ORION

# Building well-being in numbers

FINANCIAL STATEMENTS 2009


# Financial Statements 2009

You are holding in your hands our Financial Statements for 2009. In them, you'll find information relevant to Orion's financial success in 2009. If you want to know more about Orion in financial terms, this is the place to start. By familiarising yourself with the tables and key figures, you will learn about our net sales and operating profit structure for the year. We aim to continue on the path of success also in 2010.

**We wish you insightful moments with Orion's finances.**

**772** million euros were Orion's net sales in 2009. Growth from the previous year was 8.5%.

**207** million euros was Orion's operating profit for the period, 11.9% higher than in 2008.

**95** million euros were invested in research and development in 2009. This was over five million more than in 2008.

Orion organised a Capital Markets Day, themed “To 2012 and onwards”, in December 2009. You can access the presentation materials and view a video clip online at *www.orion.fi/en > News and media*


# Financial Statements 2009



*The Annual Report 2009 is found on the reverse side of the Financial Statements.*

**Orion Corporation**
**Orionintie 1**
**P.O. Box 65**
**FI-02101 Espoo**
**Finland**
**Tel +358 10 4261**
**www.orion.fi**

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

**Investor contacts**
For information on Orion, please contact:

**Susanna Siira**
Investor Relations Manager
Tel +358 10 426 2782

**Jari Karlson**
CFO
Tel +358 10 426 2883

Email addresses are of the form
firstname.surname@orion.fi

All figures in the financial statements have been rounded, which is why the total sums of individual figures may differ from the total sums shown.

Concept, design and contents: Orion and Miltton
Printing: Erweko Painotuote Oy

# Key figures

## Orion's key figures for 2006–2009 [1)]

| | Pro forma 2006 | 7–12/2006 | 2007 | 2008 | 2009 | Change % |
|---|---|---|---|---|---|---|
| Net sales, EUR million | 641.1 | 311.2 | 680.0 | 710.7 | 771.5 | +8.5% |
| International operations, EUR million | 456.6 | 217.0 | 479.0 | 493.6 | 548.2 | +11.1% |
| % of net sales | 71.2% | 69.7% | 70.4% | 69.4% | 71.1% | |
| Operating profit, EUR million | 192.7 | 88.4 | 192.0 | 185.0 | 207.0 | +11.9% |
| % of net sales | 30.1% | 28.4% | 28.2% | 26.0% | 26.8% | |
| Profit before taxes, EUR million | 193.3 | 88.9 | 193.4 | 184.2 | 203.7 | +10.6% |
| % of net sales | 30.2% | 28.6% | 28.4% | 25.9% | 26.4% | |
| Income tax expense, EUR million | 51.2 | 24.2 | 49.5 | 47.8 | 52.3 | +9.3% |
| R&D expenses, EUR million | 73.1 | 37.7 | 85.0 | 90.0 | 95.2 | +5.7% |
| % of net sales | 11.4% | 12.1% | 12.5% | 12.7% | 12.3% | |
| Capital expenditure, EUR million | 25.5 | 13.4 | 35.3 | 56.8 | 60.4 | +6.2% |
| % of net sales | 4.0% | 4.3% | 5.2% | 8.0% | 7.8% | |
| Assets total, EUR million | 568.3 | 568.3 | 565.7 | 695.5 | 727.1 | +4.5% |
| Equity ratio, % | 75.5% | 75.5% | 76.2% | 60.2% | 60.6% | |
| Gearing, % | -23.4% | -23.4% | -20.0% | -7.1% | -8.9% | |
| Interest-bearing liabilities, EUR million | 9.8 | 9.8 | 4.0 | 146.3 | 131.5 | -10.1% |
| Non-interest-bearing liabilities, EUR million | 129.6 | 129.6 | 130.5 | 130.6 | 156.5 | +19.8% |
| Cash and cash equivalents, EUR million | 110.0 | 110.0 | 90.4 | 176.1 | 170.5 | -3.2% |
| ROCE (before taxes), % | 47.1% | 43.7% | 44.8% | 38.5% | 37.4% | |
| ROE (after taxes), % | 34.9% | 32.1% | 33.5% | 32.1% | 35.3% | |
| Personnel at the end of the period | 3,061 | 3,061 | 3,176 | 3,309 | 3,147 | -4.9% |
| Average personnel during the period | 3,066 | 3,066 | 3,160 | 3,270 | 3,192 | -2.4% |
| Personnel expenses, EUR million | 149.7 | 75.8 | 156.3 | 170.9 | 171.4 | +0.3% |

[1)] Pro forma figures before 1 July 2006 are based on figures extracted from the financial statements of the demerged Orion.

## Net sales by business division

| EUR million | Pro forma 2006 | 7–12/2006 | 2007 | 2008 | 2009 | Change % |
|---|---|---|---|---|---|---|
| Pharmaceuticals | 601.4 | 292.0 | 639.7 | 667.6 | 728.5 | +9.1% |
| Proprietary Products | 242.0 | 117.2 | 259.6 | 278.1 | 324.0 | +16.5% |
| Specialty Products | 233.3 | 114.6 | 252.5 | 260.5 | 274.8 | +5.5% |
| Animal Health | 63.3 | 31.2 | 66.8 | 67.2 | 62.1 | -7.5% |
| Fermion | 38.5 | 16.4 | 38.1 | 36.1 | 41.4 | +14.5% |
| Contract Manufacturing and others | 24.2 | 12.6 | 22.6 | 25.7 | 26.2 | +1.9% |
| Diagnostics | 41.5 | 19.9 | 42.0 | 45.0 | 45.2 | +0.4% |
| Group items | -1.8 | -0.7 | -1.7 | -1.9 | -2.2 | +15.7% |
| **Group total** | 641.1 | 311.2 | 680.0 | 710.7 | 771.5 | +8.5% |

## Orion's performance per share 2006–2009[1)]

| | 7–12/2006 | 2007 | 2008 | 2009 | Change % |
|---|---|---|---|---|---|
| Earnings per share[2)], EUR | 0.46 | 1.02 | 0.97 | 1.07 | +11.1% |
| Cash flow per share before financial items, EUR | 0.58 | 0.92 | 0.66 | 1.03 | +56.9% |
| Equity per share, EUR | 3.04 | 3.05 | 2.97 | 3.11 | +4.9% |
| Total dividend, EUR million | 141.3 | 141.3 | 133.9 | 141.0[3)] | +5.3% |
| Payout ratio, % | 217.4% | 98.0% | 97.9% | 93.5%[3)] | |
| Dividend per share, EUR | 1.00 | 1.00 | 0.95 | 1.00[3)] | +5.3% |
| A share | | | | | |
| Number of shares on 31 Dec | 55,554,240 | 52,558,688 | 51,440,668 | 51,340,668 | |
| Effective dividend yield, % | 6.1% | 6.2% | 7.9% | 6.6%[3)] | |
| Price/earnings ratio (P/E) | 17.85 | 15.78 | 12.37 | 14.07 | |
| Closing quotation on 31 Dec, EUR | 16.42 | 16.10 | 12.00 | 15.06 | |
| Lowest quotation during the period, EUR | 11.45 | 15.07 | 10.50 | 10.42 | |
| Average quotation during the period, EUR | 14.87 | 16.57 | 12.98 | 12.65 | |
| Highest quotation during the period, EUR | 16.44 | 20.49 | 16.40 | 15.75 | |
| Shares traded, 1,000 shares | 1,651 | 3,866 | 2,508 | 3,816 | |
| % of the total number of shares | 2.9% | 7.2% | 4.8% | 7.4% | |
| B share | | | | | |
| Number of shares on 31 Dec | 85,703,588 | 88,699,140 | 89,817,160 | 89,917,160 | |
| Effective dividend yield, % | 6.1% | 6.2% | 7.9% | 6.6%[3)] | |
| Price/earnings ratio (P/E) | 17.88 | 15.72 | 12.44 | 14.07 | |
| Closing quotation on 31 Dec, EUR | 16.45 | 16.03 | 12.07 | 15.05 | |
| Lowest quotation during the period, EUR | 11.51 | 15.22 | 10.30 | 10.35 | |
| Average quotation during the period, EUR | 14.61 | 16.12 | 12.85 | 12.21 | |
| Highest quotation during the period, EUR | 16.53 | 20.53 | 16.44 | 15.34 | |
| Shares traded, 1,000 shares | 37,250 | 96,266 | 73,719 | 84,569 | |
| % of the total number of shares | 43.8% | 110.5% | 82.6% | 94.1% | |
| Total number of shares on 31 Dec | 141,257,828 | 141,257,828 | 141,257,828 | 141,257,828 | |
| Average number of shares during the period excluding treasury shares | 141,257,828 | 141,257,828 | 141,002,720 | 140,969,942 | |
| Shares traded, % of all shares | 27.5% | 70.9% | 54.1% | 62.6% | |
| Market capitalisation on 31 Dec, excluding treasury shares, EUR million | 2,322.0 | 2,268.0 | 1,697.5 | 2,122.2 | |

1) Figures on shares and dividend are available from the demerger date 1 July 2006.
2) The Company has no items that could dilute the earnings per share.
3) The Board of Directors proposes to the AGM that the dividend for 2009 be EUR 1.00 per share and that EUR 0.10 per share be distributed from the expendable fund in the distributable equity as a repayment of capital.

## Operating profit by business area

| EUR million | Pro forma 2006 | 7–12/2006 | 2007 | 2008 | 2009 | Change % |
|---|---|---|---|---|---|---|
| Pharmaceuticals | 186.2 | 82.2 | 197.1 | 188.5 | 210.7 | +11.8% |
| Diagnostics | 6.4 | 2.0 | 6.3 | 6.1 | 5.6 | -9.1% |
| Group items | 0.2 | 4.2 | -11.4 | -9.6 | -9.3 | -3.0% |
| **Group total** | 192.7 | 88.4 | 192.0 | 185.0 | 207.0 | +11.9% |

## Key figures for Pharmaceuticals business

| EUR million | Pro forma 2006 | 7–12/2006 | 2007 | 2008 | 2009 | Change % |
|---|---|---|---|---|---|---|
| Net sales | 601.4 | 292.0 | 639.7 | 667.6 | 728.5 | +9.1% |
| Operating profit | 186.2 | 82.2 | 197.1 | 188.5 | 210.7 | +11.8% |
| % of net sales | 31.0% | 28.2% | 30.8% | 28.2% | 28.9% | |
| R&D expenses | 68.6 | 35.2 | 80.7 | 85.4 | 89.4 | +4.7% |
| % of net sales | 11.4% | 12.1% | 12.6% | 12.8% | 12.3% | |
| Capital expenditure | 23.1 | 11.8 | 32.5 | 53.3 | 57.6 | +8.1% |
| % of net sales | 3.8% | 4.0% | 5.1% | 8.0% | 7.9% | |
| Sales revenue from own proprietary products | 275.2 | 131.2 | 292.3 | 307.5 | 346.5 | +12.7% |
| Personnel at the end of the period | 2,742 | 2,742 | 2,864 | 2,995 | 2,829 | -5.5% |

## Net sales of Orion's top 10 pharmaceutical products

| EUR million | Used for | 2007 | 2008 | 2009 | Change % |
|---|---|---|---|---|---|
| Stalevo® | Parkinson's disease | 126.9 | 141.0 | 167.6 | +18.8% |
| Comtess®/Comtan® | Parkinson's disease | 73.3 | 67.4 | 67.3 | -0.1% |
| Simdax® | Acute heart failure | 15.1 | 17.3 | 29.4 | +69.6% |
| Easyhaler® product family | Asthma, COPD | 17.3 | 22.2 | 24.9 | +12.2% |
| Burana® | Inflammatory pain | 15.6 | 19.4 | 19.9 | +2.4% |
| Dexdomitor®, Domitor®, Domosedan® and Antisedan® | Animal sedatives | 27.5 | 24.6 | 19.3 | -21.4% |
| Precedex® | Intensive care sedative | 8.2 | 9.6 | 14.6 | +51.0% |
| Divina® product range | Menopausal symptoms | 15.9 | 14.7 | 13.2 | -10.8% |
| Enanton® | Prostate cancer | 12.9 | 12.7 | 11.9 | -6.8% |
| Fareston® | Breast cancer | 8.2 | 10.5 | 10.2 | -2.8% |
| **Total** | | 320.8 | 339.7 | 378.3 | +11.4% |
| Share of pharmaceutical net sales, % | | 50% | 51% | 52% | |

## Key figures for Diagnostics business

| EUR million | Pro forma 2006 | 7–12/2006 | 2007 | 2008 | 2009 | Change % |
|---|---|---|---|---|---|---|
| Net sales | 41.5 | 19.9 | 42.0 | 45.0 | 45.2 | +0.4% |
| Operating profit | 6.4 | 2.0 | 6.3 | 6.1 | 5.6 | -9.1% |
| % of net sales | 15.3% | 9.9% | 15.0% | 13.6% | 12.3% | |
| R&D expenses | 4.6 | 2.5 | 4.4 | 4.8 | 5.9 | +23.3% |
| % of net sales | 11.1% | 12.8% | 10.6% | 10.6% | 13.0% | |
| Capital expenditure | 1.4 | 0.8 | 1.6 | 2.8 | 2.5 | -9.6% |
| % of net sales | 3.5% | 3.9% | 3.7% | 6.2% | 5.6% | |
| Personnel at the end of the period | 289 | 289 | 283 | 287 | 291 | +1.3% |

## Net sales by annual quarters

| EUR million | Q3/07 | Q4/07 | 2007 | Q1/08 | Q2/08 | Q3/08 | Q4/08 | 2008 | Q1/09 | Q2/09 | Q3/09 | Q4/09 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Pharmaceuticals | 153.4 | 162.7 | 639.7 | 168.5 | 168.5 | 161.0 | 169.6 | 667.6 | 178.9 | 185.9 | 181.8 | 181.9 | 728.5 |
| Diagnostics | 9.4 | 10.5 | 42.0 | 12.2 | 12.6 | 9.5 | 10.7 | 45.0 | 11.7 | 11.0 | 10.5 | 12.0 | 45.2 |
| Group items | -0.3 | -0.4 | -1.7 | -0.5 | -0.5 | -0.4 | -0.5 | -1.9 | -0.5 | -0.5 | -0.5 | -0.6 | -2.2 |
| **Group total** | 162.5 | 172.8 | 680.0 | 180.2 | 180.5 | 170.1 | 179.9 | 710.7 | 190.1 | 196.4 | 191.8 | 193.3 | 771.5 |

## Operating profit by annual quarters

| EUR million | Q3/07 | Q4/07 | 2007 | Q1/08 | Q2/08 | Q3/08 | Q4/08 | 2008 | Q1/09 | Q2/09 | Q3/09 | Q4/09 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Pharmaceuticals | 50.1 | 41.7 | 197.1 | 63.1 | 45.7 | 44.3 | 35.3 | 188.5 | 56.9 | 51.6 | 56.6 | 45.6 | 210.7 |
| Diagnostics | 1.2 | 0.1 | 6.3 | 2.3 | 2.5 | 1.0 | 0.2 | 6.1 | 2.2 | 1.1 | 1.0 | 1.2 | 5.6 |
| Group items | -2.2 | -3.1 | -11.4 | -2.1 | -3.1 | -1.8 | -2.7 | -9.6 | -2.2 | -2.3 | -1.9 | -2.9 | -9.3 |
| **Group total** | 49.1 | 38.6 | 192.0 | 63.4 | 45.2 | 43.6 | 32.8 | 185.0 | 56.9 | 50.4 | 55.7 | 43.9 | 207.0 |

## Geographical breakdown of net sales by annual quarters

| EUR million | Q3/07 | Q4/07 | 2007 | Q1/08 | Q2/08 | Q3/08 | Q4/08 | 2008 | Q1/09 | Q2/09 | Q3/09 | Q4/09 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Finland | 48.6 | 53.7 | 201.0 | 55.7 | 53.5 | 52.8 | 55.2 | 217.2 | 53.5 | 55.0 | 55.6 | 59.2 | 223.3 |
| Scandinavia | 23.8 | 24.3 | 97.4 | 28.1 | 26.1 | 23.3 | 23.7 | 101.2 | 25.4 | 25.8 | 24.5 | 25.9 | 101.6 |
| Other Europe | 56.0 | 57.5 | 234.8 | 64.4 | 61.4 | 56.2 | 62.0 | 244.0 | 61.2 | 71.8 | 68.9 | 72.8 | 274.7 |
| North America | 19.1 | 15.4 | 77.7 | 14.4 | 18.5 | 21.7 | 19.2 | 73.8 | 22.6 | 18.2 | 18.1 | 12.1 | 70.9 |
| Other markets | 15.0 | 21.9 | 69.0 | 17.6 | 21.1 | 16.1 | 19.8 | 74.6 | 27.4 | 25.6 | 24.7 | 23.4 | 101.0 |
| **Group total** | 162.5 | 172.8 | 680.0 | 180.2 | 180.5 | 170.1 | 179.9 | 710.7 | 190.1 | 196.4 | 191.8 | 193.3 | 771.5 |

# Report by the Board of Directors

### Events in 2009

In January 2009, Orion completed the statutory co-determination negotiations to restructure its pharmaceutical R&D operating model and structure. As a result of the negotiations, Orion decided on staff reductions of about 205 people in Finland.

In March, Orion announced that it would withdraw the EU marketing authorisation application to expand the indication of Stalevo®.

At the beginning of April, the price reference system was implemented in Finland. Since this change, Orion has strengthened its market leadership position despite the end of general market growth in Finland due to implementation of the system.

In April, Orion and the Wockhardt companies reached an agreement in the dispute in which Orion had filed a lawsuit against Wockhardt in the United States after Wockhardt had submitted Abbreviated New Drug Applications (ANDA) for generic versions of Orion's Comtan® and Stalevo® products.

In May, Orion repurchased the rights to intravenously administered levosimendan (Simdax®). Simdax is Orion's own proprietary drug for acute decompensated heart failure.

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

In October, Orion withdrew the application in the United States to extend the indication of Stalevo®.

In October, Orion and Pfizer Animal Health agreed that the rights in Europe to an animal sedative product family that Orion had developed would revert to Orion.

### Financial review 2009

#### Net sales

**The Orion Group's net sales** in 2009 totalled EUR 771.5 million (EUR 710.7 million in 2008), up by 8.5% on the previous year. The net effect of currency exchange rates was minus EUR 0.3 million.

**The Pharmaceuticals business's net sales** were up by 9.1% at EUR 728.5 (667.6) million. The products based on in-house R&D accounted for EUR 346.5 (307.5) million, or 48% (46%) of the Pharmaceuticals business's net sales. Net sales of Orion's Stalevo® (carbidopa, levodopa and entacapone) and Comtess®/Comtan® (entacapone) Parkinson's drugs totalled EUR 234.9 (208.5) million, or about 32% (31%) of the segment's net sales.

**The Diagnostics business's net sales** were EUR 45.2 (45.0) million. Sales of QuikRead® infection tests grew, but sales of the older product portfolio were lower than in the comparative period.

#### Operating profit

**The Orion Group's operating profit** in 2009 was up by 11.9% at EUR 207.0 (185.0) million.

**The Pharmaceuticals business's operating profit** was EUR 210.7 (188.5) million. Although fixed costs increased, operating profit grew by 11.8% due to good sales.

**The Diagnostics business's operating profit** was EUR 5.6 (6.1) million, down by 9.1% due to clearly increased investment in product development.

#### Operating expenses

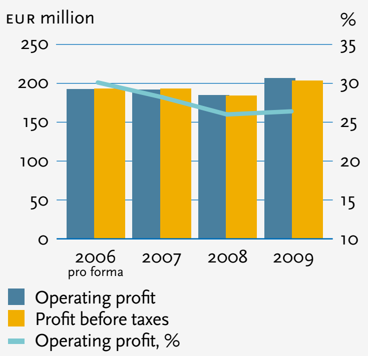
**The Group's sales and marketing expenses** were up by 11.2% at EUR 160.0 (143.9) million. The increase was mainly due to the repurchase of Simdax and the related establishment of sales operations in Southern Europe. Expenses in 2009 include EUR 5.7 million of royalties paid to Abbott due to the acquisition of Simdax.

**R&D expenses** were up by 5.7% at EUR 95.2 (90.0) million and accounted for 12.3% (12.7%) of the Group's net sales. Pharmaceutical R&D expenses amounted to EUR 89.4 (85.4) million. Ongoing research projects are reported in more detail under Pharmaceuticals in the Business Reviews.

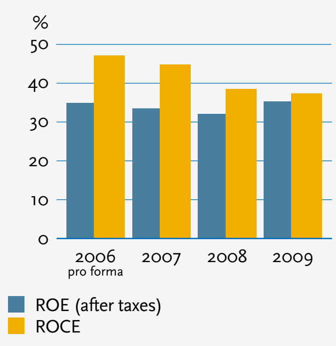
**Administrative expenses** were EUR 50.2 (51.5) million. The expenses for the comparative period include a provision of EUR 3.9 million made in December 2008 for staff reduction costs. The costs of the ongoing patent litigation in the United States were EUR 8.8 (6.7) million. There is more information on the legal proceedings in the section "Legal proceedings".

**Net sales**
Steady growth in net sales


**Operating profit and profit before taxes**
Operating profit increased




**Return on equity**
High return on equity



**Other operating income and expenses** increased profit by EUR 6.0 (3.1) million. This includes the one-time payment of EUR 4.0 million from Pfizer related to an agreement under which animal sedative distribution rights in Europe reverted to Orion.

## Profit before taxes

Group profit before taxes totalled EUR 203.7 (184.2) million. Earnings per share were EUR 1.07 (0.97) and equity per share EUR 3.11 (2.97). The return on capital employed before taxes (ROCE) was 37.4% (38.5%) and the return on equity after taxes (ROE) 35.3% (32.1%).

## Financial position

The Group's gearing was -8.9% (-7.1%) and the equity ratio 60.6% (60.2%).

Total liabilities at 31 December 2009 in the Consolidated Statement of Financial Position were EUR 287.9 (276.9) million. At the end of the period, interest-bearing liabilities amounted to EUR 131.5 (146.3) million, including EUR 108.7 (109.9) million of long-term loans.

The Group had EUR 170.5 (176.1) million of cash and cash equivalents at the end of the year, which are invested in short-term interest-bearing instruments issued by financially solid financial institutions and corporations.

## Cash flow

**Cash flow from operating activities** increased to EUR 204.6 (144.4) million. Operating profit was EUR 22.0 million higher than in the comparative period, and the amount tied up in working capital was EUR 30.3 million less than in 2008.

**Cash flow from investing activities** was EUR -59.5 (-51.8) million.

**Cash flow from financing activities** was EUR -152.1 (-4.8) million. The change was because the Group's loans increased by EUR 141.1 million in 2008 and decreased by EUR 17.6 million in 2009.

## Capital expenditure

The Group's **capital expenditure** totalled EUR 60.4 (56.8) million. This comprised EUR 25.1 (32.8) million on **property, plant and equipment** and EUR 35.2 (24.0) million on **intangible assets**. The largest individual investment was the repurchase of the Simdax marketing rights from Abbott in May for EUR 26 million, including signature and milestone payments as per the agreement.

## Outlook estimate for 2010

**Net sales** will be slightly higher than in 2009.

Marketing expenditure will be higher due to the increased number of product launches and increased costs of sales and marketing related to Simdax. Research expenditure will be slightly lower than in 2009. The costs of ongoing patent litigation in the United States are also expected to be similar to 2009.

**Operating profit** excluding non-recurring items will be slightly higher than in 2009.

**The Group's capital expenditure** will be about EUR 40 million excluding substantial corporate or product acquisitions.

## Basis for outlook

The reference price system implemented in Finland in April 2009 increased price competition in the category of substitutable products, which led to a clear decrease in prices. During 2010 price competition is expected to moderate slightly compared with the previous year. Product launches will support Orion's position as market leader in 2010 too.

In-market sales of the Parkinson's drugs Stalevo and Comtess/Comtan grew by just over 10% in 2009, as in the previous year. However, the growth was faster than anticipated, and is forecast to slow down slightly in 2010. These forecasts assume that generic competition does not yet begin in the United States during 2010.

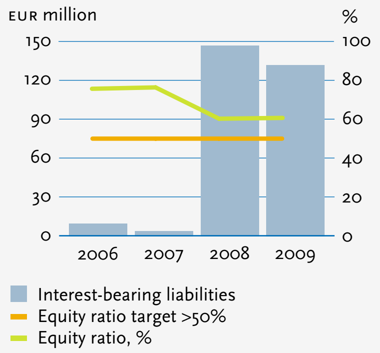
Repurchasing of the marketing rights to Simdax from Abbott in May 2009 will increase sales compared with the previous year because in-market sales of the product will appear as Orion's own sales throughout the year. During the first four months of 2009, for Simdax Orion recorded in its own sales only sales of the product to Abbott.

Because the registrations and launches of new products are projects that take more than a year, the increases in resources and other inputs required in 2010 were planned mainly during the previous year.

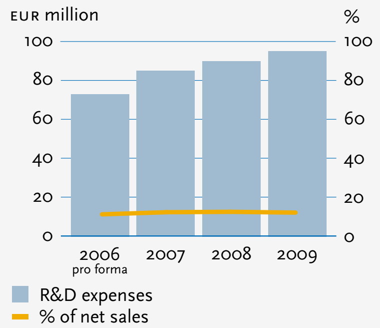
Research and development costs can be estimated quite accurately in advance. They are partly the Company's internal fixed cost items, such as salaries and maintenance of the operating infrastructure, and partly external variable costs. External costs arise from, among other things, long-term clinical trials, which are typically performed in clinics located in several countries. The most important clinical trials scheduled for 2010 are either ongoing from the previous year or at an advanced stage of planning, therefore their cost level can be estimated rather accurately.

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

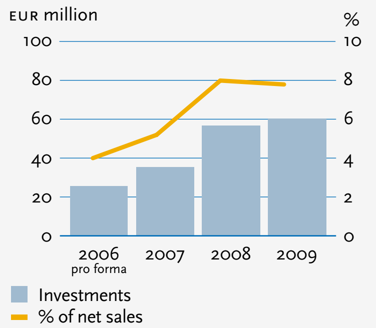
**Equity ratio and liabilities**
Equity ratio well over target




**R&D expenses**
Expenditure on R&D increased




**Investments**
Investing activities grew slightly



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

The Company is not aware of any significant risk factors relating to the earnings outlook for 2010.

Sales of individual products and also Orion's sales in individual markets may vary slightly depending on the extent to which the ever-tougher price and other competition prevailing in pharmaceutical markets in recent years will specifically affect Orion's products. Deliveries to Novartis are based on timetables that are jointly agreed in advance. Nevertheless, they can change, for example as a consequence of decisions by Novartis concerning adjustments of stock levels. It is assumed that the ongoing litigation will not affect the sales of Comtan or Stalevo in the United States in 2010, but it is not impossible that generic competition will commence already during the current year.

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

Research projects always entail uncertainty factors that may either increase or decrease estimated costs. The projects may progress more slowly or faster than assumed, or they may be discontinued. Nonetheless, changes that may occur in ongoing clinical studies are reflected in costs relatively slowly, and they are not expected to have a material impact on earnings in the current year. Owing to the nature of the research process, the timetables and costs of new studies that are being started are known well in advance. They therefore typically do not lead to unexpected changes in the estimated cost structure.

## Financial objectives

Orion's financial objectives are ensuring the Group's financial stability and creating a foundation for long-term profitable growth.

The principal means of achieving these objectives are:

- improving the organic development of net sales and operating profit through product, product portfolio and corporate acquisitions
- increasing the efficiency of operations and cost control
- maintaining a stable financial position, with the equity ratio at least 50%

Sales of the Parkinson's drugs Stalevo and Comtess/Comtan currently account for approximately one-third of Orion's net sales. The key patents for these drugs in Orion's main markets will expire in 2012–2013, which is why their sales are expected to decline over the next few years. Orion will also bring new products to the market to replace this drop in net sales.

The development of Orion's net sales and profitability in the next few years will depend on how fast the sales of Parkinson's drugs will decline and, on the other hand, how the sales of other products will increase in the future. This creates a point of discontinuity in the Group's operations.

## Dividend policy

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

## Proposal by the Board for distribution of profit

The parent company's distributable funds are EUR 189,019,101.80, including EUR 136,467,859.83 of profit for the financial year.

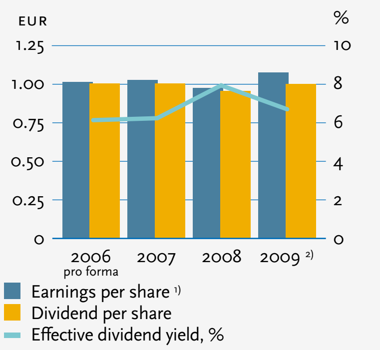
The Board of Directors proposes that a dividend of EUR 1.00 per share be paid from the parent company's distributable funds. No dividend shall be paid on treasury shares held by the Company on the dividend payment record date. On the day when the profit distribution was proposed, the number of shares conferring entitlement to receive dividend totalled 140,977,798, on which the total dividend payment would be EUR 140,977,798.00. The Group's payout ratio for the financial year 2009 would be 93.5% (97.9%).The dividend payment date would be 7 April 2010, and shareholders registered in the Company's shareholder register on 29 March 2010 would be entitled to the dividend payment.

The Board of Directors further proposes that EUR 150,000.00 be donated to medical research and other purposes of public interest and that EUR 47,891,303.80 remain in the retained earnings accounts.

## Proposal by the Board for distribution of equity

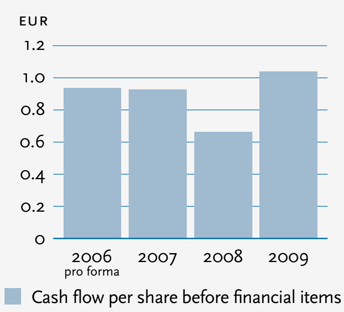
The Board of Directors proposes to the Annual General Meeting of Orion Corpora-

**Earnings per share and dividend**
Earnings per share clearly higher

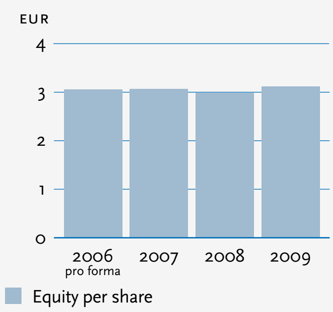



1) The Company has no items that could dilute the earnings per share.
2) The Board proposes that the dividend for 2009 be EUR 1.00 per share and that EUR 0.10 per share be distributed as a repayment of capital.

**Cash flow per share**
Cash flow per share considerably higher




**Equity per share**
Equity per share increased slightly



tion to be held on 24 March 2010 that EUR 0.10 per share be distributed from the expendable fund in the distributable equity as a repayment of capital. The repayment of distributable equity would be paid to the Orion Corporation shareholders registered in the shareholder register maintained by Euroclear Finland on 29 March 2010, the record date for dividend payment. The payment date would be 7 April 2010.

## Business Reviews

## Pharmaceuticals

### Review of human pharmaceuticals market

Finland is the most important individual market for Orion, generating about one-third of the Group's net sales. According to statistics collected by Finnish Pharmaceutical Data Ltd, **Finnish wholesale of human pharmaceuticals** in 2009 totalled EUR 1,947.3 million, down by 0.5% on the previous year. In terms of the number of packages, overall sales were down by 2.3%. Total pharmacy sales were down by 0.9%, while hospital sales were up by 0.9%. The wholesale of prescription drugs in the whole market was down by 0.9% and wholesale of self-care products up by 3.0%. According to Statistics Finland, pharmaceutical prices in Finland decreased by 3.6% in 2009.

Orion continued to strengthen its position as leader in marketing pharmaceuticals in Finland. According to statistics collected by Finnish Pharmaceutical Data, **Orion's wholesale of pharmaceuticals in Finland** in 2009 amounted to EUR 186.0 million, up by 3.2% on the previous year. Orion's sales grew slightly, even though the reference price system implemented in April reduced the overall market. Orion's market share was 9.6% (9.2%), which was 2.5 percentage points higher than the second-largest company's market share.

The most important individual therapy area for Orion is still the treatment of Parkinson's disease. Orion's Parkinson's drugs account for approximately one-third of the Group's net sales. According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in September 2009 the **total sales of Parkinson's drugs** in the United States came to USD 981 million (USD 1,057 million in the previous 12-month period), which is 7.2% less than in the comparative period. The rapid change in the market trend was caused by the expiry of the patent for the leading product, a dopamine agonist, and the resulting competition from generic products. The five largest European markets for Parkinson's disease drugs were Germany, the United Kingdom, France, Spain and Italy. In these countries, the combined sales of Parkinson's drugs in the 12-month period ending in September totalled EUR 895 (852) million, and the average market growth was 5.1%.

**Sales of Orion's Parkinson's drugs** continued to grow clearly faster than the market as a whole. According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in September 2009, sales of Orion's Parkinson's drugs were up by 15.3% at EUR 492 million (EUR 427 million in the previous 12-month period).

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

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

Net sales of the Pharmaceuticals business in 2009 were EUR 728.5 (667.6) million, up by 9.1% on the previous year. The operating profit of the Pharmaceuticals business was up by 11.8% at EUR 210.7 (188.5) million. The operating profit of the Pharmaceuticals business was 28.9% (28.2%) of the segment's net sales.

Net sales of the top ten pharmaceuticals in 2009 were up by 11.4% at EUR 378.3 (339.7) million. They accounted for 52% (51%) of the total net sales of the Pharmaceuticals business. Among these best-sellers, the fastest-growing products were Simdax heart failure drug, Precedex sedative for patients in intensive care, Stalevo Parkinson's drug and Easyhaler pulmonary drugs.

Net sales of the products based on own in-house R&D in 2009 were up by 12.7% at EUR 346.5 (307.5) million. These products accounted for about 48% (46%) of the net sales of the Pharmaceuticals business.

### Proprietary Products

The product portfolio of Proprietary Products consists of patented prescription products in three therapy areas: central nervous system diseases; oncology and critical care; and Easyhaler® pulmonary drugs. At the beginning of the year, Easyhaler drugs were transferred from the Specialty Products to the Proprietary Products division. At the same time, hormone replacement products, such as the Divina® range, and toremifene products, such as Fareston®, were transferred to Specialty Products.

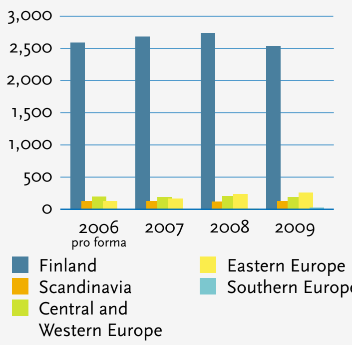
Net sales of Proprietary Products were up by 16.5% in 2009 at EUR 324.0 (278.1) million.

Net sales of Orion's Parkinson's drugs in 2009 totalled EUR 234.9 (208.5) million. The net sales were up by 12.7% and accounted for 32% (31%) of the total net sales of the Pharmaceuticals business. Net sales from deliveries of Stalevo and Comtan to Novartis totalled EUR 137.8 (118.1) million, up by 16.7% on the previous year. Deliveries of Stalevo to Novartis increased by 20.6%, and deliveries of Comtan by 9.8%. Total net sales generated by Stalevo and Comtess in Orion's own sales organisation were up by 7.5% at EUR 97.1 (90.4) million. Net sales of Stalevo through Orion's own sales organisation were up by 16.8% at EUR 77.1 (66.0) million. The depreciation of the British pound and Scandinavian currencies have slowed euro-denominated sales.

Orion has withdrawn the applications in the EU countries and the United States to extend the indication of Stalevo. Currently, Stalevo is approved for treatment of advanced Parkinson's disease.

Orion has ongoing patent litigation in the United States against the Sun compa-

**Personnel by area**
Over 600 Orion employees outside Finland



nies and Sandoz companies. The Sun companies aim to launch generic versions of Orion's Comtan and Stalevo, and the Sandoz companies a generic version of Orion's Precedex in the United States. Legal proceedings against the Wockhardt companies ended in settlement in April 2009.

In May, Orion repurchased from Abbott the rights to intravenously administered Simdax (levosimendan), a drug for acute decompensated heart failure. The transfer of the rights to Simdax has proceeded according to plan and the sales progressed well.

Net sales of the Easyhaler® product family in 2009 were up by 12.2% at EUR 24.9 (22.2) million. The marketing rights to Easyhaler products in the United Kingdom and Hungary were transferred back to Orion in 2009.

Launches of the Vantas® implant (histrelin) for treatment of advanced prostate cancer began in Europe during 2009. Orion acquired the European-wide rights for the drug from Endo Pharmaceuticals Solutions Inc. of the United States.

### Specialty Products

Net sales of the Specialty Products business division's off-patent, i.e. generic, prescription drugs and self-care products were up by 5.5% in 2009 at EUR 274.8 (260.5) million. Depreciation of Scandinavian and Eastern European currencies in 2009 slowed the growth of euro-denominated net sales of the business division.

Net sales of Orion's human pharmaceuticals in Finland in 2009 were up by 4.6% at EUR 204.3 (195.3) million. Specialty Products accounted for the majority of sales in Finland. Orion improved its market position owing to its broad product portfolio, particularly in substitutable prescription drugs, although market conditions deteriorated following the introduction of the reference price system in Finland in April. The reference price system has further intensified price competition, but also expanded the range of substitutable products. For example, the anti-psychotic drug Ketipinor® (quetiapine) and cholesterol-lowering drug Atorvastatin Orion® (atorvastatin) launched at the beginning of the year have been particularly successful.

Net sales of Orion's human pharmaceuticals in Eastern Europe in 2009 were up by 1.8% at EUR 38.7 (38.0) million. Specialty Products accounted for the majority of sales in the region. The growth of euro-denominated net sales in Eastern Europe was slowed by the severe depreciation of currencies in the region and the economic recession.

Orion has strengthened its product portfolio in Scandinavia, especially in self-care products. Orion aims to make its domestic market all the Nordic countries, not just Finland. Strong growth in Scandinavia has been supported by transfer of distribution of the Sebamed product family to Orion and, for instance, the successful launch of Penomax® antibiotic (pivmecillinam) in the Nordic countries. Orion is preparing for changes in distribution channels in Sweden too, where the national pharmacy monopoly was abolished in 2009.

A limitation based on new safety data has been added to the product information for Fareston® breast cancer drug (toremifene) stating that the drug should not be used by patients with arrhythmia, or increased risk of arrhythmia.

### Animal Health

Net sales of the Animal Health business division were down by 7.5% in 2009 at EUR 62.1 (67.2) sales of the animal sedatives Dexdomitor® (dexmedetomidine), Domitor® (medetomidine), Domosedan® (detomidine) and Antisedan® (atipamezole) were down by 21.4% and accounted for 31% (37%) of the division's net sales. Sales of animal sedatives decreased due to price competition in Europe following the expiry of patents.

The rights in Europe to an animal sedative product family that Orion had developed reverted from Pfizer Animal Health to Orion at the end of the year. Following the agreement, Orion will start marketing the product family in some Eastern European markets in addition to the Nordic countries. Pfizer will continue to market Orion's animal sedatives in, for example, North and South America. In other markets partners will market the products. Pfizer paid Orion four million euros at the end of 2009 in connection with this arrangement.

In late 2009, Orion obtained market authorisation in Europe for Domosedan gel, a sedative for horses. Product launches in Europe will begin in early 2010.

Orion remained the Finnish market leader in veterinary drugs with a market share of about 20%. According to statistics for veterinary drugs, the Finnish market for veterinary drugs was about EUR 46 million in 2009, up by 6.8% on the previous year. Orion's position as the market leader is due to Orion's extensive product portfolio and its operations in the Finnish market for veterinary drugs over a long time.

Following the results of the LEVET research programme, Orion is not intending to submit marketing authorisation applications for levosimendan in the United States and Europe. The programme studied the efficacy of orally administered levosimendan in the treatment of heart diseases in dogs.

### Fermion

Fermion manufactures active pharmaceutical ingredients for Orion and other pharmaceutical companies. Its product range comprises nearly 30 pharmaceutical ingredients. Fermion's net sales were up by 14.5% in 2009 at EUR 41.4 (36.1) million, excluding pharmaceutical ingredients supplied for Orion's own use. Orders for some key products are still high, even though competition in the markets remains intense. Special attention has been paid to improving cost efficiency in the business division to maintain competitiveness.

### Research and development

Orion's pharmaceutical R&D focuses on the following core therapy areas: central nervous system drugs, oncology and critical care drugs, and Easyhaler pulmonary drugs. In addition to in-house research, Orion invests in early-stage R&D jointly with universities and other pharmaceutical companies. In Phase III clinical studies, Orion prefers to share the costs with other pharmaceutical companies. In this way, Orion can ensure an increasing number of new research projects and balance the risks of projects in the research pipeline. Orion also seeks to purchase new product candidates to reinforce the research pipeline based on its own research projects. In this way Orion reinforces its capability to continue operating as a company that provides new drugs and engages in pharmaceutical R&D.

The Group's **R&D expenses** totalled EUR 95.2 (90.0) million, of which the Pharmaceuticals business accounted for EUR 89.4 (85.4) million. The Group's R&D expenses accounted for 12.3% (12.7%) of the Group's net sales.

Orion has Phase III clinical studies of the **sedative dexmedetomidine** in progress in patients in intensive care as a prolonged infusion administered for over 24 hours. In the United States and Japan, for example, the drug is already available as a sedative for patients in intensive care administrable for a maximum of 24 hours. The aim is to have the drug registered also in the EU. Dexmedetomidine is compared with midazolam in the MIDEX study and with propofol in the PRODEX study. For both studies, 500 patients have been recruited and results of the research programme are expected at the latest in summer 2010.

Orion has an ongoing project to broaden the range of the **Easyhaler** product family. A new **budesonide–formoterol formulation** is being developed in this research that combines budesonide as an anti-inflammatory agent and formoterol as a long-acting bronchodilator. Orion's aim is to utilise Easyhaler technology not just in current products and development projects, but also to develop new products.

Orion is collaborating with Novartis to develop **Stalevo for the Japanese market.**

Orion has an **alpha $2_C$ receptor antagonist** undergoing clinical Phase I studies. In early research, this compound has been found to be possibly suitable for the treatment of the symptoms of Alzheimer's disease or schizophrenia.

Orion has several projects in the **early research phase** investigating selective androgen receptor modulators (SARM), prostate cancer, neuropathic pain, Parkinson's disease and other possible indications within intensive care, among others.

Orion has withdrawn the applications in the EU countries and the United States to extend the indication of Stalevo. Currently, Stalevo is approved for treatment of advanced Parkinson's disease.

Following the results of the LEVET programme, Orion is not intending to submit marketing authorisation applications for levosimendan in the United States and Europe. The programme studied the efficacy of orally administered levosimendan in the treatment of heart diseases in dogs.

## Diagnostics

Net sales of the Orion's Diagnostics business in 2009 were EUR 45.2 (45.0) million. Euro-denominated net sales were slowed by depreciation of the Nordic currencies, whereas sales to China and the Czech Republic were higher than in the previous year.

QuikRead® tests maintained their position as the main products, with reagent and equipment sales continuing to grow strongly. The tests are used in, for example, detecting infection from the CRP level in a blood sample. The tests can also detect streptococcus A, the causative agent of bacterial tonsillitis, in a pharyngeal sample. The increasing selection of QuikRead products in doctors' surgeries and clinical laboratories creates a solid basis for future demand for reagents.

Sales of dip slide tests, especially sales of hygiene tests for industry, decreased as capacity utilisation rates in industries declined.

Operating profit was EUR 5.6 (6.1) million, down by 9.1% due to increases in planned investments in product development.

## Shares and shareholders

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

### Voting rights conferred by shares

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

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

### Conversion of shares

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares. In 2009 a total of 100,000 shares were converted.

### Trading in Orion's shares

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

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

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

### Authorisation of the Board of Directors to dispose of shares

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

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

Altogether 44,806 B shares held by the Company were transferred in March 2009 as a share bonus for 2008 to key persons employed by the Company and belonging to the Share-based Incentive Plan of the Orion Group. This was based on the authorisation granted by the Annual General Meeting on 25 March 2008. The transfer price of the shares transferred was EUR 11.97 per share, which was the weighted average price of the B shares on 5 March 2009. The total transfer price of the shares transferred was EUR 536,417.43.

### Share ownership

At the end of 2009, Orion had a total of 54,323 (43,119) registered shareholders, of whom 94.0% (94.1%) were private individuals holding 51.9% (48.3%) of the entire share stock and 60.6% (59.2%) of the total votes. There were altogether 31.3 (34.7) million nominee-registered shares, which is 22.1% (24.5%) of all shares, and they conferred entitlement to 4.2% (6.1%) of the votes.

At the end of 2009, Orion held 280,030 B shares as treasury shares, which is 0.2% of the Company's total share stock and 0.03% of the total votes.

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

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

### Management's shareholdings

At the end of 2009, the members of the Board of Directors owned a total of 2,322,438 Orion Corporation shares, of which 1,903,932 were A shares and 418,506 B shares. At the end of 2009, the President and CEO owned 11,950 Orion Corporation shares, which were all B shares. The members of the Executive Management Board (excluding the President and CEO) owned a total of 66,733 Orion Corporation shares, of which 1,228 were A shares and 65,505 were B shares. Thus, Orion's executive management held 1.7% of all shares and 3.5% of the total votes. The figures also include the holdings of controlled entities.

The Company does not have share option schemes.

## Corporate Governance

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

The parent company of the Group is Orion Corporation, whose shareholders exercise their decision-making power at a General Meeting of Shareholders in accordance with the Limited Liability Companies Act and the Articles of Association. General Meetings of Shareholders elect the Board of Directors and decide on amendments to the Articles of Association, issuance of shares and repurchase of the Company's own shares, among other things.

The Board of Directors of the Group handles and decides all the most important issues relating to the operations of the whole Group or any units irrespective of whether the issues legally require a decision of the Board of Directors. The Board also ensures that good corporate governance practices are followed in the Orion Group.

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

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

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

### Annual General Meeting on 23 March 2009

Orion Corporation's Annual General Meeting was held on 23 March 2009 in the Helsinki Fair Centre. In addition to matters in accordance with Section 10 of the Articles of Association and Chapter 5, Section 3 of the Limited Liability Companies Act, the meeting dealt with the proposals concerning amendments to the Articles of Association, authorisation of the Board of Directors to dispose of treasury shares in the Company, and the election and remuneration of the Board of Directors and the auditor.

A dividend of EUR 0.95 per share was approved for 2008, in accordance with the Board's proposal.

Authorised Public Accountants PricewaterhouseCoopers Oy were elected as the Company's auditor for the following term of office.

### Annual General Meeting on 24 March 2010

Orion Corporation's Annual General Meeting will be held at 14:00 on Wednesday 24 March 2010 in the Helsinki Fair Centre.

## Significant risks and uncertainties

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

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

Operational risk management also includes project-specific risk management.

### Agreements referred to in Ministry of Finance decree 153/2007, Section 6.1, Paragraph 11

Orion and its marketing partner Novartis have marketing agreements concerning the Comtess®/Comtan® and Stalevo® drugs. These agreements include terms concerning change of control in the company that entitle a party to terminate the agreement in certain circumstances, as referred to in the Ministry of Finance Decree 153/2007, Section 6.1, Paragraph 11.

## Personnel

The average number of employees in the Group in 2009 was 3,192 (3,270). At the end of 2009, the Group had a total of 3,147 (3,309) employees, of whom 2,529 (2,726) worked in Finland and 617 (583) outside Finland.

Salaries and other personnel expenses in 2009 totalled EUR 171.4 (170.9) million.

## Environmental issues

Orion's own production operations have only minor environmental impacts, mainly relating to consumption of energy, raw materials and water, emissions into the air and amounts of waste. All Orion's production units are in Finland. The operations of the plants are regulated by environmental permits. Orion has manufacturing plants at five locations: Espoo, Hanko, Kuopio, Turku and Oulu.

The environmental impacts of Orion's production operations are monitored by, for example, measuring emissions into the air and water, keeping track of amounts of waste (especially hazardous waste), monitoring consumption of raw materials and measuring energy efficiency. Orion continuously strives to improve its environmental protection, and controls its operations through, for example, internal audits.

## Significant legal proceedings

### Legal proceedings against the Sun companies

On 13 November 2007, 7 February 2008 and 12 November 2008, Orion Corporation filed patent infringement lawsuits in the United States to enforce US Patents No. 6,500,867 and 5,446,194 against companies belonging to the Sun Group.

Sun Pharmaceutical Industries Limited seeks to market generic versions of Orion's Stalevo® drug (25/100/200 and 37.5/150/200 mg strengths of carbidopa, levodopa and entacapone) in the United States. Sun Pharma Global, Inc. seeks to market a generic version of Orion's proprietary drug Comtan® in the United States.

### Legal proceedings against the Sandoz companies

On 4 September 2009, Orion Corporation and Hospira, Inc. filed together a patent infringement lawsuit in the United States against Sandoz International GmbH and Sandoz Inc. to enforce their patents valid in the United States. The legal proceedings concern Orion's US Patent No. 4,910,214 and Orion's and Hospira's commonly owned US Patent No. 6,716,867.

Sandoz Inc. has sought authorisation to produce and market in the United States a generic version of Orion's proprietary drug Precedex® (dexmedetomidine hydrochloride 100 µg base/ml), which is marketed in the United States by Orion's licensee Hospira.

Orion expects the costs of the legal proceedings against the Sandoz companies to be substantially less than the costs of the ongoing entacapone patent litigation in the United States.

### Agreement reached in legal proceedings against the Wockhardt companies

On 29 April 2009, Orion Corporation and Wockhardt USA, LLC and Wockhardt Limited (jointly "Wockhardt") reached a settlement agreement in the dispute in which Orion had filed a lawsuit against Wockhardt to enforce its US patents after Wockhardt had filed Abbreviated New Drug Applications (ANDA) for generic versions of Orion's Comtan® and Stalevo® products.

Orion filed its first lawsuit against Wockhardt in the United States in 2007 and two more in 2008. The settlement agreement applies to all three lawsuits. According to the terms of the settlement agreement, Wockhardt may launch generic versions of Comtan and Stalevo in the US market on 30 September 2012, or possibly before that if certain conditions are met. The parties have agreed that Orion will supply the said generic products to Wockhardt. Any other terms of the agreement will not be made public by the parties.

Due to the settlement, all three lawsuits were terminated and Orion's US patents No. 5,446,194; 5,135,950; 6,599,530; 6,797,732; and 6,500,867 will remain in force.

In accordance with current US legislation, Orion has submitted all of the abovementioned agreements to the US Federal Trade Commission and the United States Department of Justice.

# Consolidated financial statements (IFRS)

## Consolidated statement of comprehensive income

| EUR million | Note | 2009 | 2008 |
|---|---|---|---|
| **Net sales** | 1 | 771.5 | 710.7 |
| Cost of goods sold | | -265.2 | -243.4 |
| **Gross profit** | | 506.3 | 467.4 |
| Other operating income and expenses | 2 | 6.0 | 3.1 |
| Selling and marketing expenses | 3, 4 | -160.0 | -143.9 |
| R&D expenses | 3, 4 | -95.2 | -90.0 |
| Administrative expenses | 3, 4 | -50.2 | -51.5 |
| **Operating profit** | | 207.0 | 185.0 |
| Finance income | 5 | 5.1 | 7.6 |
| Finance expenses | 5 | -8.4 | -8.5 |
| **Profit before taxes** | | 203.7 | 184.2 |
| Income tax expense | 6 | -52.3 | -47.8 |
| **Profit for the period** | | 151.4 | 136.3 |
| | | | |
| **Other comprehensive income** | | | |
| Translation differences | | 1.3 | -2.8 |
| Cash flow hedges | | 0.9 | -1.0 |
| **Other comprehensive income net of tax** | | 2.1 | -3.9 |
| | | | |
| **Comprehensive income for the period** | | 153.5 | 132.5 |
| | | | |
| **Profit attributable to** | | | |
| Owners of the parent company | | 151.4 | 136.3 |
| Minority interest | | 0.0 | 0.0 |
| | | | |
| **Total comprehensive income for the period attributable to** | | | |
| Owners of the parent company | | 153.5 | 132.5 |
| Minority interest | | 0.0 | 0.0 |
| | | | |
| **Earnings per share, EUR** [1] | | 1.07 | 0.97 |
| | | | |
| Depreciation and amortisation | | 34.4 | 31.6 |
| Personnel expenses | | 171.4 | 170.9 |

[1] The figure has been calculated from the profit attributable to the owners of the parent company. The Company has no items that could dilute the earnings per share.

The notes are a material part of the Financial Statements.

# Consolidated statement of financial position

## Assets

| EUR million, 31 Dec | Note | 2009 | 2008 |
|---|---|---|---|
| Property, plant and equipment | 8 | 192.0 | 192.4 |
| Goodwill | 9 | 13.5 | 13.5 |
| Intangible rights | 9 | 63.4 | 37.5 |
| Other intangible assets | 9 | 3.7 | 2.9 |
| Investments in associates | 10 | 0.1 | 0.1 |
| Available-for-sale investments | 11 | 1.0 | 0.9 |
| Pension asset | 12 | 29.8 | 29.3 |
| Deferred tax assets | 13 | 5.5 | 4.2 |
| Other non-current receivables | 14 | 0.9 | 1.5 |
| **Non-current assets, total** | | 309.9 | 282.3 |
| | | | |
| Inventories | 15 | 122.7 | 131.7 |
| Trade receivables | 16 | 102.6 | 83.1 |
| Other receivables | 16 | 21.4 | 22.3 |
| Cash and cash equivalents | 17 | 170.5 | 176.1 |
| **Current assets, total** | | 417.2 | 413.1 |
| | | | |
| **Assets, total** | | 727.1 | 695.5 |

## Equity and liabilities

| EUR million, 31 Dec | Note | 2009 | 2008 |
|---|---|---|---|
| Share capital | | 92.2 | 92.2 |
| Share premium | | 17.8 | 17.8 |
| Expendable fund | | 23.0 | 23.0 |
| Other reserves | | 0.0 | -0.9 |
| Retained earnings | | 306.0 | 286.3 |
| **Equity attributable to owners of the parent company** | | 439.1 | 418.5 |
| Minority interest | | 0.0 | 0.0 |
| **Equity, total** | 18 | 439.1 | 418.6 |
| | | | |
| Deferred tax liabilities | 13 | 43.0 | 42.0 |
| Pension liability | 12 | 0.8 | 0.8 |
| Provisions | 19 | 0.5 | 0.4 |
| Interest-bearing non-current liabilities | 20 | 108.7 | 109.9 |
| Other non-current liabilities | 21 | 0.1 | 0.9 |
| **Non-current liabilities, total** | | 153.1 | 153.9 |
| | | | |
| Trade payables | 22 | 42.3 | 30.2 |
| Current tax liabilities | | 3.0 | 2.4 |
| Other current liabilities | 22 | 66.8 | 54.0 |
| Provisions | 19 | 0.0 | |
| Interest-bearing current liabilities | 20 | 22.7 | 36.4 |
| **Current liabilities, total** | | 134.8 | 123.0 |
| | | | |
| **Liabilities, total** | | 287.9 | 276.9 |
| | | | |
| **Equity and liabilities, total** | | 727.1 | 695.5 |

The notes are a material part of the Financial Statements.

# Consolidated statement of changes in equity

| EUR million | Note | Share capital | Share premium | Expendable fund | Other reserves | Translation differences | Retained earnings | Minority interest | Equity total |
|---|---|---|---|---|---|---|---|---|---|
| | | Equity attributable to owners of the parent company | | | | | | | |
| **Equity at 1 January 2008** | | 92.2 | 17.8 | 23.0 | 0.5 | -4.1 | 301.7 | 0.0 | 431.1 |
| Dividend | 18 | | | | | | -140.9 | | -140.9 |
| Repurchase of own shares | 18 | | | | | | -4.8 | | -4.8 |
| Share-based incentive plan | 4 | | | | | | 0.6 | | 0.6 |
| Other changes | | | | | -0.3 | | 0.4 | | 0.1 |
| Comprehensive income for the period | | | | | -1.0 | -2.8 | 136.3 | | 132.4 |
| **Equity at 31 December 2008** | | 92.2 | 17.8 | 23.0 | -0.9 | -6.9 | 293.3 | 0.0 | 418.6 |
| Dividend | 18 | | | | | | -133.9 | | -133.9 |
| Share-based incentive plan | 4 | | | | | | 0.9 | | 0.9 |
| Other changes | | | | | 0.0 | | 0.1 | -0.0 | 0.1 |
| Comprehensive income for the period | | | | | 0.9 | 1.3 | 151.4 | | 153.5 |
| **Equity at 31 December 2009** | | 92.2 | 17.8 | 23.0 | 0.0 | -5.7 | 311.7 | 0.0 | 439.1 |

The notes are a material part of the Financial Statements.

# Consolidated statement of cash flows

| EUR million | Note | 2009 | 2008 |
|---|---|---|---|
| **Operating profit** | | 207.0 | 185.0 |
| | | | |
| Depreciation and amortisation | 3 | 34.4 | 31.6 |
| Gains/losses on sales of property, plant and equipment and disposals of property, plant and equipment | | 1.1 | 0.1 |
| Unrealised foreign exchange gains and losses | | 1.7 | -1.3 |
| Change in pension asset and pension obligation | 12 | -0.5 | -2.6 |
| Change in provisions | 19 | 0.1 | 0.2 |
| Other adjustments | | 0.9 | 0.7 |
| **Adjustments to operating profit, total** | | 37.7 | 28.7 |
| | | | |
| Change in trade and other receivables | | -20.8 | -2.1 |
| Change in inventories | | 9.1 | -10.7 |
| Change in trade and other payables | | 27.0 | -2.2 |
| **Change in working capital, total** | | 15.3 | -15.0 |
| | | | |
| Interest paid | | -9.7 | -7.0 |
| Interest received | | 4.9 | 7.5 |
| Income taxes paid | 6 | -50.6 | -54.9 |
| **Net cash generated from operating activities, total** | | 204.6 | 144.4 |
| | | | |
| Investments in property, plant and equipment | 8 | -24.6 | -30.8 |
| Investments in intangible assets | 9 | -36.1 | -23.0 |
| Acquisition of subsidiary, net of cash acquired | | -0.0 | -0.0 |
| Proceeds from sales of property, plant and equipment and available-for-sale investments | 8 | 0.8 | 1.5 |
| Proceeds from sales of intangible assets | 9 | 0.5 | 0.5 |
| **Net cash used in investing activities, total** | | -59.5 | -51.8 |
| | | | |
| Short-term loans raised | 20 | 0.7 | 121.7 |
| Repayments of short-term loans | 20 | -19.8 | -105.1 |
| Long-term loans raised | 20 | 22.8 | 125.0 |
| Repayments of long-term loans | 20 | -21.3 | -0.5 |
| Repurchase of own shares | | | -4.8 |
| Dividends paid and other distribution of profits | 18 | -134.4 | -141.1 |
| **Net cash used in financing activities, total** | | -152.1 | -4.8 |
| | | | |
| **Net change in cash and cash equivalents** | | -7.0 | 87.7 |
| | | | |
| Cash and cash equivalents at 1 Jan | 17 | 176.1 | 90.4 |
| Foreign exchange differences | | 1.4 | -2.1 |
| Net change in cash and cash equivalents | | -7.0 | 87.7 |
| Cash and cash equivalents at 31 Dec | 17 | 170.5 | 176.1 |

The notes are a material part of the Financial Statements.

# Notes to the consolidated financial statements

## General information

Orion Corporation is a Finnish public limited liability company domiciled in Espoo, Finland, and registered at Orionintie 1, FI-02200 Espoo. Orion Corporation and its subsidiaries develop and manufacture pharmaceuticals, active pharmaceutical ingredients and diagnostic tests that are marketed globally.

The Orion Group's first financial year was 1 July–31 December 2006, because the Group came into being on 1 July 2006 following the demerger of its predecessor Orion Group into the pharmaceuticals and diagnostics businesses as well as the pharmaceutical wholesale and distribution business. Orion Corporation is listed on the NASDAQ OMX Helsinki stock exchange since 3 July 2006.

At its meeting on 9 February 2010, Orion's Board of Directors approved the publication of these Consolidated Financial Statements. Under the Finnish Companies Act, shareholders have the option to accept or reject the Financial Statements at the Annual General Meeting, which is held after the publication of the Financial Statements. In addition, the AGM may amend the financial statements. Copies of the Annual Report are available at www.orion.fi, and copies of the Financial Statements are available from Orion Corporation's headquarters, Orionintie 1, FI-02200 Espoo.

## Accounting policies

The Consolidated Financial Statements of the Orion Group have been prepared in accordance with International Financial Reporting Standards (IFRS), applying IAS and IFRS standards as well as SIC and IFRIC interpretations effective as of 31 December 2009. International Financial Reporting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedure stipulated in the EU's regulation (EC) No. 1606/2002 and embodied in the Finnish Accounting Act and provisions issued under it. The Notes to the Consolidated Financial Statements have also been prepared in accordance with the requirements in Finnish accounting legislation and Community law that complement the IFRS regulations.

The information in the Consolidated Financial Statements is based on historical cost convention, except for financial assets recorded at fair value through profit and loss, and available-for-sale investments, derivatives and share-based payments recorded at fair value.

Monetary figures in the Financial Statements are expressed in million euros unless otherwise stated.

### Change in accounting policy

**Change in accounting policy regarding product development costs**

The Orion Group changed its accounting policy regarding product development costs as of 1 January 2009. Costs relating to the support of products already on the market (mainly generic products) are now recognised in cost of goods sold instead of R&D expenses in the Statement of Comprehensive Income. This change has no effect on reported key figures, operating profit and Statement of Financial Position, but it reduces the R&D expenses previously reported for 2008 by EUR 13.4 million and correspondingly increases the cost of goods sold.

### Adoption of new standards and interpretations

For the financial year, the Group has adopted the following relevant standards, interpretations and amendments that became effective in 2009:

- IAS 1, *Presentation of Financial Statements* (Revised). The revised standard affects the presentation of the Consolidated Statement of Comprehensive Income and the Statement of Changes in Equity.

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. The revised standard also requires an entity to present a statement of financial position as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively or makes a retrospective restatement or when the entity reclassifies items in the financial statements.

The following standards and amendments that became effective in 2009 did not have material effects on the Consolidated Financial Statements:

- IFRS 8, *Operating Segments standard.* Standard replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The amendment has not changed the number of reportable segments presented and has not have any impact on the content of the segment reporting. The operating segments of the Group are the same as during IAS 14: Pharmaceuticals and Diagnostics business areas.
- IAS 23 (Revised), *Borrowing Costs.* Revised IAS 23 changes the accounting policy in respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset. Previously all borrowing costs could be recognised as an expense immediately. There were no acquisitions of qualifying assets and subsequent costs to be capitalised in the reporting period.
- IFRS 2 (Amendment), *Share-based Payment– vesting conditions and cancellations.* The amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are

non-vesting conditions.These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

- IAS 1, *Presentation of Financial Statements* and *IAS 32, Financial Instruments*: *Presentation (Amendments)*. Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation. The amendments classify the puttable financial instruments as equity, provided they have particular features and meet specific conditions. Before the amendment these instruments were classified as liability.
- IFRIC 11/IFRS 2, – *Group and Treasury Share Transactions.* The interpretation provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies.
- IFRS 7 *(Amendment), Financial Instruments: Enhancing Disclosures on Financial Instruments.* The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by levels of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures in the consolidated financial statements.
- IFRS 1 *(Amendment), First-time Adoption of International Financial Reporting Standards* and IAS 27 *(Amendment), Consolidated and Separate Financial Statements.* Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate in Adoption of IFRS. The amendments do not have any impact on the consolidated financial statements as the group is not a first time adopter of IFRSs.
- IAS 39 *(Amendment), Financial instruments: Recognition and measurement – Eligible Hedged Items.* The amendment does not have a material impact on the consolidated financial statements.
- IFRIC 12, *Service Concession Arrangements*
- IFRIC 13, *Customer Loyalty Programmes.* The interpretation is not relevant to the group's operations because none of the group's companies operate any loyalty programmes.
- IFRIC 14/ IAS 19, – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.* The interpretation is applied to post-employment defined benefit plans and other long-term defined benefit plans under IAS 19, if the plan includes minimum funding requirements. The interpretation also clarifies the criteria for recognition of an asset on future refunds or reductions in future contributions. The interpretation does not have any impact on the consolidated financial statements as the plans of the group do not include minimum funding requirements.
- IFRIC 15, *Agreements for Construction of Real Estate*

In addition, minor amendments to various standards that became effective in 2009 but have no material effects on the Consolidated Financial Statements have been adopted.

- IAS 1 (Amendment), *Current assets and current liabilities*
- IAS 19 (Amendment), *Employee Benefits*
- IAS 20 (Amendment), *Accounting for government grants and disclosure of government assistance*
- IAS 23 (Amendment), *Borrowing costs*
- IAS 27 (Amendment), *Consolidated and Separate Financial Statements*
- IAS 28 (Amendments), *Investments in associates*
- IAS 31 (Amendment), *Interests in joint ventures*
- IAS 36 (Amendment), *Impairment of assets*
- IAS 38 (Amendments), *Intangible assets*

The following standards and amendments to existing standards issued during the year 2009 will be adopted by the group in 2010. These will have the relevant changes to the group:

- IFRS 3 (Revised), *Business Combinations.* The revised standard continues to apply the acquisition method to business combinations, with some significant changes. The amendments apply to corporate arrangements undertaken after 1 January 2010.

The Group will adopt the following new standards, interpretations and amendments in 2010. These will not have a material impact on the consolidated financial statements.

- IFRIC 18, *Transfers of Assets from Customers*
- IFRIC 9 and IAS 39 (Amendment)[1)], *Reassessment of embedded derivatives on reclassification*
- IFRS 2 (Amendment)[1)], *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
- IFRS 1 (Amendment)[1)], *First-time adoption of Financial Instruments – Additional Exemptions for First-time Adopters*

IASB published changes to 12 standards or interpretations in April 2009 as part of the annual Improvements to IFRSs project, which will be adopted by the group in 2010. These will not have a material impact on the consolidated financial statements.

- IFRS 2 (Amendment), *Scope of IFRS 2 – Share-based Payment*
- IFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations*
- IFRS 8 (Amendment), *Operating Segments*
- IAS 1 (Amendment), *Presentation of Financial Statements*
- IAS 7 (Amendment), *Statement of Cash Flows*
- IAS 17 (Amendment), *Leases*
- IAS 18 (Amendment), *Revenue*
- IAS 36 (Amendment), *Impairment of Assets*
- IAS 38 (Amendments), *Intangible Assets*
- IAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*
- IFRIC 9 (Amendment), *Reassessment of Embedded Derivatives*
- IFRIC 16 (Amendment), *Hedges of a net investment in a foreign operation*

The following standards, interpretations and amendments will be adopted in 2011 or later:

- IAS 32 (Amendment), *Financial Instruments: Presentation – Classification of Rights Issues*
- IAS 24 (Revised)[1)], *Related Party Disclosures*
- IFRIC 19[1)], *Extinguishing Financial Liabilities with Equity Instruments*
- IFRIC 14 (Amendment)[1)], *Prepayments of a Minimum Funding Requirement*
- IFRS 9[1)], Financial Assets – *Classification and Measurement*

[1)] This revised standard / interpretation has not been approved for application in the EU.

## Consolidation Principles

### Subsidiaries

The Consolidated Financial Statements cover Orion Corporation and all companies directly or indirectly owned by it and controlled by the Group. A company is controlled by the Group when the Group owns more than 50% of the company's voting rights or has power to govern the financial and operating policies of the company so as to benefit from its operations.

Internal shareholdings have been eliminated using the purchase method of accounting. In the Consolidated Financial Statements, acquired subsidiaries are fully consolidated from the date the Group acquires control, and divested subsidiaries are de-consolidated from the date control ceases. All intra-Group transactions, receivables and liabilities, distribution of profit and unrealised internal gains are eliminated in the compilation of the Consolidated Financial Statements. The consolidated profit for the financial year is divided into portions attributable to owners of the parent company and non-controlling interest. The non-controlling interest is included in Group equity and is specified in the Statement of Changes in Equity.

### Associates and joint ventures

Associates are all companies over which the Group has significant influence but not control. Significant influence generally means a shareholding of 20% to 50% of the voting rights. Joint ventures are companies half-owned by the parent company or a subsidiary, and half-owned by another company outside the Group, and jointly controlled by them. Associates and joint ventures are incorporated into the Consolidated Financial Statements using the equity method of accounting.

If the Group's share of the losses of an associate or joint venture exceeds the carrying amount, it is not consolidated unless the Group has made a commitment to fulfil the liabilities of the associate or joint venture.

## Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, is the Executive Management Board that makes strategic decisions.

## Foreign currency translation

### Functional and presentation currency

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the company operates (the functional currency). The Consolidated Financial Statements are presented in euros, which is the functional currency of the parent company of the Group and the Group's presentation currency for the Consolidated Financial Statements.

### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items in foreign currencies at the end of the reporting period in the Statement of Financial Position are measured using the exchange rates at the end of the reporting period. Foreign exchange gains and losses from translation of the items are recognised in the Statement of Comprehensive Income. Exchange rate gains and losses related to business operations are included in the corresponding items above the operating profit line. Exchange rate differences resulting from hedges made for hedging purposes but not designated as hedging instruments are included as net amounts within other operating income or expenses. Exchange rate gains and losses related to financial liabilities and receivables in foreign currencies are included in financial income and expenses. Non-monetary items in foreign currencies in the Statement of Financial Position which are not measured at fair value are measured using the exchange rate at the date of the transaction.

### Group companies

The statements of comprehensive income and statements of financial position of all Group companies (none of which operates in a country with hyper-inflation) with a functional currency different from the Group's presentation currency are translated into euros as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each statement of comprehensive income are translated at average exchange rates for the financial period
- all resulting exchange differences are recognised as a separate component of equity

Exchange differences resulting from translation of net investments in foreign entities are recognised under translation differences in equity in compilation of the Consolidated Financial Statements. The accumulated translation differences related to divested foreign entities, which are recognised in equity, are recognised as gains or losses on transfers in the Consolidated Statement of Comprehensive Income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the year-end exchange rate used for the Financial Statements.

## Borrowing costs

Borrowing costs are recognised in the Consolidated Statement of Comprehensive Income as an expense in the period in which they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

There were no acquisitions of qualifying assets and subsequent borrowing costs to be capitalised in the reporting period.

## Property, plant and equipment

Tangible assets comprise mainly factories, offices and research centres, and machines and equipment for manufacturing, research and development. Tangible assets are measured at their historical cost, less accumulated depreciation and impairment, and are depreciated over their useful life using the straight-line method. The residual value and useful life of tangible assets are reviewed when necessary, but at least at every year end for the Financial Statements, and adjusted to correspond to probable changes in the expectations of economic benefits. The estimated useful lives are as follows:

- buildings 20–50 years
- machinery and equipment 5–10 years
- other tangible assets 10 years

Land is not depreciated. Repair and maintenance costs are recognised as expenses for the period. Improvement investments are capitalised if they are expected to generate future economic benefits. Gains and losses on disposals of tangible assets are recognised in the Consolidated Statement of Comprehensive Income. Other tangible assets include improvements to rented premises, asphalting, environmental improvements and works of art.

## Intangible assets

### Research and development costs

Research costs are expensed as incurred in the Consolidated Statement of Comprehensive Income, because economic benefits related to them materialise at such a late stage that the proportion to be capitalised is not material, so the costs are not capitalised. Intangible assets generated from development are recognised in the Statement of Financial Position only if the conditions of IAS 38, Intangible assets, are met. As approvals by the authorities are required for pharmaceutical development projects, and there are other uncertainties related to development, the Group has not capitalised its internal development costs.

### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired company at the date of acquisition. Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination. Cash-generating units have been grouped according to operating segment. The goodwill in the Consolidated Statement of Financial Position arose prior to the adoption of IFRS, and it corresponds to the carrying amount according to the previous financial reporting standards, which was used as the deemed cost on 1 January 2004 when making the transition to IFRS.

### Marketing authorisations and licences for products not yet launched

Marketing authorisations and licences for products not yet launched relate to products for which the company has marketing rights but selling has not yet commenced. The selling of a product can commence only when the authorities have granted authorisation for marketing of the product. Marketing authorisations and licenses for products not yet launched are stated in the Statement of Financial Position at cost less accumulated impairment. When the marketing authorisation for a product has been issued and selling of it has commenced, the asset is transferred from intangible assets in progress to intangible assets, and the depreciation over its useful life, which is five to fifteen years, starts using the straight-line method.

### Other intangible assets

Other intangible assets include marketing authorisations, trademarks, patents, software licences, and product and marketing rights. Acquired intangible assets are measured at their historical cost, less accumulated depreciation and impairment. The assets are depreciated over their useful life, usually three to ten years, using the straight-line method.

### Impairment of property, plant, equipment and intangible assets

At the end of each reporting period, the Group assesses whether there are indications that an asset may be impaired. If there are any such indications, the respective recoverable amount is assessed. The recoverable amount is the higher of the asset's fair value less selling costs and value in use, which is obtained by discounting the present value of the future cash flow from that asset. The discount rate is the weighted average cost of capital (WACC), calculated before tax and using Standard & Poor's index for the healthcare industry as the debt-to-equity ratio. The index corresponds to the potential and risks of the asset under review.

An impairment loss is recognised in the Consolidated Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount. An impairment loss other than on goodwill is reversed if there is a change in the circumstances and the asset's recoverable amount exceeds its carrying amount. An impairment loss is not reversed to more than what the carrying amount of the asset would have been had there been no impairment loss.

Goodwill is tested for impairment at least annually. Goodwill is tested for impairment at the level of the group of cash generating units that forms the operating segment Pharmaceuticals business area. The Pharmaceuticals business area comprises the following cash-generating units: Proprietary Products, Specialty Products, Animal Health and Fermion. An impairment loss on goodwill is not reversed.

Pre-launch intangible assets, comprising mainly marketing authorisations and marketing licenses, are tested for impairment at least annually, or more frequently if there is an indication of impairment.

Each marketing authorisation and marketing licence is tested for impairment separately. Impairment is recognised in the Consolidated Statement of Comprehensive Income under Other operating expenses, which include expenses not allocable to specific operations.

## Government grants

Government grants related to research activities are recognised as decreases in the research expenses incurred in the corresponding reporting period. If an authority decides to convert an R&D loan into a grant, that is recognised in the Consolidated Statement of Comprehensive Income under Other operating income. Government grants related to the acquisition of tangible or intangible assets are recognised as decreases in their acquisition costs. Such grants are recognised as income in the form of reduced depreciation during the useful life of the asset.

## Leases

### Group as lessee

Lease agreements under which the Group has substantially all the risks and rewards of ownership of the assets are classified as finance leases. Finance leases are recorded in the Statement of Financial Position under assets and liabilities at the commencement of the lease, either at the fair value of the asset or the present value of the minimum lease payments if lower.

Assets acquired under finance leases are depreciated in the same manner as any non-current assets, either over the useful life of the assets or over a shorter lease term. Each lease payment is allocated between the loan reduction and finance charge so that the interest rate on the outstanding loan remains constant. Finance lease liabilities are recorded under the non-current and current interest-bearing liabilities in the Statement of Financial Position.

If the lessor retains the risks and rewards of ownership, the lease is treated as an operating lease, and payments made under an operating lease are recognised as an expense on a straight-line basis over the period of the lease.

### Group as lessor

The Group is not a lessor in any finance lease agreements.

### Arrangements that contain a lease

The Group has entered into purchase contracts, which include a lease element. Determining whether an arrangement is, or contains, a lease according to interpretation IFRIC 4 Determining whether an Arrangement contains a Lease shall be based on the substance of the arrangement and requires an assessment of whether:

- fulfilment of the arrangement is dependent on the use of a specific asset or assets, and
- the arrangement conveys a right to use the asset

If an arrangement contains a lease, IAS 17 shall be applied to the lease element of the agreement. The other elements of the arrangement shall be handled in accordance with applicable IFRSs.

## Employee benefits

### Pension obligations

The Group has pension plans in accordance with each country's local regulations and practices. The Group has both defined contribution and defined benefit plans. In the defined contribution plans, the Group pays fixed contributions to separate entities. The Group has no legal or constructive obligations to pay further contributions if the recipient of the contributions is unable to pay the employee benefits. The benefit plans other than the defined contribution plans are defined benefit plans. The payments to the defined contribution plans are recognised as expenses in the Consolidated Statement of Comprehensive Income in accordance with the contributions payable for the period.

The Group's most important defined benefit pension plans are in Finland, where statutory insurance under the Employees' Pensions Act (TyEL) has been arranged through the Orion Pension Fund for the Group's clerical employees and supplementary pension security for some of the clerical employees. There is also one company outside Finland, Orion Diagnostica as of Norway, with a defined benefit pension plan, but it is not substantial. In addition, the Group management has defined benefit pension plans taken out with life assurance companies. The obligations under the defined benefit pension plans have been calculated separately for each plan.

The pension expenses related to the defined benefit pension plans have been calculated using the projected unit credit method. The pension expenses are recognised as expenses by distributing them over the whole estimated period of service of the personnel. The amount of the pension obligation, less the fair value of plan assets, is the present value of the estimated future pensions payable, and the discount rate applied is the interest rate of low-risk bonds issued by companies with a maturity that corresponds to that of the pension liability as closely as possible. The interest rate is derived from bonds issued in the same currency as the benefits payable.

When the transition to IFRS was made, all actuarial gains and losses were recognised in the equity stated in the opening Statement of Financial Position in accordance with the exemption under IFRS 1. After this, any actuarial gains and losses, to the extent that they exceed fluctuation limits, will be recognised in the Consolidated Statement of Comprehensive Income and allocated over the average remaining term of service of the personnel. The fluctuation limits are the greater of the following: 10% of the present value of the defined benefit obligation, or 10% of the fair value of the plan assets.

### Share-based payments

The benefits under the share-based incentive plan for key employees approved by the Board of Directors are recognised as an expense in the Consolidated Statement of Comprehensive Income during the vesting period of the benefit. The equity-settled portion is measured at fair value at the time of granting the benefit, and an increase corresponding to the expense entry in the Consolidated Statement of Comprehensive Income is recognised in equity. The cash-settled portion is recognised as a liability, which is measured at fair value at the end of the reporting period. The fair value of shares is the closing quotation for B shares on the day of granting the benefit. Non-market vesting conditions, such as individual goals and result targets, affect the estimate of the final number of shares and amount of associated cash payments. The estimate of the final number of shares and associated cash payments is updated at the end of each reporting period. Changes in estimates are recognised in the Consolidated Statement of Comprehensive Income.

## Inventories

Inventories are presented in the Statement of Financial Position as the value of the purchase or production costs, or the net realisable value if lower. The cost is based on the weighted average price method. Inventories are valued at the cost of the materials consumed plus the cost of conversion, which comprises costs directly proportional to the amount produced and a systematically allocated share of fixed and variable production overheads.

The net realisable value is the estimated selling price obtainable through normal business, less the estimated expenses incurred in finalising the product and selling it.

## Financial assets and liabilities

The financial assets and liabilities of the Orion Group are classified as follows: financial assets and liabilities measured at fair value through profit and loss; loans and other receivables; available-for-sale financial assets; and financial liabilities measured at amortised cost.

The classification is based on the purpose for which the financial assets or liabilities were acquired, and they are classified on initial recognition. Financial instruments are recognised in the Statement of Financial Position on the trade date.

Financial assets and liabilities are initially measured at fair value including transaction costs, except for financial assets and liabilities measured at fair value through profit and loss. Subsequently, they are measured at amortised cost.

The available-for-sale financial assets included in non-current assets in the Statement of Financial Position comprise unlisted shares and holdings that are measured at fair value. The fair value measured is recognised as an item in the Consolidated Statement of Comprehensive Income. If the fair values of unlisted shares cannot be determined reliably, they are measured at cost, less any impairment.

Other non-current receivables include loans to associated or other companies. They are measured at amortised cost using the effective interest rate method.

Other (current) receivables include derivative instruments entered into for trading purposes, which are described in detail under Derivative financial instruments and hedging.

The Group recognises an impairment loss on trade receivables when there is objective evidence that a receivable cannot be recovered in full. Such evidence includes the debtor's considerable financial problems, high probability of bankruptcy, neglected payments or a payment more than 90 days overdue.

Non-current interest-bearing liabilities include loans raised by the Group, product development loans and liabilities for assets leased under finance lease agreements of over 12 months duration. The credit limits of bank accounts to the extent that they are used and commercial paper issued by the Company are included in interest-bearing current liabilities. Transaction charges are included in the original carrying amount of financial liabilities. Subsequently, all financial liabilities are valued at amortised cost using the effective interest method.

At the end of each reporting period, it is assessed whether there is any evidence that an item of Group cash and cash equivalents might be impaired. If there is any objective evidence of impairment of the value of some category of financial assets, an impairment loss is calculated and recognised through profit and loss.

## Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and assets in bank accounts, and liquid debt instruments. Debt instruments are characterised by low risk and a maturity of less than three months. Liquid debt instruments are short-term certificates of deposit and commercial paper issued by banks and companies. Bank overdrafts are included in short-term borrowings under current liabilities in the Statement of Financial Position.

## Derivative financial instruments and hedging

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are recognised under other receivables and liabilities in the Statement of Financial Position.

The Group does not apply IFRS hedge accounting to foreign exchange derivatives that hedge items in foreign currencies in the Statement of Financial Position or hedge highly probable forecast cash flows, even though they have been acquired for hedging purposes in accordance with the Group's treasury policy. These derivative contracts are classified as financial assets held for trading, and the change in their fair value is recognised through profit and loss under either Other income and expenses or Financial income and expenses, depending on whether, from the operational perspective, sales revenue or financial liabilities have been hedged.

### Cash flow hedging

The Group applies hedge accounting in accordance with IFRS to electricity derivative contracts that hedge highly probable forecast cash flows associated with electricity purchases. The change in the fair value of the effective portion of qualifying derivative instruments that hedge cash flow is directly recognised against the fair value reserve included in the equity, and the gains and losses recognised in equity are transferred to the Consolidated Statement of Comprehensive Income in the period during which the hedged electricity purchases are recognised in the Consolidated Statement of Comprehensive Income. The ineffective portion of qualifying derivative instruments is recognised in the Consolidated Statement of Comprehensive Income under Other operating income and expenses.

## Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

A restructuring provision is recognised when the Group has compiled a detailed restructuring plan, launched its implementation or informed the parties concerned.

A contingent liability is a potential liability based on previous events. It depends on the realisation of an uncertain future event beyond the Group's control. Contingent liabilities include obligations that will most likely not lead to a payment or its size cannot be reliably determined. Contingent liabilities are disclosed in the Notes.

## Income taxes

The income tax expense in the Consolidated Statement of Comprehensive Income includes taxes based on the operating profit of the Group companies for the financial year, tax adjustments for previous financial years and changes in deferred tax assets and liabilities. For items recognised directly in equity, the corresponding tax effect is also recognised in equity. Income tax based on the taxable income of the financial period is calculated on the basis of the tax rate in force in each country.

Deferred tax is computed on all temporary differences between the carrying amount and the taxable value. Deferred tax assets due to confirmed tax losses of Group companies are imputed only to the extent that they can be utilised in the future. The largest temporary differences arise from depreciation on property, plant and equipment, and defined benefit pension plans. Deferred taxes are computed using the tax rates valid at the end of the reporting period.

## Revenue recognition

### Sales of goods and services

Consolidated net sales include revenue from sales of goods and services adjusted for indirect taxes, discounts and exchange differences on sales in foreign currencies. Net sales also include milestone payments under contracts with marketing partners, which are paid by the partner as a contribution to cover the R&D expenses of a product during the development phase and are tied to certain milestones in research projects. In addition, net sales include royalties from the products licensed out by the Group.

Revenue from sales of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer. Revenue from services is recognised when the service has been provided. Milestone payments are recognised when the R&D project has progressed to a phase that, in accordance with an advance agreement with the partner, triggers the partner's obligation to pay its share. Royalties are recorded on an accrual basis in accordance with the licensing agreements.

### Interest and dividend income

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

## Contents of the function-based Consolidated Statement of Comprehensive Income

### Cost of goods sold

The cost of goods sold comprises wages and salaries, materials, procurement and other costs related to manufacturing and procurement.

### Selling and marketing expenses

The expenses of selling and marketing operations comprise costs related to the distribution of products, field sales, marketing, advertising and other promotional activities, including the related wages and salaries.

### Research and development expenses

R&D expenses comprise wages and salaries, materials, procurement of external services and other costs related to R&D.

### Administrative expenses

Administrative expenses include general administrative and Group management costs. The functions also bear the depreciation of the assets they use, as well as some administrative overheads in accordance with the cost matching principle.

## Critical accounting estimates and assumptions

When compiling the Financial Statements, the management had to make certain estimates and assumptions concerning the future that have an impact on the items included in the Financial Statements. The actual values may differ from these estimates. The estimates are mainly related to impairment testing of assets, the measuring of receivables and liabilities related to defined benefit pension plans, the recognition of provisions and income tax. In addition, the application of accounting policies calls for the exercise of judgement.

Within the Group, the principal assumptions concerning the future and the main uncertainties relating to estimates at the end of the reporting period that constitute a significant risk of causing a material change in the carrying values of assets and liabilities within the next financial year are the following:

**Impairment testing**

Actual cash flows can differ from estimated discounted future cash flows because changes in the long-term economic life of the Company's assets, the forecast selling prices of products, production costs and the discount rate applied in the calculations can lead to the recognition of impairment losses.

**Employee benefits**

The Group has various pension plans to provide for the retirement of its employees or to provide for when the employment ends. Various statistical and other actuarial assumptions are applied in calculating the expenses and liabilities of employee benefits, such as the discount rate, the estimated rate of return on pension plan assets, estimated changes in the future level of wages and salaries, and employee turnover. The statistical assumption made can differ considerably from the actual trend because of, among other things, a changed general economic situation and the length of the period of service. The effect of changes in actuarial assumptions is not recorded directly in Group earnings, since this could have a significant impact on the Group's earnings for the financial year. The effect of these changes is recognised over the remaining estimated period of service.

**Income taxes**

In preparing the Financial Statements, the Group estimates, in particular, the basis for recording deferred tax assets. For this purpose, an estimate is made of how probable it is that the subsidiaries will generate sufficient taxable income against which unused tax losses or unused tax assets can be utilised. The factors applied in making the forecasts can differ from the actual figures, and this can lead to expense entries for tax assets in the Consolidated Statement of Comprehensive Income.

# 1. Operating segments

The Group has two segmentally reported segments, which are the Group's strategic business areas. The operating segments are based on the Group's internal organisational structure and internal financial reporting. The operating segments are the Pharmaceuticals business and the Diagnostics business. The Pharmaceuticals business develops, manufactures and markets pharmaceuticals and active pharmaceutical ingredients. The Diagnostics business develops, manufactures and markets diagnostic tests.

Adoption of IFRS 8 has not changed the Group's reportable operating segments.

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

| | Pharmaceuticals | | Diagnostics | | Group items | | Group total | |
|---|---|---|---|---|---|---|---|---|
| EUR million | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Sale of goods | 706.1 | 648.9 | 44.3 | 44.1 | | | 750.5 | 693.0 |
| Rendering of services | 1.9 | 3.5 | 0.8 | 0.9 | | | 2.8 | 4.4 |
| Royalties and milestone payments | 18.3 | 13.3 | 0.0 | 0.0 | | | 18.3 | 13.3 |
| Sales to external customers | 726.3 | 665.7 | 45.2 | 45.0 | | | 771.5 | 710.7 |
| Sales to other segments | 2.2 | 1.9 | 0.0 | 0.0 | -2.2 | -1.9 | | |
| **Net sales** | 728.5 | 667.6 | 45.2 | 45.0 | -2.2 | -1.9 | 771.5 | 710.7 |
| | | | | | | | | |
| Operating profit | 210.7 | 188.5 | 5.6 | 6.1 | -9.3 | -9.6 | 207.0 | 185.0 |
| Assets | 504.0 | 466.8 | 30.3 | 28.2 | 192.7 | 200.4 | 727.1 | 695.5 |
| Liabilities | 101.7 | 77.0 | 9.4 | 8.0 | 176.8 | 192.0 | 287.9 | 276.9 |
| Capital expenditure | 57.6 | 53.3 | 2.5 | 2.8 | 0.2 | 0.7 | 60.4 | 56.8 |
| Depreciation and amortisation | 31.9 | 29.1 | 1.7 | 1.8 | 0.8 | 0.7 | 34.4 | 31.6 |
| | | | | | | | | |
| Cash flow from operating activities | 259.8 | 198.7 | 7.6 | 9.9 | -62.8 | -64.3 | 204.6 | 144.4 |
| Cash flow from investing activities | -57.0 | -48.8 | -2.6 | -2.6 | 0.1 | -0.5 | -59.5 | -51.8 |
| Cash flow from financing activities | | | | | | | -152.1 | -4.8 |
| Average number of personnel | 2,872 | 2,954 | 292 | 288 | 28 | 28 | 3,192 | 3,270 |

The Group items include the following Group eliminations: net sales EUR 2.2 (2008: 1.9) million, operating profit EUR 0.2 (2008: 0.3) million, assets EUR 6.3 (2008: 8.5) million and liabilities EUR 6.3 (2008: 8.5) million. Other Group items relate to the Group's administrative expenses, and finance and other items not allocated to segments.

## Data relating to geographical regions

These geographical regions correspond to the Group's main markets. Net sales are presented according to the customer's location. Assets and capital expenditure are presented according to their location.

| | Finland | | Scandinavia | | Other Europe | | North America | | Other countries | | Group total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EUR million | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Sales to external customers | 223.3 | 217.2 | 101.6 | 101.2 | 274.7 | 244.0 | 70.9 | 73.8 | 101.0 | 74.6 | 771.5 | 710.7 |
| Assets | 681.1 | 664.6 | 19.4 | 16.4 | 26.5 | 14.5 | | | | | 727.1 | 695.5 |
| Capital expenditure | 59.5 | 56.2 | 0.2 | 0.2 | 0.7 | 0.4 | | | | | 60.4 | 56.8 |

# 2. Other operating income and expenses

| EUR million | 2009 | 2008 |
|---|---|---|
| Gains on sales of property, plant and equipment and intangible assets | 0.2 | 0.4 |
| Rental income | 1.0 | 1.0 |
| Compensation on cancellation of distribution agreement | 4.0 | |
| Exchange rate gains and losses | 0.1 | 0.2 |
| Other operating income | 1.5 | 1.8 |
| Other operating expenses | -0.8 | -0.4 |
| **Total** | 6.0 | 3.1 |

# 3. Depreciation, amortisation and impairment

### Depreciation

| EUR million | 2009 | 2008 |
|---|---|---|
| Cost of goods sold | 14.2 | 13.9 |
| Selling and marketing | 5.7 | 3.9 |
| Research and development | 8.1 | 7.8 |
| Administration | 6.4 | 6.0 |
| **Total** | 34.4 | 31.6 |

### Depreciation and amortisation by type of asset

| EUR million | 2009 | 2008 |
|---|---|---|
| Buildings and constructions | 7.2 | 6.8 |
| Machinery and equipment | 18.7 | 18.0 |
| Other tangible assets | 0.2 | 0.2 |
| **Property, plant and equipment, total** | 26.1 | 25.1 |
| | | |
| Intangible rights | 7.3 | 5.4 |
| Other intangible assets | 1.0 | 1.2 |
| **Intangible assets, total** | 8.3 | 6.6 |

During the period, there was no need to recognise impairment of property, plant and equipment and intangible assets. The basis for depreciation and amortisation is described in the Accounting Policies for the Financial Statements.

# 4. Employee benefits and auditor's remuneration

| EUR million | 2009 | 2008 |
|---|---|---|
| Wages and salaries | 140.5 | 141.3 |
| Pension costs | | |
| Defined contribution plans | 17.4 | 17.3 |
| Defined benefit plans | -1.6 | -2.0 |
| Share-based incentive plan | | |
| Equity-settled | 1.0 | 0.7 |
| Cash-settled | 1.4 | 0.7 |
| Other social security expenses | 12.9 | 12.9 |
| **Total** | 171.4 | 170.9 |
| | | |
| **Average number of personnel** | 3,192 | 3,270 |

The number of personnel in each segment is presented in Note 1, Operating Segments. The management's employee benefits are presented in Note 28, Related Party Transactions.

### Share-based payments

In 2007, Orion Corporation's Board of Directors decided on a new share-based incentive plan for about 30 key persons in the Orion Group. The plan is for 2007–2009, and the incentives are granted separately for each year. The incentive for 2009 is determined on the basis of the growth of Orion's operating profit and specifically agreed personal performance objectives. The incentive is paid in the form of the Company's B shares or cash, or both. The number of shares included in the plan shall not exceed 350,000, corresponding to about 0.25% of Orion Corporation's total number of shares. Except for certain special circumstances, the recipient may not transfer the bonus shares during the first two years after the date of receipt.

During the period, 44,806 (2008: 25,164) B shares were granted as share-based remuneration for 2008. The transfer price was EUR 11.97 (the weighted average price of the B share of Orion on the day of transfer). The fair value of shares granted during the period was EUR 12.12 per share.

### Auditor's remuneration

| EUR million | 2009 | 2008 |
|---|---|---|
| Auditing | 0.3 | 0.2 |
| Assignments in accordance with the Auditing Act | 0.0 | |
| Advice on taxation | 0.1 | 0.0 |
| Other services | 0.1 | 0.1 |
| **Total** | 0.5 | 0.3 |

## 5. Finance income and expenses

| EUR million | 2009 | 2008 |
|---|---|---|
| Interest income on held-for-trading financial assets | | 0.6 |
| Interest income on cash and cash equivalents | 1.9 | 3.3 |
| Dividend income on available-for-sale financial assets | 0.1 | |
| Exchange rate gains on held-for-trading financial assets and liabilities | 3.0 | 3.6 |
| Other finance income | 0.0 | 0.1 |
| **Finance income, total** | 5.1 | 7.6 |
| | | |
| Interest expenses on held-for-trading financial liabilities | | 0.6 |
| Interest expenses on financial liabilities measured at amortised cost | 4.7 | 3.6 |
| Exchange rate losses on held-for-trading financial assets and liabilities | 3.1 | 4.0 |
| Other finance expenses | 0.6 | 0.3 |
| **Finance expenses, total** | 8.4 | 8.5 |
| | | |
| **Finance income and expenses, total** | -3.3 | -0.9 |

**Exchange rate gains (+) and losses (-) above the operating profit line**

| EUR million | 2009 | 2008 |
|---|---|---|
| In net sales | -0.7 | -0.6 |
| In other income | 0.1 | 8.8 |
| In purchases | -0.0 | 0.2 |
| In other expenses | -0.0 | -8.6 |

## 6. Income tax expense

| EUR million | 2009 | 2008 |
|---|---|---|
| Current taxes | 52.9 | 47.5 |
| Adjustments in respect of prior periods | 0.0 | 0.1 |
| Deferred taxes | -0.6 | 0.2 |
| **Total** | 52.3 | 47.8 |
| | | |
| Taxes directly recognised in equity | | |
| Electricity hedging | 0.3 | -0.4 |

**Income tax reconciliation**

| EUR million | 2009 | 2008 |
|---|---|---|
| Profit before taxes | 203,7 | 184,2 |
| | | |
| Consolidated income taxes at Finnish tax rate | 53.0 | 47.9 |
| Use of previously unrecognised tax losses carried forward at foreign subsidiaries | -1.8 | -0.8 |
| Revaluation of deferred taxes | -0.2 | |
| Impact of different tax rates of foreign subsidiaries | 0.5 | 0.4 |
| Tax-exempt income | -0.0 | -0.1 |
| Non-deductible expenses | 0.6 | 0.7 |
| Adjustments in respect of prior periods | 0.0 | 0.1 |
| Other items | 0.1 | -0.4 |
| **Income tax, total** | 52.3 | 47.8 |
| **Effective tax rate, %** | 25.7% | 26.0% |

## 7. Earnings and dividend per share

**Earnings per share**

| | 2009 | 2008 |
|---|---|---|
| Profit for the period attributable to owners of the parent company, EUR million | 151.4 | 136.3 |
| Weighted average number of shares during the period (1,000 shares) | 140,970 | 141,003 |
| **Earnings per share, EUR** | 1.07 | 0.97 |

Earnings per share are calculated by dividing the profit for the period attributable to owners by average number of shares outstanding during the period. The average number of shares has been adjusted for the number of treasury shares held by the Company during 2009.
The Company has no items that could dilute the earnings per share.

**Dividend per share**

| | 2009 | 2008 |
|---|---|---|
| Dividend paid during the period, EUR million | 133.9 | 140.9 |
| Number of shares at 31 Dec, (1,000) | 140,978 | 140,933 |
| **Dividend per share paid during the period, EUR** | 0.95 | 1.00 |

Dividend per share is calculated by dividing the dividend distributed for the period by the number of shares outstanding. The Group held 280,030 Company's B shares as treasury shares at 31 December 2009.

A dividend of EUR 1.00 per share, amounting to a total EUR 141.0 million, and EUR 0.10 per share from the expendable fund as a repayment of capital is proposed to the Annual General Meeting on 24 March 2010. These financial statements do not reflect this dividend and repayment of capital.

# 8. Property, plant and equipment

| EUR million | Land and water 2009 | 2008 | Buildings and constructions 2009 | 2008 | Machinery and equipment 2009 | 2008 | Other tangible assets 2009 | 2008 | Advance payments and construction in progress 2009 | 2008 | Total 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Historical cost at 1 Jan | 6.5 | 6.2 | 230.5 | 221.1 | 281.2 | 271.2 | 3.6 | 3.6 | 8.1 | 7.5 | 529.9 | 509.7 |
| Adjustment in respect of previous period | | | | | 2.7 | | | | | | 2.7 | |
| Additions | 0.0 | 0.2 | 2.1 | 7.1 | 17.6 | 18.4 | 0.0 | 0.2 | 5.3 | 6.9 | 25.1 | 32.8 |
| Disposals | -0.0 | | -0.1 | | -10.7 | -11.9 | -0.0 | | -0.0 | | -10.8 | -11.9 |
| Transfers between statement of financial position items | | | 0.2 | 2.2 | 5.3 | 4.1 | | 0.0 | -5.6 | -6.3 | -0.1 | |
| Translation differences | | | | | 0.2 | -0.5 | 0.0 | -0.1 | | -0.0 | 0.2 | -0.7 |
| **Historical cost at 31 Dec** | 6.4 | 6.5 | 232.7 | 230.5 | 296.4 | 281.2 | 3.7 | 3.6 | 7.8 | 8.1 | 547.0 | 529.9 |
| | | | | | | | | | | | | |
| Accumulated depreciation at 1 Jan | | | -135.6 | -128.7 | -199.4 | -191.8 | -2.5 | -2.4 | | | -337.5 | -322.9 |
| Adjustment in respect of previous period | | | | | -0.3 | | | | | | -0.3 | |
| Accumulated depreciation on disposals and transfers | | | 0.0 | | 9.1 | 10.2 | | | | | 9.2 | 10.2 |
| Depreciation for the period | | | -7.2 | -6.8 | -18.7 | -18.0 | -0.2 | -0.2 | | | -26.1 | -25.1 |
| Translation differences | | | | | -0.2 | 0.2 | -0.0 | 0.1 | | | -0.2 | 0.3 |
| **Accumulated depreciation at 31 Dec** | | | -142.7 | -135.6 | -209.4 | -199.4 | -2.8 | -2.5 | | | -354.9 | -337.5 |
| | | | | | | | | | | | | |
| **Carrying amount 1 Jan** | 6.5 | 6.2 | 94.9 | 92.4 | 81.9 | 79.4 | 1.1 | 1.2 | 8.1 | 7.5 | 192.4 | 186.8 |
| **Carrying amount 31 Dec** | 6.4 | 6.5 | 90.0 | 94.9 | 86.9 | 81.9 | 0.9 | 1.1 | 7.8 | 8.1 | 192.0 | 192.4 |

## Finance leases

**Assets leased through finance lease agreements included in machinery and equipment**

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| Historical cost | 10.7 | 7.9 |
| Accumulated depreciation | -7.3 | -6.0 |
| **Carrying amount** | 3.4 | 1.8 |

The additions to the historical cost of machinery and equipment include EUR 0.4 (2008: 1.1) million of assets leased through finance lease agreements.

# 9. Intangible assets

| EUR million | Goodwill 2009 | 2008 | Intangible rights[1] 2009 | 2008 | Other intangible assets[2] 2009 | 2008 | Total 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|
| Historical cost at 1 Jan | 13.5 | 13.5 | 80.7 | 61.0 | 48.4 | 46.2 | 142.6 | 120.6 |
| Additions | | | 33.5 | 21.8 | 1.8 | 2.2 | 35.2 | 24.0 |
| Disposals | | | -2.2 | -2.0 | | -0.0 | -2.2 | -2.0 |
| Transfers between statement of financial position items | | | 0.0 | | | | 0.0 | |
| Translation differences | | | 0.0 | -0.0 | 0.0 | -0.0 | 0.0 | -0.0 |
| **Historical cost at 31 Dec** | 13.5 | 13.5 | 111.9 | 80.7 | 50.2 | 48.4 | 175.6 | 142.6 |
| | | | | | | | | |
| Accumulated amortisation at 1 Jan | | | -43.2 | -39.8 | -45.5 | -44.3 | -88.7 | -84.1 |
| Accumulated amortisation on disposals and transfers | | | 2.0 | 2.0 | | | 2.0 | 2.0 |
| Amortisation for the period | | | -7.3 | -5.4 | -1.0 | -1.2 | -8.3 | -6.6 |
| Translation differences | | | -0.0 | 0.0 | | | -0.0 | 0.0 |
| **Accumulated amortisation at 31 Dec** | | | -48.6 | -43.2 | -46.5 | -45.5 | -95.0 | -88.7 |
| | | | | | | | | |
| **Carrying amount 1 Jan** | 13.5 | 13.5 | 37.5 | 21.1 | 2.9 | 1.9 | 53.9 | 36.5 |
| **Carrying amount 31 Dec** | 13.5 | 13.5 | 63.4 | 37.5 | 3.7 | 2.9 | 80.6 | 53.9 |

[1] Intangible rights include software, product rights, trademarks, marketing authorisations, patents and paid-up policies.
[2] Other intangible assets include capitalised long-term expenditure and entry fees.

In May, Orion repurchased from Abbot the rights to Simdax and the purchase price was recognised in full under intangible rights in Consolidated statement of financial position. At 31 Dec the carrying amount of the rights was EUR 24.4 million and it will be amortised in 10 years.

Besides goodwill, the Group has no other intangible assets with indefinite useful life. The Group has no internally produced intangible assets. All intangible assets have been obtained through acquisition.

### Impairment testing of goodwill, property, plant, equipment and intangible assets

#### Goodwill

The goodwill of EUR 13.5 million originated from the acquisition of Farmos-Group Ltd. in 1990. In impairment testing, the goodwill is allocated to the group of cash generating units that form the Pharmaceuticals operating segment. The cash generating units of the segment are Proprietary Products, Specialty Products, Animal Health and Fermion.

In the impairment tests, the recoverable amount is determined on the basis of the value-in-use calculation. The cash flow forecasts used in the calculation are based on the detailed five-year plans adopted by the management. The cash flows beyond the forecast period adopted by the management have been calculated cautiously assuming that no growth can be expected. The management's forecasts are based on the growth of pharmaceutical markets, market shares in sales of pharmaceuticals and their expected trends. Actual cash flows may differ from estimated discounted cash flows.

The discount rate used is the weighted average cost of capital (WACC), in which the special risks related to the cash generating unit have been taken into account. The discount rate is defined before taxes. The discount rate for the period is 10.3% (2008: 10.5%).

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

#### Pre-launch marketing authorisations and marketing licenses

The Proprietary Products, Specialty Products and Animal Health cash generating units have pre-launch marketing authorisations and licenses and these are tested for impairment annually. The tests are performed for every authorisation and license separately. The recoverable amount is based on the value in use. Forecasts adopted by the management cover a 5–15 year period from launch. The use of forecasts for periods of over five years is based on the estimated useful life of pharmaceuticals. Beyond the five-year period, the cash flow growth rate does not exceed the average growth rates of markets for the Company's products and the pharmaceutical industry. The discount rate has been defined separately for each unit taking into account its risks. The discount rate varies from 10% to 12%.

A change in any of the main variables used would, reasonably judged, not lead to a situation in which the recoverable amounts of a group of cash-generating units were lower than their carrying amount.

#### Other fixed assets

During the period, there were no indications that the property, plant and equipment or intangible assets might be impaired.

## 10. Investments in associates and affiliates

| EUR million | 2009 | 2008 |
|---|---|---|
| Carrying amount at 1 Jan | 0.1 | 0.1 |
| Carrying amount at 31 Dec | 0.1 | 0.1 |

**Associates and affiliates of the Group**

| Holding at 31 Dec, % | Domicile | 2009 | 2008 |
|---|---|---|---|
| Hangon Puhdistamo Oy | Hanko | 50.0% | 50.0% |
| Regattalämpö Oy | Hanko | 42.6% | 42.6% |

Hangon Puhdistamo Oy engages in wastewater treatment for the companies that own it. Regattalämpö Oy provides real estate services for the residential buildings of the companies that own it.

The companies operate at cost, by covering their own expenses and without making any profit, so their impact on the consolidated statement of comprehensive Income and statement of financial position is minimal.

## 11. Available-for-sale investments

Available-for-sale investments, with asset value of EUR 1.0 (2008: 0.9) million at 31 December 2009, include shares and investments in unlisted companies. The shares and investments are stated at cost, because their fair value cannot be determined reliably.

## 12. Pension assets and pension liabilities

**Defined benefit plans - amounts recognised in the statement of financial position**

| | Pension fund | Other | Pension fund | Other |
|---|---|---|---|---|
| EUR million, 31 Dec | 2009 | 2009 | 2008 | 2008 |
| Present value of unfunded obligations | | 1.0 | | 0.9 |
| Present value of funded obligations | 178.8 | 5.0 | 149.6 | 4.1 |
| Fair value of plan assets | -214.0 | -4.5 | -182.0 | -3.7 |
| Deficit/surplus | -35.2 | 1.5 | -32.3 | 1.3 |
| Unrecognised net actuarial gains (+) and losses (-) | 5.5 | -0.7 | 3.1 | -0.5 |
| **Net asset (-) / liability (+) recognised in the statement of financial position** | -29.8 | 0.8 | -29.3 | 0.8 |

**Amounts in Statements of Financial Position**

| | Pension fund | Other | Pension fund | Other |
|---|---|---|---|---|
| EUR million, 31 Dec | 2009 | 2009 | 2008 | 2008 |
| Liabilities | | 1.0 | | 0.8 |
| Asset | -29.8 | -0.2 | -29.3 | -0.0 |
| **Net asset (-) / liability (+) recognised in the statement of financial position** | -29.8 | 0.8 | -29.3 | 0.8 |

**Defined benefit plan pension expenses in consolidated statement of comprehensive income**

| EUR million | Pension fund 2009 | Other 2009 | Pension fund 2008 | Other 2008 |
|---|---|---|---|---|
| Current service cost | 2.9 | 0.4 | 6.4 | 0.6 |
| Interest expenses | 9.0 | 0.3 | 8.6 | 0.2 |
| Expected return on plan assets | -10.0 | -0.2 | -14.3 | -0.2 |
| Actuarial gains (-) and losses (+) | -1.9 | 0.1 | -3.3 | -0.0 |
| Losses / gains on curtailments | -2.2 | | | |
| **Pension expense (+) / income (-) in the consolidated statement of comprehensive income** | -2.2 | 0.5 | -2.7 | 0.6 |

The actual return on plan assets was EUR 38.5 (2008: -33.9) million in 2009.

**Defined benefit plan pension expenses by function**

| EUR million | Pension fund 2009 | Other 2009 | Pension fund 2008 | Other 2008 |
|---|---|---|---|---|
| Cost of goods sold | -0.6 | | -0.7 | |
| Selling and marketing | -0.4 | 0.2 | -0.5 | 0.2 |
| Research and development | -0.8 | | -1.1 | |
| Administration | -0.4 | 0.3 | -0.4 | 0.5 |
| **Pension expense (+) / income (-)** | -2.2 | 0.5 | -2.7 | 0.6 |

**Changes in present value of defined benefit obligation**

| EUR million | Pension fund 2009 | Other 2009 | Pension fund 2008 | Other 2008 |
|---|---|---|---|---|
| Defined benefit plan obligation at 1 Jan | 149.6 | 4.9 | 161.8 | 4.3 |
| Current service cost | 2.9 | 0.4 | 6.4 | 0.6 |
| Interest expenses | 9.0 | 0.3 | 8.6 | 0.2 |
| Actuarial gains (-) and losses (+) | 23.4 | 0.3 | -22.9 | 0.2 |
| Exchange rate differences | | 0.0 | | -0.4 |
| Benefits paid | -4.4 | -0.3 | -4.1 | -0.1 |
| Gains (-) and losses (+) on curtailments | -1.7 | | | |
| **Obligation at 31 Dec** | 178.8 | 5.7 | 149.6 | 4.9 |

**Changes in fair value of plan assets**

| EUR million | Pension fund 2009 | Other 2009 | Pension fund 2008 | Other 2008 |
|---|---|---|---|---|
| Fair value of plan assets at 1 Jan | 182.0 | 3.7 | 220.5 | 2.9 |
| Expected return on plan assets | 10.0 | 0.2 | 14.3 | 0.2 |
| Actuarial gains (+) and losses (-) | 28.1 | 0.1 | -48.5 | 0.1 |
| Employer contributions | -1.7 | 0.5 | -0.2 | 0.8 |
| Exchange differences | | 0.2 | | -0.2 |
| Benefits paid | -4.4 | -0.2 | -4.1 | -0.1 |
| Other | | -0.0 | | -0.0 |
| **Fair value of plan assets at 31 Dec** | 214.0 | 4.5 | 182.0 | 3.7 |

**Fair values of the assets of the benefit plan arranged through the Orion Pension Fund by asset category as percentages of the fair value of all plan assets**

| % | 2009 | 2008 |
|---|---|---|
| European equity | 40% | 28% |
| North American equity | 1% | 0% |
| Emerging market equity | 8% | 2% |
| Bonds | 40% | 42% |
| Properties | 1% | 0% |
| Certificates of deposits and commercial paper | 5% | 23% |
| Cash and cash equivalents | 5% | 5% |
| **Total** | 100% | 100% |

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

The plan assets in 2009 include shares issued by the parent company Orion Corporation with fair value of EUR 31.0 (2008: 25,8) million, accounting for 13.7% (2008: 13%) of the plan assets .

**Actuarial assumptions used by Orion Pension Fund**

| % | 2009 | 2008 |
|---|---|---|
| Discount rate | 5.0% | 6.0% |
| Expected return on plan assets | 6.0% | 5%–8% |
| Future salary increase | 2.0% | 3,5% |

The investment performance has been assessed for the entire assets of the Orion Pension Fund and primarily over the long term. Short-term and long-term target returns for investments have been set. The objective is to achieve 6% return on the plan assets for the long term.

**Amounts for the current and two previous financial years**

| EUR million, 31 Dec | Pension fund 2009 | Other 2009 | Pension fund 2008 | Other 2008 | Pension fund 2007 | Other 2007 |
|---|---|---|---|---|---|---|
| Present value of defined benefit obligation | 178.8 | 6.1 | 149.6 | 5.0 | 161.8 | 4.4 |
| Fair value of plan assets | -214.0 | -4.5 | -182.0 | -3.7 | -220.5 | -2.9 |
| Surplus (-) / deficit (+) | -35.2 | 1.5 | -32.3 | 1.3 | -58.8 | 1.5 |
| Experience adjustments on plan liabilities, gains (-) / losses (+) | -1.9 | 0.1 | -0.9 | 0.5 | 5.2 | 0.0 |
| Experience adjustments on plan assets, gains (+) / losses (-) | 28.1 | 0.2 | -48.5 | 0.2 | -2.3 | -0.0 |

The Group expects to contribute EUR 10 million to its defined benefit plans in 2010.

# 13. Deferred tax assets and liabilities

**Deferred tax assets**

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| Pension liability | 0.1 | 0.1 |
| Internal inventory margin | 1.5 | 1.7 |
| Tax losses | 3.6 | 1.8 |
| Other deductible temporary differences | 0.3 | 0.6 |
| **Total** | 5.5 | 4.2 |

**Deferred tax liabilities**

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| Depreciation difference and provisions | 26.7 | 27.0 |
| Pension asset | 7.9 | 7.6 |
| Effects of consolidation and elimination | 0.5 | 0.6 |
| Capitalised cost of inventory | 5.4 | 5.8 |
| Other taxable temporary differences | 2.5 | 1.0 |
| **Total** | 43.0 | 42.0 |

**Change in deferred tax arises from**

| EUR million | 2009 | 2008 |
|---|---|---|
| Pension asset/obligation | -0.3 | -0.7 |
| Internal inventory margin | -0.2 | 0.1 |
| Change in estimate of previously unrecognised tax losses | 0.2 | |
| Depreciation difference and provisions | 0.4 | 0.6 |
| Consolidation measures | 0.1 | 0.1 |
| Capitalised cost of inventory | 0.5 | -0.4 |
| Deductible losses and other timing differences | -0.3 | 0.6 |
| **Total** | 0.3 | 0.2 |

At 31 December 2009 the Group had a total of EUR 5.2 (2008: 25.7) million of temporary differences for which no deferred tax asset has been recognised. These unrecognised deferred tax assets relate to tax losses of foreign subsidiaries which will not expire but realisation of the tax benefit included in them is not likely.

During the period, EUR -0.3 (2008: 0.4) million of income taxes was recognised directly in the equity, and in the equity there is EUR 0.1 (2008: 0.4) million of recognised taxes.

# 14. Other non-current receivables

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| Loan receivables from associates | 0.0 | 0.1 |
| Other loan receivables | 0.3 | 0.6 |
| Other non-current receivables | 0.6 | 0.8 |
| **Total** | 0.9 | 1.5 |

Loan receivables from associated companies are not interest bearing. Other loan receivables include floating-rate market rate receivables, including some conditional interest payment obligations, and non-interest-bearing receivables. The carrying amounts do not materially differ from fair value.

# 15. Inventories

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| Raw materials and consumables | 29.5 | 32.6 |
| Work in progress | 31.5 | 38.1 |
| Finished products and goods | 61.7 | 60.9 |
| **Total** | 122.7 | 131.7 |

An inventory impairment totalling EUR 1.7 (2008: 2.0) million has been recognised as an expense for the period.

## 16. Trade and other receivables

| EUR million, 31 Dec | Carrying amount 2009 | Fair value 2009 | Carrying amount 2008 | Fair value 2008 |
|---|---|---|---|---|
| Trade receivables | 102.6 | 102.6 | 83.1 | 83.1 |
| Receivables due from associates | 0.1 | 0.1 | 0.1 | 0.1 |
| Prepaid expenses and accrued income | 14.8 | 14.8 | 15.7 | 15.7 |
| Derivative financial instruments | 0.7 | 0.7 | 3.0 | 3.0 |
| Other receivables | 5.8 | 5.8 | 3.5 | 3.5 |
| **Total** | 124.0 | 124.0 | 105.4 | 105.4 |

**Ageing analysis of trade receivables**

| EUR million, 31 Dec | Carrying amount 2009 | Fair value 2009 | Carrying amount 2008 | Fair value 2008 |
|---|---|---|---|---|
| Not yet due | 85.4 | 85.4 | 70.7 | 70.7 |
| Up to 30 days past due | 13.4 | 13.4 | 10.4 | 10.4 |
| 31 to 60 days past due | 0.9 | 0.9 | 1.5 | 1.5 |
| 61 to 90 days past due | 1.7 | 1.7 | 0.1 | 0.1 |
| Over 90 days overdue | 1.3 | 1.3 | 0.3 | 0.3 |
| **Total** | 102.6 | 102.6 | 83.1 | 83.1 |

The carrying amount of trade receivables and other current receivables is a reasonable estimate of their fair value. Impairment losses recognised on trade receivables and other receivables for the period were EUR 0.2 (2008: 0.0) million.

**Material items included in accrued income**

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| Income tax receivable | 5.2 | 6.7 |
| Receivables from royalties | 2.7 | 2.3 |
| Pending compensations | 1.3 | 0.4 |
| Advances paid on IT services | 0.9 | 0.9 |
| Pending R&D contributions | 0.8 | 1.8 |
| Price differential payments | 0.4 | 1.1 |
| Interest | 0.1 | 0.3 |
| Receivables from services | 0.0 | 0.2 |
| Other accrued income | 3.5 | 2.0 |
| **Total** | 14.8 | 15.7 |

Due to the short-term character of the receivables, the carrying amounts do not differ from fair value.

## 17. Cash and cash equivalents

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| Cash at bank and in hand | 31.7 | 37.0 |
| Interest-bearing investments | 138.8 | 139.1 |
| **Total** | 170.5 | 176.1 |

Interest-bearing investments are certificates of deposit and commercial paper with a maturity of less than three months issued by banks and companies.

## 18. Equity

**Changes in share capital**

| | A shares | B shares | Total | Share capital EUR million |
|---|---|---|---|---|
| **Total number of shares at 1 Jan 2008** | 52,558,688 | 88,699,140 | 141,257,828 | 92.2 |
| Conversions of A shares to B shares in 1 Jan–31 Dec 2008 | -1,118,020 | 1,118,020 | | |
| **Total number of shares at 31 Dec 2008** | 51,440,668 | 89,817,160 | 141,257,828 | 92.2 |
| Conversions of A shares to B shares in 1 Jan–31 Dec 2009 | -100,000 | 100,000 | | |
| **Total number of shares at 31 Dec 2009** | 51,340,668 | 89,917,160 | 141,257,828 | 92.2 |
| Number of treasury shares at 31 Dec 2009 | | -280,030 | -280,030 | |
| **Total number of shares at 31 Dec 2009 excluding treasury shares** | 51,340,668 | 89,637,130 | 140,977,798 | |
| | | | | |
| **Total number of votes at 31 Dec 2009 excluding treasury shares** | 1,026,813,360 | 89,637,130 | 1,116,450,490 | |

On 31 December 2009, Orion had a total of 141,257,828 shares, of which 51,340,668 were A shares and 89,917,160 B shares. The Group's share capital is EUR 92.2 (2008:92.2) million. At the end 2009, Orion held 280,030 B shares as treasury shares. On 31 December 2009, the aggregate number of votes conferred by both share classes was 1,116,450,490 excluding treasury shares.

All shares issued have been paid in full.

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

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

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

Under Section 3 of the Company's Articles of Association, shareholders are entitled to demand the conversion of their A shares to B shares. In the period 1 January–31 December 2009, a total of 100,000 shares were converted.

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

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

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

Altogether 44,806 B shares held by the Company were transferred in March 2009 as a share bonus for 2008 to key persons employed by the Company and belonging to the Share-based Incentive Plan of the Orion Group. This was based on the authorisation granted by the Annual General Meeting on 25 March 2008.

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

Following the transfer, Orion holds 280,030 B shares as treasury shares.

After the end of the period, the Board of Directors has proposed a dividend of EUR 1.00 per share to be distributed and EUR 0.10 per share to be distributed from the expendable fund as a repayment of capital.

**Share premium**

| EUR million | 2009 | 2008 |
|---|---|---|
| Share premium 1 Jan | 17.8 | 17.8 |
| Share premium 31 Dec | 17.8 | 17.8 |

**Expendable fund**

| EUR million | 2009 | 2008 |
|---|---|---|
| Expendable fund 1 Jan | 23.0 | 23.0 |
| Expendable fund 31 Dec | 23.0 | 23.0 |

The expendable fund is part of the distributable funds under the Limited Liability Companies Act.

### Other reserves

Other reserves include reserve funds of EUR 0.2 (2008: 0.1) million and a fair value reserve. The fair value reserve includes a hedging reserve of EUR -0.1 (2008: -1.0) million for fair value changes of derivatives for hedging cash flow.

### Translation differences

Translation differences include those arising from translation of the financial statements of foreign entities.

### Dividends and other distribution of profits

A dividend of EUR 0.95 (2008: 1.00) per share was paid in the period. In addition, donations of EUR 0.1 (2008: 0.1) million were paid.

## 19. Provisions

| EUR million | Pension provisions | Other provisions | Total |
|---|---|---|---|
| 1 Jan 2009 | 0.4 | | 0.4 |
| Utilised during the period | -0.1 | | -0.1 |
| Additions to provisions | | 0.2 | 0.2 |
| **31 Dec 2009** | 0.3 | 0.2 | 0.5 |

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| Non-current provisions | 0.5 | 0.4 |
| Current provisions | 0.0 | |
| **Total** | 0.5 | 0.4 |

### Pension provision

Pension provisions include provisions made for unemployment pension expenses for persons made redundant in 2003–2005 and 2009, who have not yet found work or may possibly not find work or have not received a decision on their unemployment pension. The provisions are expected to materialise in the next 1–3 years.

### Other provisions

Other provisions include a provision for credit losses in the United Kingdom.

## 20. Interest-bearing liabilities

| EUR million, 31 Dec | Carrying value 2009 | Fair value 2009 | Carrying value 2008 | Fair value 2008 |
|---|---|---|---|---|
| Loans from financial institutions | 77.4 | 78.8 | 88.7 | 90.7 |
| Loans from pension insurance companies | 28.7 | 28.4 | 20.0 | 19.9 |
| Finance lease liabilities | 2.4 | 2.9 | 0.8 | 0.8 |
| Other interest-bearing liabilities | 0.3 | 0.3 | 0.4 | 0.4 |
| **Non-current liabilities total** | 108.7 | 110.3 | 109.9 | 111.8 |

| EUR million, 31 Dec | Carrying value 2009 | Fair value 2009 | Carrying value 2008 | Fair value 2008 |
|---|---|---|---|---|
| Repayments of long-term loans | 20.9 | 22.7 | 16.3 | 16.6 |
| Finance lease liabilities | 1.1 | 1.2 | 1.1 | 1.1 |
| Commercial paper issued | | | 17.9 | 18.4 |
| Other interest-bearing liabilities | 0.8 | 0.8 | 1.1 | 1.1 |
| **Non-current liabilities** | 22.7 | 24.7 | 36.4 | 37.2 |

The fair values of the liabilities have been determined by discounting future cash flows to present value using the market interest rate applicable to a similar loan at the end of the reporting period. At the end of the reporting period, market interest rates were 0.99–3.36%, to which a company-specific margin has been added in discounting.

Most of the liabilities are euro-denominated.

### Maturity of finance lease liabilities

**Minimum lease payments**

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| No later than 1 year | 1.2 | 1.1 |
| Later than 1 year but no later than 5 years | 2.1 | 0.8 |
| Later than 5 years | 0.6 | |
| **Total** | 3.9 | 1.9 |

**Present value of minimum lease payments**

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| No later than 1 year | 1.1 | 1.1 |
| Later than 1 year but no later than 5 years | 1.8 | 0.8 |
| Later than 5 years | 0.6 | |
| Present value of minimum lease payments | 3.5 | 1.9 |
| Future finance charges | 0.4 | 0.1 |
| **Minimum lease payments, total** | 3.9 | 1.9 |

## 21. Other non-current liabilities

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| Derivative financial contracts included in hedge accounting | 0.0 | 0.8 |
| Other non-current liabilities | 0.1 | 0.1 |
| **Total** | 0.1 | 0.9 |

## 22. Trade payables and other current liabilities

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| Trade payables | 42.3 | 30.2 |
| Other current liabilities to associates | 0.2 | 0.2 |
| Accrued liabilities and deferred income | 56.1 | 47.1 |
| Other current liabilities | 13.4 | 9.1 |
| **Total** | 112.1 | 86.6 |

**Material items included in accrued liabilities and deferred income**

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| Liabilities from share-based incentive plan | 1.4 | 0.7 |
| R&D operating model restructuring expenses | | 3.6 |
| Other accrued salary, wage and social security payments | 33.1 | 28.6 |
| Accrued compensations | 4.6 | 0.4 |
| Accrued royalties | 3.9 | 2.1 |
| Accrued R&D expenses | 3.5 | 2.7 |
| Income tax liability | 3.0 | 2.4 |
| Derivative liability | 1.2 | 1.7 |
| Accrued interest | 0.4 | 1.5 |
| Other accrued liabilities and deferred income | 5.1 | 3.4 |
| **Total** | 56.1 | 47.1 |

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

## 23. Financial assets and liabilities

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| Financial assets at fair value through profit and loss | | |
| Held-for-trading financial assets | | |
| Derivatives not included in hedge accounting | 0.7 | 3.0 |
| Loans and other receivables | | |
| Other non-current assets | 0.9 | 1.5 |
| Trade receivables | 102.6 | 83.1 |
| Other receivables | 4.2 | 5.7 |
| Available-for-sale financial assets | | |
| Available-for-sale investments | 1.0 | 0.9 |
| Cash and cash equivalents | 170.5 | 176.1 |
| **Financial assets, total** | 279.9 | 270.2 |
| Derivatives included in hedge accounting | | |
| Non-current | 0.0 | 0.8 |
| Current | 0.3 | 0.7 |
| Financial liabilities at fair value through profit and loss | | |
| Held-for-trading financial liabilities | | |
| Derivatives not included in hedge accounting | 1.0 | 1.0 |
| Financial liabilities measured at amortised costs | | |
| Interest-bearing non-current liabilities | 108.7 | 109.9 |
| Other non-current liabilities | 0.1 | 0.1 |
| Trade payables | 42.3 | 30.2 |
| Other current liabilities | 12.6 | 7.0 |
| Interest-bearing current liabilities | 22.7 | 36.4 |
| **Financial liabilities, total** | 187.8 | 185.9 |

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

## 24. Financial risk management

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

The main principles for financial risk management are described in the Group Treasury Policy, approved by the Company's Board of Directors. The Group Treasury is responsible for implementation of the treasury policy. Treasury activities are centralised in the Group's treasury department.

### 24.1. Market risk

Market risk includes exchange rate risk, interest rate risk and electricity price risk. At the end of the reporting period the Group had no investments in equities or equity funds.

### 24.1.1. Exchange rate risk

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

#### Transaction risk

Transaction risk arises from items in foreign currency in the Statement of Financial Position and forecasted sales and purchases in foreign currency over the coming 12-month period. Transaction risk is monitored and hedged actively. Sales invoiced in US dollars pose the most significant currency risk. As regards other currencies, no individual currency has a significant effect on the Group's overall position.

In accordance with the Treasury Policy, the Group seeks to hedge items in the Statement of Financial Position in full and forecasted currency flows are 0–50% hedged. Hedging of sales and purchases is based on the Group's net position presented below, and forward exchange contracts with maturities up to 12 months are used as hedging instruments.

| | USD | | Other currencies | |
|---|---|---|---|---|
| EUR million, 31 Dec | 2009 | 2008 | 2009 | 2008 |
| Net position in statement of financial position | 2.4 | 8.2 | 12.7 | 12.8 |
| Forecasted net position (12 months) | 67.7 | 60.1 | 65.8 | 44.6 |
| **Net position, total** | 70.2 | 68.4 | 78.6 | 57.4 |
| Hedges | -20.7 | -27.8 | -30.6 | -24.1 |
| **Unhedged net risk exposure, total** | 49.5 | 40.6 | 48.0 | 33.4 |

The Group has no major external interest-bearing debt denominated in foreign currencies. The Group's internal loans and deposits are denominated in the local currency of the subsidiary, and the possible exchange rate risk is hedged in full by the parent company with forward exchange contracts.

IAS 39 compliant hedge accounting is not in use. The fair value changes of the foreign exchange derivative instruments are recognised through profit or loss in either other operating income and expenses or finance income and expenses depending on whether, from an operational perspective, sales revenue or financial assets and liabilities has been hedged.

#### Translation risk

Translation risk arises from the equity of subsidiaries that have a functional currency other than the euro. On 31 December 2009 the equity in these subsidiaries totalled EUR 31.7 (2008: 18.8) million. This translation position has not been hedged.

#### Sensitivity analysis

The effect of changes in foreign exchange rates on the Group's results (before taxes) and equity is indicated below for EUR/USD exchange rates. The assumption used in the analysis is a +/- 10% change in the exchange rate (USD depreciates/appreciates by 10%) while other factors remain unchanged.

| | Impact on profit | | Impact on equity | |
|---|---|---|---|---|
| EUR million, 31 Dec | 2009 | 2008 | 2009 | 2008 |
| USD +/- 10% | +1.7/-2.0 | -1.8/-2.2 | 0 | 0 |

The sensitivity analysis includes only financial assets and liabilities in the statement of financial position, i.e. cash and cash equivalents, trade receivables and payables, and currency derivative contracts. The sensitivity analysis does not provide a representative picture of the exposure to foreign exchange risk because, under the foreign exchange hedging principles, the forecast 12-month foreign currency cash flow is 0–50% hedged, and in accordance with IFRS 7, the forecast transactions are not included in the analysis. The translation position is not included in the sensitivity analysis.

### 24.1.2. Electricity price risk

The price risk refers to the risk resulting from changes in electricity market prices. The market price of electricity fluctuates greatly due to weather conditions, hydrology and emissions trading, for example. The Orion Group obtains its electricity through deliveries that are tied to the spot price in price area Finland, and is therefore exposed to electricity price fluctuation.

The electricity portfolio is managed so that it is possible to hedge the cash flow risk resulting from fluctuations in the market price of electricity and continuously purchase electricity at the most competitive price available. The hedging instruments used are standard electricity derivative instruments that are quoted on Nord Pool. Nord Pool's closing prices are used as levels for valuation. For area price difference products, the valuation is based on an expert's estimate, because market quotations are not available for OTC products. Offers received are nevertheless utilised in the estimate.

Hedge accounting under IAS 39 is applied to hedging electricity price risk. In applying hedge accounting to the cash flow, the amount recognised for the hedging instrument in the fair value reserve in equity is adjusted according to IAS 39.96 so that it is the lower (in absolute figures) of the following two figures:

- the cumulative gain or loss accrued by the hedging instrument from its inception
- the cumulative change in the fair value of expected future cash flows of the item hedged from the inception of the hedge

The remaining portion of the profit or loss accrued by the hedging instrument represents the ineffective portion of the hedge and it is recognised through profit or loss.

A fair value valuation of EUR -0.2 (2008: -1.0) million for electricity hedges was recognised in the equity for 2009. The nominal values of the derivatives totalled EUR 7.0 (2008: 5.7) million.

### 24.1.3. Interest rate risk

Changes in interest rates affect the Group's cash flow and results. On 31 December 2009, the Group's interest-bearing liabilities totalled EUR 131.5 (2008: 146.3) million. The Group is exposed to interest rate risk associated with non-current loans raised from the European Investment Bank. The capital of these loans with interest rates tied to the 6-month Euribor rate totalled EUR 88.7 million on 31 December 2009. If interest rates rise in 2010 in parallel by one percentage point (1%) compared with market interest rates at the end of the reporting period, and other factors remain unchanged, the estimated interest expenses of the Group would rise by EUR 0.6 million in 2010 (before taxes).

The Group's exposure to risks related to changes in market rates is, however, reduced by the fact that the Group's interest-bearing investments, which totalled EUR 138.8 million on 31 December 2009, are invested in current interest-bearing instruments.

## 24.2. Counterparty risk

Counterparty risk is realised when a counterparty to the Group does not fulfil its contractual obligations, resulting in non-payment of funds to the Group. The maximum credit risk exposure at 31 December 2009 is the total of financial assets less carrying amounts of derivatives in financial liabilities, which totals EUR 278.6 (2008: 267.7) million. The main risks relate to trade receivables and cash and cash equivalents.

The Group Treasury Policy defines the requirements for the creditworthiness of the counterparties to financial investment transactions and derivative contracts. Limits have been set for investments and counterparties for derivative contracts on the basis of creditworthiness and solidity, and they are regularly updated and monitored. Investments are made in interest-bearing instruments with duration up to three months that are tradable in secondary markets.

The Group Customer Credit Policy defines the requirements for the creditworthiness of the customers. In the pharmaceutical industry trade receivables are typically generated by distributors representing different geographical areas. The Group's 25 largest customers generated 71% of the trade receivables. The most significant individual customers are Novartis, a marketing partner in pharmaceutical sales, and Oriola-KD Corporation, a pharmaceuticals distributor. The trade receivables do not involve significant risk, but the counterparty risk is reduced as necessary by requiring cash payments or confirmed documentary credits, for example. Credit losses for the period recognised through profit or loss were minor.

## 24.3. Liquidity risk

The Group seeks to maintain a good liquidity position in all conditions. In addition to cash flows from operating activities and cash and cash equivalents, the liquidity is ensured by bank overdraft limits, EUR 75 million confirmed credit limit which is available until June 2011, and an unconfirmed commercial paper programme of EUR 100 million. No issued commercial paper is included in the Financial Statements.

The Group's interest-bearing liabilities at 31 December 2009 were EUR 131.5 (2008: 146.3) million, and they were mostly non-current. The average maturity for loans from the European Investment Bank is 4.6 years and for loans from pension insurance companies 2.1 years.

At 31 December 2009, the Group's cash and cash equivalents totalled EUR 170.5 (2008: 176.1) million, so the Group had no interest-bearing net debt. To ensure the Group's liquidity, surplus cash is invested mainly in current euro-denominated interest-bearing instruments with good creditworthiness that are tradable in secondary markets. Counterparties and limits for these investments are defined in accordance with the Treasury Policy.

**Cash flows of interest-bearing loan repayments and finance expenses at 31 December 2009**

| EUR million | 2010 | 2011 | 2012 | 2013 | 2014- | Total |
|---|---|---|---|---|---|---|
| Loans from financial institutions | 12.8 | 13.3 | 13.3 | 13.0 | 47.6 | 100.0 |
| Finance expenses | -1.5 | -2.0 | -2.0 | -1.7 | -4.2 | -11.3 |
| **Repayment of loans** | 11.3 | 11.3 | 11.3 | 11.3 | 43.5 | 88.7 |
| | | | | | | |
| Loans from pension insurance companies | 10.8 | 10.5 | 10.1 | 9.8 | | 41.3 |
| Finance expenses | -1.3 | -0.9 | -0.6 | -0.2 | | -3.0 |
| **Repayment of loans** | 9.6 | 9.6 | 9.6 | 9.6 | | 38.2 |
| | | | | | | |
| Finance lease loans | 1.1 | 1.0 | 0.4 | 0.4 | 1.0 | 3.9 |
| Finance expenses | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.4 |
| **Repayment of finance lease loans** | 1.0 | 0.9 | 0.4 | 0.3 | 0.9 | 3.5 |
| | | | | | | |
| Other liabilities | 0.8 | 0.1 | 0.1 | | | 1.0 |
| Finance expenses | -0.0 | -0.0 | -0.0 | | | -0.0 |
| **Repayment of other liabilities** | 0.8 | 0.1 | 0.1 | | | 1.0 |

The cash flows above have not been discounted. Forward rates or the average reference rate as per contract have been used in estimating finance expenses for loans with floating rates.

## 24.4. Capital structure management

The Group's aim as regards capital structure, as defined in its financial objectives, is to maintain the Group's equity ratio (equity/total assets) at a level of at least 50%. This equity ratio does not represent the Company's view on optimal capital structure, but is part of an overall policy defining the objectives for operational growth and profitability, as well as the Company's dividend distribution policy.

**The Company has given the following covenants:**

| | Requirements |
|---|---|
| Group equity ratio | >35% |
| Group interest-bearing liabilities / EBITDA | <1.5:1 |
| Group EBITDA / net interest | >10:1 |

If a covenant is breached, the lender has the right to require collateral. If in such a case collateral is not offered, the lender has the right to demand early repayment of the loan.

**Group equity ratio (incl. advance payments)**

| 31 Dec | 2009 | 2008 |
|---|---|---|
| Equity, EUR million | 439.1 | 418.6 |
| Equity and liabilities total, EUR million | 727.1 | 695.5 |
| **Equity ratio (incl. advance payments), %** | 60.4% | 60.2% |

**Group interest-bearing liabilities / Group EBITDA**

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| Interest-bearing liabilities | 131.5 | 146.3 |
| EBITDA | 241.4 | 216.6 |
| **Interest-bearing liabilities / EBITDA** | 0.5 | 0.7 |

**Group EBITDA / net interest expenses**

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| EBITDA | 241.4 | 216.6 |
| Net interest expenses | 2.7 | 0.2 |
| **EBITDA / net interest expenses** | 88 | 948 |

# 25. Contingent liabilities

**Commitments and contingencies**

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| **Contingencies for own liabilities** | | |
| Mortgages on land and buildings | 32.0 | 19.0 |
| of which those to Orion Pension Fund | 9.0 | 9.0 |
| Guarantees | 1.1 | 1.0 |
| Other | 0.3 | 0.3 |

## Legal proceedings

### Legal proceedings against the Sun companies

On 13 November 2007, 7 February 2008 and 12 November 2008, Orion Corporation filed patent infringement lawsuits in the United States to enforce US Patents No. 6,500,867 and 5,446,194 against companies belonging to the Sun Group.

Sun Pharmaceutical Industries Limited seeks to market generic versions of Orion's Stalevo® drug (25/100/200 and 37.5/150/200 mg strengths of carbidopa, levodopa and entacapone) in the United States. Sun Pharma Global, Inc. seeks to market a generic version of Orion's proprietary drug Comtan® in the United States.

### Legal proceedings against the Sandoz companies

On 4 September 2009, Orion Corporation and Hospira, Inc. filed together a patent infringement lawsuit in the United States against Sandoz International GmbH and Sandoz Inc. to enforce their patents valid in the United States. The legal proceedings concern Orion's US Patent No. 4,910,214 and Orion's and Hospira's commonly owned US Patent No. 6,716,867.

Sandoz Inc. has sought authorisation to produce and market in the United States a generic version of Orion's proprietary drug Precedex® (dexmedetomidine hydrochloride 100 μg base/ml), which is marketed in the United States by Orion's licensee Hospira.

Orion expects the costs of the legal proceedings against the Sandoz companies to be substantially less than the costs of the ongoing entacapone patent litigation in the United States.

### Agreement reached in legal proceedings against the Wockhardt companies

On 29 April 2009, Orion Corporation and Wockhardt USA, LLC and Wockhardt Limited (jointly "Wockhardt") reached a settlement agreement in the dispute in which Orion had filed a lawsuit against Wockhardt to enforce its US patents after Wockhardt had filed Abbreviated New Drug Applications (ANDA) for generic versions of Orion's Comtan® and Stalevo® products.

Orion filed its first lawsuit against Wockhardt in the United States in 2007 and two more in 2008. The settlement agreement applies to all three lawsuits. According to the terms of the settlement agreement, Wockhardt may launch generic versions of Comtan and Stalevo in the US market on 30 September 2012, or possibly before that if certain conditions are met.

The parties have agreed that Orion will supply the said generic products to Wockhardt. Any other terms of the agreement will not be made public by the parties.

Due to the settlement, all three lawsuits were terminated and Orion's US patents No. 5,446,194; 5,135,950; 6,599,530; 6,797,732; and 6,500,867 will remain in force.

In accordance with current US legislation, Orion has submitted all of the above-mentioned agreements to the US Federal Trade Commission and the United States Department of Justice.

## 26. Derivatives

**Nominal values of derivatives**

| EUR million | Nominal value 2009 | Remaining period to maturity 2010 | 2011 | 2012– | Nominal value 2008 |
|---|---|---|---|---|---|
| **Non-hedge-accounting derivatives** | | | | | |
| Forward exchange contracts | 86.4 | 86.4 | | | 64.6 |
| | | | | | |
| **Hedge-accounting derivatives** | | | | | |
| Electricity forward contracts | 7.0 | 2.3 | 2.2 | 2.5 | 5.7 |

**Fair values of derivatives**

| EUR million | 2009 Positive | 2009 Negative | 2009 Net | 2008 Positive | 2008 Negative | 2008 Net |
|---|---|---|---|---|---|---|
| **Non-hedge-accounting derivatives** | | | | | | |
| Forward exchange contracts | 0.7 | -1.0 | -0.3 | 3.0 | -1.0 | 2.0 |
| | | | | | | |
| **Hedge-accounting derivatives** | | | | | | |
| Electricity forward contracts | 0.4 | -0.6 | -0.2 | | -1.0 | -1.0 |

| | 2009 MWh | 2008 MWh |
|---|---|---|
| Electricity derivatives | 159,576 | 107,760 |

**Derivative categories using fair value hierarchy**

| EUR million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Forward exchange contracts | | -0.3 | | -0.3 |
| Electricity forward contracts | -0.2 | | | -0.2 |

Forward exchange and electricity forward contracts are OTC derivatives and any market quotations available at the end of the reporting period have been used for determining their fair value.

## 27. Operating leases

**Group as lessee**

**Minimum lease payments payable on the basis of other non-cancellable leases**

| EUR million, 31 Dec | 2009 | 2008 |
|---|---|---|
| Not later than 1 year | 1.9 | 1.7 |
| Later than 1 year but not later than 5 years | 2.3 | 2.1 |
| Later than 5 years | 0.0 | 0.2 |
| **Total** | 4.3 | 4.0 |
| | | |
| **Rents paid on the basis of other operating leases during the period** | 2.8 | 2.0 |

Other lease expenses comprise mainly expenses for business premises abroad.

**Group as lessor**

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

# 28. Related party transactions

In Orion Group, the related parties are deemed to include the parent company Orion Corporation, the subsidiaries and associated and affiliated companies, the members of the Board of Directors of Orion Corporation, the members of the Executive Management Board of the Orion Group, the immediate family members of these persons, the companies controlled by these persons, and the Orion Pension Fund.

**Group Companies at 31 December 2009**

| | Group | | Parent company | |
|---|---|---|---|---|
| | Ownership, % | Share of votes, % | Ownership, % | Share of votes, % |
| **Pharmaceuticals** | | | | |
| Parent company Orion Corporation | | | | |
| Fermion Oy, Espoo, Finland | 100.00 | 100.00 | 100.00 | 100.00 |
| Finorion Lda, Portugal | 100.00 | 100.00 | 100.00 | 100.00 |
| OOO Orion Pharma, Russia | 100.00 | 100.00 | | |
| Orion Pharma (Austria) GmbH, Austria | 100.00 | 100.00 | 100.00 | 100.00 |
| Orion Pharma (Ireland) Ltd., Ireland | 100.00 | 100.00 | 100.00 | 100.00 |
| Orion Pharma (UK) Ltd., United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Orion Pharma A/S, Denmark | 100.00 | 100.00 | 100.00 | 100.00 |
| Orion Pharma AB, Sweden | 100.00 | 100.00 | 100.00 | 100.00 |
| Orion Pharma AG, Switzerland | 100.00 | 100.00 | 100.00 | 100.00 |
| Orion Pharma AS, Norway | 100.00 | 100.00 | 100.00 | 100.00 |
| Orion Pharma BVBA, Belgium [1)] | 100.00 | 100.00 | 100.00 | 100.00 |
| Orion Pharma Farmakeftiki MEPE, Greece | 100.00 | 100.00 | 100.00 | 100.00 |
| Orion Pharma GmbH, Germany | 100.00 | 100.00 | 100.00 | 100.00 |
| Orion Pharma Ilac Pazarlama Ticaret Limited Sirketi, Turkey [1)] | 100.00 | 100.00 | 90.00 | 90.00 |
| Orion Pharma Kft., Hungary | 100.00 | 100.00 | 100.00 | 100.00 |
| Orion Pharma S.L., Spain | 100.00 | 100.00 | 100.00 | 100.00 |
| Orion Pharma S.r.l., Italy | 100.00 | 100.00 | 100.00 | 100.00 |
| Orion Pharma SA, France [1)] | 100.00 | 100.00 | 100.00 | 100.00 |
| Orion Pharma, Inc., USA [1)] | 100.00 | 100.00 | 100.00 | 100.00 |
| OÜ Orion Pharma Eesti, Estonia | 100.00 | 100.00 | 100.00 | 100.00 |
| UAB Orion Pharma, Lithuania | 100.00 | 100.00 | 100.00 | 100.00 |
| Orion Export Oy, Espoo [1)] | 100.00 | 100.00 | 100.00 | 100.00 |
| Saiph Therapeutics Oy, Espoo [1)] | 100.00 | 100.00 | 100.00 | 100.00 |
| Kiinteistö Oy Harmaaparta, Espoo | 100.00 | 100.00 | 100.00 | 100.00 |
| Kiinteistö Oy Kalkkipellontie 2, Espoo | 100.00 | 100.00 | 100.00 | 100.00 |
| Kiinteistö Oy Kapseli, Hanko | 100.00 | 100.00 | | |
| Kiinteistö Oy Nilsiänkatu 10, Helsinki | 100.00 | 100.00 | 100.00 | 100.00 |
| Kiinteistö Oy Pilleri, Hanko | 70.39 | 70.39 | | |
| Kiinteistö Oy Tonttuvainio, Espoo | 100.00 | 100.00 | 100.00 | 100.00 |
| **Diagnostics** | | | | |
| Orion Diagnostica Oy, Espoo | 100.00 | 100.00 | 100.00 | 100.00 |
| Orion Diagnostica AB, Sweden | 100.00 | 100.00 | | |
| Orion Diagnostica as, Norway | 100.00 | 100.00 | | |
| Orion Diagnostica Danmark A/S, Denmark | 100.00 | 100.00 | | |

[1)] These companies are not engaged in business activities.

There are no companies in which the Group's ownership is 1/5 or more that have not been consolidated as associated companies or subsidiaries.

## Related party transactions

The Group has no significant business transactions with the related parties, except for the pension expenses resulting from the defined benefit plans with Orion Pension Fund.

**Management's employment benefits**

| EUR million | 2009 | 2008 |
|---|---|---|
| Salaries and other short-term employment benefits | 3.0 | 2.7 |
| Post-employment benefits | 0.3 | 0.5 |

**Salaries and remuneration** [1)]

| EUR million | 2009 | 2008 |
|---|---|---|
| **Timo Lappalainen, President and CEO** | 0.6 | 0.5 |
| | | |
| Matti Kavetvuo, Chairman | 0.1 | 0.1 |
| Jukka Ylppö, Vice Chairman | 0.1 | 0.1 |
| Sirpa Jalkanen | 0.0 | |
| Eero Karvonen | 0.0 | 0.1 |
| Leena Palotie | 0.0 | 0.0 |
| Vesa Puttonen | 0.1 | 0.1 |
| Hannu Syrjänen | 0.0 | 0.0 |
| **Board of Directors, total** | 0.4 | 0.4 |

[1)] Exact figures are presented on pages 58 and 62.

The retirement age of the parent company's President and CEO is agreed to be 60 years and the pension level 60% of salary. In addition, some of the members of the Executive Management Board have the right to retire at the age of 60 to 63 years, the pension level being 60% of the pensionable salary.

### Loans, guarantees and other commitments to or on behalf of the related parties

Orion Corporation has issued a mortgage on land and buildings of EUR 9.0 million to Orion Pension Fund to cover the pension liability if necessary.

The Group is the lender of an interest-free loan of EUR 0.0 million to its associate Hangon Puhdistamo Oy.

## 29. Events after the reporting period

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

# Parent company Orion corporation's financial statements (FAS)

## Income statement

| EUR million | Note | 2009 | 2008 |
|---|---|---|---|
| **Net sales** | 1 | 634.8 | 586.9 |
| Other operating income | 2 | 10.2 | 15.1 |
| Operating expenses | 3, 4 | -450.8 | -426.1 |
| Amortisation of goodwill | 4 | -3.4 | -3.4 |
| Depreciation and amortisation | 4 | -23.7 | -21.5 |
| **Operating profit** | | 167.0 | 151.0 |
| Financial income and expenses | 5 | 4.8 | 22.9 |
| **Profit before appropriations and taxes** | | 171.8 | 173.9 |
| Extraordinary items | 6 | 11.8 | 13.3 |
| Appropriations | 7 | -0.8 | -0.4 |
| Income taxes | 8 | -46.3 | -43.3 |
| **Profit for the period** | | 136.5 | 143.5 |

## Balance sheet

### Assets

| EUR million, 31 Dec | Note | 2009 | 2008 |
|---|---|---|---|
| Intangible rights | | 60.9 | 34.5 |
| Goodwill | | | 3.4 |
| Other long-term expenditure | | 3.6 | 2.8 |
| **Intangible assets total** | 9 | 64.5 | 40.8 |
| | | | |
| Land | | 3.7 | 3.7 |
| Buildings and constructions | | 73.3 | 76.2 |
| Machinery and equipment | | 58.0 | 54.6 |
| Other tangible assets | | 0.7 | 0.8 |
| Advance payments and construction in progress | | 3.8 | 4.6 |
| **Tangible assets total** | 10 | 139.5 | 139.9 |
| | | | |
| Holdings in Group companies | | 85.5 | 84.9 |
| Other investements | | 1.3 | 1.3 |
| **Investments total** | 11 | 86.9 | 86.2 |
| | | | |
| **Non-current assets total** | | 290.8 | 266.9 |
| | | | |
| Inventories | 12 | 83.5 | 92.9 |
| Non-current receivables | 13 | 0.3 | 0.5 |
| Trade receivables | 14 | 88.6 | 72.1 |
| Other current receivables | 14 | 22.4 | 27.3 |
| Investments | 15 | 138.8 | 139.1 |
| Cash and bank | | 13.7 | 22.6 |
| **Current assets total** | | 347.2 | 354.5 |
| | | | |
| **Assets, total** | | 638.0 | 621.4 |

### Liabilities

| EUR million, 31 Dec | Note | 2009 | 2008 |
|---|---|---|---|
| Share capital | | 92.2 | 92.2 |
| Share premium | | 17.8 | 17.8 |
| Hedging fund | | -0.2 | -1.4 |
| Expendable fund | | 23.0 | 23.0 |
| Retained earnings | | 29.5 | 19.3 |
| Profit for the period | | 136.5 | 143.5 |
| **Shareholders' equity** | 16 | 298.9 | 294.5 |
| **Appropriations** | 17 | 74.0 | 73.2 |
| **Provisions** | 18 | 0.9 | 0.9 |
| | | | |
| Loans from financial institutions | | 77.4 | 88.7 |
| Loans from pension insurance companies | | 28.7 | 20.0 |
| Other non-current liabilities | | 0.3 | 1.2 |
| **Non-current liabilities total** | 19 | 106.3 | 109.8 |
| | | | |
| Trade payables | | 43.3 | 30.9 |
| Other current liabilities | | 114.7 | 112.0 |
| **Current liabilities total** | 20 | 158.0 | 142.9 |
| | | | |
| **Liabilities, total** | | 638.0 | 621.4 |

# Notes to the financial statements of the parent company

## Cash flow statement

| EUR million | 2009 | 2008 |
|---|---|---|
| **Operating profit** | 167.0 | 151.0 |
| | | |
| Depreciation and amortisation according to plan | 27.1 | 24.9 |
| Other adjustments | 2.8 | 0.1 |
| **Adjustments to operating profit, total** | 29.9 | 25.0 |
| | | |
| Change in non-interest-bearing current receivables | -3.0 | -5.3 |
| Change in inventories | 9.4 | -9.4 |
| Change in non-interest-bearing current liabiliies | 9.9 | -1.0 |
| **Change in working capital, total** [1] | 16.3 | -15.7 |
| | | |
| Interest paid | -9.7 | -9.2 |
| Dividends received [2] | 9.4 | 11.2 |
| Interest received [2] | 4.5 | 7.0 |
| Income tax paid | -43.1 | -45.4 |
| **Cash flow from operating activities, total** | 174.5 | 124.0 |
| | | |
| Investments in tangible assets | -18.3 | -22.0 |
| Investments in intangible assets | -34.6 | -22.7 |
| Proceeds from sale of tangible assets | 1.2 | 1.2 |
| Investments in subsidiary shares | -0.2 | -0.0 |
| Proceeds from sale of other shares | 0.0 | |
| Loans granted (-) / repayments of loans granted (+) | -0.5 | -0.7 |
| **Cash flow used in investing activities, total** | -52.3 | -44.1 |
| | | |
| Short-term loans raised | 6.5 | 134.8 |
| Repayments of short-term loans | -18.6 | -104.2 |
| Long-term loans raised | 22.8 | 125.0 |
| Repayments of long-term loans | -21.2 | -0.3 |
| Repurchase of own shares | | -4.8 |
| Dividends paid and other distribution of profits | -134.2 | -141.1 |
| Group contributions received | 13.3 | |
| **Cash flow from financing activities, total** | -131.4 | 9.4 |
| | | |
| **Net change in cash and cash equivalents** | -9.2 | 89.3 |
| | | |
| Cash and cash equivalents at 1 Jan [3] | 161.7 | 72.4 |
| Net change in cash and cash equivalents | -9.2 | 89.3 |
| Cash and cash equivalents at 31 Dec [3] | 152.4 | 161.7 |

[1] The change of the loans and receivables between the parent company and the Finnish subsidiaries are recorded in the change of the parent company's working capital at their gross value.

[2] The dividends and interest paid by the subsidiaries are included in the cash flow from operating activities of the parent company.

[3] Cash and cash equivalents include liquid securities with a very low fluctuation-in-value risk, as well as cash in hand and at bank.

The parent company of the Orion Group is Orion Corporation, domiciled in Espoo. The business ID code of Orion Corporation is FI 1999212-6 (VAT FI 19992126).

Orion Corporation's first financial period was 1 July–31 December 2006, because the company came into being following the demerger of its predecessor Orion Group into pharmaceuticals and diagnostic businesses and pharmaceutical wholesale and distribution business. Trading in both of the company's share classes commenced on 3 July 2006 on the Helsinki Stock Exchange.

## Accounting policies for the financial statements of the parent company

The Financial Statements of Orion Corporation are prepared in compliance with the Finnish Accounting Act, as well as other dispositions and regulations related to the compilation of the financial statements. The following are the most significant differences compared with the IFRS standards applied in the preparation of Consolidated Financial Statements:

### Inventories

The cost of inventories includes the value of inventories and the costs of conversion, which comprise the expenses directly associated with production.

### Goodwill

The balance sheet value of goodwill included in intangible assets is based on historical cost depreciated according to plan. As a rule, goodwill is amortised over 5 years. In some cases the estimated economic life of the goodwill is longer, maximum 20 years.

### Pension arrangements

The pension security of the company's employees is arranged through the Orion Pension Fund and through pension insurance companies. In the Parent Company Financial Statements, pension costs include contributions to the pension fund in addition to pension insurance premiums to pension insurance companies.

### Leases

Lease payments payable on the basis of leases are recognised as an expense that is allocated evenly over the entire lease term.

# Proposal by the Orion Corporation Board of Directors on use of profit funds from the financial year

The parent company's distributable funds are EUR 189,019,101.80, including EUR 136,467,859.83 of profit for the financial year.

The Board of Directors proposes that the distributable funds of the parent company be used as follows:

| | | |
|---|---|---|
| • distribution of EUR 1.00 of dividend per share. No dividend shall be paid on treasury shares held by the Company on the record date for dividend payment. On the day when the profit distribution was proposed, the number of shares conferring entitlement to receive dividend totalled 140,977,798 on which the total dividend would be | EUR | 140,977,798.00 |
| • donations to medical research and other purposes of public interest as decided by the Board of Directors | EUR | 150,000.00 |
| • retention in retained earnings | EUR | 47,891,303.80 |
| | EUR | 189,019,101.80 |

There have been no material changes in the Company's financial position since the end of the financial year. The liquidity of the Company is good and, in the opinion of the Board of Directors, the proposed profit distribution would not compromise the liquidity of the Company.

The Board of Directors also proposes to the Annual General Meeting of Orion Corporation to be held on 24 March 2010 that EUR 0.10 per share be distributed from the expendable fund as a repayment of capital.

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

Espoo, 9 February 2010

Matti Kavetvuo
Chairman

Jukka Ylppö
Vice Chairman

Sirpa Jalkanen

Eero Karvonen

Leena Palotie

Vesa Puttonen

Hannu Syrjänen

Timo Lappalainen
President and CEO

# Auditor's report

## To the Annual General Meeting of Orion Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Orion Oyj for the year ended on 31 December, 2009. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

## Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

## Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

## Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

## Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Espoo, 9 February 2010

PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
APA

# Calculation of the key figures

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

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

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

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

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

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

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

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

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

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

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

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

Market capitalisation, EUR million $=$ Number of shares at the end of the period × Closing quotation of the period



Former Orion Corporation demerged on 1 July 2006 into two new companies, Orion Corporation and Oriola-KD Corporation. All financial information before that date presented in this publication (i.e. pro forma figures) is based on information extracted from the financial statements of the demerged Orion Group. However, this historical information has been prepared for illustrative purposes only and does not necessarily describe Orion Corporation's results, financial position or changes in equity or cash flows in a situation where the current Orion Corporation had acted as a separate legal entity before 1 July 2006.

# Notes

## Flip the book around

Dear reader,
you have reached the final page of Orion's Financial Statements. Orion's Annual Report 2009 begins on the flip side of this book. So turn it over to start on the report.

**Read on, and enjoy!**