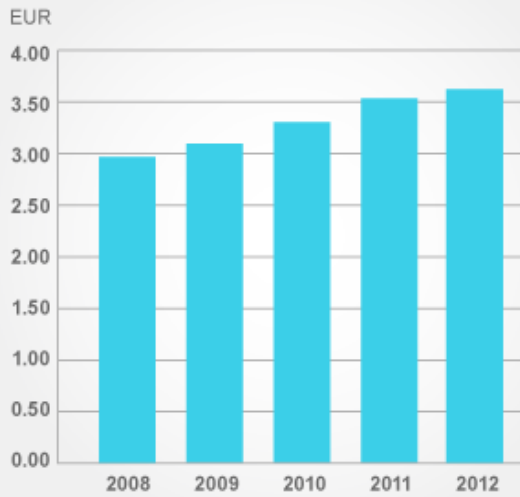
The lawsuit was filed by Orion against Mylan in the United States in 2011. Under the terms of the settlement agreement, Mylan may launch a generic version of Comtan with strength 200 mg in US markets on 1 April 2013 at the earliest.

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

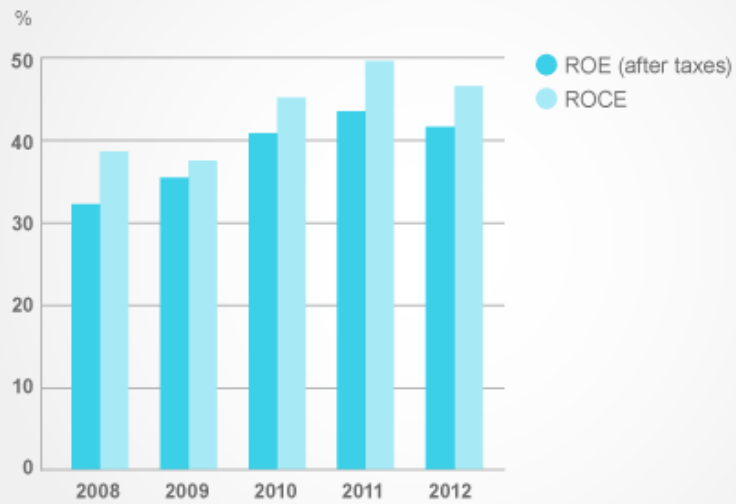
In addition, on 26 April 2012 Orion Corporation filed a patent infringement lawsuit in the United States against Mylan Pharmaceuticals Inc. to enforce its US Patents Nos. 5,446,194, 6,500,867 and 6,797,732.

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

Equity per share



Return on equity



Information on Orion's shares

Basic information on Orion's shares

31 December 2012	A share	B share	Total
Trading code on NASDAQ OMX Helsinki	ORNAV	ORNBV	
Listing day	1 Jul 2006	1 Jul 2006	
ISIN code	FI0009014369	FI0009014377	
ICB code	4500	4500	
Reuters code	ORNAV.HE	ORNBV.HE	
Bloomberg code	ORNAV.FH	ORNBV.FH	
Share capital, EUR million	28.2	64.0	92.2
Counter book value per share, EUR	0.65	0.65	
Total number of shares	43,267,218	97,990,610	141,257,828
% of total share stock	31%	69%	100%
Number of treasury shares		325,991	325,991
Total number of shares excluding treasury shares	43,267,218	97,664,619	140,931,837
Minimum number of shares			1
Maximum number of A and B shares, and maximum number of all shares	500,000,000	1,000,000,000	1,000,000,000
Votes per share	20	1	
Number of votes excluding treasury shares	865,344,360	97,664,619	963,008,979
% of total votes	90%	10%	100%
Total number of shareholders	18,946	43,937	56,519

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

Ownership base by type of shareholder

31 December 2012	Owners	%	A shares	%	B shares	%	Total shares	% Total votes	%	
Households	53,828	95.24	29,127,483	67.32	38,375,399	39.16	67,502,882	47.79	620,925,059	64.46
Nominee-registered and foreign shareholders	210	0.37	872,467	2.02	45,928,720	46.87	46,801,187	33.13	63,378,060	6.58
Public sector entities	33	0.06	3,679,902	8.51	4,114,358	4.20	7,794,260	5.52	77,712,398	8.07
Non-financial and housing corporations	1,730	3.06	5,944,720	13.74	3,861,192	3.94	9,805,912	6.94	122,755,592	12.74
Non-profit organisations	664	1.17	3,360,685	7.77	4,521,537	4.61	7,882,222	5.58	71,735,237	7.45
Financial and insurance institutions	53	0.09	215,805	0.50	800,407	0.82	1,016,212	0.72	5,116,507	0.53
Others	0	0.00	66,156	0.15	63,006	0.06	129,162	0.09	1,386,126	0.14
Number of treasury shares	1	0.00	0	0.00	325,991	0.33	325,991	0.23	325,991	0.03
Total	56,519	100.00	43,267,218	100.00	97,990,610	100.00	141,257,828	100.00	963,334,970	100.00

Ownership base by number of shares

31 December 2012	Owners	%	A shares	%	B shares	% Total shares	% Total votes	%		
1–100	14,465	25.59	305,630	0.71	683,444	0.70	906,603	0.64	5,943,845	0.62
101–1,000	30,559	54.07	3,793,118	8.77	10,487,285	10.70	12,672,859	8.97	69,809,355	7.25
1,001–10,000	10,449	18.49	10,983,480	25.39	21,194,491	21.63	29,894,700	21.16	217,963,236	22.63
10,001–100,000	968	1.71	9,707,489	22.44	12,102,462	12.35	23,889,817	16.91	226,088,862	23.47
100,001–1,000,000	67	0.12	9,481,685	21.91	5,761,399	5.88	16,091,518	11.39	206,109,264	21.40
1,000,001–	10	0.02	8,929,660	20.64	47,372,532	48.34	57,347,178	40.60	235,708,291	24.47
In joint account	0	0.00	66,156	0.15	63,006	0.06	129,162	0.09	1,386,126	0.14
Total	56,518	100.00	43,267,218	100.00	97,664,619	99.67	140,931,837	99.77	963,008,979	99.97
Of which nominee registered	13	0.02	510,440	1.18	45,029,910	46.11	45,540,350	32.31	55,238,710	5.74
Number of treasury shares	1	0.00	0	0.00	325,991	0.33	325,991	0.23	325,991	0.03
Total number of shares	56,519	100.00	43,267,218	100.00	97,990,610	100.00	141,257,828	100.00	963,334,970	100.00

Largest shareholders¹

31 December 2012	A shares	B shares	Total shares	% of shares	Total votes	% of votes	Order by number of votes
Ilmarinen Mutual Pension Insurance 1.Company	1,948,540	1,135,997	3,084,537	2.18%	40,106,797	4.16%	3.
2.Erkki Etola and companies	2,500,000	0	2,500,000	1.77%	50,000,000	5.19%	1.
Etola Erkki	200,000	0			4,000,000		
Etola Oy	2,300,000	0			46,000,000		
Land and Water Technology Foundation 3.and companies	2,083,360	0	2,083,360	1.47%	41,667,200	4.33%	2.
Land and Water Technology Foundation	1,034,860	0			20,697,200		
Tukinvest Oy	1,048,500	0			20,970,000		
Social Security Institution of Finland, 4.KELA	0	1,658,368	1,658,368	1.17%	1,658,368	0.17%	16.
5.Orion Pension Fund ²	1,350,624	292,699	1,643,323	1.16%	27,305,179	2.83%	4.
6.Ylppö Jukka	1,247,136	294,520	1,541,656	1.09%	25,237,240	2.62%	5.
7.Aho Group Oy's controlling votes	1,142,346	2,929	1,145,275	0.81%	22,849,849	2.37%	6.
Aava Terveyspalvelut Oy	658,230	4			13,164,604		
Kliinisen Kemian Tutkimussäätiö	105,000	0			2,100,000		
Aho Juhani	335,709	0			6,714,180		
Aho Kari Jussi	21,641	0			432,820		
Porkkala Miia	5,115	0			102,300		
Lappalainen Annakajja	4,944	2,500			101,380		
Aho Antti	7,792	0			155,840		
Aho Ville	3,915	425			78,725		
8.Into Ylppö and controlling votes	785,492	242,848	1,028,340	0.73%	15,952,688	1.66%	8.
Ylppö Into	577,936	240,200			11,798,920		
Ylppö Eeva	110,778	1,324			2,216,884		
Ylppö Aurora	96,778	1,324			1,936,884		
9.Jouko Brade and companies	672,689	338,500	1,011,189	0.72%	13,792,280	1.43%	9.
Brade Jouko	255,800	29,600			5,145,600		
Brade Oy	726	100			14,620		
Medical Investment Trust Oy	414,974	307,065			8,606,545		
Lamy Oy	1,152	235			23,275		
Helsinki Investment Trust Oy	37	1,000			1,740		

31 December 2012	A shares	B shares	Total shares	% of shares	Total votes	% of votes	Order by number of votes
Helsinki Securities Oy	0	100			100		
Töölö Trading Oy	0	100			100		
Botnia Trading Oy	0	300			300		
10.Saastamoinen Foundation	889,996	0	889,996	0.63%	17,799,920	1.85%	7.
Local Government Pensions Institution, 11.Keva	0	612,336	612,336	0.43%	612,336	0.06%	17.
12.Eero Karvonen and companies	546,200	24,435	570,635	0.40%	10,948,435	1.14%	10.
Karvonen Eero	73,170	7,764			1,471,164		
EVK-Capital Oy	473,030	16,671			9,477,271		
13.Swiss National Bank	0	565,154	565,154	0.40%	565,154	0.06%	18.
14.Orion-Farmos Research Foundation	132,996	282,514	415,510	0.29%	2,942,434	0.31%	15.
15.Finnish Cultural Foundation	0	405,570	405,570	0.29%	405,570	0.04%	19.
16.Evli Eurooppa Mutual Fund	0	367,148	367,148	0.26%	367,148	0.04%	20.
17.Salonen Ilkka	232,075	134,370	366,445	0.26%	4,775,870	0.50%	13.
18.Salonen Seppo	255,287	98,000	353,287	0.25%	5,203,740	0.54%	11.
19.Westerlund Riikka	239,035	108,000	347,035	0.25%	4,888,700	0.51%	12.
20.Lenko Hanna-Liisa	160,000	158,000	318,000	0.23%	3,358,000	0.35%	14.
Twenty largest shareholders total	14,185,776	6,721,388	20,907,164	14.80%	290,436,908	30.15%	
Nominee-registered	510,440	45,029,910	45,540,350	32.24%	55,238,710	5.73%	
Others	28,571,002	45,913,321	74,484,323	52.73%	617,333,361	64.08%	
Orion's treasury shares ²	0	325,991	325,991	0.23%	325,991	0.03%	
Total	43,267,218	97,990,610	141,257,828	100.00%	963,334,970	100.00%	

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, and other holdings the use of which the shareholder, alone or together with a third party, may decide on under a contract or otherwise.

² Not entitled to vote at Orion's General Meetings of shareholders.

On 5 September 2012 Orion Corporation was notified in accordance with Chapter 2, Section 9 of the Securities Markets Act that the total number of Orion B shares under management of The Capital Group Companies, Inc., exceeded on 3 September 2012 the one twentieth (1/20) threshold of the total number of Orion Corporation shares. According to the notification, The Capital Group Companies, Inc. had 8,313,900 B shares, which was 5.89% of the total number of Orion Corporation shares and 0.84% of the total number of votes.

Shareholdings of Board of Directors members¹

31 December 2012	A shares	Change from 1 Jan 2012	B shares	Change from 1 Jan 2012	Total shares	% of total shares	% of total votes
Hannu Syrjänen, Chairman	10,000	0	8,848	2,053	18,848	0.01	0.02
Jukka Ylppö, Vice chairman	1,247,136	0	294,520	1,377	1,541,656	1.09	2.62
Sirpa Jalkanen	0	0	4,172	1,026	4,172	0.00	0.00
Eero Karvonen	546,200	0	24,435	1,026	570,635	0.40	1.14
Timo Maasilta	21,928	0	1,026	1,026	22,954	0.02	0.05
Heikki Westerlund	0	0	2,835	1,026	2,835	0.00	0.00
Board of Directors total	1,825,264	0	335,836	7,534	2,161,100	1.53	3.82

¹ The figures include the shares held by organisations and foundations controlled by the person.

Shareholdings of Executive Management Board members¹

31 December 2012	A shares	Change from 1 Jan 2012	B shares	Change from 1 Jan 2012	Total shares	% of total shares	% of total votes
Timo Lappalainen, President and CEO	0	0	44,750	11,700	44,750	0.03	0.00
Satu Ahomäki	0	0	16,126	5,850	16,126	0.01	0.00
Markku Huhta-Koivisto	0	0	26,850	5,850	26,850	0.02	0.00
Olli Huotari	0	0	15,353	4,388	15,353	0.01	0.00
Liisa Hurme	0	0	17,525	5,850	17,525	0.01	0.00
Jari Karlson	0	0	22,898	4,388	22,898	0.02	0.00
Virve Laitinen	0	0	3,713	1,463	3,713	0.00	0.00
Reijo Salonen	0	0	24,100	7,020	24,100	0.02	0.00
Executive Management Board total²	0	0	171,315	46,509	171,315	0.12	0.02

¹ The figures include the shares held by organisations and foundations controlled by the person.

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

Key figures

Orion's key figures for 2008–2012

	2008	2009	2010	2011	2012	Change %
Net sales, EUR million	710.7	771.5	849.9	917.9	980.4	+6.8%
International operations, EUR million	493.6	548.2	620.7	677.2	723.1	+6.8%
% of net sales	69.4%	71.1%	73.0%	73.8%	73.8%	
Operating profit, EUR million	185.0	207.0	254.2	282.9	280.9	-0.7%
% of net sales	26.0%	26.8%	29.9%	30.8%	28.7%	
Profit before taxes, EUR million	184.2	203.7	252.6	282.0	279.3	-0.9%
% of net sales	25.9%	26.4%	29.7%	30.7%	28.5%	
Income tax expense, EUR million	47.8	52.3	67.9	72.4	70.4	-2.8%
R&D expenses, EUR million	90.0	95.2	85.5	87.5	104.8	+19.8%
% of net sales	12.7%	12.3%	10.1%	9.5%	10.7%	
Capital expenditure, EUR million	56.8	60.4	39.2	49.5	46.8	-5.3%
% of net sales	8.0%	7.8%	4.6%	5.4%	4.8%	
Assets total, EUR million	695.5	727.1	745.8	779.1	836.9	+7.4%
Equity ratio, %	60.2%	60.6%	62.7%	64.2%	61.1%	
Gearing, %	-7.1%	-8.9%	-12.2%	-6.9%	-1.7%	
Interest-bearing liabilities, EUR million	146.3	131.5	110.0	88.7	136.7	+54.1%
Non-interest-bearing liabilities, EUR million	130.6	156.5	168.4	190.5	189.0	-0.8%
Cash and cash equivalents and money market investments, EUR million	176.1	170.5	167.2	123.0	145.2	+18.1%
ROCE (before taxes), %	38.5%	37.4%	45.0%	49.4%	46.2%	
ROE (after taxes), %	32.1%	35.3%	40.7%	43.3%	41.3%	
Personnel at the end of the period	3,309	3,147	3,131	3,425	3,486	+1.8%
Average personnel during the period	3,270	3,192	3,137	3,328	3,495	+5.0%
Personnel expenses, EUR million	170.9	171.4	170.3	186.0	212.1	+14.0%

Orion's performance per share 2008–2012

	2008	2009	2010	2011	2012	Change %
Basic earnings per share, EUR	0.97	1.07	1.31	1.49	1.48	-0.4%
Diluted earnings per share, EUR	0.97	1.07	1.31	1.49	1.48	-0.4%
Cash flow per share before financial items, EUR	0.66	1.03	1.26	1.10	1.23	+12.1%
Equity per share, EUR	2.97	3.11	3.32	3.55	3.63	+2.2%
Total dividend, EUR million	133.9	141.0	168.9	183.1	183.2 ¹	+0.1%
Payout ratio, %	97.9%	93.5%	91.6%	87.2%	87.8% ¹	
Dividend per share, EUR	0.95	1.00	1.20	1.30	1.30 ¹	
Repayment of capital from the expendable fund and reserve for invested unrestricted equity, EUR		0.10	0.06	0.12		
A shares						
Number of shares at 31 Dec	51,440,668	51,340,668	47,563,565	44,993,218	43,267,218	
Effective dividend yield, %	7.9%	6.6%	7.3%	8.6%	5.9% ¹	
Price/earnings ratio (P/E)	12.37	14.07	12.52	10.19	14.90	
Closing quotation at 31 Dec, EUR	12.00	15.06	16.40	15.18	22.05	
Lowest quotation during the period, EUR	10.50	10.42	12.21	13.10	13.31	
Average quotation during the period, EUR	12.98	12.65	15.13	16.09	16.82	
Highest quotation during the period, EUR	16.40	15.75	17.82	18.05	22.57	
Shares traded, 1,000 shares	2,508	3,816	7,780	4,586	4,055	
% of the total number of shares	4.8%	7.4%	15.8%	9.9%	9.1%	

	2008	2009	2010	2011	2012	Change %
B shares						
Number of shares at 31 Dec excluding treasury shares	89,492,324	89,637,130	93,177,609	95,850,856	97,664,619	
Treasury shares at 31 Dec	324,836	280,030	516,654	413,754	325,991	
Number of shares at 31 Dec including treasury shares	89,817,160	89,917,160	93,694,263	96,264,610	97,990,610	
Effective dividend yield, %	7.9%	6.6%	7.3%	8.6%	5.9% ¹	
Price/earnings ratio (P/E)	12.44	14.07	12.50	10.10	14.99	
Closing quotation at 31 Dec, EUR	12.07	15.05	16.37	15.05	22.18	
Lowest quotation during the period, EUR	10.30	10.35	13.20	13.19	13.31	
Average quotation during the period, EUR	12.85	12.21	15.10	16.09	16.26	
Highest quotation during the period, EUR	16.44	15.34	17.88	18.14	22.74	
Shares traded, 1,000 shares	73,719	84,569	93,247	77,594	84,056	
% of the total number of shares	82.6%	94.1%	101.2%	81.8%	86.9%	
Total number of shares at 31 Dec	141,257,828	141,257,828	141,257,828	141,257,828	141,257,828	
Average number of shares during the period excluding treasury shares	141,002,721	140,969,942	140,917,406	140,827,159	140,914,572	
Shares traded, % of all shares	54.1%	62.6%	71.5%	58.2%	62.4%	
Market capitalisation at 31 Dec, excluding treasury shares, EUR million	1,697.5	2,122.2	2,305.4	2,125.6	3,120.2	

¹ The Board of Directors proposes to the AGM that the dividend for 2012 be EUR 1.30 per share.

Calculation of the key figures

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

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

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

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

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

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

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

$$\text{Dividend per share, EUR} = \frac{\text{Dividend to be distributed for the period}}{\text{Number of shares at the end of the period, excluding treasury shares}}$$

$$\text{Payout ratio, \%} = \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

$$\text{Effective dividend yield, \%} = \frac{\text{Dividend per share}}{\text{Closing quotation of the period}} \times 100$$

$$\text{Price/earnings ratio (P/E)} = \frac{\text{Closing quotation of the period}}{\text{Earnings per share}}$$

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

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

$$\text{EBITDA} = \text{EBIT} + \text{Depreciation} + \text{Amortisation} + \text{Impairment}$$

Consolidated financial statements (IFRS)

Consolidated statement of comprehensive income

EUR million	Note	2012	2011
Net sales	1	980.4	917.9
Cost of goods sold		-350.0	-305.1
Gross profit		630.4	612.8
Other operating income and expenses	2	6.3	3.0
Selling and marketing expenses	3, 4	-205.7	-204.8
R&D expenses	3, 4	104.8	-87.5
Administrative expenses	3, 4	-45.3	-40.6
Operating profit		280.9	282.9
Finance income	5	4.9	5.0
Finance expenses	5	-6.6	-6.0
Share of associated companies' results		0.1	0.0
Profit before income taxes		279.3	282.0
Income tax expense	6	-70.4	-72.4
Profit for the period		208.9	209.5
OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS			
Change in value of cash flow hedges		-0.2	-1.4
Change in value of available-for-sale financial assets		0.3	-0.3
Translation differences		1.1	0.6
Other comprehensive income net of tax		1.1	-1.1
Comprehensive income for the period including tax effects		210.1	208.4
PROFIT ATTRIBUTABLE TO			
Owners of the parent company		208.9	209.5
Non-controlling interests		0.0	0.0

EUR million	Note	2012	2011
COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent company		210.1	208.4
Non-controlling interests		0.0	0.0
Basic earnings per share, EUR¹	7	1.48	1.49
Diluted earnings per share, EUR¹	7	1.48	1.49
Depreciation, amortisation and impairment		40.0	42.5
Personnel expenses		212.1	186.0

¹ Earnings per share has been calculated from the profit attributable to the owners of the parent company.

The notes are an integral part of the consolidated financial statements.

The official financial statement documents including notes to the parent company financial statements and unrounded figures are available in Finnish at www.orion.fi.

Consolidated statement of financial position

Assets

EUR million, 31 Dec	Note	2012	2011
Property, plant and equipment	8	205.3	190.7
Goodwill	9	13.5	13.5
Intangible rights	9	58.0	66.6
Other intangible assets	9	4.3	4.8
Investments in associates	10	1.4	1.4
Available-for-sale financial assets	11	0.5	1.1
Pension asset	12	39.6	37.4
Deferred tax assets	13	2.0	1.4
Other non-current receivables	14	1.6	1.8
Non-current assets total		326.2	318.6
Inventories	15	179.2	151.4
Trade receivables	16	151.5	155.3
Other receivables	16	34.8	30.8
Cash and cash equivalents	17	145.2	123.0
Current assets total		510.7	460.5
Assets total		836.9	779.1

Equity and liabilities

EUR million, 31 Dec	Note	2012	2011
Share capital		92.2	92.2
Expendable fund		0.5	0.5
Other reserves		0.8	17.6
Retained earnings		417.7	389.6
Equity attributable to owners of the parent company		511.2	499.9
Non-controlling interests		0.0	0.0
Equity total	18	511.3	500.0
Deferred tax liabilities	13	43.1	42.2
Pension liability	12	0.3	0.5
Provisions	19	0.1	0.3
Interest-bearing non-current liabilities	20	107.4	66.0
Other non-current liabilities	21	0.8	0.3
Non-current liabilities total		151.8	109.3
Trade payables	22	59.3	66.3
Current tax liabilities		8.0	6.4
Other current liabilities	22	77.4	74.5
Provisions	19		0.0
Interest-bearing current liabilities	20	29.3	22.7
Current liabilities total		173.9	169.9
Liabilities total		325.7	279.1
Equity and liabilities total		836.9	779.1

The notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

EUR million	Equity attributable to owners of the parent company							Non-controlling interests	Equity total
	Note	Share capital	Share premium	Expendable fund	Other reserves	Translation differences	Retained earnings		
Equity at 1 January 2011		92.2	17.8	8.9	1.6	-4.4	351.2	0.0	467.4
Profit for the period							209.5	0.0	209.5
Other comprehensive income:									
Change in value of cash flow hedges					-1.4				-1.4
Change in value of available-for-sale financial assets					-0.3				-0.3
Translation differences						0.6			0.6
Transactions with owners:									
Dividend and capital repayment	18			-8.5			-169.0		-177.5
Share-based incentive plan	4						1.7		1.7
Transfer between different components of equity			-17.8		17.8				
Other adjustments					0.0		-0.1		-0.1
Equity at 31 December 2011		92.2		0.5	17.6	-3.7	393.3	0.0	500.0
Profit for the period							208.9		208.9
Other comprehensive income:									
Change in value of cash flow hedges					-0.2				-0.2
Change in value of available-for-sale financial assets					0.3				0.3
Translation differences						1.1			1.1
Transactions with owners:									
Dividend and capital repayment	18				-16.9		-183.2		-200.1
Share-based incentive plan	4						1.5		1.5
Other adjustments					0.0		-0.1		-0.1
Equity at 31 December 2012		92.2		0.5	0.8	-2.7	420.5	0.0	511.3

The notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

EUR million	Note	2012	2011
Operating profit		280.9	282.9
Depreciation, amortisation and impairment	3	40.0	42.5
Gains/losses on sales or disposals of property, plant and equipment and intangible assets		-0.3	0.1
Unrealised foreign exchange gains and losses		-0.5	0.1
Change in pension asset and pension obligation	12	-2.4	-6.0
Change in provisions	19	-0.1	-0.2
Other adjustments		2.2	2.5
Total adjustments to operating profit		38.9	39.0
Change in trade and other receivables		-0.2	-50.1
Change in inventories		-27.8	-20.4
Change in trade and other payables		-0.9	27.9
Total change in working capital		-28.9	-42.6
Interest paid		-6.1	-6.2
Interest received		4.9	5.0
Dividends received		0.0	0.1
Income taxes paid	6	-68.6	-79.3
Total net cash flow from operating activities		221.0	198.9
Investments in property, plant and equipment	8	-42.4	-25.6
Investments in intangible assets	9	-6.7	-19.9
Acquisition of an associate			-0.0
Sale of a subsidiary less cash and cash equivalents at sale date			0.3
Sales of property, plant and equipment and available-for-sale financial assets	8	2.0	1.2
Sales of intangible assets	9	-0.0	0.0
Total net cash flow from investing activities		-47.1	-43.9
Current loans raised	20	1.0	0.8
Repayments of current loans	20	-2.2	-2.1
Non-current loans raised	20	75.0	19.1
Repayments of non-current loans	20	-26.4	-40.1
Dividends paid and other distribution of profits	18	-199.9	-177.5
Total net cash flow from financing activities		-152.4	-199.7

EUR million	Note	2012	2011
Net change in cash and cash equivalents		21.5	-44.7
Cash and cash equivalents at 1 Jan	17	123.0	167.2
Foreign exchange differences		0.8	0.5
Net change in cash and cash equivalents		21.5	-44.7
Cash and cash equivalents at 31 Dec	17	145.2	123.0

The notes are an integral part of the consolidated 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 business and a pharmaceutical wholesale and distribution business. Orion Corporation is listed on Nasdaq OMX Helsinki. Trading in Orion Corporation shares commenced on 3 July 2006.

At its meeting on 5 February 2013, the Company's Board of Directors approved the publication of these consolidated financial statements. Under the Finnish Limited Liability 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. The Annual Report can be viewed at www.orion.fi, and copies of the financial statements are available from Orion Corporation's headquarters, Orionintie 1, FI-02200 Espoo.

▶ **Accounting policies**

▶ **1. Segment reporting**

▶ **2. Other operating income and expenses**

▶ **3. Depreciation, amortisation and impairment**

▶ **4. Employee benefits and auditor's remuneration**

▶ **5. Finance income and expenses**

▶ **6. Income taxes**

▶ **7. Earnings and dividends per share**

▶ **8. Property, plant and equipment**

▶ **9. Intangible assets**

▶ **10. Investments in associates and affiliates**

▶ **11. Available-for-sale financial assets**

▶ **12. Pension assets and pension liabilities**

▶ **13. Deferred tax assets and liabilities**

▶ **14. Other non-current receivables**

▶ **15. Inventories**

▶ **16. Trade and other receivables**

▶ **17. Cash and cash equivalents**

▶ **18. Equity**

▶ **19. Provisions**

▶ **20. Interest-bearing liabilities**

- ▶ **21. Other non-current liabilities**
- ▶ **22. Trade payables and other current liabilities**
- ▶ **23. Assets and liabilities by category**
- ▶ **24. Financial risk management**
- ▶ **25. Contingent liabilities**
- ▶ **26. Derivatives**
- ▶ **27. Operating leases**
- ▶ **28. Group companies**
- ▶ **29. Related party transactions**
- ▶ **30. Events after the end of the reporting period**

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 on 31 December 2012. 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 costs, except for financial assets recorded at fair value through profit or loss, and available-for-sale investments, derivatives and share-based payments recorded at fair value.

Monetary figures in the financial statements are expressed in millions of euros unless otherwise stated.

New IFRS standards and IFRIC interpretations adopted in financial year 2012

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

- IFRS 7 (amendment), Financial instruments: Financial statement disclosures – Offsetting Financial assets and liabilities
- IAS 12 (amendment), Income taxes

Consolidation principles

Subsidiaries

The consolidated financial statements cover the parent company Orion Corporation and all companies directly or indirectly owned by it and controlled by the Group. A company is controlled by the Group if 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 interests. The portion of the equity attributable to the non-controlling interests is included in Group equity and 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 the performance of the operating segments, is the President and CEO of Orion Corporation, who makes the Group's 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 for which hedge accounting under IAS 39 does not apply 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 and foreign exchange derivatives related to them 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

For all Group companies with a functional currency different from the Group's presentation currency, the income statements are translated into euros using average exchange rates for the reporting period, and the statements of financial position are translated into euros using the exchange rates at the end of the reporting period. Any exchange difference arising from this and translation differences arising from elimination of the acquisition costs of these companies are recognised in equity and changes are disclosed in the items under other comprehensive income. There are no Group companies operating in a country with hyperinflation.

The accumulated translation differences related to divestment of Group companies, which are recognised in equity, are recognised as gains or losses in the 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 exchange rate at the end of the reporting period.

Property, plant and equipment

Property, plant and equipment comprise mainly factories, offices and research centres, and machines and equipment for manufacturing, research and development. Property, plant and equipment 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 property, plant and equipment 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 reporting period. Improvement investments are capitalised if they are expected to generate future economic benefits. Gains and losses on disposals of property, plant and equipment are recognised in the statement of comprehensive income.

Intangible assets

Research and development costs

Research costs are expensed as incurred in the statement of comprehensive income. Intangible assets generated from development activities are recognised in the statement of financial position only if the expenditure of the development phase can be reliably determined, the product is technically feasible and commercially viable, the product is expected to generate future economic benefits and the Group has the intention and resources to complete the development work. The Group's view is that until an authority has granted marketing authorisation, it could not be demonstrated that an intangible asset would generate future economic benefits. The Group has therefore not capitalised its internal development costs. The same principle for recognition has been applied for externally purchased services. Software, buildings, machinery and equipment used in research and development activities are depreciated and recognised under research and development costs over their useful life.

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.

Intangible rights and other intangible assets

Intangible rights and other intangible assets are measured at their historical cost, less accumulated amortisation and impairment. They are amortised over their useful life, usually five to ten years, using the straight-line method.

Externally acquired intangible rights, such as product and marketing rights, are recognised in the statement of financial position. For a product under development, the cost bases are assessed. The costs of payments for research and development work undertaken that has not yet generated an intangible right recognisable in the statement of financial position are recognised as research and development costs. However, if an intangible right is considered to have been transferred to the Group, the costs are recognised in the statement of financial position. Amortisations of marketing authorisations, and product and marketing rights included in the intangible rights are disclosed under selling and marketing expenses, and recording of an amortisation expense will commence when an authority has issued authorisation for marketing of the product and selling of it commences.

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. As regards goodwill and an intangible asset not yet available for use, the assessment is undertaken annually even if no such indications had become apparent. The recoverable amount is the higher of the asset's fair value less selling costs or value in use. The value in use is obtained by discounting the present value of the future cash flows 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 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.

Impairment of goodwill is recognised in the statement of comprehensive income under Other operating expenses, which include expenses not allocable to specific operations. Intangible assets not yet available for use, comprising mainly marketing authorisations and product rights, are tested for impairment individually for each asset carrying material value in the statement of financial position. Impairment charges are recognised as an expense under the appropriate activity,

and for marketing authorisations and product and marketing rights under selling and marketing expenses.

Leases

Group as lessee

Lease agreements under which substantially all the risks and rewards of ownership of the assets are transferred to the Group 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 property, plant and equipment, either over the useful life of the asset or over a shorter lease term. Each lease payment is allocated between the loan reduction and finance charge during the lease period so that the interest rate on the outstanding loan during each period remains constant. Finance lease liabilities are included 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.

The above principles are applied to separate leases and to leases that are included in other agreements.

Borrowing costs

Borrowing costs are recognised in the 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 an asset that requires a substantial period of time to be made ready are capitalised as a part of the cost of that asset.

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 statement of comprehensive income under other operating income. Government grants related to the acquisition of property, plant and equipment 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.

Inventories

Inventories are presented in the statement of financial position using the standard price for self-manufactured products, and for purchased products the weighted average cost method using the value of the purchase and variable conversion costs, or if lower, the net realisable or replacement value. 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

Classification

The Group's financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and other receivables, and available-for-sale financial assets.

The classification is based on the purpose for which the financial assets were acquired, and they are classified at initial recognition. A financial asset with maturity over 12 months from the reporting date is included in the non-current assets in the statement of financial position. If a financial asset is intended to be held for less than 12 months or its maturity is less

than 12 months from the reporting date, it is included in the current assets in the statement of financial position.

1. Financial assets at fair value through profit or loss

Financial assets recognised at fair value through profit or loss are held for trading. A financial asset is classified as held for trading if it has been acquired principally for sale in the near term. Derivatives to which hedge accounting under IAS 39 does not apply are also classified as held for trading.

2. Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. This group includes trade receivables and some other receivables related to financial assets in the statement of financial position.

3. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that have been specially classified as available-for-sale financial assets or have not been classified in any other group. This group includes available-for-sale investments and money market investments in the statement of financial position.

Recognition and measurement

Purchases and sales of financial assets are recognised in the accounting through settlement date accounting except for derivatives, which are recognised on the acquisition date. Financial assets that are not recognised at fair value through profit or loss are initially recognised at fair value, including transaction costs. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are recognised as expenses in the statement of comprehensive income.

Financial assets recognised at fair value through profit or loss are later measured at fair value based on the quoted market price on the end date of the reporting period. Available-for-sale financial assets are measured at fair value, or if their fair value cannot be determined reliably, they are measured at cost, less any impairment. Loans and other receivables are measured at amortised cost using the effective interest method.

Unrealised and realised gains and losses due to changes in fair value relating to assets classified as financial assets at fair value through profit or loss are recognised through profit or loss in the accounting period in which they arise in either other operating income and expenses or finance income and expenses, depending on whether operating or finance items have been hedged.

Changes in the fair values of assets classified as available-for-sale financial assets are recognised in the fair value reserve in equity and disclosed in the items under other comprehensive income including tax effects. Accumulated fair value adjustments are transferred from equity through profit or loss when an investment is sold or its value is impaired so that an impairment loss should be recognised. Interest on available-for-sale debt instruments is recognised in finance income using the effective interest method.

A financial asset is derecognised in the statement of financial position when the Group no longer has the contractual rights to receive the cash flows or when it has substantially transferred the risks and income from the asset to outside the Group.

Impairment of financial assets

At the end of each reporting period, it is assessed whether there is any objective evidence that an item in the Group's financial assets might be impaired.

Criteria applied by the Group in stating that there is objective evidence of impairment:

- issuer's or debtor's considerable financial problems;
- breach of contract terms, such as neglecting payments or payments long overdue;
- high probability of bankruptcy or other financial restructuring of debtor.

Assets recognised at amortised cost in the statement of financial position

An impairment loss concerning assets recognised at amortised cost are recognised through profit or loss. An impairment loss recognised through profit or loss concerning an asset included in loans and receivables is measured as the difference between the carrying amount of the asset and the present value of the estimated cash flows discounted at the effective interest rate. If, in a subsequent period, the amount of the impairment loss relating to an asset is objectively viewed as having decreased due to an event occurring after the impairment was originally recognised, the previously recognised impairment loss is reversed through profit or loss.

Assets classified as available-for-sale

For debt securities, the Group applies the above criteria. For assets classified as available-for-sale equity investments, a significant or prolonged decrease in fair value below acquisition cost is deemed as evidence of impairment of the asset. If there is such evidence, the accumulated loss in fair value reserve is transferred through profit or loss. An impairment loss relating to equity investment is not reversed through profit or loss, but any later reversal of impairment loss on debt instruments is recognised through profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and assets in bank accounts, and liquid debt instruments. Liquid debt instruments are short-term certificates of deposit and commercial paper with maturities initially of no more than three months issued by banks and companies.

Money market investments that are available-for-sale debt instruments with maturities initially of over three months and no more than six months are regarded as cash and cash equivalents in the statement of cash flows. Money market investments are part of the Group's active cash management.

Financial liabilities

Financial liabilities are initially recognised in accounting at fair value less transaction costs. Subsequently, non-derivative financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities are classified as non-current liabilities in the statement of financial position if their maturity is more than 12 months from the reporting date. 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, as are any repayments of capital of non-current interest-bearing liabilities due in the next 12 months.

Derivative instruments and hedge accounting

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value using the closing market prices on the end date of the reporting period. Derivatives are recognised under other receivables and liabilities in the statement of financial position.

The Group does not apply IAS 39 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 or loss under either other income and expenses or finance income and expenses, depending on whether, from the operational perspective, sales revenue or finance items 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 and interest rate derivatives that hedge capital and interest cash flows of currency-denominated loans. The effectiveness of the hedging relationship is verified before commencement of hedge accounting and subsequently regularly at least quarterly. 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 changes disclosed in the items under other comprehensive income including tax effects. The gains and losses recognised in equity are transferred to the statement of comprehensive income in the period during which the hedged cash flow is recognised in the statement of comprehensive income. The ineffective portion of the hedging relationship is recognised in the statement of comprehensive income under operating expenses as regards electricity derivatives and under finance income and expenses as regards interest rate derivatives.

Equity

Ordinary shares are presented as share capital. Transaction costs directly due to issuance of new shares or options are presented in equity including tax effects as a decrease in payments received. If a Group company purchases shares in the Company, the payment and direct costs relating to the acquisition are deducted from the equity.

The expendable fund and reserve for invested unrestricted equity are included in distributable funds under the Finnish Limited Liability Companies Act.

Provisions and contingent liabilities

A provision is recognised 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 also 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.

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. All the plans that do not fulfil these criteria are defined benefit plans. The payments to the defined contribution plans are recognised as expenses in the 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. 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.

Any actuarial gains and losses, to the extent that they exceed fluctuation limits, will be recognised in the 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 income statement 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 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 statement of comprehensive income.

Income taxes

The income tax expense in the consolidated statement of comprehensive income includes taxes based on the profit of the Group companies for the financial year, tax adjustments for previous financial years and deferred tax. For items recognised directly in equity, the corresponding tax effect is also recognised in equity. Current tax 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. Deferred taxes are computed using the tax rates valid or in practice approved 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 currency translation 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 dividends

Interest income is recognised using the effective interest method and dividend income when the right to receive payment is established.

Contents of the function-based 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, and main related uncertainties

When compiling the financial statements, the Company's 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 assumptions 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 income statement.

New IFRS standards and IFRIC interpretations to be applied in future financial periods

The following amendments to existing standards will be adopted by the Group as of 1 January 2013.

- IAS 19 (amendment), Employee benefits. The amendment eliminates the option of using the "corridor approach". The method of determining the expected return on assets in defined benefit plan will change. The finance cost will be determined as the net of the obligation and plan assets. The change will significantly affect the consolidated financial statements as regards defined benefit plans. Elimination of the "corridor approach" is expected to affect the amounts of the Group's pension assets and components of other comprehensive income. The volatility of the Group's equity is expected to increase because, in contrast to the previous reporting method, the fair value changes of the plan assets will be directly apparent in the consolidated statement of financial position. According to the amended standard, the anticipated return on the assets shall be calculated by using the same discount rate as in calculating the present value of the obligation, and this is expected to reduce the Group's operating profit and profit for the period, but in this respect, the change is not expected to be significant.
- IAS 1 (amendment), Presentation of financial statements. The main change is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The amendment will have an impact on the presentation of the other

comprehensive income of the Group.

- IFRS 7 (amendment), Financial instruments: Financial statement disclosures – Offsetting financial assets and liabilities. The amendment extends current disclosure requirements on the notes so that entities shall disclose quantitative data on financial instruments stated as net amounts in the statement of financial position and on the financial instruments subject to master netting or similar arrangements irrespective of whether they are stated as gross amounts in the statement of financial position. Management is assessing the impact of this standard on the consolidated financial statements.
- IFRS 13, Fair value measurement. The standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. Management is assessing the impact of the standard on the consolidated financial statements.
- IASB published amendments to five standards in 2011 as part of the annual improvements to standards¹. The amendments were as follows, but they are not expected to have a material impact on the Group.
 - IAS 1, Presentation of financial statements
 - IAS 16, Property, plant and equipment
 - IAS 32, Financial instruments: Presentation
 - IAS 34, Interim financial reporting
 - IFRS 1, First-time adoption of international financial reporting standards

The following standards and amendments to existing standards will be adopted by the Group in 2014:

- IFRS 10, Consolidated financial statements. IFRS 10 includes principles for the preparation and presentation of consolidated financial statements. The standard defines the principle of control, and establishes controls as the basis for consolidation. The standard also includes the accounting requirements for the preparation of consolidated financial statements. The standard is not expected to have an impact on the consolidated financial statements.
- IFRS 11, Joint arrangements. IFRS 11 includes instructions on how to consolidate joint arrangements. Management is assessing the impact of the standard on the financial statements of the Group. The standard is not expected to have an impact on the consolidated financial statements.
- IFRS 12, Disclosures of interests in other entities. The standard includes the disclosure requirements for all forms of interests in other entities. The standard is not expected to have an impact on the consolidated financial statements.
- An amendment to transitional provisions relating to the following standards: IFRS 10, Consolidated financial statements, IFRS 11, Joint arrangements, IFRS 12 Disclosures of interests in other entities. There is a relief in the transitional provisions in that adjusted comparative data will be required for only one financial period. The relief in the transitional provisions is not expected to have an impact on the consolidated statements.
- IAS 28 (revised), Associates and joint ventures. The revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The revised standard is not expected to have an impact on the consolidated financial statements.
- IAS 32 (amendment), Financial instruments: Presentation – Offsetting financial assets and financial liabilities. The amended standard clarifies the instructions on the right to offset financial assets and liabilities as a net asset in the statement of financial position. The Group will adopt the standard in its 2014 consolidated financial statements. Management is assessing the impact of this amendment on the consolidated financial statements.

The following standards and amendments to existing standards will be adopted by the Group in 2015 or later:

- IFRS 9¹, Financial assets and liabilities – Classification and measurement. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The Group will probably adopt the standard at the earliest in 2015. Management is currently assessing the impact of the standard on the consolidated financial statements.

¹ This standard, interpretation or amendment is still subject to EU endorsement.

1. Segment reporting

The Group has two strategic segments, which are Pharmaceuticals business and Diagnostics business. These are also Group's reportable segments. The Pharmaceuticals business develops, manufactures and markets pharmaceuticals and active pharmaceutical ingredients. The Diagnostics business develops, manufactures and markets diagnostic tests.

A segment's assets and liabilities include items attributable or allocable on a reasonable basis to the segment. The Group items include tax and financial items, items shared by the whole Group and eliminations of intersegment transactions. Capital expenditure consists of increases in property, plant and equipment and intangible assets.

The pricing between segments is based on market prices.

Operating segments

EUR million	Pharmaceuticals		Diagnostics		Group items		Group total	
	2012	2011	2012	2011	2012	2011	2012	2011
Sale of goods	874.8	822.2	54.1	49.5			928.9	871.6
Rendering of services	2.3	1.7	0.0	0.0			2.4	1.8
Royalties and milestone payments	49.1	44.5	0.0	0.0			49.1	44.5
Sales to external customers	926.2	868.4	54.1	49.5			980.4	917.9
Sales to other segments	2.7	2.2	0.0	0.0	-2.7	-2.2		
Net sales	928.9	870.6	54.1	49.5	-2.7	-2.2	980.4	917.9
Operating profit	288.9	287.6	2.6	4.9	-10.6	-9.5	280.9	282.9
Assets	628.5	597.5	47.3	44.4	161.2	137.1	836.9	779.1
Liabilities	127.3	132.2	16.2	17.4	182.1	129.6	325.7	279.1
Capital expenditure	42.0	38.8	4.2	10.4	0.7	0.2	46.8	49.5
Depreciation and amortisation	33.8	34.0	1.9	1.9	0.5	0.5	36.2	36.4
Impairments	3.8	6.4					3.8	6.4
Reversals of impairment						-0.2		-0.2
Cash flow from operating activities	298.4	286.2	3.4	5.5	-80.8	-92.8	221.0	198.9
Cash flow from investing activities	-43.1	-34.2	-4.0	-9.9	-0.0	0.1	-47.1	-43.9
Cash flow from financing activities							-152.4	-199.7
Average number of personnel	3,132	2,991	339	312	24	25	3,495	3,328

The Group items include the following Group eliminations: net sales EUR 2.7 (2011: 2.2) million, operating profit EUR 0.0 (2011: 0.0) million, assets and liabilities EUR 10.1 (2011: 12.1) million. Other Group items relate to the Group's administrative expenses, and finance and other items not allocated to segments.

Net sales by business division

EUR million	2012	2011
Pharmaceuticals	928.9	870.6
Proprietary Products	403.7	408.9
Specialty Products	367.2	320.8
Animal Health	69.2	67.8
Fermion	48.4	43.3
Contract manufacturing and other	40.5	29.7
Diagnostics	54.1	49.5
Group items	-2.7	-2.2
Group total	980.4	917.9

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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Sales to external customers	257.3	240.7	126.3	120.2	302.5	308.5	150.7	127.9	143.7	120.6	980.4	917.9
Assets	764.1	714.8	27.4	24.5	45.1	39.8			0.3		836.9	779.1
Capital expenditure	45.9	48.9	0.5	0.3	0.4	0.3			0.1		46.8	49.5

2. Other operating income and expenses

EUR million	2012	2011
Gains on sales of property, plant and equipment and intangible assets	0.5	0.3
Rental income	0.5	0.5
Insurance compensation received	2.9	0.6
Compensation received for cancellation of contract	1.8	0.2
Exchange rate gains and losses	-0.4	0.7
Other operating income	1.2	1.1
Other operating expenses	-0.2	-0.4
Total	6.3	3.0

3. Depreciation, amortisation and impairment

Depreciation, amortisation and impairment by function

EUR million	2012	2011
Cost of goods sold	15.0	14.7
Selling and marketing	12.3	14.2
Research and development	4.8	5.4
Administration	8.0	8.2
Total	40.0	42.5

Depreciation, amortisation and impairment by type of asset

EUR million	2012	2011
Buildings and constructions	6.7	6.8
Machinery and equipment	17.8	18.4
Other tangible assets	0.1	0.1
Property, plant and equipment, total	24.5	25.3
Intangible rights	13.8	15.7
Other intangible assets	1.7	1.5
Intangible assets, total	15.5	17.2

During the period, an impairment charge of EUR 3.8 (2011: 6.3) million was recognised in selling and marketing expenses on intangible rights. 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	2012	2011
Wages and salaries	170.3	153.8
PENSION COSTS		
Defined contribution plans	21.0	19.5
Defined benefit plans	1.7	-2.2
SHARE-BASED INCENTIVE PLAN		
Equity-settled	1.8	0.8
Cash-settled	3.4	1.1
Other social security expenses	14.0	13.1
Total	212.1	186.0
Average number of personnel	3,495	3,328

The number of personnel in each segment is presented in Note 1, Segment reporting.
The management's employee benefits are presented in Note 29, Related party transactions.

Share-based payments

The Group has a share-based incentive plan for the Group's key persons. The Plan includes earning periods and the Board of Directors shall annually decide on the beginning and duration of the earning periods in 2010, 2011 and 2012. The Board of Directors shall decide on the earning criteria and targets to be established for them at the beginning of each earning period. Two earning periods, calendar year 2010 and calendar years 2010–2012, commenced upon implementation of the plan. Two earning periods, calendar year 2011 and calendar years 2011–2013, commenced in 2011 and two earning periods, calendar year 2012 and calendar years 2012–2014, in 2012. A prerequisite for participation in all earning periods and for receipt of remuneration based on these earning periods is that the key person holds the Company's shares as determined by the Board of Directors. The remuneration under the plan for the one-calendar-year earning periods 2010, 2011 and 2012 is dependent on the Orion Group's profit performance and fulfilment of the above-mentioned participation prerequisite, and for the earning periods 2010–2012, 2011–2013 and 2012–2014 on the total return on Orion Corporation B shares.

This potential remuneration shall be paid partly in the form of the Company's B shares and partly in cash in 2013 for the earning period 2012 and also for the earning period 2010–2012, in 2014 for the earning period 2011–2013, and in 2015 for the earning period 2012–2014. Remuneration for the earning period 2010 was paid partly in the form of the Company's B shares and partly in cash in 2011. Remuneration for the earning period 2011 was paid partly in the form of the Company's B shares and partly in cash in 2012. The plan includes a restricted period during which shares received under the plan cannot be transferred. Any key person whose employment or service in a Group company ends during the restricted period must return the shares received as remuneration to the Company without compensation. The dates when the restricted periods end are shown in the table below. For the three-year earning periods, there is no restricted period.

The target group of the Plan consists of approximately 30 people. The total maximum amount of remuneration to be paid on the basis of the Plan is 500,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares.

The costs due to the plan are recorded as expenses during the restricted period. The anticipated dividends have not been taken into account separately because they are taken into account in determining the share-based remuneration. The fair

values of the remunerations granted based on the total return on Orion Corporation B shares for the earning periods are shown in the table below. The fair values have been determined using the binary asset-or-nothing call option method.

Earning periods currently in effect

	2012	2012–2014	2011–2013	2010–2012
Start date of earning period	1 Jan 2012	1 Jan 2012	1 Jan 2011	1 Jan 2010
End date of earning period	31 Dec 2012	31 Dec 2014	31 Dec 2013	31 Dec 2012
End date of restricted period	31 Dec 2014			
Grant date of share remunerations	19 Mar 2012	19 Mar 2012	17 Feb 2011	5 Mar 2010
Fair value of shares at granting, EUR ¹	16.60	16.60	16.39	16.94
Fair value of remuneration at grant date, EUR ¹		4.96	4.85	6.62

¹ B share closing price on granting date.

Transferred shares

	2012	2011
Number of shares transferred during the period	87,763	102,900
Price per transferred share, EUR ¹	16.38	16.75
Total price of transferred shares, EUR million	1.4	1.7
End date of restricted period	31 Dec 2013	31 Dec 2012

¹ Average price of B shares on transfer date.

Auditor's remuneration

EUR million	2012	2011
Auditing	0.2	0.2
Assingments in accordance with the Auditing Act	0.0	0.0
Advice on taxation	0.1	0.2
Other services	0.0	0.1
Total	0.4	0.5

5. Finance income and expenses

EUR million	2012	2011
Interest income on available-for-sale financial assets		0.1
Interest income on cash and cash equivalents	0.8	1.0
Dividend income on available-for-sale financial assets	0.0	0.1
Foreign exchange gains on held-for-trading financial assets and liabilities	4.0	3.8
Other finance income	0.0	0.0
Finance income, total	4.9	5.0
Interest expenses on financial liabilities measured at amortised cost	2.6	2.1
Foreign exchange losses on held-for-trading financial assets and liabilities	3.1	3.5
Other finance expenses	0.9	0.4
Finance expenses, total	6.6	6.0
Finance income and expenses, total	-1.7	-1.0

During the period the Group did not acquire any assets requiring a substantial period of time to be ready, and therefore no borrowing costs have been capitalised during the period.

Foreign exchange gains (+) and losses (-) above the operating profit line

EUR million	2012	2011
In net sales	-0.4	0.2
In cost of goods sold	0.0	-0.1
In other income and expenses	-0.4	0.7
In functions' expenses	-0.1	0.0

6. Income taxes

EUR million	2012	2011
Current taxes	70.0	72.9
Adjustments in respect of prior periods	0.0	0.0
Deferred taxes	0.3	-0.6
Total	70.4	72.4

Taxes recognised in other comprehensive income

	2012	2011
Change in value of cash flow hedges (income -/ expense +)	-0.1	-0.5
Change in value of available-for-sale financial assets (income -/ expense +)	0.1	-0.1

Reconciliation between tax expense in statement of comprehensive income and taxes calculated from Group's 24.5% (26.0%) domestic tax rate

EUR million	2012	2011
Profit before taxes	279.3	282.0
Consolidated income taxes at Group's domestic tax rate	68.4	73.3
Impact of change in tax rate		-2.4
Impact of different tax rates of foreign subsidiaries	1.1	0.5
Tax-exempt income	-0.1	-0.1
Non-deductible expenses	0.8	0.7
Tax adjustments for previous financial years	0.0	0.0
Other items	0.1	0.4
Income tax expense recognised in consolidated income statement	70.4	72.4
Effective tax rate	25.2%	25.7%

7. Earnings and dividend per share

Basic earnings per share

	2012	2011
Profit for the period attributable to owners of the parent company, EUR million	208.9	209.5
Weighted average number of shares during the period (1,000 shares)	140,915	140,827
Basic earnings per share, EUR	1.48	1.49

Diluted earnings per share

	2012	2011
Profit used to determine diluted earnings per share, EUR million	208.9	209.5
Weighted average number of shares for diluted earnings per share (1,000 shares)	140,915	140,827
Diluted earnings per share, EUR	1.48	1.49

Earnings per share are calculated by dividing the profit for the period attributable to owners by the weighted average number of shares outstanding during the period. The weighted average number of shares has been adjusted for the number of treasury shares held by the Company during 2012.

Dividend per share

	2012	2011
Dividend paid during the period, EUR million	183.2	169.0
Number of shares at 31 Dec, (1,000 shares)	140,932	140,844
Dividend per share paid during the period, EUR	1.30	1.20

Dividend per share is calculated by dividing the dividend distributed during the period by the number of shares outstanding at 31 December. The Group held 325,991 Company's B shares as treasury shares at 31 December 2012.

For the financial year 2012 a dividend of EUR 1.30 per share, in total EUR 183.2 million is proposed to the Annual General Meeting on 19 March 2013. These financial statements do not reflect the proposed dividend.

8. Property, plant and equipment

EUR million	Land and water		Buildings and constructions		Machinery and equipment		Other property, plant and equipment ¹		Advance payments and construction in progress		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Historical cost at 1 Jan	6.1	6.1	238.0	233.5	320.1	309.8	3.8	3.7	12.4	3.3	580.4	556.4
Additions	0.0		6.9	4.3	17.1	14.2	0.2	0.0	15.9	11.8	40.2	30.3
Disposals	-0.0		-0.1	-0.0	-13.4	-6.4			0.1		-13.5	-6.3
Transfers between statement of financial position items			2.2	0.2	4.5	2.5			-6.6	-2.7	0.0	
Translation differences					0.2	0.0	0.0	0.0			0.2	0.0
Historical cost at 31 Dec	6.1	6.1	247.0	238.0	328.5	320.1	4.1	3.8	21.7	12.4	607.3	580.4
Accumulated depreciation and impairment at 1 Jan	0.2		-152.8	-145.8	-234.1	-220.6	-3.1	-2.9			-389.8	-369.4
Accumulated depreciation on disposals and transfers			0.1	0.0	12.3	5.0		-0.1			12.4	5.0
Depreciation for the period			-6.7	-7.0	-17.8	-18.3	-0.1	-0.1			-24.5	-25.4
Impairments							-0.1					-0.1
Reversals of impairment		0.2										0.2
Translation differences					-0.1	-0.0	-0.0	-0.0			-0.1	-0.0
Accumulated depreciation and impairment at 31 Dec	0.2	0.2	-159.3	-152.8	-239.7	-234.1	-3.2	-3.1			-402.0	-389.8
Carrying amount at 1 Jan	6.3	6.1	85.3	87.7	86.1	89.2	0.7	0.8	12.4	3.3	190.7	187.1
Carrying amount at 31 Dec	6.3	6.3	87.7	85.3	88.8	86.1	0.9	0.7	21.7	12.4	205.3	190.7

¹ Other tangible assets mainly comprise basic improvements to rented apartments, asphaltting, environmental works and art objects.

Finance leases

Assets leased through finance lease agreements included in machinery and equipment

EUR million, 31 Dec	2012	2011
Historical cost	12.5	12.0
Accumulated depreciation	-10.3	-9.2
Carrying amount	2.2	2.8

The additions to the historical cost of machinery and equipment include EUR 0.5 (2011: 0.9) million of assets leased through finance lease agreements.

There have been no other indications that the value of property, plant and equipment might have been impaired during the period.

9. Intangible assets

EUR million	Goodwill		Intangible rights ¹		Other intangible assets ²		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Historical cost at 1 Jan	13.5	13.5	138.2	124.3	53.8	51.8	205.5	189.6
Additions			5.3	17.1	1.3	2.0	6.6	19.1
Disposals			-4.8	-3.1	-0.0	-0.0	-4.8	-3.1
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	138.7	138.2	55.1	53.8	207.3	205.5
Accumulated amortisation and impairments at 1 Jan			-71.7	-59.1	-49.0	-47.6	-120.7	-106.6
Accumulated amortisation on disposals			4.8	3.1		0.0	4.8	3.1
Amortisation for the period			-10.0	-9.5	-1.7	-1.5	-11.7	-10.9
Impairment			-3.8	-6.3			-3.8	-6.3
Translation differences			-0.0	0.0				0.0
Accumulated amortisation and impairment at 31 Dec			-80.7	-71.7	-50.7	-49.0	-131.4	-120.7
Carrying amount at 1 Jan	13.5	13.5	66.6	65.2	4.8	4.2	84.8	82.9
Carrying amount at 31 Dec	13.5	13.5	58.0	66.6	4.4	4.8	75.8	84.8

¹ Intangible rights comprise mainly product rights and marketing authorisations with carrying amount EUR 39.3 (2011: 47.8) million, and also software, trademarks, patents and paid-up policies.

² Other intangible assets include development costs for software paid to external parties and entry fees.

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 and equipment and intangible assets

Goodwill

The goodwill of EUR 13.5 million originated from the acquisition of Farnos-Group Ltd. in 1990. In impairment testing, the goodwill is allocated to the cash generating units that form the Pharmaceuticals operating segment.

In the impairment tests, the recoverable amount is determined on the basis of the value-in-use calculation. The cash flow forecasts 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 zero per cent growth. The management's forecasts are based on the growth of global pharmaceutical markets, market shares in sales of pharmaceuticals, and the trends expected in pharmaceutical markets and sales.

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 4.7% (2011: 8.9%).

Based on impairment testing, there was no need to recognise any impairment of goodwill during the period.

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.

Intangible assets not yet available for use

Intangible assets not yet available for use are tested for impairment annually. The recoverable amount is based on the value in use. Cash flow forecasts adopted by the management cover a 5–15 year period from taking asset into use. The use of forecasts for periods of over five years is based on the estimated useful life of products. 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 rates for the period varied from 10% to 12%, and they are defined separately for each unit taking into account its risks.

The carrying amount of intangible assets not yet available for use was EUR 16.4 (2011: 19.1) million.

Impairment charges recognised in the period

During the period impairment charges totalling EUR 3.8 (2011: 6.3) million were recognised on the intangible rights of the Pharmaceuticals business. Intangible rights not yet available for use accounted for EUR 2.1 (2011: 3.7) million of the impairments. The most significant impairment charges relate to acquired rights to products the development of which has ceased, and to products that are already in markets, but for which the forecast recoverable cash flows were less than the carrying amount. The full carrying amount of rights to products the development of which has ceased has been recognised as an expense.

There were no other indications that the value of intangible assets might have been impaired during the period.

10. Investments in associates and affiliates

EUR million	2012	2011
Carrying amount at 1 Jan	1.4	1.3
Acquisition of an associate		0.0
Share of associated companies' results	0.1	
Carrying amount at 31 Dec	1.4	1.4

Associates and affiliates of the Group

Holding at 31 Dec, %	Domicile	2012	2011
Hangon Puhdistamo Oy	Hanko	50.0%	50.0%
Regattalämpö Oy	Hanko	42.6%	42.6%
Pharmaservice Oy	Helsinki	49.0%	49.0%

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. Pharmaservice Oy is a provider of dose dispensing support services for pharmacies.

Summarised financial information of associates

EUR million	2012	2011
Assets	3.1	2.9
Liabilities	3.8	3.7
Revenues	5.3	4.6
Profit (+) or loss (-) for the period	0.2	-0.1

The most recent available financial statements of the associates are for the years 2011 and 2010.

11. Available-for-sale financial assets

Available-for-sale financial assets, with asset value of EUR 0.5 (2011: 1.1) million at 31 December 2012, include mainly 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 Consolidated statement of financial position

EUR million, 31 Dec	Pension Fund		Other	
	2012	2012	2011	2011
Present value of funded obligations	217.4	6.8	215.4	6.2
Fair value of plan assets	-255.7	-6.1	-220.3	-5.4
Surplus (-) / deficit (+)	-38.3	0.7	-4.9	0.8
Present value of unfunded obligations		0.8		0.8
Unrecognised and actuarial gains (+) and losses (-)	-1.3	-1.1	-32.5	-1.1
Net asset (-) / liability (+) recognised in the consolidated statement of financial position	-39.6	0.3	-37.4	0.5

Amounts in the Consolidated statement of financial position

EUR million, 31 Dec	Pension Fund		Other	
	2012	2012	2011	2011
Liabilities		0.6		0.8
Asset	-39.6	-0.3	-37.4	-0.2
Net asset (-) / liability (+) recognised in the consolidated statement of financial position	-39.6	0.3	-37.4	0.5

Defined benefit plan pension expenses in Consolidated statement of comprehensive income

EUR million	Pension Fund		Other	
	2012	2012	2011	2011
Current service cost	3.9	0.5	3.8	0.4
Interest expenses	10.0	0.3	9.6	0.3
Expected return on plan assets	-13.2	-0.3	-14.4	-0.3
Actuarial gains (-) and losses (+)	0.4	0.1	-1.7	0.0
Pension expense (+) / income (-) in the consolidated statement of comprehensive income	1.0	0.6	-2.6	0.4

The actual return on plan assets was EUR 37.4 (2011: -19.5) million in 2012.

Defined benefit plan pension expenses by function

EUR million	Pension Fund	Other	Pension Fund	Other
	2012	2012	2011	2011
Cost of goods sold	0.3		-0.8	
Selling and marketing	0.2	0.2	-0.5	0.1
Research and development	0.4		-1.0	
Administration	0.2	0.4	-0.4	0.3
Pension expense (+) / income (-) in the consolidated statement of comprehensive income	1.0	0.6	-2.6	0.4

Changes in present value of defined benefit obligation

EUR million	Pension Fund	Other	Pension Fund	Other
	2012	2012	2011	2011
Defined benefit obligation at 1 Jan	215.4	7.0	207.0	6.2
Current service cost	3.9	0.5	3.8	0.4
Interest expenses	10.0	0.3	9.6	0.3
Actuarial gains (-) and losses (+)	-6.9	-0.0	0.0	0.5
Foreign exchange differences		0.2		0.1
Benefits paid	-4.9	-0.3	-5.1	-0.4
Defined benefit obligation at 31 Dec	217.4	7.6	215.4	7.0

Changes in fair value of plan assets

EUR million	Pension Fund	Other	Pension Fund	Other
	2012	2012	2011	2011
Fair value of plan assets at 1 Jan	220.3	5.4	241.6	5.1
Expected return on plan assets	13.2	0.3	14.4	0.3
Actuarial gains (+) and losses (-)	24.0	0.0	-33.8	-0.4
Employer contributions	3.2	0.6	3.2	0.6
Foreign exchange differences		0.0		0.1
Benefits paid	-4.9	-0.2	-5.1	-0.3
Fair value of plan assets at 31 Dec	255.7	6.1	220.3	5.4

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

%	2012	2011
European equity	42%	36%
North American equity	1%	
Emerging market equity	9%	9%
Bonds	37%	41%
Properties	4%	2%
Certificates of deposits and commercial paper	4%	7%
Other	3%	5%
Total	100%	100%

In other benefit plans the insurance companies are responsible for the plan assets, and therefore it is not possible to present the categories of those assets.

The plan assets in 2012 include shares issued by the parent company Orion Corporation with fair value of EUR 36.3 (2011: 24.9) million, accounting for 14.2% (2011: 10.6%) of the plan assets.

Actuarial assumptions used by Orion Pension Fund

%	2012	2011
Discount rate	4.0%	4.6%
Inflation rate	2.0%	2.0%
Expected return on plan assets	6.0%	6.0%
Future salary increases	2,0% – 2,5%	2,0%
Future pension increases	1,2% – 2,3%	2,1% – 2,7%

The objective of the Orion Pension Fund is a distribution of investments that spreads risk between different types of asset over the long term. Most of the assets are invested in shares and bonds.

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 four previous financial years

EUR million, 31 Dec	Pension Fund		Other Pension Fund		Other Pension Fund		Other
	2012	2012	2011	2011	2010	2010	2010
Present value of defined benefit obligation	217.4	7.5	215.4	7.0	207.0		6.2
Fair value of plan assets	-255.7	-6.1	-220.3	-5.4	-241.6		-5.1
Surplus (-) / deficit (+)	-38.3	1.4	-4.9	1.6	-34.7		1.0
Experience adjustments on plan liabilities, gains (-) / losses (+)	-0.7	0.1	-0.1	-0.1	6.0		0.0
Experience adjustments on plan assets, gains (+) / losses (-)	24.0	0.1	-33.8	-0.3	19.8		0.1

EUR million, 31 Dec	Pension Fund		Other Pension Fund		Other	
	2009	2009	2008	2008	2008	2008
Present value of defined benefit obligation		178.8	6.1	149.6		5.0
Fair value of plan assets		-214.0	-4.5	-182.0		-3.7
Surplus (-) / deficit (+)		-35.2	1.5	-32.3		1.3
Experience adjustments on plan liabilities, gains (-) / losses (+)		-1.9	0.1	-0.9		0.5
Experience adjustments on plan assets, gains (+) / losses (-)		28.1	0.2	-48.5		0.2

The Group expects to contribute EUR 18 million to its pension plans in 2013 and the share of defined benefit plans is EUR 4 million.

The EUR 217.4 million liability of the Orion Pension Fund has been discounted at a discount rate of 4%. The impact on the liability of a change in the discount rate of +/- 0.5 percentage points (+/- 0.5%) would be EUR +19.1/-22.0 million.

An amendment of the IAS 19 standard was adopted with effect from 1 January 2013. Following this amendment, the treatment of actuarial gains and losses in calculating IFRS pension expenses will change (elimination of so-called corridor approach). As a result, actuarial gains and losses on liabilities and assets will be recognised annually through the statement of comprehensive income directly into equity. The equity at the end of 2011 is adjusted for the cumulative (2005-2011) actuarial gains and losses (EUR -32.5 million) up to the end of 2011 that arose during a transitional period. Correspondingly, the equity at the end of 2012 is adjusted for the actuarial gains and losses (EUR 33.9 million) for 2012.

Following an amendment to IAS 19 on calculating IFRS pension expenses, a discount rate will be used as the rate of return on investment activity. The difference between expected and actual returns on investments will also in future be recognised in the Group's equity.

13. Deferred tax assets and liabilities

Deferred tax assets

EUR million, 31 Dec	2012	2011
Pension liability	0.1	0.1
Internal inventory margin	1.7	0.9
Other deductible temporary differences	0.2	0.4
Total	2.0	1.4

Deferred tax liabilities

EUR million, 31 Dec	2012	2011
Depreciation difference and untaxed reserves	24.0	24.6
Pension assets	9.7	9.2
Effects of consolidation and elimination	0.4	0.4
Capitalised cost of inventory	6.4	5.4
Other taxable temporary differences	2.6	2.6
Total	43.1	42.2

Change in deferred tax arises from

EUR million	2012	2011
Pension assets/liabilities	-0.6	-1.0
Internal inventory margin	0.8	-0.4
Depreciation difference and untaxed reserves	0.6	2.7
Consolidation effects	0.1	0.1
Capitalised cost of inventory	-1.0	0.1
Deductible losses and other timing differences	-0.1	-0.4
Total	-0.3	1.1

At 31 December 2012 the Group had a total of EUR 5.2 (2011: 5.2) 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, a decrease in equity of EUR 0.0 million due to income taxes was recognised (2011: an increase of EUR 0.6 million), and the equity includes EUR 0.1 (2011: 0.1) million of recognised taxes.

14. Other non-current receivables

EUR million, 31 Dec	2012	2011
Loan receivables from associates	0.9	1.0
Other loan receivables	0.2	0.6
Receivables on derivative contracts		0.2
Other non-current receivables	0.4	0.1
Total	1.6	1.8

Loan receivables include both interest-bearing and non-interest-bearing receivables. The carrying amounts do not materially differ from fair value.

15. Inventories

EUR million, 31 Dec	2012	2011
Raw materials and consumables	44.4	31.2
Work in progress	37.4	31.8
Finished products and goods	97.5	88.3
Total	179.2	151.4

The value of inventories has been impaired by EUR 10.7 (2011: 7.7) million for the period so it corresponds to net realisable value.

16. Trade and other receivables

EUR million, 31 Dec	Carrying amount	Fair value	Carrying amount	Fair value
	2012	2012	2011	2011
Trade receivables	151.5	151.5	155.3	155.3
Current tax assets	1.4	1.4	1.3	1.3
Receivables due from associates	0.0	0.0	0.0	0.0
Prepaid expenses and accrued income	24.9	24.9	22.6	22.6
Receivables on derivative contracts	0.7	0.7	0.2	0.2
Other receivables	7.7	7.7	6.6	6.6
Total	186.3	186.3	186.1	186.1

The most substantial item in other receivables is VAT receivables EUR 3.2 (2011: 4.0) million.

Ageing analysis of trade receivables

EUR million, 31 Dec	Carrying amount	Fair value	Carrying amount	Fair value
	2012	2012	2011	2011
Not yet due	116.3	116.3	116.7	116.7
1 to 30 days past due	24.8	24.8	21.7	21.7
31 to 60 days past due	2.2	2.2	3.4	3.4
61 to 90 days past due	1.1	1.1	1.3	1.3
Over 90 days overdue	7.1	7.1	12.0	12.0
Total	151.5	151.5	155.3	155.3

The maturities of the money market investments on their acquisition dates were over three months but no more than six months. The carrying amount of trade receivables and other current receivables is a reasonable estimate of their fair value. Impairment charges recognised on trade receivables and other receivables for the period were EUR 0.3 (2011: 0.8) million.

Material items included in prepaid expenses and accrued income

EUR million, 31 Dec	2012	2011
Receivables from royalties	15.9	7.7
Pending credits for research services	1.4	1.7
Pre-payments for IT services	1.4	1.0
Share remunerations for restricted period	1.0	1.2
Price differential payments	0.9	0.8
Pending compensations	0.8	0.8
Pending R&D contributions	0.5	0.7
Insurance payment receivable		4.6
Other prepaid expenses and accrued income	3.0	4.0
Total	24.9	22.6

Due to the short-term character of the prepaid expenses and accrued income, the carrying amounts do not differ from fair value.

17. Cash and cash equivalents

EUR million, 31 Dec	2012	2011
Cash at bank and in hand	130.2	52.7
Money market investments	15.0	70.3
Total	145.2	123.0

Money market investments included in cash and cash equivalents are certificates of deposit and commercial paper with a maturity of less than three months issued by banks and companies.

18. Equity

Changes in share capital

	Share capital			
	A shares	B shares	Total	EUR million
Total number of shares at 1 Jan 2011	47,563,565	93,694,263	141,257,828	92.2
Conversions of A shares to B shares in 1 Jan – 31 Dec 2011	-2,570,347	2,570,347		
Total number of shares at 31 Dec 2011	44,993,218	96,264,610	141,257,828	92.2
Conversions of A shares to B shares in 1 Jan – 31 Dec 2012	-1,726,000	1,726,000		
Total number of shares at 31 Dec 2012	43,267,218	97,990,610	141,257,828	92.2
Number of treasury shares at 31 Dec 2012		-325,991	-325,991	
Total number of shares at 31 Dec 2012 excluding treasury shares	43,267,218	97,664,619	140,931,837	
Total number of votes at 31 Dec 2012 excluding treasury shares	865,344,360	97,664,619	963,008,979	

On 31 December 2012 Orion had a total of 141,257,828 (2011: 141,257,828) shares, of which 43,267,218 (2011: 44,993,218) were A shares and 97,990,610 (2011: 96,264,610) B shares. The Group's share capital was EUR 92,238,541.46 (2011: 92,238,541.46). At the end of 2012 Orion held 325,991 (2011: 413,754) B shares as treasury shares. On 31 December 2012 the aggregate number of votes conferred by the A and B shares was 963,008,979 (2011: 995,715,216) excluding treasury shares.

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 within the limitation on the maximum number of shares of a class. During 2012, a total of 1,726,000 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 24 March 2010 to decide on a share issue in which shares held by the Company can be conveyed. The authorisation to issue shares is valid for five years from the decision taken by the Annual General Meeting.

The Board of Directors is authorised to decide on conveyance of no more than 500,000 Orion Corporation B shares held by the Company. The authorisation was exercised as described in Note 4 under "Share-based payments". On 31 December 2012 the Board of Directors had outstanding authorisation to convey 309,337 Orion Corporation B shares held by the Company.

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

After the end of the period, the Board of Directors proposed a dividend of EUR 1.30 per share to be distributed.

Share premium

EUR million	2012	2011
Share premium at 1 Jan		17.8
Transfer to reserve for invested unrestricted equity		-17.8
Share premium at 31 Dec		

The premium over the nominal value of the shares has been recorded in the share premium fund when shares in the Company have been subscribed on exercising option rights under the previous Companies Act.

Expendable fund

EUR million	2012	2011
Expendable fund at 1 Jan	0.5	8.9
Repayment of capital		-8.5
Expendable fund at 31 Dec	0.5	0.5

Other reserves

EUR million	2012	2011
Reserve for invested unrestricted equity	0.9	17.8
Reserve funds	0.2	0.2
Hedging reserve	-0.2	-0.0
Fair value reserve		-0.3
Total	0.8	17.6

During the period, EUR 16.9 million was paid as repayment of capital from the reserve for invested unrestricted equity on the basis of a decision by the Annual General Meeting.

The hedging reserve includes the effective portions of fair value changes of derivatives instruments for hedging cash flow.

The fair value reserve includes accumulated fair value changes of available-for-sale financial assets.

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 1.30 (2011: 1.20) per share and a repayment of capital from the expendable fund of EUR 0.12 (2011: 0.06) were distributed in the 2012 financial year. In addition, donations of EUR 0.3 (2011: 0.2) million were distributed from profit funds.

19. Provisions

EUR million	Pension provisions	Other provisions	Total
1 Jan 2012	0.3	0.0	0.3
Utilised during the period	-0.1	-0.0	-0.1
Additions to provisions			
31 Dec 2012	0.1	0.0	0.1

EUR million, 31 Dec	2012	2011
Non-current provisions	0.1	0.3
Current provisions		0.0
Total	0.1	0.3

Pension provision

Pension provisions include provisions made for unemployment pension expenses for persons made redundant in 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 1–2 years.

20. Interest-bearing liabilities

EUR million, 31 Dec	Carrying amount	Fair value	Carrying amount	Fair value
	2012	2012	2011	2011
Loans from financial institutions	106.0	103.5	64.1	63.3
Finance lease liabilities	1.5	1.7	1.9	2.2
Non-current liabilities total	107.4	105.2	66.0	65.5

EUR million, 31 Dec	Carrying amount	Fair value	Carrying amount	Fair value
	2012	2012	2011	2011
Repayments of non-current loans	28.0	29.0	21.1	19.8
Finance lease liabilities	0.9	1.0	1.1	1.1
Other interest-bearing liabilities	0.3	0.3	0.5	0.5
Current liabilities total	29.3	30.4	22.7	21.5

Other current interest-bearing liabilities comprise mainly a loan from Tutkimussäätiö (Research Foundation) and repayments of Tekes loans.

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 Group loan at the end of the reporting period. At the end of the reporting period, market interest rates were 0.3–0.8%, to which a company-specific margin has been added in discounting.

Most of the interest-bearing liabilities are euro-denominated or fully hedged against currency risk.

Maturities of finance lease liabilities

Minimum lease payments

EUR million, 31 Dec	2012	2011
No later than 1 year	1.0	1.2
Later than 1 year but no later than 5 years	1.1	1.6
Later than 5 years	0.5	0.6
Total	2.6	3.3

Present value of minimum lease payments

EUR million, 31 Dec	2012	2011
No later than 1 year	0.9	1.1
Later than 1 year but no later than 5 years	1.0	1.3
Later than 5 years	0.5	0.6
Present value of minimum lease payments	2.4	3.0
Future finance charges	0.3	0.4
Minimum lease payments, total	2.6	3.3

21. Other non-current liabilities

EUR million, 31 Dec	2012	2011
Liabilities on derivative contracts	0.7	0.2
Other non-current liabilities	0.1	0.1
Total	0.8	0.3

22. Trade payables and other current liabilities

EUR million, 31 Dec	2012	2011
Trade payables	59.3	66.3
Current tax liabilities	8.0	6.4
Other current liabilities to associates	0.2	0.2
Accrued liabilities and deferred income	61.3	59.1
Liabilities on derivative contracts	0.4	1.1
Other current liabilities	15.5	14.0
Total	144.6	147.2

The most substantial item in other liabilities is EUR 4.5 (2011: 3.5) million of VAT liabilities.

Material items included in accrued liabilities and deferred income

EUR million, 31 Dec	2012	2011
Liabilities from share-based incentive plan	3.1	0.5
Other accrued salaries, wages and social security payments	40.3	35.1
Accrued royalties	4.4	4.7
Accrued price adjustments	3.2	9.2
Accrued discounts	2.2	1.4
Accrued R&D expenses	2.1	1.3
Accrued interest	0.2	0.3
Other accrued liabilities and deferred income	5.7	6.6
Total	61.3	59.1

Due to the short-term character of the trade payables and other current liabilities, the carrying amounts do not materially differ from fair value.

23. Financial assets and liabilities by category

EUR million, 31 Dec	2012	2011
Hedge-accounting derivatives		
Non-current		0.3
Current	0.0	0.0
Financial assets at fair value through profit and loss		
Held-for-trading financial assets		
Non-hedge-accounting derivatives	0.7	0.2
Loans and other receivables		
Other non-current assets	0.7	1.6
Trade receivables	151.5	155.3
Other receivables	17.6	9.7
Cash and cash equivalents	145.2	123.0
Available-for-sale financial assets		
Available-for-sale investments	0.5	1.1
Financial assets total	316.1	291.1
Hedge-accounting derivatives		
Non-current	0.7	0.2
Current	0.2	0.2
Financial liabilities at fair value through profit and loss		
Held-for-trading financial liabilities		
Non-hedge-accounting derivatives	0.2	0.9
Financial liabilities measured at amortised costs		
Interest-bearing non-current liabilities	107.4	66.0
Other non-current liabilities	0.1	0.1
Trade payables	59.3	66.3
Other current liabilities	10.1	15.7
Interest-bearing current liabilities	29.3	22.7
Financial liabilities total	207.3	172.0

Derivative contracts are included in other receivables and other liabilities in the consolidated statement of financial position.

24. Financial risk management

The objective of the Group's financial risk management is to decrease the negative effects of market and counterparty risks on the Group's profit and cash flow and to ensure sufficient liquidity. 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 treasury management team 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 foreign exchange 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. Foreign exchange risk

The Group's foreign exchange risk consists of transaction risk and translation risk.

Transaction risk

Transaction risk arises from operational items (such as sales and purchases) and financial items (such as loans, deposits and interests) in foreign currency in the statement of financial position, and from forecast cash flows over the upcoming 12 months. Transaction risk is monitored and hedged actively. The largest risk in terms of value is posed by sales based on US dollars. Other significant currencies are the Japanese yen, the Swedish krona, the Norwegian krona, the British pound and the Polish zloty. As regards other currencies, no individual currency has a significant effect on the Group's overall position.

In accordance with the Treasury Policy, items based on significant currencies in the statement of financial position are hedged 90–105% and the forecast cash flows over the upcoming 12 months are hedged 0–50%. Foreign currency derivatives with maturities up to 12 months are used as hedging instruments. The positions of operational items are presented below.

EUR million, 31 Dec	USD		Other significant currencies	
	2012	2011	2012	2011
Net position in statement of financial position	14.4	10.0	13.8	12.0
Forecast net position (12 months)	88.1	97.2	70.4	60.6
Net position, total	102.5	107.1	84.2	72.5
Foreign currency derivatives	-28.3	-28.1	-21.2	-25.2
Net open position total	74.2	79.0	63.0	47.3

The Group has an external loan of GBP 8.2 million for which the capital and interest cash flows are fully hedged against foreign exchange risk with a cross currency swap. More details are presented in 24.1.3.

The Group's internal loans and deposits are denominated in the local currency of the subsidiary and the most significant ones are fully hedged with currency swaps.

The fair value changes of the foreign currency derivatives 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. At 31 December 2012, the equity in these subsidiaries totalled EUR 50.1 (2011: 40.6) million. The most significant translation risk arises from the British pound. This translation position has not been hedged.

Sensitivity analysis

The effect of changes in foreign exchange rates on the Group's profit (before taxes) and equity at the reporting date is presented below for EUR/USD exchange rates. The assumption used in the sensitivity analysis is a +/- 10% change in the exchange rate (USD depreciates/appreciates by 10%) while other factors remain unchanged. In accordance with IFRS 7, the sensitivity analysis includes only the financial assets and liabilities in the statement of financial position and so the analysis does not take into account the forecast upcoming 12-month foreign currency cash flow included in the position. The potential translation position is not taken into account in the sensitivity analysis.

EUR million, 31 Dec	Impact on profit		Impact on equity	
	2012	2011	2012	2011
USD +/- 10%	1.3/-1.5	1.7/-2.0	0	0

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 partly fixed-price contracts and partly tied to the spot price of the price area of Finland, and in the latter case 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. 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.

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 0.0 (2011: -0.2) million (before taxes) for electricity derivatives was recognised in the equity at 31 December 2012. The EUR 0.6 (2011: 0.2) million ineffective portion of derivatives has been recognised in the expenses of the functions. The nominal values of the derivatives totalled EUR 5.0 (2011: 6.7) million.

24.1.3. Interest rate risk

Changes in interest rates affect the Group's cash flow and results. At 31 December 2012, the Group's interest-bearing liabilities totalled EUR 136.7 (2011: 88.7) million. The Group is exposed to interest rate risk associated with long-term loans raised from the European Investment Bank. At 31 December 2012, the capital of these loans with interest rates tied to the Euribor rate totalled EUR 124.4 (2011: 66.1) million. EUR 22.3 million of these loans has been hedged with an interest rate swap for which Orion pays fixed-rate interest. In addition, the interest cash flow of a GBP 8.2 million floating-rate loan is hedged against rising interest rates with a cross currency swap, due to which fixed-rate euro-denominated interest is paid by the Group.

If interest rates rose in 2013 in parallel by one percentage point (1%) compared with market interest rates at the end of the reporting period, and other factors remained unchanged, the estimated interest expenses of the Group would rise by EUR 1.0 million in 2013 (before taxes).

The Group's exposure to risks related to changes in market rates is somewhat reduced by the fact that the Group's money market investments, which at 31 December 2012 totalled EUR 15.0 (2011: 70.3) million, are invested in floating interest rate instruments. If these investments were taken into account in the above sensitivity analysis, the forecast net finance expenses would increase by EUR 0.9 million in 2013.

Cash flow hedge accounting under IAS 39 is applied to the aforesaid loans hedged with interest rate derivatives. At 31 December 2012 a fair value valuation of EUR -0.3 (2011: 0.2) million (before taxes) for interest rate derivatives was recognised in the equity. The nominal values of these derivatives totalled EUR 31.9 (2011: 19.1) million.

24.2. Counterparty risk

Counterparty risk is materialised 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 2012 is the total of financial assets less carrying amounts of derivatives in financial liabilities, which totals EUR 315.0 (2011: 289.8) 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 investments and derivative contracts. Limits have been set for counterparties on the basis of creditworthiness and solidity, and they are regularly monitored and updated. Investments are made mainly 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. In certain countries, products are also sold directly to local hospitals. The Group's 25 largest customers generated about 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 are not considered to involve significant risk. In Southern Europe the receivables from individual counterparties are not significant for the Group. Credit losses for the period recognised through profit or loss were EUR 0.3 million.

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 EUR 100 million of binding undrawn bilateral credit facilities that will mature in 2019, and bank overdraft limits and an unconfirmed commercial paper programme of EUR 100 million. No issued commercial paper is included in the financial statements.

Forecast cash flows of financial liabilities and interest payments are in the table below. Forward rates or the average reference rate per contract have been used for forecasts of interest payments on floating-rate loans. The cash flows have not been discounted.

EUR million	2013	2014	2015	2016	2017–	Total
Repayments of loans from financial institutions	28.0	23.0	23.0	15.9	44.1	134.0
Repayments of finance lease loans	0.9	0.6	0.3	0.3	0.2	2.4
Repayments of other liabilities	0.3					0.3
Interest payments	1.5	1.2	1.2	1.0	1.7	6.7
Cash flow total, interest-bearing financial liabilities	30.8	24.9	24.5	17.2	45.9	143.3
Trade payables	59.3					59.3
Other non-interest-bearing financial liabilities	10.1	0.1			0.0	10.2
Cash flow total, non-interest-bearing financial liabilities	69.4	0.1			0.0	69.5
Derivative contracts	0.4	0.4	0.3			1.1
Cash flow total, derivative contracts	0.4	0.4	0.3			1.1
Cash flow total, all	100.6	25.4	24.8	17.2	46.0	214.0

The Group's interest-bearing liabilities at 31 December 2012 were EUR 136.7 (2011: 88.7) million. The average maturity for loans from financial institutions is three years and two months. The Group's cash and cash equivalents and other money market investments at 31 December 2012 totalled EUR 145.2 (2011: 123.0) million, thus exceeding the Group's 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.

24.4. Management of capital structure

The financial objectives of the Group include a capital structure related goal to maintain the equity ratio, i.e. equity in proportion to total assets, at a level of at least 50%. This equity ratio is not the Company's opinion of an optimal capital structure, but rather part of an aggregate consideration of the Company's growth and profitability targets and dividend policy.

The terms of the Company's loans include financial covenants according to which the lender is entitled to demand early repayment of the loan, if the covenants are breached.

The company has given the following covenants:

FINANCIAL COVENANTS	Requirements
Group equity ratio	>32%
Group interest-bearing liabilities / EBITDA	<2.0:1
Group EBITDA / net interest expenses	>8:1

Group equity ratio (including advance payments)

31 Dec	2012	2011
Equity, EUR million	511.3	500.0
Equity and liabilities total, EUR million	836.9	779.1
Equity ratio, (including advance payments) %	61.1%	64.2%

Group interest-bearing liabilities / Group EBITDA

EUR million, 31 Dec	2012	2011
Interest-bearing liabilities	136.7	88.7
EBITDA	321.0	325.5
Interest-bearing liabilities / EBITDA	0.4	0.3

Group EBITDA / net interest expenses

EUR million, 31 Dec	2012	2011
EBITDA	321.0	325.5
Net interest expenses	1.7	1.0
EBITDA / net interest expenses	183	329

25. Contingent liabilities

Commitments and contingencies

EUR million, 31 Dec	2012	2011
Contingencies for own liabilities		
Mortgages on land and buildings	41.0	41.0
of which those to Orion Pension Fund	9.0	9.0
Guarantees	1.5	1.6
Other	0.3	0.3

Significant legal proceedings

Legal proceedings against the Sandoz companies

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

The court found that US Patent No. 4,910,214 is valid and enforceable. Sandoz is permanently enjoined from the commercial manufacture, use, sale or offer for sale in the United States or importation into the United States of its generic dexmedetomidine product until such time as US Patent No. 4,910,214 expires, including any applicable extensions. The Court also ordered that the effective date of Sandoz's Abbreviated New Drug Application No. 91-465 shall not occur until the expiration of Patent No. 4,910,214, including any applicable extensions. Separately, the court found that US Patent No. 6,716,867 is invalid as obvious.

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

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

Legal proceedings against Caraco Pharmaceutical Laboratories, Ltd.

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

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

Orion expects the costs of the legal proceedings against Caraco to be substantially less than the costs of the entacapone patent litigation that had previously been pending in the United States. Consideration of the case has been suspended pending the conclusion of the above-mentioned appeal proceedings against the Sandoz companies concerning Patent No. 6,716,867.

Legal proceedings against Mylan Pharmaceuticals Inc.

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

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

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

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

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

26. Derivatives

Nominal values and maturity of derivatives

EUR million, 31 Dec	2012	2011
Currency derivatives¹		
Currency forward contracts and currency swaps	52.0	40.7
Currency options	51.3	63.1
Interest rate swaps²	22.3	
Cross currency swaps³	9.6	19.1
Nominal value of electricity derivatives, GWh	110	153
EUR million, 31 Dec	2012	2011
Maturity of electricity derivatives		
No later than 1 year	2.5	2.7
Later than 1 year but not later than 2 years	1.6	2.3
Later than 2 years	0.9	1.8
Total	5.0	6.7

¹ Currency derivatives with maturity less than one year.

² Interest rate swaps with maturity within four years.

³ Cross currency swaps with maturity less than two years.

Fair values of derivatives

EUR million, 31 Dec	2012			2011
	Positive	Negative	Net	Net
Non-hedge-accounting derivatives				
Currency forward contracts and currency swaps	0.4	-0.1	0.3	-0.4
Currency options	0.2	-0.1	0.2	-0.2
Hedge-accounting derivatives				
Interest rate swaps		-0.3	-0.3	
Cross currency swaps	0.3	-0.1	0.2	0.3
Electricity derivatives	0.1	-0.6	-0.6	-0.4

Derivative categories using fair value hierarchy

EUR million, 31 Dec	Level 1	Level 2	Level 3	Total
Currency forward contracts and currency swaps		0.3		0.3
Currency options		0.2		0.2
Interest rate swaps		-0.3		-0.3
Cross currency swaps		0.2		0.2
Electricity derivatives	-0.6			-0.6

All derivatives are OTC derivatives, and market quotations 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	2012	2011
No later than 1 year	2.4	2.2
Later than 1 year but no later than 5 years	4.1	2.3
Total	6.5	4.5
<hr/>		
Rents paid on the basis of other operating leases during the period	3.9	3.1

Other lease expenses comprise mainly expenses for business premises abroad.

Group as lessor

Rental income is presented in Note 2, Other operating income and expenses. The rental income comprises mainly rents from personnel and others for real estate owned by the Group.

The Group does not have any finance leases under which the Group is a lessor.

28. Group companies

Group companies at 31 December 2012

	Group		Parent company	
	Ownership, %	Share of votes, %	Ownership, %	Share of votes %
Pharmaceuticals				
Parent company Orion Corporation				
Fermion Oy, Espoo	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 Pilleri, Hanko	70.39	70.39		
Kiinteistö Oy Tonttuvainio, Espoo	100.00	100.00	100.00	100.00
Orion Export Oy, Espoo ¹	100.00	100.00	100.00	100.00
Saiph Therapeutics Oy, Espoo ¹	100.00	100.00	100.00	100.00
FinOrion Pharma India Pvt. Ltd.	100.00	100.00	95.00	95.00
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 AVS, 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	100.00	100.00	100.00	100.00
Orion Pharma d.o.o., Slovenia	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 Poland Sp.z.o.o., Poland	100.00	100.00	100.00	100.00
Orion Pharma Romania S.R.L., Romania ¹	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	100.00	100.00	100.00	100.00
Orion Pharma, Inc., USA ¹	100.00	100.00	100.00	100.00
Orionfin Unipessoal Lda, Portugal	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

Diagnostics	Group		Parent company	
	Ownership, %	Share of votes, %	Ownership, %	Share of votes %
Orion Diagnostica Oy, Espoo	100.00	100.00	100.00	100.00
GeneForm Technologies Ltd., United Kingdom	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.

29. Related party transactions

In the 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.

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	2012	2011
Salaries and other short-term employment benefits	4.0	4.4
Post-employment benefits	0.4	0.3

Salaries and remuneration¹

EUR million	2012	2011
Timo Lappalainen, President and CEO	1.0	1.1
Hannu Syrjänen, Chairman	0.1	0.1
Jukka Ylppö, Vice Chairman	0.1	0.1
Sirpa Jalkanen	0.1	0.0
Eero Karvonen	0.1	0.0
Matti Kavetvuori	0.0	0.1
Timo Maasilta	0.1	
Heikki Westerlund	0.1	0.1
Board of Directors, total	0.4	0.4

¹ Exact figures are available in the Corporate Governance Statement, under Remuneration Statement

The retirement age of the parent company's President and CEO is agreed to be 60 years and the pension level 60% of the agreed pensionable salary. In addition, one of the members of the Executive Management Board has the right to retire at the age of 60 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.

Orion Corporation is the lender of a loan of EUR 0.9 million to Pharmaservice Oy with conditional interest payment, and an interest-free loan of EUR 0.0 million to Hangon Puhdistamo Oy.

30. Events after the end of the reporting period

There have been no known significant events after the reporting period that would have had an impact on the financial statements.

Parent company Orion corporation's financial statements (FAS)

Income statement

EUR million	Note	2012	2011
Net sales	1	808.9	763.6
Other operating income	2	12.4	7.7
Operating expenses	3.4	-553.0	-498.7
Depreciation, amortisation and impairment	4	-30.4	-32.7
Operating profit		237.9	239.9
Finance income and expenses	5	7.9	9.8
Profit before appropriations and taxes		245.8	249.7
Extraordinary items	6	11.0	10.5
Appropriations	7	2.2	2.5
Income tax expense	8	-61.3	-65.7
Profit for the period		197.7	197.0

Balance sheet

Assets

EUR million, 31 Dec	Note	2012	2011
Intangible rights		47.5	55.8
Other long-term expenditure		4.2	4.6
Intangible assets total	9	51.7	60.4
Land		3.7	3.7
Buildings and constructions		73.1	69.9
Machinery and equipment		61.7	57.2
Other tangible assets		0.6	0.6
Advance payments and construction in progress		14.9	8.9
Tangible assets total	10	154.0	140.3
Holdings in Group companies		89.5	90.5
Holdings in associates		2.2	2.2
Other investments		0.8	1.3
Investments total	11	92.5	94.1
Non-current assets total		298.1	294.8
Inventories	12	127.6	105.8
Non-current receivables	13	0.2	0.4
Trade receivables	14	134.2	140.0
Other current receivables	14	40.1	36.2
Investments	15	15.0	70.3
Cash and bank		104.8	24.1
Current assets total		421.9	376.9
Assets total		720.0	671.6

Liabilities

EUR million, 31 Dec	Note	2012	2011
Share capital		92.2	92.2
Fair value reserve		-0.3	-0.0
Expendable fund		0.5	0.5
Reserve for invested unrestricted equity		0.9	17.8
Retained earnings		47.5	32.4
Profit for the period		197.7	197.0
Shareholders' equity	16	338.5	339.9
Appropriations	17	70.0	72.2
Provisions	18	0.7	0.9
Loans from financial institutions		106.0	64.1
Other non-current liabilities		0.7	0.2
Non-current liabilities total	19	106.7	64.3
Trade payables		56.0	63.6
Other current liabilities		148.0	130.8
Current liabilities total	20	204.0	194.4
Liabilities total		720.0	671.6

Cash flow statement

EUR million	2012	2011
Operating profit	237.9	239.9
Depreciation, amortisation and impairment	30.4	32.7
Other adjustments	1.0	3.1
Total adjustments to operating profit	31.4	35.8
Change in non-interest-bearing current receivables	12.6	-36.7
Change in inventories	-21.8	-19.2
Change in non-interest-bearing current liabilities	-18.6	7.9
Total change in working capital¹	-27.7	-48.0
Interest paid	-6.5	-6.5
Dividends received ²	9.8	11.7
Interest received ²	4.6	4.6
Income tax paid	-60.5	-71.9
Total net cash flow from operating activities	188.9	165.5
Investments in intangible assets	-6.3	-10.9
Investments in tangible assets	-32.1	-17.0
Sales of intangible assets	0.0	
Sales of tangible assets	1.2	0.9
Investments in subsidiary shares	-0.0	-0.0
Sale of a subsidiary less cash and cash equivalents at sale date		0.3
Acquisition of an associate		-0.0
Sales of other investments	0.6	
Loans granted	-0.0	-8.4
Repayments of loan receivables	1.2	1.6
Total net cash flow from investing activities	-35.4	-33.5

EUR million	2012	2011
Current loans raised	13.8	3.8
Repayments of current loans	-1.1	-2.5
Non-current loans raised	75.0	19.1
Repayments of non-current loans	-26.4	-40.1
Dividends paid and other distribution of profits	-200.1	-177.5
Group contributions received	10.5	12.5
Total cash flow from financing activities	-128.2	-184.6
Net change in cash and cash equivalents	25.3	-52.7
Cash and cash equivalents at 1 Jan ³	94.4	147.1
Net change in cash and cash equivalents	25.3	-52.7
Cash and cash equivalents at 31 Dec ³	119.8	94.4

¹ The change of the short-term 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.

Parent company notes to the financial statements for 2012 (FAS)

General information

The parent company of the Orion Group is Orion Corporation, business ID 1999212-6, domiciled in Espoo.

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 a pharmaceuticals and diagnostics business and a pharmaceutical wholesale and distribution business. Orion Corporation was listed on the Helsinki stock exchange on 3 July 2006.

Accounting policies for the financial statements of the parent company

The Financial Statements of Orion Corporation are prepared in accordance with the Finnish Accounting Act, as well as other provisions and regulations related to compilation of financial statements.

Non-current assets

The Balance Sheet values of intangible and tangible assets are based on their historical costs, depreciated according to plan. The depreciation according to plan is based on the economic life of the assets, following the straight-line depreciation method.

The historical cost of the intangible and tangible assets includes assets with remaining economic life, as well as fully depreciated non-current asset items that are still in operative use. The corresponding policies are applied to the accumulated depreciation.

The economic lives of various asset categories are as follows:

- intangible rights and other capitalised expenditure 5–10 years
- goodwill 5–20 years
- buildings 20–40 years
- machinery, equipment and furniture 5–10 years
- vehicles 6 years
- other tangible assets 10 years

As a rule, goodwill is amortised over five years. In certain cases, however, the estimated economic life of the goodwill is longer, but at maximum twenty years. Other long-term expenditure items that generate or maintain income for three years or longer are capitalised and are normally depreciated over five years.

Land areas and revaluations are not depreciated according to plan. The production and office facilities were revalued in the Orion Group in the 1970s and 1980s. The revaluations are based on valuation of each asset separately.

Research and development expenses

R&D expenses are entered as expenses during the financial year in which they are incurred.

Inventories

Inventories are presented in the Balance Sheet using the standard price for self-manufactured products, and for purchased products the weighted average cost method using the value of the purchase and variable conversion costs, or if lower, the net realisable or replacement value.

Investments

The investments include short-term interest-bearing instruments. Financial instruments are valued at their historical cost or at market value, if lower.

Receivables, liabilities and derivatives denominated in foreign currencies

The valuation of the receivables and liabilities denominated in foreign currencies is based on the exchange rates quoted by the European Central Bank on the reporting date. The resulting translation gains and losses are recognised through profit or loss. Translation gains and losses related to business operations are recorded as adjustments of sales and purchases, whereas those related to financial items are recognised under financial income or expenses.

Foreign exchange derivatives acquired for hedging purposes are valued at fair value, using the exchange rates quoted on the reporting date. The fair values of foreign exchange derivatives that hedge operative items are recorded in other operating income and expenses, whereas the fair value of foreign exchange derivatives that hedge loans and receivables denominated in foreign currencies are recorded in translation differences in the financial items.

The Company has also entered into electricity derivative contracts that hedge highly probable forecast cash flows associated with electricity purchases and interest rate derivatives that hedge cash flows of loans. The effectiveness of the hedging relationship is verified before commencement of hedge accounting and subsequently regularly at least quarterly. 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. The gains and losses recognised in equity are transferred to the income statement in the period during which the hedged cash flow is recognised in the income statement. The ineffective portion of the hedging relationship is recognised in the income statement under other operating expenses as regards electricity derivatives and under financial income and expenses as regards interest rate derivatives.

Provisions

Commitments by the Company to future expenses that are unlikely to generate corresponding revenue are deducted from income as provisions. Similarly, future losses that are likely to materialise are deducted from income.

Net sales

Net sales include revenue from sales of goods and services adjusted for indirect taxes, discounts and currency translation 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.

Share-based payment

The benefits under the share-based incentive plan for key employees approved by the Board of Directors are valued at fair value on the reporting date and recognised as an expense in the income statement during the vesting period of the benefit. The estimate of the final number of shares and associated cash payments is updated at each reporting date.

Pension arrangements

The pension security of the Company's employees has been arranged through the Orion Pension Fund and pension insurance companies. Supplementary pension security has been arranged through the pension fund for employees whose employment began prior to 25 June 1990 and continues until retirement. Supplementary pensions for some executives have also been arranged through pension insurance companies. The pension liability of the Orion Pension Fund is covered in full.

Income taxes

Income taxes comprise the taxes based on taxable profit and tax adjustments to previous financial periods. The financial statements do not itemise the deferred tax liabilities and assets, but the notes record the deferred tax liabilities and assets recognised in the balance sheet. These deferred tax liabilities or assets are calculated from material differences due to timing between the tax assessment and the financial statements, using the tax rate confirmed at the time of the financial statements for subsequent years.

1. Net sales

Net sales by business area

EUR million	2012	2011
Pharmaceuticals business	808.9	763.6
Total	808.9	763.6

Net sales by market area

EUR million	2012	2011
Finland	253.8	236.4
Scandinavia	81.5	78.7
Other Europe	229.4	233.6
North America	124.2	111.2
Other countries	120.0	103.6
Total	808.9	763.6

2. Other operating income

EUR million	2012	2011
Service charges received from Group companies	5.8	5.3
Rental income	0.6	0.6
Insurance compensations received	2.9	0.6
Compensation received for cancellation of contract	1.8	0.2
Other operating income	1.3	1.0
Total	12.4	7.7

3. Change in provisions

EUR million	2012	2011
Change in other provisions	0.1	0.0
Total, increase (-), decrease (+)	0.1	0.0

4. Operating expenses, depreciation, amortisation and impairment

Operating expenses

EUR million	2012	2011
Increase (-) or decrease (+) in stocks of finished goods or work in progress	-11.8	-15.8
Production for own use	-3.7	-1.2
Raw materials and services		
Purchases during the financial year	210.0	186.4
Increase (-) or decrease (+) in stocks	-10.0	-3.4
External services	36.2	38.6
Total	236.2	221.6
Personnel expenses		
Wages and salaries	106.1	96.1
Pension expenses	17.1	16.0
Share-based incentive plan	4.9	1.1
Other social security expenses	7.3	6.5
Total	135.4	119.6
Other operating expenses	196.9	174.5
Total	553.0	498.7

The ineffective portion of electricity derivatives of EUR 0.6 (2011: 0.2) million during the period is included in other operating expenses. Voluntary social security expenses are included in other operating expenses.

Auditor's remuneration

EUR million	2012	2011
Auditing fee	0.1	0.1
Assignments under Auditing Act Section 1 Subsection 1 Paragraph 2	0.0	0.0
Consultation on taxation	0.1	0.1
Other services	0.0	0.1
Total	0.2	0.3

Depreciation, amortisation and impairment

EUR million	2012	2011
Impairment	3.8	6.4
Other depreciation and amortisation	26.6	26.3
Total	30.4	32.7

See Balance sheet notes 9–10 for depreciation and amortisation by balance sheet item for the financial year.

See Accounting policies for the financial statements of the parent company for basis of provisions according to plan.

Average number of employees

	2012	2011
Average number of employees during the financial year	2,267	2,148

Share-based payments

The Group has a share-based incentive plan for the Group's key persons. The Plan includes earning periods and the Board of Directors shall annually decide on the beginning and duration of the earning periods in 2010, 2011 and 2012. The Board of Directors shall decide on the earning criteria and targets to be established for them at the beginning of each earning period. Two earning periods, calendar year 2010 and calendar years 2010–2012, commenced upon implementation of the plan. Two earning periods, calendar year 2011 and calendar years 2011–2013, commenced in 2011 and two earning periods, calendar year 2012 and calendar years 2012–2014, in 2012. A prerequisite for participation in all earning periods and for receipt of remuneration based on these earning periods is that the key person holds the Company's shares as determined by the Board of Directors. The remuneration under the plan for the one-calendar-year earning periods 2010, 2011 and 2012 has depended and is dependent on the Orion Group's profit performance and fulfilment of the above-mentioned participation prerequisite, and for the earning periods 2010–2012, 2011–2013 and 2012–2014 on the total return on Orion Corporation B shares.

This potential remuneration shall be paid partly in the form of the Company's B shares and partly in cash in 2013 for the earning period 2012 and also for the earning period 2010–2012, in 2014 for the earning period 2011–2013, and in 2015 for the earning period 2012–2014. Remuneration for the earning period 2010 was paid partly in the form of the Company's B shares and partly in cash in 2011. Remuneration for the earning period 2011 was paid partly in the form of the Company's B shares and partly in cash in 2012. The plan includes a restricted period during which shares received under the plan cannot be transferred. Any key person whose employment or service in a Group company ends during the restricted period must return the shares received as remuneration to the Company without compensation. For the three-year earning periods, there is no restricted period.

The target group of the Plan consists of approximately 30 people. The total maximum amount of remuneration to be paid on the basis of the Plan is 500,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares.

5. Finance income and expenses

EUR million	2012	2011
Income from Group companies	9.8	11.5
Income from other non-current investments		
Gains from share sales	0.1	
Dividend income from other shares and equity	0.0	0.1
Interest income from Group companies	0.2	0.1
Other interest and finance income		
Interest income from Group companies	0.0	0.0
Interest income from other companies	0.7	0.9
Other finance income	3.6	3.3
Interest expenses and other finance expenses		
Interest expenses to Group companies	-1.0	-0.8
Interest expenses to others	-2.4	-2.0
Other finance expenses	-3.1	-3.5
Total	7.9	9.8

Finance income and expenses include:

EUR million	2012	2011
Income from equity in other companies	9.9	11.7
Interest income	1.0	1.1
Interest expenses	-3.5	-2.8

6. Extraordinary items

EUR million	2012	2011
Group contribution	11.0	10.5
Total	11.0	10.5

7. Appropriations

EUR million	2012	2011
Change in cumulative accelerated depreciation	2.2	2.5
Total increase (-) / decrease (+)	2.2	2.5

8. Income taxes

EUR million	2012	2011
Income tax on ordinary activities	61.2	65.7
Tax adjustments for previous financial years	0.1	-0.0
Total	61.3	65.7

Deferred tax liability and deferred tax asset

No deferred tax liability or deferred tax asset of the Parent company has been recorded in the Company's Balance sheet.

Deferred tax asset

EUR million	2012	2011
Provisions	0.2	0.2
Total	0.2	0.2

Deferred tax liability

EUR million	2012	2011
Appropriations	17.2	17.7
Revaluations	4.0	4.0
Total	21.2	21.7

9. Intangible assets

EUR million	Intangible rights		Goodwill		Other capitalised expenditure		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Acquisition cost at 1 Jan ¹	119.9	115.1	68.3	68.3	52.5	50.5	240.6	233.9
Additions	4.8	7.9			1.3	2.0	6.1	9.9
Disposals	-4.8	-3.1			-0.0		-4.8	-3.1
Acquisition cost at 31 Dec	119.9	119.9	68.3	68.3	53.8	52.5	242.0	240.6
Accumulated amortisation and impairment at 1 Jan ¹	-64.1	-52.2	-68.3	-68.3	-47.9	-46.4	-180.2	-166.9
Accumulated amortisation on disposals	4.8	3.1					4.8	3.1
Amortisation for the financial year	-9.3	-8.7			-1.7	-1.5	-11.0	-10.2
Impairment	-3.8	-6.3					-3.8	-6.3
Accumulated amortisation and impairment at 31 Dec	-72.4	-64.1	-68.3	-68.3	-49.6	-47.9	-190.3	-180.2
Book value at 1 Jan	55.8	62.9			4.6	4.0	60.4	67.0
Book value at 31 Dec	47.5	55.8			4.2	4.6	51.7	60.4
Accumulated difference between total and planned amortisation at 1 Jan	4.2	3.2			1.1	0.3	5.2	3.5
Change in cumulative accelerated amortisation, increase (+) / decrease (-)	-0.4	1.0			-0.2	0.7	-0.7	1.7
Accumulated difference at 31 Dec	3.7	4.2			0.8	1.1	4.6	5.2

¹ Initial values include fixed asset items with remaining useful life and fully depreciated asset items still in operational use. Accumulated depreciation is calculated in the corresponding way.

10. Tangible assets

EUR million	Land and water		Buildings and structures		Machinery and equipment		Other tangible assets		Advance payments and construction in progress		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Acquisition cost at 1 Jan ¹	3.7	3.7	169.4	168.0	199.7	192.3	1.8	1.8	8.9	2.3	383.5	368.0
Additions	0.0		5.6	1.4	12.8	10.2	0.0		11.8	8.4	30.2	20.0
Disposals	-0.0		-0.1	-0.0	-10.3	-4.5					-10.4	-4.6
Transfers between Balance Sheet items			1.8	0.0	4.1	1.8			-5.9	-1.8		
Acquisition cost at 31 Dec	3.7	3.7	176.6	169.4	206.4	199.7	1.8	1.8	14.9	8.9	403.3	383.5
Accumulated depreciation at 1 Jan ¹			-99.5	-95.0	-142.5	-134.4	-1.1	-1.1			-243.2	-230.5
Accumulated depreciation on disposals and transfers			0.1	0.0	9.3	3.5					9.4	3.5
Depreciation for the financial year			-4.1	-4.5	-11.4	-11.5	-0.0	-0.0			-15.6	-16.1
Impairment						-0.1						-0.1
Accumulated depreciation at 31 Dec			-103.5	-99.5	-144.6	-142.5	-1.2	-1.1			-249.3	-243.2
Book value at 1 Jan	3.7	3.7	69.9	72.9	57.2	58.0	0.6	0.7	8.9	2.3	140.3	137.6
Book value at 31 Dec	3.7	3.7	73.1	69.9	61.7	57.2	0.6	0.6	14.9	8.9	154.0	140.3
Accumulated difference between total and planned depreciation at 1 Jan			32.4	34.0	34.6	37.2	0.0	0.0			67.0	71.2
Change in cumulative accelerated depreciation, increase (+) / decrease (-)			-0.9	-1.7	-0.6	-2.6	-0.0	-0.0			-1.5	-4.2
Accumulated difference at 31 Dec			31.5	32.4	34.0	34.6	0.0	0.0			65.5	67.0

¹ Initial values include fixed asset items with remaining useful life and fully depreciated asset items still in operational use. Accumulated depreciation is calculated in the corresponding way.

The book value of production machines and equipment at 31 December 2012 was EUR 39.0 (2011: 32.7) million. The revaluation included in the acquisition cost of land was EUR 0.1 (2011: 0.1) million and in the acquisition cost of buildings EUR 16.5 (2011: 16.5) million.

11. Investments

EUR million	Shares in Group companies		Receivables from Group companies		Holdings in associated companies		Receivables from associated companies ¹		Other shares and equity		Loan receivables ¹		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Acquisition cost at 1 Jan	121.7	121.7	11.7	4.9	1.3	1.3	0.9	0.9	1.8	1.8	0.3	0.3	137.8	130.9
Additions	0.0	0.0	0.0	8.4		0.0							0.0	8.4
Disposals			-1.1	-1.6					-1.3		-0.0		-2.4	-1.6
Translation differences			0.0										0.0	
Acquisition cost at 31 Dec	121.7	121.7	10.6	11.7	1.3	1.3	0.9	0.9	0.5	1.8	0.3	0.3	135.4	137.8
Accumulated impairment at 1 Jan	-40.0	-40.0	-2.9	-2.9					-0.8	-0.8			-43.7	-43.7
Change during the period									0.8				0.8	
Accumulated impairment at 31 Dec	-40.0	-40.0	-2.9	-2.9						-0.8			-42.9	-43.7
Book value at 1 Jan	81.7	81.7	8.8	2.1	1.3	1.3	0.9	0.9	1.0	1.0	0.3	0.3	94.1	87.3
Book value at 31 Dec	81.7	81.7	7.8	8.8	1.3	1.3	0.9	0.9	0.5	1.0	0.3	0.3	92.5	94.1

¹ A receivable from an associated company and a loan receivable are equity loan receivables under the Companies Act.

12. Inventories

EUR million, 31 Dec	2012	2011
Raw materials and consumables	35.5	25.7
Work in progress	14.8	12.9
Finished products/goods	74.7	64.8
Other inventories	2.6	2.4
Total	127.6	105.8

13. Non-current receivables

EUR million, 31 Dec	2012	2011
Other receivables from Group companies	0.0	0.0
Loan receivables from associated companies	0.0	0.0
Other loan receivables	0.2	0.2
Other receivables		0.2
Total	0.2	0.4

14. Current receivables

EUR million, 31 Dec	2012	2011
Trade receivables	103.1	113.7
Receivables from Group companies		
Trade receivables	31.1	26.3
Loan receivables	3.1	1.4
Other receivables	0.2	
Prepayments and accrued income	11.0	10.6
Total	45.4	38.4
Loan receivables from associated companies	0.0	0.0
Other loan receivables	0.2	0.3
Other receivables	2.7	4.5
Prepayments and accrued income	22.9	19.3
Total	174.3	176.2

Material items included in prepayments and accrued income

EUR million, 31 Dec	2012	2011
Receivables from royalties	15.9	7.7
Pending credits	1.4	1.7
Prepayments for IT services	1.4	1.0
Pending price difference payments	0.9	1.0
Prepaid remunerations under incentive plan	0.9	1.1
Receivables based on derivative contracts	0.7	0.2
Pending R&D contributions	0.3	0.7
Insurance payment receivable		4.6
Other prepayments and accrued income	1.5	1.3
Total	22.9	19.3

15. Investments

EUR million, 31 Dec	2012	2011
Other securities: interest instruments	15.0	70.3
Total	15.0	70.3

Difference between market value and book value

EUR million, 31 Dec	2012	2011
Market value	15.0	70.3
Corresponding book value	-15.0	-70.3
Accrued interest from interest instruments included in prepayments and accrued income	-0.0	-0.0
Difference	-0.0	0.0

16. Shareholder's equity

Share capital

EUR million	2012	2011
Share capital at 1 Jan	92.2	92.2
Share capital at 31 Dec	92.2	92.2

Share premium

EUR million	2012	2011
Share premium at 1 Jan		17.8
Reduction of share premium		-17.8
Share premium at 31 Dec		

Fair value reserve

EUR million	2012	2011
Fair value reserve at 1 Jan	-0.0	1.9
Electricity derivative hedges	0.0	-2.1
Cross currency swaps	-0.1	0.2
Interest rate swaps	-0.3	
Fair value reserve at 31 Dec	-0.3	-0.0

Expendable fund

EUR million	2012	2011
Expendable fund at 1 Jan	0.5	8.9
Repayment of capital		-8.5
Expendable fund at 31 Dec	0.5	0.5

Reserve for invested unrestricted equity

EUR million	2012	2011
Reserve for invested unrestricted equity at 1 Jan	17.8	
Transfer to Reserve for invested unrestricted equity		17.8
Repayment of capital	-16.9	
Reserve for invested unrestricted equity at 31 Dec	0.9	17.8

Retained earnings

EUR million	2012	2011
Retained earnings at 1 Jan	229.4	199.7
By decision of Annual General Meeting		
dividends distributed	-183.2	-169.0
donations made	-0.3	-0.2
share remunerations paid	1.4	1.7
Unpaid dividends	0.1	0.1
Profit for the financial year	197.7	197.0
Retained earnings at 31 Dec	245.2	229.4

Parent company share capital by share class

31 Dec	2012		2011	
	number	EUR	number	EUR
A shares (20 votes/share)	43,267,218		44,993,218	
B shares (1 vote/share)	97,990,610		96,264,610	
Total	141,257,828	92,238,541.46	141,257,828	92,238,541.46

During the financial year 1 January to 31 December 2012 a total of 1,726,000 A share were converted into B shares.

17. Appropriations

EUR million, 31 Dec	2012	2011
Cumulative accelerated depreciation	70.0	72.2
Total	70.0	72.2

18. Provisions

EUR million, 31 Dec	2012	2011
Pension provisions	0.7	0.9
Total	0.7	0.9

19. Non-current liabilities

EUR million, 31 Dec	2012	2011
Loans from financial institutions	106.0	64.1
Liabilities on derivative contracts	0.7	0.2
Total	106.7	64.3

Loans due later than 5 years

EUR million, 31 Dec	2012	2011
Loans financial institutions	28.2	16.7
Total	28.2	16.7

20. Current liabilities

EUR million, 31 Dec	2012	2011
Loans from financial institutions	28.0	21.1
Advances received		0.2
Trade payables	46.1	55.1
Liabilities to Group companies		
Trade payables	9.9	8.4
Other liabilities	57.8	48.8
Accruals and deferred income	0.3	0.4
Total	68.0	57.6
Other liabilities	10.8	10.1
Accruals and deferred income	51.1	50.2
Total	204.0	194.4

Material items included in accruals and deferred income

EUR million, 31 Dec	2012	2011
Liabilities from share-based incentive plan	3.1	1.0
Other accrued salary, wage and social security payments	27.9	24.6
Income tax liability	6.3	5.4
Accrued royalties	4.4	4.7
Accrued price adjustments	3.2	9.5
Accrued price reductions	2.2	1.3
Accrued R&D expenses	2.1	1.3
Accrued interest	0.2	0.3
Liabilities on derivative contracts	0.2	0.9
Other accruals and deferred income	1.6	1.3
Total	51.1	50.2

Liabilities include

EUR million, 31 Dec	2012	2011
Non-current interest-bearing liabilities	106.0	64.1
Non-current non-interest-bearing liabilities	0.7	0.2
Current interest-bearing liabilities	86.1	70.4
Current non-interest-bearing liabilities	117.9	123.9
Total	310.7	258.6

21. Notes relating to members of administrative bodies

Salaries and remuneration paid to members of administrative bodies of the Company

EUR million	2012	2011
President and CEO and members of Board of Directors	1.4	1.4

No partial remuneration has been paid.

No loans have been granted to the members of administrative bodies.

Management pension commitments

The retirement age of the Company's President and CEO is agreed to be 60 years and the pension level 60% of the agreed pensionable salary. In addition, one of the members of the Executive Management Board has the right to retire at the age of 60 years, the pension level being 60% of the pensionable salary.

22. Contingencies

Contingencies for own liabilities

EUR million, 31 Dec	2012	2011
Mortgages on land and buildings	41.0	41.0

Guarantees on behalf of Group companies

EUR million, 31 Dec	2012	2011
Guarantees given	1.5	1.3

Total guarantees

EUR million, 31 Dec	2012	2011
Total mortgages on land and building	41.0	41.0
Total guarantees	1.5	1.3

23. Liabilities and commitments

Lease agreements

EUR million, 31 Dec	2012	2011
Payments payable under lease agreements		
within next 12 months	1.1	1.2
later than 12 months	1.5	0.9
Total	2.6	2.1

The terms of lease agreements are normal.

Other liabilities

EUR million, 31 Dec	2012	2011
Drug damage liability	0.3	0.3

VAT liability for real estate investments

The company is liable to review VAT deductions made for real estate investments completed in 2008–2012 if the use subject to VAT decreases during the review period. The maximum liability is EUR 3.4 million and the last review year is 2021.

24. Derivative contracts

Currency forward contracts and currency swaps

EUR million, 31 Dec	2012	2011
Fair value	0.3	-0.4
Nominal value	52.0	40.7

Currency options

EUR million, 31 Dec	2012	2011
Fair value	0.2	-0.2
Nominal value	51.3	63.1

Cross currency swaps

EUR million, 31 Dec	2012	2011
Fair value	0.2	0.3
Nominal value	9.6	19.1

Interest rate swaps

EUR million, 31 Dec	2012	2011
Fair value	-0.3	
Nominal value	22.3	

Electricity derivatives

EUR million, 31 Dec	2012	2011
Fair value	-0.6	-0.4
Nominal value	5.0	6.7
Nominal amount, GWh	110	153

25. Holdings in other companies

See Note 28 Group companies in the Notes to the Consolidated financial statements for the Parent Company's holdings in other companies.

Orion Corporation

Account books and document types

1 January – 31 December 2012

Account books

Journal	electronic filing	10 years
General ledger	electronic filing	10 years

Types of accounting record

	Document number:	Document type:	
Fixed asset entries	0400000000 - 0499999999	AA	paper record/electronic filing 6 years
Sales invoices, manual entry	1100000000 - 1199999999	DA, DG, DR	paper record/electronic filing 6 years
Rent invoicing	1100000000 - 1199999999	ZB	paper record/electronic filing 6 years
Accounts receivable allocations, money received	1200000000 - 1299999999	DZ	paper record/electronic filing 6 years
Accounts payable allocations	1200000000 - 1299999999	KZ	paper record/electronic filing 6 years
Purchase invoices	1300000000 - 1399999999	KA, KG, KR, KF	paper record/electronic filing/CD_ROM 6 years
Inventory price differences	1500000000 - 1599999999	PR	paper record/electronic filing 6 years
Purchase invoices, orders	1600000000 - 1699999999	RE, RA, RZ	paper record/electronic filing 6 years
Payroll interface, salaries and wages	1700000000 - 1799999999	01	paper record/electronic filing 6 years
Manual corrections to salaries and wages	1700000000 - 1799999999	Z1	paper record/electronic filing 6 years
Depreciation on fixed asset disposals	1700000000 - 1799999999	AG	paper record/electronic filing 6 years
Foreign exchange rate setting	1700000000 - 1799999999	SA	paper record/electronic filing 6 years
Representative offices	1800000000 - 1899999999	ZR	paper record/electronic filing 6 years
Inventory entries	1900000000 - 1999999999	WA,WE, WI,WL	electronic filing 6 years
Travel interface	2000000000 - 2999999999	04	paper record/electronic filing 6 years
Sales invoices, automatic entry	3200000000 - 3299999999	RV	paper record/electronic filing 6 years
Banking days, money going out	3300000000 - 3399999999	AB	paper record/electronic filing 6 years

Automatic entry of account statements	3300000000 - 3399999999	EB	paper record/electronic filing	6 years
GR / IR corrections	3600000000 - 3699999999	RN	paper record/electronic filing	6 years
Self invoicing	3700000000 - 3799999999	ZN	paper record/electronic filing	6 years
Group invoicing	3800000000 - 3899999999	IC	paper record/electronic filing	6 years
Memo vouchers	6100000000 - 6199999999	ZM	paper record/electronic filing	6 years
Memo vouchers, Tuohilampi	6200000000 - 6299999999	ZT	paper record/electronic filing	6 years
Cash receipts	7100000000 - 7199999999	ZK	paper record/electronic filing	6 years
Memo vouchers, regular accruals	8100000000 - 8199999999	ZI	paper record/electronic filing	6 years
Memo vouchers, accruals	8100000000 - 8199999999	ZJ	paper record/electronic filing	6 years
Payroll interface, holiday pay accrual	8200000000 - 8299999999	03	paper record/electronic filing	6 years
Holiday pay accrual, manual correction	8200000000 - 8299999999	Z3	paper record/electronic filing	6 years
Payroll interface, bonus accrual	8300000000 - 8399999999	05	paper record/electronic filing	6 years
IFRS records	9100000000 - 9199999999	ZX	paper record/electronic filing	6 years
Depreciation and amortisation, plus depreciation difference	9300000000 - 9399999999	AF	paper record/electronic filing	6 years

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 246,624,622.55, including EUR 197,740,936.54 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 1.30 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 140,931,837, on which the total dividend would be	EUR 183,211,388.10
- donations to medical research and other purposes of public interest as decided by the Board of Directors	EUR 250,000.00
- retention in equity	EUR 63,163,234.45
	<hr/>
	EUR 246,624,622.55

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 submits these Financial Statements and the Report by the Board of Directors to the Annual General Meeting of Shareholders for approval.

Espoo, 5 February 2013

Hannu Syrjänen Chairman	Jukka Ylppö Vice chairman	Sirpa Jalkanen
Eero Karvonen	Timo Maasilta	Heikki Westerlund

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 Corporation for the year ended 31 December 2012. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, 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 consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view 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 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 express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about 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 or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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.

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.

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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 and the consolidated 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 of the parent company should be discharged from liability for the financial period audited by us.

Espoo 5 February 2013

PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
Authorised Public Accountant