Annual Report 2010

ORION
Building well-being

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Orion's net sales and operating profit improved throughout the year. We also made significant progress in research during the year.

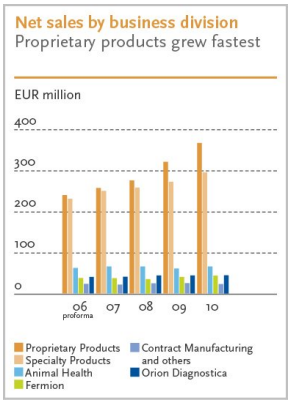
- Growth in sales of products based on Orion's own research +15%
- Generic drugs and self-care products boosted the growth in Scandinavia and Eastern Europe
- Growth also in the challenging Finnish market
- Orion's dexmedetomidine marketing authorisation application was submitted to the European Medicines Agency in October

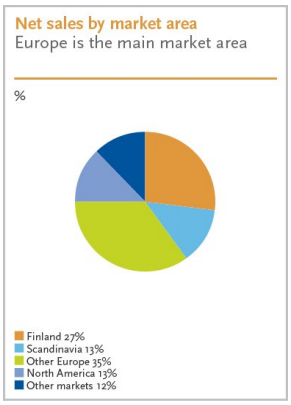
Building well-being

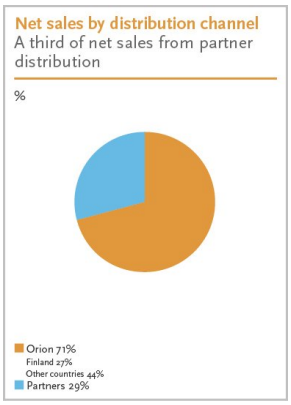
Orion is an innovative European R&D-based pharmaceuticals and diagnostics company with a special emphasis on developing medicinal treatments and diagnostic tests for global markets. Orion develops, manufactures and markets human and veterinary pharmaceuticals, active pharmaceutical ingredients and diagnostic tests. Orion's pharmaceutical R&D focuses on the following core therapy areas: central nervous system drugs, oncology and critical care drugs, and Easyhaler® pulmonary drugs.

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

- The Group's net sales in 2010 were EUR 850 million and the operating profit was EUR 254 million. Orion invested EUR 85 million in research and development.
- Orion's products are marketed in over one hundred countries. Finland is the most important market for Orion, and the Group's own human pharmaceuticals sales organisation covers almost all key European markets. In markets outside Europe Orion operates through partners.
- At the end of 2010 the Group had a total of 3,131 employees, of whom 2,475 worked in Finland and 656 in other European countries.
- Orion's A shares and B shares are listed on NASDAQ OMX Helsinki under the trading codes ORNAV and ORNBV.
- The Group's auxiliary business names include Orion Pharma, Fermion and Orion Diagnostica.



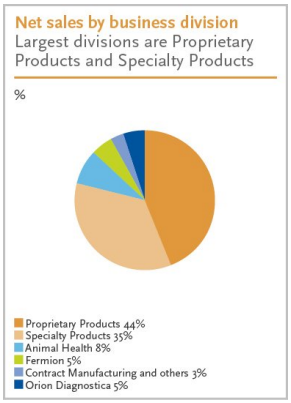


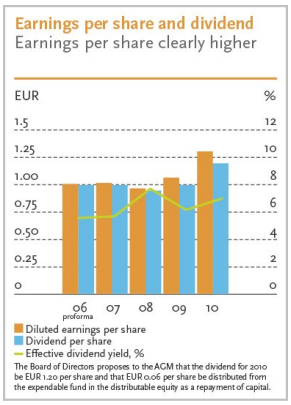


A year of positive development

2010 was a positive year for Orion: our net sales growth exceeded that of our main markets, while our operating profit (EBIT) improved significantly. It was particularly encouraging that all of our business units performed well.

Rapid change was again a feature of Europe's pharmaceutical markets last year, and the constant changes in drug reimbursement systems and pricing set challenges for players in this field. Since pharmaceutical research and development require lengthy periods of investment, it is vital that pharmaceutical policy embraces a long-term view and can be anticipated.





Net sales and operating profit increased

Orion's net sales and operating profit (EBIT) increased in 2010. Net sales went up by 10 per cent to EUR 850 million and the operating profit improved by 23 per cent to EUR 254 million. We achieved a good rate of growth in Scandinavia and Eastern Europe. In Finland, too, we succeeded in boosting our sales and market share, even though the market continued to be very challenging.

Sales of key products based on Orion's own research increased during the year. This was particularly true of the Simdax drug for heart failure and the Precedex intensive care sedative which, due to buoyant sales, were among our most important products for the year. Sales of Parkinson's drugs, which have traditionally been important for us, increased by eight per cent, but the net sales of pharmaceuticals other than the Parkinson's drugs increased even faster, by 12 per cent.

In generic drugs and self-care products we adjusted well to the fast-changing markets and had a successful year, with well over 100 new product and market launches. Orion Diagnostica and Fermion, a manufacturer of active pharmaceutical ingredients, also experienced a year of growth.

Behind the positive result was the hard work and dedication of all of our units. Orion's employees have shown that they can adapt very well to changing environments and new ways of working – such as the new R&D operating model that has been in use for the past two years.

Progress in research and development

A significant step forward has been made in our R&D projects, as we have succeeded in creating a new foundation for our future. The single most important achievement was the submission in October of a marketing authorisation application concerning the dexmedetomidine intensive care sedative for evaluation by the European Medicines Agency. Outside Europe, dexmedetomidine has proven to be a good alternative for sedation for intensive care patients.

The decrease in R&D expenses was due to the timing of several research projects, particularly clinical development projects. During 2011, R&D expenses will see a clear increase again, as many projects will reach the clinical phase.

Some concrete examples of the success of our R&D partnering strategy are a co-operation agreement signed with the Polish company Selvita in the summer of 2010, aimed at researching new drug treatments for Alzheimer's disease, and an extensive agreement signed early in 2011 with Endo Pharmaceuticals from the U.S., concerning the joint research, development and commercialisation of cancer drugs.

Strategy remains unchanged

The focal areas of the strategy for 2011–2015 approved by Orion's Board of Directors in June remained unchanged. Orion's strategic aims are profitable growth and increased shareholder value, while keeping business risks under control. The financial objectives are ensuring the Group´s financial stability and creating a foundation for long-term profitable growth.

We have prepared for the challenges that will arise in future years when the entacapone patents expire, by developing operations and increasing efficiency throughout the company. Return on fixed costs is continuously evaluated. In addition, it must not be forgotten that we will remain a strong supplier of Parkinson's drugs, even after the entacapone patents expire.

Our partners will also play a central role in Orion's business model. Our R&D, supply chain, sales network and many support functions are based on close partnerships. Without a wide-ranging and well-functioning network of partners the operations of a modern healthcare company would be challenging. Indeed, we have invested much in developing alliances with our partners.

Continuing to build well-being

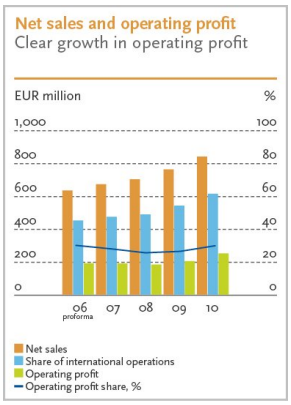
We believe that favorable progress will continue in 2011 and we estimate that our net sales and operating profit excluding non-recurring items will be slightly higher than in 2010.

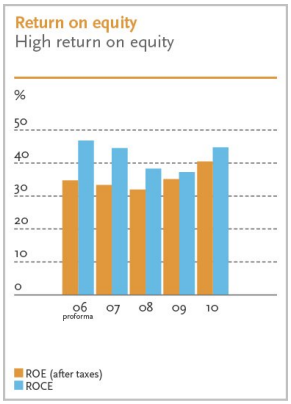
The number of Orion shareholders has continued to grow, and the company now has almost 60,000 shareholders with an interest in healthcare. I wish to thank our partners and all Orion employees, who have again done excellent work to ensure our success, showing their commitment to the company. Let's continue together on our mission to build well-being.

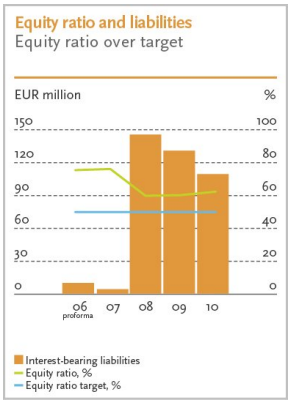
Timo Lappalainen

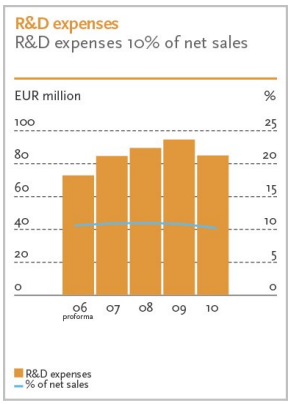
A year of strong growth

Orion's net sales increased over 10% and operating profit over 20% in 2010. Research and development expenses were lower than in 2009 due to the timing of research projects. There was growth in sales of all top 10 pharmaceutical products which was a very positive development. Notably, Precedex and Simdax showed strong growth. Precedex became one of our best-selling products during the year.









KEY FIGURES

	2010	2009	Change %
Net sales, EUR million	849.9	771.5	+10.2%
International operations, EUR million	620.7	548.2	+13.2%
% of net sales	73.0%	71.1%	
Operating profit, EUR million	254.2	207.0	+22.8%
% of net sales	29.9%	26.8%	
Profit before taxes, EUR million	252.6	203.7	+24.0%
% of net sales	29.7%	26.4%	
R&D expenses, EUR million	85.5	95.2	-10.2%
% of net sales	10.1%	12.3%	
Equity ratio, %	62.7%	60.6%	
Gearing, %	-12.2%	-8.9%	
ROCE (before taxes), %	45.0%	37.4%	
ROE (after taxes), %	40.7%	35.3%	
Basic earnings per share, EUR	1.31	1.07	+22.0%
Diluted earnings per share, EUR	1.31	1.07	+22.0%
Cash flow per share before financial items, EUR	1.26	1.03	+22.8%
Dividend per share, EUR	1.20 [1])	1.00	+20.0%
Repayment of capital from the expendable fund, EUR	0.06 [1])	0.10	-40.0%
Personnel at the end of the period	3,131	3,147	-0.5%

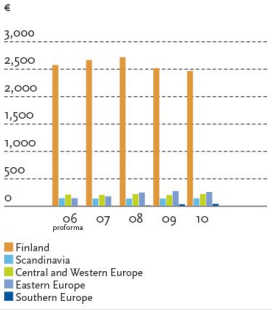
The Board of Directors proposes to the AGM that the dividend for 2010 be EUR 1.20 per share and that EUR 0.06 per share be distributed from the expendable fund in the distributable equity as a repayment of capital.

NET SALES OF ORION'S TOP 10 PHARMACEUTICAL PRODUCTS

EUR million	Used for	2010	2009	Change %
Stalevo®, Comtess® and Comtan®	Parkinson's disease	252.7	234.9	+7.6%
Simdax®	Acute decompensated heart failure	39.9	29.4	+35.5%
Easyhaler® product family	Asthma, COPD	28.1	24.9	+12.8%
Precedex®	Intensive care sedative	27.2	14.6	+86.7%
Dexdomitor®, Domitor®, Domosedan® and Antisedan®	Animal sedatives	24.2	19.3	+25.0%
Burana®	Inflammatory pain	21.5	19.9	+8.2%
Divina® product range	Menopausal symptoms	13.3	13.2	+1.0%
Marevan®	Anticoagulant	13.1	11.2	+16.7%
Enanton®	Prostate cancer	13.0	11.9	+9.1%
Fareston®	Breast cancer	11.7	10.2	+14.6%
Total		444.6	389.5	+14.1%
Share of pharmaceutical net sales, %		55%	53%	

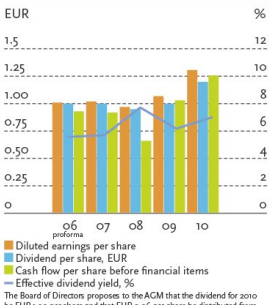
Personnel by area

Every fifth Orion employee outside Finland



Earnings per share and dividend

Earnings per share clearly higher



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2010 in brief

Q1/2010 "Strong start for the year"

- Orion commented on the US Food and Drug Administration's release concerning the ongoing review of the safety of Orion's drug Stalevo.
- Orion began a new Easyhaler research programme to develop a fluticasone-salmeterol formulation.
- The rights to the Easyhaler product family in Scandinavia reverted to Orion.
- Orion launched Domosedan gel, a sedative for horses, in its own sales areas in Europe.
- Orion Corporation's Annual General Meeting was held at the Helsinki Fair Centre in March.

Q2/2010 "Solid growth continued"

- Orion obtained positive initial results from clinical trials of the intensive care sedative dexmedetomidine and announced that it planned to submit an application for marketing authorisation for the sedative to the European Medicines Agency by the end of 2010.
- Orion upgraded its full-year outlook for 2010 because earnings had continued to improve in the second quarter.
- Orion Corporation agreed a settlement with companies belonging to the Sun Group to a dispute in which in order to defend its patents, Orion had filed a lawsuit in the United States against Sun regarding Sun's submissions of abbreviated new drug applications ("ANDAs") for generic versions of Orion's Comtan and Stalevo drugs.
- In April Orion Diagnostica received the Innovation Award of Chemical Industry Finland for Orion Clean Card PRO for testing surface cleanliness. The chemical test, manufactured by printing, was jointly developed by Orion Diagnostica and VTT (Technical Research Centre of Finland).
- Orion was appointed as distributor of the Janssen Animal Health products for pets in certain Eastern European countries.
- Orion and Selvita agreed to collaborate on further development and commercialisation of formulations of a drug for treatment of Alzheimer's disease and other cognitive disturbances included in Selvita's research programme.

Q3/2010 "Continued strong growth"

- Orion commented on the US Food and Drug Administration's release about the ongoing safety evaluation of Orion's drug Stalevo. The release related to cardiovascular disease events reported in the results of the STRIDE-PD study.
- Orion signed agreements with marketing partners for heart failure drug Simdax in markets outside Europe.
- Orion Diagnostica launched QuikRead go, an easy-to-use, new generation testing instrument in the QuikRead product range.
- Pfizer, Orion's marketing partner for animal sedatives, launched Domosedan gel in the United States.

Q4/2010 "Good progress continued throughout the year"

- Orion again improved its outlook estimate for 2010.
- Orion submitted its application for marketing authorisation for dexmedetomidine to the European Medicines Agency. The centralised procedure for marketing authorisation applications generally takes more than a year.
- Orion purchased from the Association of Finnish Pharmacies a 49% stake in Pharmaservice Oy, which provides dispensing support services for pharmacies.

The pharmaceutical sector is changing

Orion develops products that are sold worldwide and marketed in over a hundred countries. Human pharmaceuticals sold through its own network or marketing partners account for about 80% of Orion's net sales.

Orion's own sales network covers almost all key European markets. Outside Europe Orion operates through marketing partners. Sales through partners account for just under one-third of the **Orion Group's net sales.**

Finland is Orion's most significant market, and the Finnish market accounts for about one-quarter of Orion's net sales. Treatment of Parkinson's disease is the most important individual therapy area for Orion, and accounts for about one-third of the Group's net sales.

Orion is a medium-sized company in Europe and about the 70th largest pharmaceutical company in the world.

Developing markets are the drivers of growth

The pharmaceutical sector is relatively stable and steadily growing. According to IMS Health pharmaceutical sales statistics, the global market for pharmaceuticals is forecast to grow by 5–8% per year and is estimated to exceed USD 1,100 billion by 2014. The fastest growth will be in developing markets, where annual growth will average 17%. The Japanese pharmaceutical market is estimated to be growing by 5–7%, growth of 3–5% is forecast in the United States and growth in Europe is expected to remain at 1–3% per year. (1)

Expiry of patents a shared challenge in the sector

Although the sector has been growing steadily for a long time, the biggest challenge for many pharmaceutical companies in the near term is the expiry of patents on their main pharmaceutical products in the next few years. The expiry of patents is expected to cut about USD 140 billion from the pharmaceutical market in the next five years. (2)

Expiry of patents is topical for Orion too, because in the main markets the most important Parkinson's drug patents and product protections will expire in 2012–2013. **Orion has prepared for the future** and started renewing and expanding its product ranges and market areas.

Governments in saving drives

In recent years the financial situation prevailing especially in Europe has created its own challenges to the growth of pharmaceutical companies. As the financial situation has tightened, governments have sought ways to make savings, and there has often been a desire to cap the costs of drugs treatments through, for example, more stringent reimbursement requirements and market-specific price cuts. This has highlighted the benefits of value-adding drug treatments in intensifying competition.

In spring 2009 a reference price system was implemented in Orion's important market Finland, halting growth of the pharmaceutical market. Implementation of the system clearly intensified price competition, and the value of the market as a whole continued to decrease in 2010. Orion managed to grow in the declining market and therefore strengthened its position as the clear market leader.

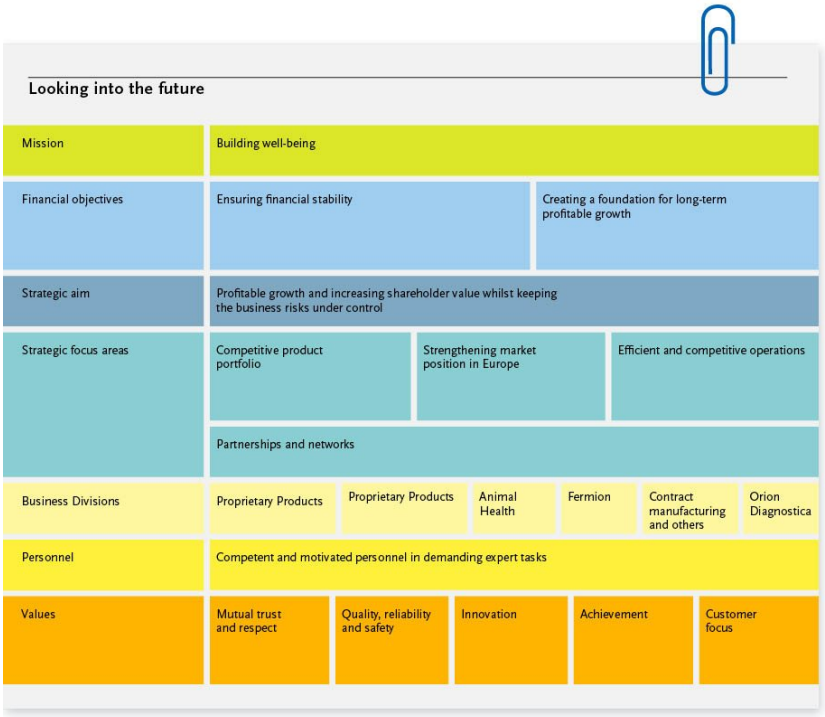
Customer's many faces

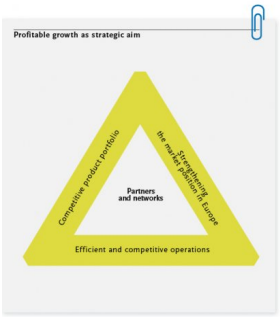
The concept of a customer relationship is multifaceted. Traditionally, doctors and other health care professionals have been considered the most important customer group for pharmaceutical companies, and they are still an important target group. The tougher financial situation has made the payers of drug treatments an increasingly important customer group, as their role in decision-making has grown. The payers can be a government authority, insurance company, hospital district or individual hospital, depending on the country.

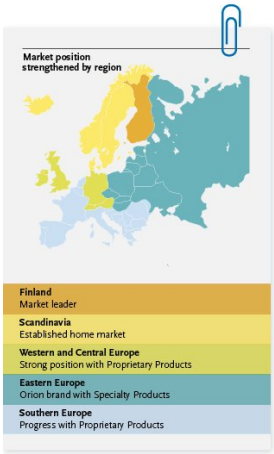
Pharmacies are a very important link in the pharmaceutical distribution chain, because they play a part in deciding what products are offered to the end-user. The role of patients in treatment selection is also growing, as information becomes ever more widely available about diseases and treatments for them.

(1) IMS Health 2010
(2) EvaluatePharma 2010: "World Preview 2016"

Looking into the future







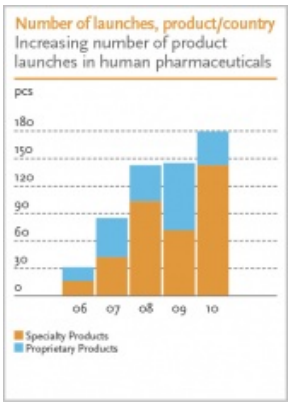
Strategy

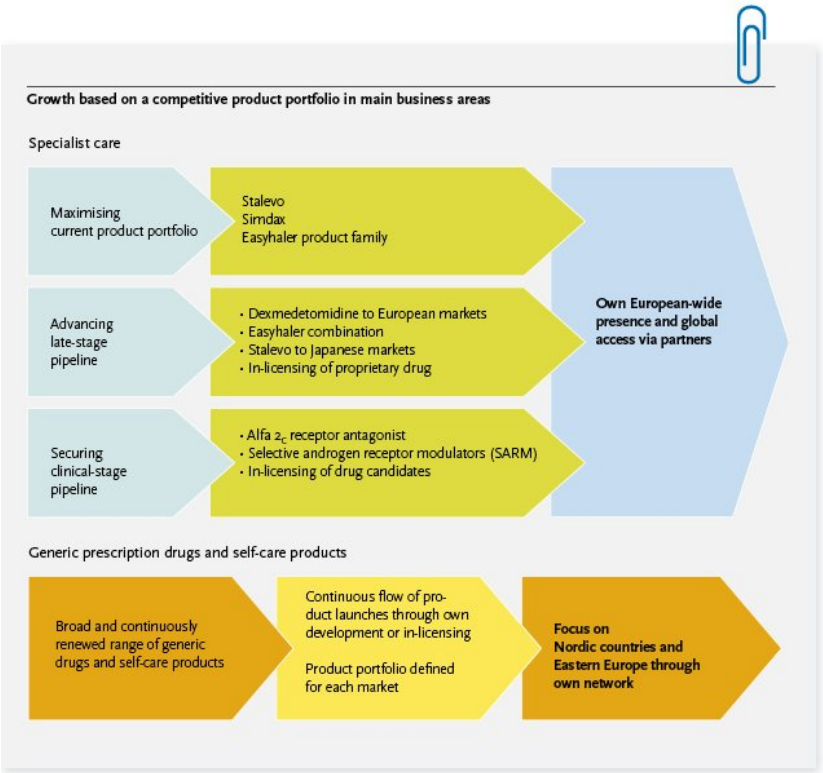
In June, Orion's Board of Directors confirmed that the strategic focus remains the same for 2011–2015. Orion's strategic aims are profitable growth and increased shareholder value, whilst keeping business risks under control.

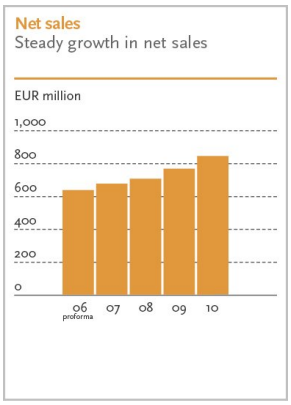
Orion's strategic focus continues to be on:

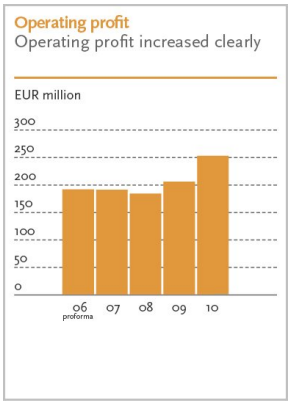
- growth of business operations through a competitive product portfolio
- strengthening market position in Europe
- improving the flexibility and efficiency of operations
- development of partnerships and collaboration networks

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









Competitive product portfolio

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

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

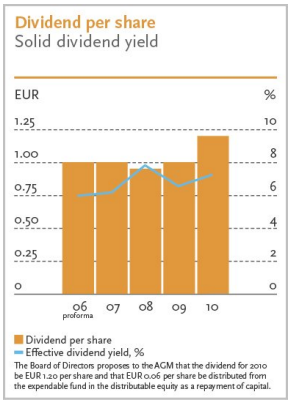
In recent years Orion has worked to build up a competitive product portfolio. As regards customers, the focus is on neurologists, urologists, pulmonary doctors, critical care doctors and other health care professionals in these specialised fields. Orion's primary aim is to exploit all business opportunities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

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

Strengthening market position in Europe

In 2010 Orion expanded its own sales network to cover nearly all the key European markets. The objective is now to continue strengthening the market position in all these markets.

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



Flexible and efficient operations

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

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

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

Orion's strategic themes

		Achieved in 2010
Competitive product portfolio	• Active in-licensing • Constant flow of product launches • Building self-care product portfolio in Nordic countries • Progress in R&D projects	• In-licensing of value-added products for selected therapy areas • Nearly 150 launches of human pharmaceuticals • Continuously renewed generic and self-care portfolio in Finland, Nordic countries and Eastern Europe • Marketing authorisation application for dexmedetomidine submitted to the European Medicines Agency • Progress on target in research projects to develop Easyhaler combined formulation, and Stalevo for Japanese markets • Marketing authorisation process for Vantas implemented • Many new research projects with partners
Strengthening market position in Europe	• Europe-wide presence • Strengthening market position • Target customer groups	• Strengthened position as market leader in Finland • Expansion of sales network coverage in Europe through new subsidiaries • Strengthened market position in Scandinavia through expansion of generic and self-care product portfolio • Different target customer groups in different areas
Efficient and competitive operations	• Improving efficiency of operations • Cost control	• Improved efficiency throughout the value chain • Improved cost control • New R&D operating model with increased flexibility • More efficient supply chain • Creation of flexible sales organisation
Partnerships and networks		• New R&D partnerships in early-phase research • Continued active building of partnerships and networking throughout the value chain

Business divisions in 2010

Proprietary Products

The products of the Proprietary Products business division comprise both self-developed drugs and a large number of patent-protected prescription drugs licensed to Orion. In proprietary products, Orion has three core therapy areas: central nervous system drugs, cancer and critical care drugs and inhalable Easyhaler® pulmonary drugs. Proprietary Products is Orion's largest business division and in 2010, it had net sales of EUR 371 million.

Specialty Products

The Specialty Products business division develops and manufactures generic (not patent-protected) prescription drugs and self-care products. Its product range comprises about 200 generic products and 100 self-care products. In 2010, the business division had net sales of EUR 299 million.

Animal Health

The Animal Health business division manufactures, markets and sells its own proprietary products, generic drugs and care products for pets and production animals. Its range of products comprises four self-developed proprietary drugs and a large number of prescription drugs and care products. In 2010, the business division had net sales of EUR 68 million.

Fermion

Fermion produces the active pharmaceutical ingredients for Orion's own proprietary drugs and for a small number of generic products. It also produces and sells active pharmaceutical ingredients for other pharmaceutical companies. The business division has almost 30 active pharmaceutical ingredients in its product range and in 2010, it had net sales of EUR 45 million.

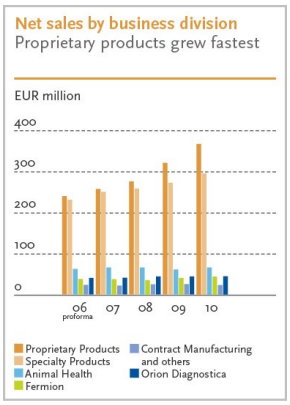
Contract Manufacturing and others

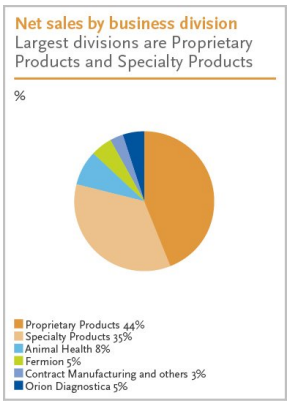
Contract manufacturing and others manufactures and packages drugs for humans and animals destined for other companies. In 2010, it had net sales of EUR 24 million. Contract manufacturing and others is not a separate business division but part of the supply chain organisation of the Pharmaceuticals business segment.

Orion Diagnostica

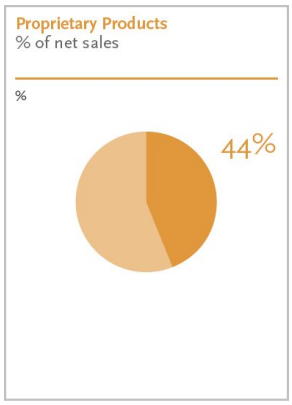
Orion Diagnostica business division caters for the needs of Orion's diagnostics business. It manufactures diagnostic testing systems for point-of-care healthcare testing and industrial hygiene. Orion Diagnostica also does contract manufacturing work for other companies. In 2010, it had net sales of EUR 46 million.

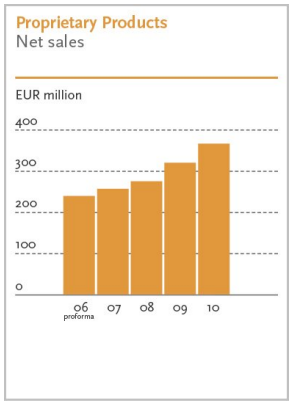
Contract manufacturing and others, i.e. manufacturing for other companies, is included in the Pharmaceuticals business segment. It is not, however, a separate business division, but a part of the Group's Supply Chain organisation.





Proprietary Products – New successes





Proprietary Products is Orion's largest business division. Its purpose is to manufacture, for selected areas of core therapy, proprietary products that generate added value and are innovative and ease the life of patients. The selected areas of core therapy are diseases of the central nervous system, oncology, critical care and pulmonary diseases. In addition to pharmaceuticals based on Orion's own research and development, the division sells and markets proprietary drugs from other pharmaceutical companies.

2010 was an excellent year for the division, with sales growth of roughly 15 per cent on the previous year, significantly more than the average growth on the global pharmaceutical market. The trend was favourable in all areas of therapy.

The year also saw continued success for entacapone, Orion's most successful molecular discovery, which was developed for the treatment of Parkinson's disease. In particular, the company's flagship drug Stalevo® is establishing its position as a standard treatment for more advanced cases of Parkinson's. The patent protection of entacapone will end in the near future and the first generic competitors are expected on the North American market in 2012. Protection will continue longer in Europe, where competition is not expected to tighten until the first half of 2014.

Drugs used in the treatment of Parkinson's will continue to play an important role in Orion's product portfolio. However, alongside these there are already new products that provide a strong foundation for the company.

The success in 2010 of Simdax®, developed by Orion for treating severe decompensated heart failure, strengthened Orion's position as a European critical care specialist. Following growth in the market for Simdax®, Orion opened a new sales units for example in Southern Europe, and new partnership agreements were also signed to distribute Simdax around the globe.

Further highlights of the year include successful phase 3 clinical trials of dexmedetomidine, a sedative for patients in critical care, on the basis of which an application was made for the European marketing authorisation. Orion intends to start the European product launch in 2012. Orion's partner company Hospira is already selling the product in North America and various other countries around the world.

Orion's Proprietary Products division has systematically increased its efforts in oncology, too. An example of this is the prostate cancer drug Vantas®, for which Orion acquired European marketing rights from the US company Endo Pharmaceuticals in 2008. The product is already sold in five European countries, and application processes regarding the drug's reimbursability and pricing are under way in a number of other countries.

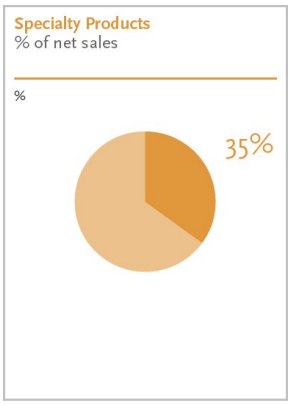
For the near future, a key goal of Orion's Proprietary Products division is to expand the market for the Easyhaler® product family developed for the treatment of pulmonary diseases.

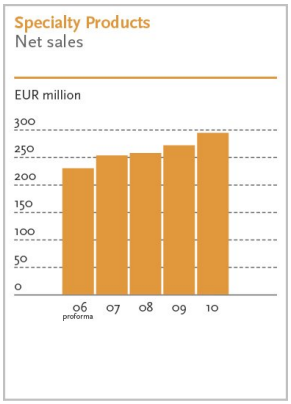
Specialty Products – Record number of new product launches

Orion's second largest business division, Specialty Products, produces the generic prescription drugs and self-care products used in basic healthcare, mainly for European markets. Orion sells both proprietary products and those developed together with partners.
In 2010 the division exceeded its targets in many market areas. Moreover, it set an all-time record by launching 144 new products during the year – about two thirds of which were in-licensed products. The high number of launches reflects the growth potential of the product range.

Drugs sold over the counter were a particular success in the Nordic countries. Orion's specialty product sales increased by 30 per cent in Denmark, 39 per cent in Sweden, and as much as 96 per cent in Norway. In Finland, too, sales of Orion's specialty products increased by about two per cent, despite the contraction of the local market. The best performers in Finland were the hospital trade and Orion's D vitamin preparation, DeviSol ,which grew in popularity and enhanced its reputation as a trademark. Due to the success of Orion's generic products, double-digit growth percentages were also achieved in many Eastern European countries.

National and municipal savings programs all over Europe are also being reflected in the pharmaceutical sector in the form of tighter pricing mechanisms, for example. This has the effect of further squeezing price competition. Orion has successfully responded by steadily launching new generic drugs and self-care products. Every attempt will be made to continue on this path of steady growth in 2011.





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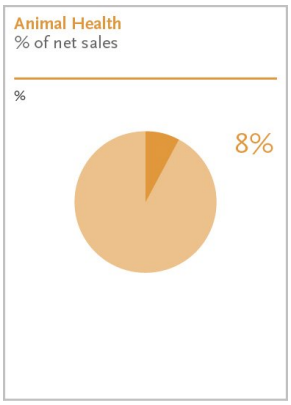
Animal Health – A year of success

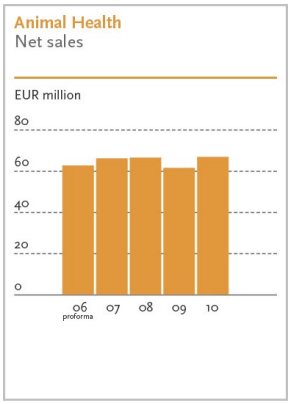


Orion is one of the major manufacturers and distributors of veterinary medicines in the Nordic countries. Orion's network also covers sales in Eastern Europe. Elsewhere in the world, Orion veterinary medicines are available through partner companies.

Despite the price competition in the field, the Animal Health business division succeeded in surpassing its goals set for 2010. Net sales grew by a reasonable amount, about eight per cent, on the previous year. Approximately a third of the division's sales consisted of the distribution and sales of products licensed to partners.

2010 was also a year of change for the Animal Health business division, as the European distribution rights of the animal sedatives product family developed by Orion were returned from Pfizer Animal Health. Orion took responsibility for sales and marketing of the product family in Eastern Europe and made new partner agreements elsewhere in Europe.

Due to the increased generic competition as a result of the expiration of Orion's major animal sedative patents, Orion's expectations for animal sedatives sales were more modest than in the previous year. These expectations were exceeded by a wide margin. Orion's new Domosedan Gel® intended for light sedation and the new generation sedative Dexdomitor® sold particularly well in both Europe and North America.



In 2010 Orion's Animal Health business division faced challenges especially in Denmark, where the use of cephalosporin antibiotics was banned in the medication of pigs. Product substitution in pharmacies also affected the sales of Orion's major production animal products in the Danish veterinary medicine market. The launch of new generic products by competitors and the aggressive pricing in the Danish market tightened the competition further.

The success of Orion's Aptus® well-being range continued in 2010. The range includes vitamins and minerals important for cats and dogs as well as products that help maintain digestion, skin, fur and oral hygiene. Thanks above all to successful licensing, Orion launched several new products during the year.

In 2011 Orion's Animal Health business division will continue to invest in a strong presence in the Nordic countries. Opportunities to expand operations elsewhere in Europe will also be examined. A further goal is to continue launching new products on the market at a steady rate.

Fermion – A year of balanced success

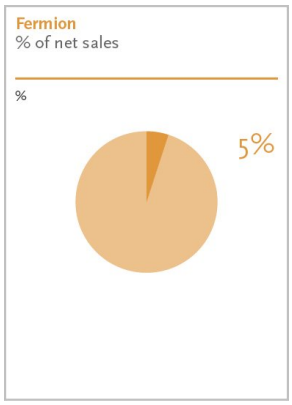
Fermion manufactures the active pharmaceutical ingredients used in Orion's proprietary drugs and also participates in their development. In addition, Fermion manufactures generic active pharmaceutical ingredients for Orion and other pharmaceutical companies around the world.

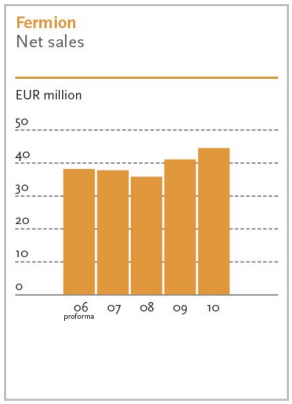
Thanks to its high rate of capacity utilisation and very efficient manufacturing processes, Fermion recorded a very good result in 2010. Despite tightening competition worldwide, Fermion was able to maintain its market share and was a market leader in several products.

In 2010, Fermion's plant in Hanko, Finland, manufactured more than 100 tonnes of entacapone for Orion's proprietary drugs Stalevo® and Comtan®/Comtess® used in the treatment of Parkinson's disease.

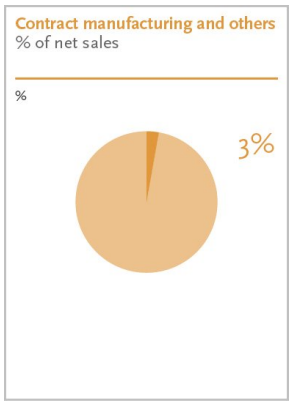
CRAMS business (Contract Research and Manufacturing Services) proceeded at a good pace in line with the strategic objectives. Tecan and trexate chemistry, the selected technologies, also made solid progress in the USA and in Japan, which is a new market for Fermion.

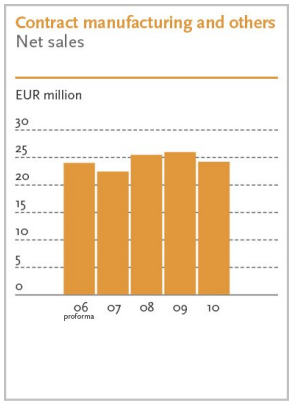
In 2011, Fermion will start a major expansion project at its Oulu plant to increase the manufacturing capacity of high potency substances.





Contract Manufacturing and others – A year of promising projects





Contract Manufacturing provides services tailored to customers' needs in pharmaceutical manufacturing, packaging and analysis.

In 2010, the decline in drug sales experienced by some customers had a negative impact on Orion's contract manufacturing volumes. Despite the fall in net sales, the year saw a good number of successes too, including the progress of important contract manufacturing projects and partnership agreements, which will play an important role in the future.

Highlights of the year include the successful transfer of the manufacturing technology of the Australian company Acrux's Axiron™ testosterone drug to Orion. Acrux sold the global marketing rights of Axiron to Eli Lilly and Company, making Eli Lilly and Orion partners.

In the United States, Axiron received marketing authorisation in November 2010, and its commercial manufacture is expected to begin at Orion's Turku plant during 2011. Orion expects Axiron to be one of the Turku plant's top products in terms of volume.

In 2010, the US company Merck chose Orion from a large number of contenders as one of the seven companies to which it will direct its offer requests for contract manufacturing for orally administered drugs. Orion also signed a service agreement with a Japanese drug manufacturer concerning the manufacture of an injection drug in the near future. In addition, Orion formed several promising contacts, which are expected to lead to new manufacturing contracts in 2011.

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

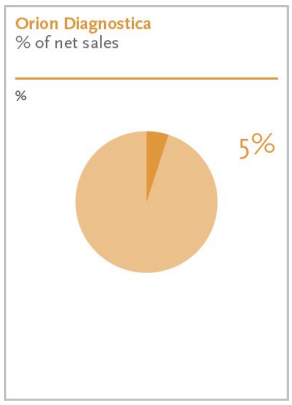
Orion Diagnostica – Launching the world's fastest CRP test

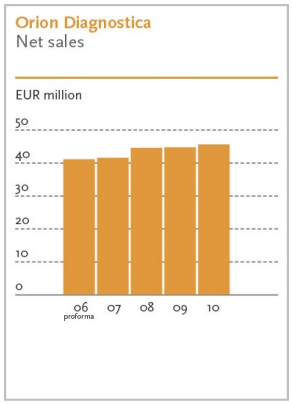
Orion Diagnostica, which manufactures convenient, quick and reliable in vitro diagnostic tests as well as testing systems suitable for point-of-care testing, had a very successful year in 2010. It achieved good results in the Nordic countries, eastern Central Europe and China.

Of the various internal projects conducted during the very busy year, the update of the quality system that guides operations was the most significant. Systematic work to balance the product portfolio was also continued, as was the replacement of certain older products by targeting resources especially to point-of-care testing.

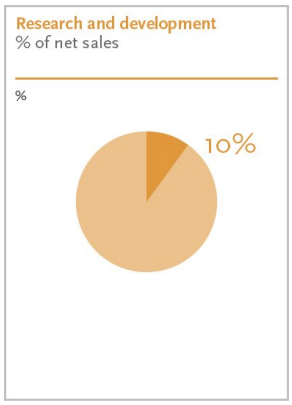
Highlights of 2010 include the launch of the new generation QuikRead go® product. QuikRead go is the fastest available automatic CRP test (C-reactive protein) which helps doctors to distinguish between bacterial and viral infections while the patient is in surgery to determine whether antibiotics are needed. Another key achievement was the Chemical Industry Federation's 2010 Innovation Award for the Orion Clean Card PRO® hygiene test developed by Orion Diagnostica and VTT Technical Research Centre of Finland. The award is presented in recognition of a significant and industrially applicable innovation in chemistry in Finland.

The increasing number of competitors on the market is a sign of the progress that is being made in the diagnostics sector. Orion Diagnostica's assets in this increasing competition include new and innovative products and the ability to recognise its customers' needs. In 2011, Orion Diagnostica will continue to concentrate on its focus areas in even closer cooperation with customers.





Promising projects under way



Orion's pharmaceutical innovations are created within its research and development organisation. The organisation employs top professionals in the field of drug molecule development and optimisation. In its own research and development, Orion focuses on early-phase drug development. Orion cooperates with expert partners, such as universities and other pharmaceutical companies, at the initial and final phases of research. The partnerships allow Orion to work on a large number of research projects simultaneously while focusing on its own core competence. Successful research also benefits the partner. Orion's research projects made substantial progress during 2010.

Highlights of 2010

The most important achievement of the year was the submission of an application for marketing authorisation for dexmedetomidine, a sedative for critical care patients, to the European Medicines Agency. The Agency began considering the application in October. The consideration of centralised applications for marketing authorisations normally takes more than a year. Preliminary results of the research carried out on dexmedetomidine show that the sedative is as efficient as the well-established comparators midazolam and propofol. In comparison with midazolam, dexmedetomidine also shortened the duration of respirator treatment. Orion aims to introduce the product on the European market in the next few years.

Many of the early-phase Orion projects, such as research on the alpha 2c receptor antagonist and the androgen receptor antagonist, also proceeded as planned.

Orion has completed the phase 1 clinical trials and begun phase 2 trials with the alpha 2c receptor antagonist. Early-phase research found that the partially developed drug was potentially suited to the treatment of Alzheimer's disease and Raynaud's phenomenon.

Development of the androgen receptor antagonist intended for the treatment of advanced cases of prostate cancer has moved to clinical phase trials in Europe in the first quarter of 2011 in collaboration with the US company Endo Pharmaceuticals Inc. An extensive cooperation agreement with Endo on the research, development and productisation of cancer drugs is a promising start for our research and development work in 2011.

Orion aims to expand the product family of inhalable Easyhaler® drugs used for treating asthma and chronic obstructive pulmonary disease. The development of new Easyhaler combination products went ahead as planned during the year. Orion also continued the development of its Stalevo® drug for the Japanese market with its partner Novartis. The product is designed for treating Parkinson's disease. Novartis aims to submit an application for marketing authorisation in 2011.

Orion has embarked on the clinical phase in developing a new, more effective version of the levodopa drug based on new, optimised formulations and doses of the familiar constituents. Orion's projects in early-phase research include those on prostate cancer, neuropathic pain, Parkinson's disease and Alzheimer's disease.

Orion – a responsible corporate citizen

In the pharmaceutical industry, the requirements for responsible operations are fundamental. At Orion, responsibility means more than just fulfilling legal obligations. As a responsible company, we look after patients, our personnel, the environment and the society at large. Moreover, Orion expresses its goals and activities in the area of responsibility in a transparent manner. The company is aiming to expand its operations into the global markets, and will follow the same principles of responsibility around the world.

Read more about Orion's corporate responsibility and ethical guidelines in the Sustainability section of our website. Orion's Sustainability Report 2010 will be published there in May. The Well-being Lounge has practical examples of Orion's responsibility. There, you can read more about how:

- the Healthy at Work project takes care of the well-being of Orion personnel
- Orion participates in the Pink Ribbon campaign by the Finnish Cancer Foundation
- Orion boosted its recycling and sorting during 2010.

Economic responsibility – The cornerstone of well-being

For Orion, economic responsibility means producing financial added value for its shareholders as well as other interest groups, such as personnel, customers and suppliers.

Good financial performance is required in order for Orion to be able to cater for other areas of social responsibility, to ensure the continuity of its operations in the future and fulfil its obligations to society. As a taxpayer and employer, Orion is a prominent corporate citizen particularly in Finland where approximately 80 per cent of its personnel of over 3,000 work.

Orion seeks to ensure its financial stability through long-term development of its operations, efficient use of resources and careful risk management. Furthermore, financial responsibility also includes good governance required from a listed company and regular and open communications about the development of performance and factors that have an impact on it.

As a listed company, Orion must also create financial added value for its owners. The company's ownership base is relatively large; the biggest owner group by far comprises tens of thousands of Finnish private persons. Orion also wants to reward its almost 60,000 shareholders for its success. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.20 per share be distributed for 2010. If the proposal is accepted, it means that Orion will distribute 91.6 per cent of its profit for the year as dividends, and that the effective dividend yield will be 7.3 per cent. The Board further proposes that EUR 0.06 per share be paid from retained earnings as repayment of capital.

Social responsibility – Well-being for patients and personnel

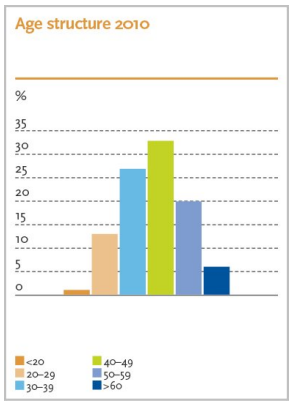
Pharmaceuticals play an important role in the construction and maintenance of human and social well-being. For most of us, health is one of the main values in life, and its importance only grows with age.

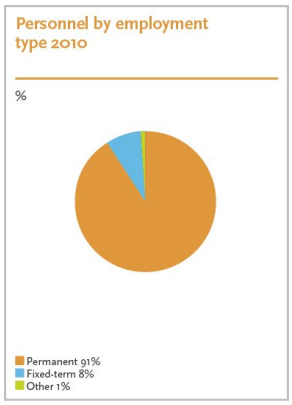
Product safety is at the core of Orion's corporate responsibility. We strive to ensure the safety of our products by complying with strict operational and quality assurance procedures at every step of the production chain. In addition, we promote the appropriate use and dosage of our products. An auditing system is used to ensure that our partners also comply with corresponding principles of strict responsibility.

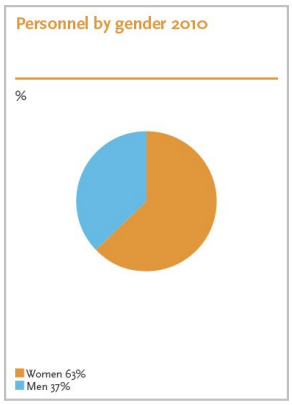
The well-being of personnel is an important factor in a company's success. At Orion we want to make sure that personnel satisfaction regarding the employer, working conditions, tasks and reward systems remains good. We want the personnel to feel that their work is meaningful in a company that offers opportunities for professional development.

The well-being of personnel is promoted in various ways, such as training and job rotation, workplace atmosphere surveys, supervisor evaluations, various well-being at work projects and by supporting the balance between work and leisure. According to Orion's annual Happy@Work workplace atmosphere survey in 2010, 63 per cent of the personnel felt that the atmosphere in their unit was supportive and encouraging new ideas.

Promoting occupational safety is the responsibility of Orion's safety management team, which is in charge of enhancing operations and providing practical proposals for improvements. The whole personnel is obliged to comply with workplace safety regulations in accordance with Orion's Safety Guide.







Environmental responsibility – Minimising emissions and waste

Orion is committed to the chemical industry's Responsible Care initiative and places great emphasis on environmental issues. At Orion, the focus areas in environmental responsibility are air pollution control, wastewater management, soil protection, general waste management and recycling.

Due to Orion's production operations and the composition of its products, a major part of the waste created is unsuitable for recycling in any other way than by burning it into energy at a hasardous waste treatment plant. All hasardous waste is taken to be incinerated at Ekokem's Riihimäki plant where the resulting energy is used for purposes such as heating the cities of Riihimäki and Hämeenlinna.

Thanks to Orion's own efficient activities, emissions of harmful chemicals have dropped almost to a minimum and Orion is clearly below the maximum emission standards set by its environmental permits.

Orion's environmental responsibility also includes continuous boosting of recycling and sorting. Moreover, we are committed to decreasing the use of energy by nine per cent from the level of 2005 by 2016. Evaluation and monitoring have an important role in the implementation of environmental responsibility. This entails accurate and up-to-date documentation on plants, constructions, processes and material use as well as comprehensive monitoring, reporting and confirmation systems with risk assessment and management procedures.

One of Orion's long-term goals is to extend the review of the impact of its operations outside its premises. In the future, we aim to consider the entire life cycle impact of our products even further.

Values

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

Mutual trust and respect

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

Quality, reliability and safety

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

Customer focus

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

Innovation

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

Achievement

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

The operations and activities of the Orion Group are based on compliance with laws and regulations issued thereunder, as well as with ethically acceptable operating practices.

The tasks and duties of the different governance bodies of the Group are determined in accordance with legislation and the corporate governance principles of the Group. In its governance, Orion Corporation follows the Finnish Corporate Governance Code 2010 for companies listed on NASDAQ OMX Helsinki.

- **Read about the rules and regulations guiding the operations of Orion**
- **How does Orion identify and manage the risks that might threaten the Company's operations**
- **Who is who in Orion – familiarise yourself with Board of Directors and Executive Management Board**

Corporate Governance Statement

General principles

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

In its governance, Orion Corporation follows the Finnish Corporate Governance Code 2010 for companies listed on NASDAQ OMX Helsinki. Orion Corporation deviates from the Code's recommendation No. 22 concerning the election of members to the Nomination Committee, which can also include persons other than members of the Board. The Company considers the exception justified in view of the Company's ownership structure and the potential for flexibility when preparing for the election of the Board members.

The Corporate Governance Statement of the Orion Group presented in connection with the latest annual Financial Statements as a separate report from the Report by the Board of Directors, as well as a description of the governance updated after its date are available at **www.orion.fi/corporate-governance.** The Corporate Governance Code is available at **www.cgfinland.fi.**

Management system

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

The management of the whole Group takes place at the Group-level. The following are examples of management of the whole Group at the Group-level:

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

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

Group level

Parent company Orion Corporation

The parent company of the Group is Orion Corporation, whose shareholders exercise their decision-making power at a General Meeting of Shareholders in accordance with the Limited Liability Companies Act and the Articles of Association. The Company is not aware of any agreements between shareholders other than information on the exercise of voting rights notified to the Company mentioned in connection with listing of the Company's largest shareholders.

The list of the largest shareholders is available at **www.orion.fi/shareholder-base.**

Board of Directors of the parent company

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

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

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

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

President and CEO of the parent company

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

The President and CEO of the parent company manages the Group's business operations via the Business Divisions. Accordingly, the executives responsible for the Business Divisions report to the President and CEO. The President and CEO carries out the steering and supervision of the operations of the divisions with the assistance of the Executive Management Board and the Group-level staff functions.

Executive Management Board

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

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

Staff functions

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

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

Business Divisions and line functions

Business Divisions

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

Line functions

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

- sales and marketing
- supply chain
- research and development

Administration of legal entities

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

General Meeting of Shareholders

The Annual General Meeting of the Shareholders of Orion Corporation shall be held by the end of May each year on a date decided by the Board of Directors. A shareholder intending to attend a General Meeting of Orion Corporation must be registered as a shareholder in the Company's shareholder register maintained by Euroclear Finland Ltd on the record date of the General Meeting, and the shareholder must submit a notice of attendance to the Company no later than on the date specified in the notice to convene, which can be at the earliest ten days prior to the meeting. A notice to convene a General Meeting of the Shareholders of Orion Corporation shall be published in one daily newspaper of the capital region no earlier than two months and no later than three weeks prior to the General Meeting, however at least nine days prior to the record date of the General Meeting of Shareholders.

At a General Meeting of Shareholders a shareholder may vote the number of votes conferred by the shares held on the record date. Each A share of Orion Corporation entitles its holder to twenty (20) votes at General Meetings of Shareholders and each B share one (1) vote. However, exceptionally, 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.

Decisions at a General Meeting of Shareholders shall be taken through the decision-making process of the Limited Liability Companies Act and the Articles of Association.

The Annual General Meeting of Shareholders
shall present:

- the Financial Statements, including the Consolidated Financial Statements and the Report by the Board of Directors
- the Auditor's Report

shall decide on:

- adoption of the Financial Statements and the Consolidated Financial Statements
- use of the profits available according to the Statement of Financial Position
- discharge from liability of the members of the Board of Directors and the President and CEO
- the number of members of the Board of Directors
- the fees payable to the members of the Board of Directors and the auditor

shall elect:

- the members of the Board of Directors, with the person or persons receiving the most votes from the General Meeting of Shareholders being elected
- the Chairman of the Board from among the members of the Board of Directors
- the auditor

shall consider:

- other matters separately mentioned in the convening notice.

Board of Directors

Members of the Board of Directors as on 31 December 2010

	Board of Directors	Born	Education	Main position
Hannu Syrjänen	Chairman	1951	B.Sc. (Econ.), Master of Laws	Former President and CEO of Sanoma Corporation
Matti Kavetvuo	Vice Chairman	1944	M.Sc. (Eng.), M.Sc. (Econ.)	Member of various Boards of Directors
Sirpa Jalkanen	Member	1954	M.D.	University of Turku Vice Dean, Professor of Immunology
Eero Karvonen	Member	1948	M.Sc. (Eng.)	Owner and Managing Director of EVK-Capital Oy
Jukka Ylppö	Member	1955	M.Sc. (Eng.), M.Sc. (Econ.)	Senior Advisor on development of control systems for industrial electric drives, ABB Corporation
Heikki Westerlund	Member	1966	M.Sc. (Econ.)	Senior partner of CapMan Plc

Information about the members of the Board of Directors is available at **www.orion.fi/board-members** and in this **Annual Report.**
Up-to-date information on the holdings of the members of the Board of Directors is available at **www.orion.fi/insider-register.**

Independence of the Board members

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

Meetings of Board of Directors and Board's right to receive information

A new member of the Board of Directors shall at the start of the term of office be familiarised with the Company structure, strategy and different business areas, and the Group's Corporate Governance.

In 2010, altogether 16 Board meetings were held (15 Board meetings in 2009), of which 1 (2) was a teleconference. The average attendance of the members was 93% (95%).

The Board of Directors conducted a self-evaluation in autumn 2010.

Charter of the Board of Directors

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

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

The mode of operation of the Board of Directors is described in more detail in section Board of Directors of parent company.

Committees of the Board of Directors

Members of the Board Committees

COMPOSITION OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES AS OF 24 MARCH 2010

	Board of Directors	Audit Committee	Remuneration Committee	R&D Committee
Hannu Syrjänen	Chairman		Chairman	Member
Matti Kavetvuo	Vice Chairman			Member 1)
Sirpa Jalkanen	Member			Chairwoman
Eero Karvonen	Member	Member		Member
Jukka Ylppö	Member	Member	Member	Member
Heikki Westerlund	Member	Chairman	Member	Member 1)

NOMINATION COMMITTEE, APPOINTED ON 1 NOVEMBER 2010

Timo Maasilta	Chairman
Kari Jussi Aho	Member
Matti Kavetvuo	Member
Timo Ritakallio	Member
Hannu Syrjänen	Member
Jukka Ylppö	Member

Meetings of Board Committees

In 2010, Committee meetings were held as follows:

- Audit Committee 4 (4) meetings, average attendance 100% (100%)
- Remuneration Committee 2 (7) meetings, average attendance 83% (100%)
- R&D Committee 3 (2) meetings, average attendance 87% (100%)
- Nomination Committee 3 (5) meetings, average attendance 100% (100%)

Charters of the committees

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

Charter of the Audit Committee

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

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

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

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

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

Charter of the Remuneration Committee

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

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

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

Charter of the R&D Committee

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

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

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

Charter of the Nomination Committee

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

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

The committee shall meet when necessary.

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

President and CEO

Timo Lappalainen has been the President and CEO of Orion Corporation and Chairman of the Group's Executive Management Board since 1 January 2008. He was born in 1962 and holds a Master of Science degree in Engineering.

The role and responsibilities of the President and CEO are described in more detail in section **President and CEO of the parent company**.

Other executives

COMPOSITION OF THE EXECUTIVE MANAGEMENT BOARD AS OF 1 JANUARY 2011

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

1) Also representing Orion Diagnostica in the Executive Management Board

The employees are represented in the Executive Management Board by Liisa Remes.

Information about the members of Executive Management Board is available at **www.orion.fi/other-executives** and in this **Annual Report.**
Up-to-date information on the holdings of the members of the Executive Management Board is available at **www.orion.fi/insider-register.**

The role and responsibilities of the Executive Management Board are described in more detail in section Executive Management Board.

Remuneration statement

Remuneration principles

The aims of the remuneration system for Orion Corporation's Board of Directors and executive management are to enhance the Company's competitiveness and long-term financial success, to achieve the Company's targets and strategy, and to increase shareholder value.

Remuneration of the Board of Directors

According to the decision by the Annual General Meeting in 2010 concerning the annual fees for the term of office of the Board of Directors, the Chairman shall receive EUR 72,000, the Vice Chairman shall receive EUR 49,000 and the other members shall receive EUR 36,000 each. As a fee for each meeting attended, the Chairman shall receive EUR 1,200, the Vice Chairman shall receive EUR 900 and the other Board members shall receive EUR 600 each. The aforementioned meeting fees shall also be paid to the Chairmen and to the members of the committees established by the Board.

Of the aforementioned annual fees, 60% is paid in cash and 40% in Orion Corporation B shares, which were acquired for the members in the period 29 March to 1 April 2010 from the NASDAQ OMX Helsinki stock exchange in amounts corresponding to EUR 28,800 for the Chairman, EUR 19,600 for the Vice Chairman and EUR 14,400 for each of the other Board members. The part of the annual fees paid in cash, which corresponds to the approximate sum necessary for the payment of the income taxes on the fees, was paid on 23 April 2010. The annual fees encompass the full term of office of the Board of Directors. There are no particular rules relating to ownership of the shares received by the members of the Board of Directors as fees.

FEES PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS IN 2010

	Total remuneration, €	Number of B-shares received
Hannu Syrjänen, Chairman	90,000	1,814
Matti Kavetvuo, Vice Chairman	70,000	1,234
Sirpa Jalkanen	48,600	907
Eero Karvonen	49,800	907
Leena Palotie 1)	1,200	0
Vesa Puttonen 2)	6,000	0
Heikki Westerlund	46,200	907
Jukka Ylppö	52,500	907
Board of Directors total	**364,300**	6,676

The figures comprise the fees for the Board meetings and the Committee meetings.

1) For the period 1 Jan–11 March 2010

2) For the period 1 Jan–24 March 2010

Up-to-date information on the holdings of the members of the Board of Directors of Orion Corporation is available at **www.orion.fi/insider-register.**

Remuneration of the President and CEO and the Company's other executives

Remuneration of the President and CEO

The remuneration of the President and CEO is decided by the Board of Directors. His remuneration comprises a monthly salary, a performance-based bonus and a share-based incentive plan. The performance-based bonuses and the share-based incentive plan are based on predefined targets that are confirmed annually by the Board of Directors. The criteria for performance and results are set so that they promote short-term and long-term financial success. The Board of Directors annually evaluates the performance and financial results against the criteria.

The performance-based bonus of the President and CEO can be no more than six (6) months' salary. The upper limits of the share-based incentive plan are determined as described in 'Share-based incentive plan'.

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

The salary, fees, fringe benefits and performance-based bonuses paid to the President and CEO in 2010 totalled EUR 817,566 (EUR 640,650 in 2009), comprising EUR 392,520 (420,380) in salary and fringe benefits, and EUR 425,046 (220,270) in performance-based bonuses for 2009. EUR 72,470 of the total bonuses consists of the value of the 4,400 Orion Corporation B shares received by the President and CEO on 1 March 2010 as part of the Company's long-term share-based incentive plan. The price per share of these shares was EUR 16.4705, the volume-weighted

average quotation of the B share on 1 March 2010.

The retirement age of the President and CEO has been agreed to be 60 years, the target level of the pension being 60%. The pension is based on a defined benefit plan.

Remuneration of other executives
The remuneration of the other members of the Group's Executive Management Board is decided by the Board of Directors or its Chairman. The remuneration system for these persons comprises a monthly salary, a performance-based bonus and a share-based incentive plan. The performance-based bonuses and share-based incentive plan are based on predefined targets that are confirmed annually. The criteria for performance and results are set so that they promote short-term and long-term financial success. The Board of Directors annually evaluates the performance and financial results against the criteria.

The maximum performance-based bonus of a member of the Executive Management Board cannot exceed the aforementioned maximum performance-based bonus of the President and CEO. The upper limits of the share-based incentive plan are determined as described in ‘Share-based incentive plan'.

The salaries, fees, fringe benefits and performance-based bonuses paid to the members of the Executive Management Board, including the President and CEO, for 2010 totalled EUR 4,067,499 (3,045,717), comprising EUR 1,980,104 (2,034,077) in salaries and fringe benefits and EUR 2,087,395 (1,011,640) in performance-based bonuses.

The pensions of the other members of the Executive Management Board are determined by the Employees Pensions Act (TyEL) with the exception of one person, whose retirement age has been agreed to be 60 years, the target level of the pension being 60% of the agreed pensionable salary. A supplementary pension is based on a defined benefit plan.

Share-based incentive plan

In February 2010, the Board of Directors of Orion Corporation decided on a new share-based incentive plan for the key persons in the Orion Group. The aim of the plan is to align the interests of the owners and key persons so as to increase the value of the Company, commit the key persons to the Company and offer them a competitive remuneration plan based on holding the Company's shares.

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

This potential remuneration will be paid in 2011 based on the earning period 2010, and in 2013 based on the earning period 2010–2012, in both cases partly in the form of the Company's B shares and partly in cash. The proportion to be paid in cash will be for paying taxes and tax-related costs arising from the remuneration to the key person. The value of the remuneration to be paid based on the plan during one calendar year is the key person's gross annual salary on the date of the remuneration payment multiplied by a maximum of 1.5. Gross annual salary means total salary including fringe benefits but excluding the annual bonus and long-term incentive plan. The shares paid on the basis of the earning period 2010 cannot be transferred during a restricted period that ends on 31 December 2012. A key person whose employment or service in a Group company ends during the restricted period must return the shares received as remuneration to the Company without compensation.

After the restricted period, the members of the Group Executive Management Board must continue to hold 50% of the shares received through the Plan as follows: the President and CEO, until the total value of the Company's shares held by him is equivalent to his gross annual salary, and any other member of the Group Executive Management Board, until the total value of the Company's shares held by him or her is equivalent to half of his or her gross annual salary.

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

Management remunerations total

The salaries, remunerations, fringe benefits and bonuses paid to the members of the Board of Directors of Orion Corporation, the President and CEO and the other members of the Group's Executive Management Board for 2010 totalled EUR 4,431,799 (EUR 3,457,300 for 2009).

Internal control, risk management and internal audit

Internal control principles

The Board of Directors of Orion has defined the Company's principles for internal control in the Company. Management practices and management culture are based on compliance with the law and the Articles of Association, and with Orion's values and ethical business practices. Internal control is part of normal steering and management of operations, as described in the management system, and it is supported by risk management, the audit and internal auditing. The aim of internal control is to ensure that operations are efficient and profitable, operational risks are adequately managed, laws and regulations are complied with and information is reliable. It is based on clear setting and monitoring of objectives, and effective and pragmatic risk management. In practice, the management of each subunit is responsible for its internal control, and each business unit or function organises internal control in its own unit or organisation in accordance with the principles in the policies and guidelines set at Group level. Key guidelines are included in the Group's Corporate Governance Manual.

Risk management in Orion Group

Risk management constitutes a significant part of the 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.

Strategic risks

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

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

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

The scope of strategic risks also includes the thoroughness of the Company's corporate governance and reporting principles. In line with the Finnish Corporate Governance Code 2010, the Orion Group's explicit corporate governance code inspires public trust in the Orion Group and its management. The trust is based on transparently published fundamental characteristics and principles of the system, as well as clear definitions of the responsibilities, rights, obligations and reporting relationships of the persons involved.

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

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

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

In major research projects, Orion's Board of Directors takes the decision on whether to progress from one research phase to the next. In minor research projects, the decision is taken by the executive management. The decisions are always based on a comprehensive analysis of the accumulated research results and the current market situation. For the marketing authorisation application and the summary of product characteristics (SPC), all phases and results of the research are carefully documented for regulatory approval. In accordance with statutory requirements, the adverse effects of a drug continue to be monitored even after it has been launched.

The financial risks increase as research projects progress to clinical trials in humans. The most expensive phase is the last, Phase III clinical trials, which are multinational and involve hundreds or thousands of patients. Double-blind studies are used to ensure as reliable as possible evidence of the efficacy and safety of the drug. This is why Orion generally shares the high financial risks of Phase III trials by conducting them jointly with another pharmaceutical company that will also be a marketing partner for the drug. Collaboration with external parties also in earlier research phases is, however, an essential part of managing risks. The Company aims to find ways of keeping the number of research projects high enough by sharing their costs and risks and also possible earnings with partners.

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

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

Downward pressure on pharmaceutical prices
In addition to normal price competition, there are many other factors putting downward pressure on the prices of pharmaceuticals, mainly due to decisions by authorities as governments seek to curb the rise in national drug costs. They include generic substitution and reimbursement systems based on reference prices, changes in regulations concerning them, and cuts in drug prices and reimbursement. Parallel imports in the EU area are also depressing prices.

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

Operational risks

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

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

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

Risks associated with pharmaceutical production
Pharmaceutical manufacturing is subject to regular inspections by the authorities. Pharmaceutical products must be safe and efficacious, and they must meet all quality standards. To comply with statutory requirements, in pharmaceutical production close attention must be paid to various safety and quality risks.

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

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

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

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

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

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

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

Risks of damage
In addition to statutory insurance, Orion has property, business interruption and liability insurance to cover such risks of damage as are deemed to be material and limitable through insurance.

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

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

Product procurement and corporate acquisition risks
Orion endeavours to expand its operations by purchasing from other pharmaceutical companies or in-licensing products that are under development or already available in markets, or possibly by acquiring other pharmaceutical and biotechnology companies. In carrying out such projects, Orion strives to observe due care and diligence and to utilise both internal and external expertise in the planning and implementation phases, as well as when integrating acquired operations within the overall business.

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

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

Financial risks

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

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

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.

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

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

In accordance with the Treasury Policy principles, items based on significant currencies in the Statement of Financial Position are hedged 90–105% and the forecasted cash flows over the upcoming 12 months are hedged 0–50%. Forward exchange contracts with maturities up to 12 months are used as hedging instruments. The positions of operational items are presented in the table in **Note 24.1.1** of the Financial Statements 2010.

The Group has no interest-bearing debt denominated in foreign currencies. The Group's internal loans and deposits are denominated in the local currency of the subsidiary, and their exchange rate risk is hedged in full 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 2010 the equity in these subsidiaries totalled EUR 33.9 million (31.7 million in 2009). 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 presented in **Note 24.1.1** of the Financial Statements 2010 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.

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.

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.

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 1.9 million (EUR -0.2 million in 2009) for electricity hedges was recognised in the equity for 2010. The nominal values of the derivatives totalled EUR 7.4 (7.0) million.

Interest rate risk
Changes in interest rates affect the Group's cash flow and results. On 31 December 2010, the Group's interest-bearing liabilities totalled EUR 110.0 million (EUR 131.5 million in 2009). The Group is exposed to interest rate risk associated with non-current loans raised from the European Investment Bank. On 31 December 2010, the capital of these loans with interest rates tied to the 6-month Euribor rate totalled EUR 77.4 million (88.7 in 2009). If interest rates rise in 2011 in parallel by one (1) percentage point compared with priced 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 0.7 million in 2011 (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 on 31 December 2010 totalled EUR 119.6 million (138.8 in 2009), are invested in current interest-bearing instruments.

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 2010 is the total of financial assets less carrying amounts of derivatives in financial liabilities, which totals EUR 294.8 million (278.6 in 2009). The main risks relate to trade receivables, money market investments 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 six months that are tradable in secondary markets.

The Group Customer Credit Policy defines the requirements for the creditworthiness of the customers. In the pharmaceutical industry trade receivables are typically generated by distributors representing different geographical areas. In certain countries, products are also sold directly to local hospitals. The Group's 25 largest customers generated about 71% (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 gradually increasing sales in Southern Europe and the longer payment periods in the region have led to increased trade receivables and mature receivables in 2010. The trade receivables do not involve significant risk. In Southern Europe especially, the receivables from single counter parties are relatively low. Credit losses for the period recognised through profit or loss were minor.

Liquidity risk
The Group seeks to maintain a good liquidity position in all conditions. In addition to cash flows from operating activities, cash and cash equivalents and money market investments, 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 2010 were EUR 110.0 (131.5 in 2009) million, and they were mostly non-current. The average maturity for loans from the European Investment Bank is 4.1 years and for loans from pension insurance companies 1.7 years.

At 31 December 2010, the Group's cash and cash equivalents and other money market investments totalled EUR 167.2 million (170.5 in 2009), thus exceeding the Group's interest-bearing net debt. To ensure the Group's liquidity, surplus cash is invested mainly in current euro-denominated interest-bearing instruments with good creditworthiness that are tradable in secondary markets. Counterparties and limits for these investments are defined in accordance with the Treasury Policy.

The cash flows from the instalments of interest-bearing loans and financial costs on 31 December 2010 are presented in the table of **Note 24.3.** of the Financial Statements 2010. The cash flows specified in the table have not been discounted. In the estimates of the financial costs of flexible interest-bearing loans, forward interest rates or average contract-based reference rates have been applied.

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

The covenants granted by the Company and the key figures relating to the capital structure are presented in **Note 24.4.** of the Financial Statements 2010.

Control measures

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

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

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

Insider Administration

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

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

Up-to-date information on the holdings of the Company's insiders with the duty to declare is available at **www.orion.fi/insider-register.**

Audit

Orion Corporation shall have one auditor, which shall be an Authorised Public Accountants Organisation. The term of the auditor shall be the financial period. The duties of the auditor shall terminate at the close of the Annual General Meeting of the Shareholders following the election.

For the 2010 financial year, the auditor of Orion Corporation is PricewaterhouseCoopers Oy, Authorised Public Accountant Firm, the designated auditor being Janne Rajalahti, Authorised Public Accountant.

Remuneration of auditor

The fees to the auditors are paid against invoicing accepted by Orion Corporation.

In 2010, the auditors were paid EUR 232,000 (EUR 254,000 in 2009) in auditing fees and EUR 127,000 (215,000) for other consultancy services. A detailed specification of the fees paid is presented in **Note 4** of the Financial Statements for 2010.

Risk management

Risk management constitutes a significant part of the 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.

Strategic risks

Long-term business development risks

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

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

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

The scope of strategic risks also includes the thoroughness of the Company's corporate governance and reporting principles. In line with the Finnish Corporate Governance Code 2010, the Orion Group's explicit corporate governance code inspires public trust in the Orion Group and its management. The trust is based on transparently published fundamental characteristics and principles of the system, as well as clear definitions of the responsibilities, rights, obligations and reporting relationships of the persons involved.

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

Research and development risks

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

In major research projects, Orion's Board of Directors takes the decision on whether to progress from one research phase to the next. In minor research projects, the decision is taken by the executive management. The decisions are always based on a comprehensive analysis of the accumulated research results and the current market situation. For the marketing authorisation application and the summary of product characteristics (SPC), all phases and results of the research are carefully documented for regulatory approval. In accordance with statutory requirements, the adverse effects of a drug continue to be monitored even after it has been launched.

The financial risks increase as research projects progress to clinical trials in humans. The most expensive phase is the last, Phase III clinical trials, which are multinational and involve hundreds or thousands of patients. Double-blind studies are used to ensure as reliable as possible evidence of the efficacy and safety of the drug. This is why Orion generally shares the high financial risks of Phase III trials by conducting them jointly with another pharmaceutical company that will also be a marketing partner for the drug. However, co-operation with external parties concerning early phase research is also a crucial part of risk management. The aim of the Company is to find ways to keep the number of research projects sufficiently high by sharing costs and risks relating to them, but also possible earnings from them, with co-operation partners.

Risks relating to competing generic drugs

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

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

Downward pressure on pharmaceutical prices

In addition to normal price competition, there are many other factors putting downward pressure on the prices of pharmaceuticals, mainly due to decisions by authorities as governments seek to curb the rise in national drug costs. They include generic substitution and reimbursement systems based on reference prices, changes in regulations concerning them, and cuts in drug prices and reimbursement. Parallel imports in the EU area are also depressing prices.

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

Operational risks

Sales and business risks

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

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

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

Risks associated with pharmaceutical production

Pharmaceutical manufacturing is subject to regular inspections by the authorities. Pharmaceutical products must be safe and efficacious, and they must meet all quality standards. To comply with statutory requirements, in pharmaceutical production close attention must be paid to various safety and quality risks.

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

Legal, intellectual property rights and regulatory risks

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

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

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

Product liability risks

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

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

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

Risks of damage

In addition to statutory insurance, Orion has property, business interruption and liability insurance to cover such risks of damage as are deemed to be material and limitable through insurance.

Corporate safety risks

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

Environmental risks

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

Product procurement and corporate acquisition risks

Orion endeavours to expand its operations by purchasing from other pharmaceutical companies or in-licensing products that are under development or already available in markets, or possibly by acquiring other pharmaceutical and biotechnology companies. In carrying out such projects, Orion strives to observe due care and diligence and to utilise both internal and external expertise in the planning and implementation phases, as well as when integrating acquired operations within the overall business.

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

Ensuring competence

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

Financial risks

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

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

A more detailed description of Orion's financial instruments and financial risk management is in Notes **23** and **24** to Orion's Financial Statements.

Board of Directors

By clicking the images you will get more information about the members of the Board of Directors.

Hannu Syrjänen

Chairman

B. Sc. (Economics), Master of Laws
b. 1951

- Chairman of the Board of Directors of Orion Corporation since 24 March 2010, member since 2 April 2007
- Chairman of the Remuneration Committee, member of the R&D Committee and the Nomination Committee

Career
Sanoma Corporation: President and CEO and Chairman of the Executive Management Group 2001-2010
Rautakirja Corporation: President and CEO, Vice President, and Executive Vice President and Deputy CEO 1989-2001
Previously Mr. Syrjänen served as Vice President at the TS Group, Vice President at Wihuri Oy, and Managing Director of Finnish Lawyers' Publishing Oy.

Current key positions of trust
Chairman of the Board of Directors: Ilmarinen Mutual Pension Insurance Company 2004-, Orion Corporation 2010-
Chairman of the Executive Board of the Finnish section of International Chamber of Commerce 2010-
Member of the Board of Directors: Orion Corporation 2007-

Matti Kavetvuo

Vice Chairman

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

- Vice Chairman of the Board of Directors of Orion Corporation since 24 March 2010, Chairman 1 July 2006 - 24 March 2010, member since 1 July 2006
- Member of the R&D Committee and the Nomination Committee

Career
Pohjola Insurance Group: President and CEO 2000-2001
Valio Ltd: President and CEO 1992-1999
Orion corporation: President and CEO 1985-1991
Instrumentarium Corporation: President 1979-1984

Current key positions of trust
Chairman of the Board of Directors: Lassila & Tikanoja Plc 2010-
Vice Chairman of the Board of Directors: Orion Corporation 2010-
Member of the Board of Directors: Konecranes Plc 2001-, Lassila & Tikanoja Plc 2008-, Orion Corporation 2006-

Sirpa Jalkanen

Professor, MD
b. 1954

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

Career
University of Turku: Vice Dean 2010-, Professor of Immunology 2001-
Centre of Excellence of the Finnish Academy: Director 2000-2005; 2008-
National Institute for Health and Welfare: Research professor 2006-
Academy professor 1996-2006

Current key positions of trust
Member of the Board of Directors: Orion Corporation 2009-, Emil Aaltonen Foundation
Member of the committee of medical experts of Sigrid Juselius Foundation 2001-
Member of scientific committee of Cancer Institute 2002-
Chairman of Finnish Academy of Science and Letters 2010-

Eero Karvonen

M. Sc. (Eng.)
b. 1948

- Member of the Board of Directors of Orion Corporation since 1 July 2006
- Member of the Audit Committee and the R&D Committee

Career
EVK-Capital Oy: Owner and Managing Director 1986-
Rintekno Oy: Process Engineer, Division Manager and Technology Manager for biochemical and pharmaceutical process engineering 1980-1986
Helsinki University of Technology: Senior Assistant in industrial microbiology 1975-1980

Current key positions of trust
Member of the Board of Directors: Orion Corporation 2006-

Heikki Westerlund

M. Sc. (Economics)
b. 1966

- Member of the Board of Directors of Orion Corporation since 24 March 2010
- Chairman of the Audit Committee, member of the Remuneration Committee and the R&D Committee

Career
CapMan Plc: Chairman 2010-, CEO 2005-2010, Head of Buyout team 2002-2005, Senior Partner 2001-, Head of Technology team 2000-2002, Investment Director 1997-2001, Investment Manager 1994-1997
Finnish Fund for Research and Development SITRA: Investment analyst, Industrial Manager 1990-1994
Foresport Oy: Managing Director 1988-1989

Current key positions of trust
Chairman of the Board of Directors: CapMan Plc 2010-, Finnish Venture Capital Association 2007-
Member of the Board of Directors: Orion Corporation 2010-, Lumene Oy 2006-

Jukka Ylppö

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

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

Career
Jukka Ylppö has done a long career in the product development organization of ABB Corporation since 1981:
Senior Advisor in the development of control systems for industrial electric drives 1999-
Head of the development of a control system for a new thyristor supply unit
1996-1998
Development of new controls for direct-current drives 1993-1995
Automation system development engineer, Västerås, Sweden 1991-1992
Engineer and project manager in several product development projects 1982-1990

Current key positions of trust
Member of the Board of Directors: Orion Corporation 2007-

Executive Management Board

By clicking the images you will get more information about the members of the Executive Management Board.

Timo Lappalainen

President and CEO

M.Sc. (Eng.)
b. 1962

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

Career
Orion Corporation: President and CEO 2008-, Senior Vice President, Proprietary Products and Animal Health 2005-2007, Executive Vice President,
Orion Pharma 2003-2005, Senior Vice President, Business Development 1999-
2003
Leiras Oy: Vice President, International Marketing and Business Development 1994-1999
Finvest Ltd.: Vice President, Business Development and General Manager of Finvest's German unit 1989-1993
Arthur Andersen & Co., Chicago, USA: Consultant 1987-1988

Current key positions of trust
Member of the Board: Chemical Industry Federation of Finland 2008-, Finnish Foundation for Cardiovascular Research 2010-
Member of the Advisory Board: The Finnish Fair Corporation 2009-

Satu Ahomäki

M.Sc. (Econ.)
b. 1966

Senior Vice President, Global Sales, since 1 October 2010

Career
Orion Corporation: Senior Vice President, Global Sales 2010-, Head of Business Development 2006-2007, Business Development Director 2005, Project Manager and Program Leader of hormonal and urological therapies 2000-2004, several duties in pharmaceutical R&D 1992-1999.

Markku Huhta-Koivisto

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

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

Career
Orion Corporation, Orion Pharma: Senior Vice President, Specialty Products and Fermion, 2006-, Senior Vice President, Supply Chain 2004-2006,
Fermion Oy: President 2004-2005, Former Orion Corporation, Orion Pharma:
Senior Vice President, Supply Chain 2002-2004, Programme Director, business
processes and information systems 2000-2002, Vice President, International
Sales 1998-2000, Director and Vice President, Materials Management 1996-1998,
Orion-Farmos Pharmaceuticals: Director, Materials Management 1991-1996, Farmos Oy, Pharmaceutical Division: Director and Vice President, Materials Management 1990-1991, Materials Manager 1987-1990, Plant Manager 1984-1987, Production Planning Manager 1982-1983
Oy Santasalo-Sohlberg Ab: Development Engineer 1981-1982

Current key positions of trust
Chairman of the Board: Fermion Oy 2005-
Member of the Health Cluster of the National Emergency Supply Organisation, NESO 2007-

Olli Huotari

Master of Laws, LL.M.
b. 1966

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

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

Career
Orion Corporation: Senior Vice President, Corporate Functions 2006-, Vice President, Human Resources at Orion Pharma and Corporate Vice President, HR development of the Orion Group 2005-2006, General Counsel of the Orion Group 2002-2006, Legal Counsel in Corporate Administration 1996-2002
University of Kent at Canterbury, England: Master of Laws in International Commercial Law degree 1995-1996
Law firm Asianajotoimisto Jouko Penttilä Oy: Legal Counsel 1992-1995

Liisa Hurme

Ph.D. (Biochemistry)
b. 1967

Senior Vice President, Proprietary Products, since 1 January 2008

Career
Orion Corporation: Senior Vice President, Proprietary Products 2008-, Head of Urology and Oncology business 2005-2007, Program Leader of pharmaceutical development projects for hormonal and urological therapies 2004-2005, Portfolio Manager 2002-2004) Project Manager (2001-2002), Researcher and Project Manager, Hormonal therapies 1999-2001,
Pharmacia & Upjohn: Researcher, Diagnostics Unit, Sw eden, and Researcher, Development projects at ELIAS GmbH, Germany, and Institute Pasteur, France, 1995-1999

Current key positions of trust
Member of the Board of Finnish Bioindustries FIB 2010-

Jari Karlson

M. Sc. (Econ.)
b. 1961

Chief Financial Officer (CFO), since 1 August 2002

Career
Orion Corporation: Chief Financial Officer (CFO) 2002-, Orion Pharma, Vice President, Finance 2001-2002
Kuusakoski Group Oy: Vice President, Finance 1999-2001
Genencor International Inc.: Controller, Director of Planning for the Europe and Asia region and Director of Finance in Europe 1990-1999
Cultor Oy: Financial controller for the Biochem division1988-1989

Current key positions of trust
Member of the Board: Tapiola Mutual Pension Insurance Company 2010-

Pekka Konsi

M.Sc. (Eng.)
b. 1948

Senior Vice President, Supply Chain, since 1 November 2006

Career
Pekka Konsi joined Orion in 1977. He has since occupied the following positions:
Senior Vice President, Supply Chain 2006-, Plant Manager of the Espoo and Kuopio plants 1994-2006, Planning Director 1988-1994, Technical Planning Manager 1977-1988

Before joining Orion, Pekka Konsi worked as an Assistant at the Helsinki University of Technology and part-time at an engineering office.

Reijo Salonen

Professor, Docent, MD, PhD
b. 1956

Senior Vice President, Research and Development and Chief Medical Officer , since 1 November 2006

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

Current key positions of trust
Chairman: European Brain Council Industry Board 2006-
Member: European Brain Council 2006-

Liisa Remes

Research Assistant

Liisa Remes is the employee representative in the Executive Management Board.

Orion A and B shares are quoted on NASDAQ OMX Helsinki in the Large Cap group. At the end of 2010, Orion had a total of almost 60.000 shareholders.

- Board's proposal for dividend is EUR 1.20 per share
- Proposal by the Board that EUR 0.06 per share be distributed from the expendable fund in the distributable equity as a repayment of capital
- The Annual General Meeting is held on Thursday 31 March 2011 in Helsinki

Information for shareholders

Annual General Meeting

The Annual General Meeting of shareholders of Orion Corporation will be held at 2:00 p.m. Finnish time on Thursday 31 March 2011 in the Helsinki Fair Centre. Shareholders intending to attend the Annual General Meeting must be registered as shareholders in the Company's shareholder register, maintained by Euroclear Finland Ltd, on 21 March 2011.

Nominee-registered shareholders should request from their nominee in good time the instructions required for registration in the shareholder register, proxies and notice of attendance at the AGM. The nominee's account operator shall submit notification that a nominee-registered shareholder intending to attend the AGM is to be registered in Orion Corporation's temporary shareholder register by 10:00 a.m. Finnish time on 28 March 2011.

The Annual General Meeting will be held in Finnish. Information on the AGM and the documents for the meeting are available on Orion's website **www.orion.fi/agm2011.**

Notice of attendance

Notice of attendance at the AGM should be submitted by 10:00 Finnish time on 28 March 2011 at the latest. Notice of attendance can be submitted:

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

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

Distribution of dividend

The Board of Directors of Orion Corporation proposes to the Annual General Meeting on 31 March 2011 that a dividend of EUR 1.20 per share be paid for the financial year that ended on 31 December 2010. The dividend payout ratio would be 91.6%. In addition, the Board of Directors proposes that EUR 0.06 per share be distributed from the expendable fund in the distributable equity as a repayment of capital.

If the AGM approves these proposals, the dividend and the repayment of capital shall be paid to the Orion Corporation shareholders registered in the shareholder register, maintained by Euroclear Finland, on 5 April 2011, the record date for dividend payment. According to the proposal by the Board of Directors, the payment date shall be 12 April 2011.

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

Orion's publications and their distribution

Orion's publications are available in English and Finnish at **www.orion.fi/news-and-media.**

Orion's publications can be subscribed to by filling out the form available for the purpose at **www.orion.fi/news-and-media,** or by an e-mailed request to Orion Corporate Communications at corpcom (at) orion.fi.

When sending statutory information to its shareholders, Orion uses the mailing addresses that are entered in the shareholder register maintained by Euroclear Finland. Statutory documents that must be sent by mail to all shareholders are, e.g., invitations to General Meetings under certain conditions specified in the Finnish Limited Liability Companies Act.

Orion's Annual Report 2010 is only provided as an electronic version, which is available on the company website as of week 10. The Financial Statements documents are downloadable and printable in **Materials.** Also, you can order them in print through our website.

Change of address

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

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

Closed period

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

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

Calendar for 2011

Annual Report 2010	will be published in week 10/2011
Registration for the AGM	no later than 28 March 2011 at 10:00 a.m. EET
Annual General Meeting	31 March 2011 at 2:00 p.m. EET
Record date for dividend payment	5 April 2011
Dividend payment date	12 April 2011
Interim Report 1–3/2011	27 April 2011
Interim Report 1–6/2011	2 August 2011
Interim Report 1–9/2011	25 October 2011

Shares and ownership structure

On 31 December 2010, Orion had a total of 141,257,828 shares, of which 47,563,565 were A shares and 93,694,263 B shares. The Group's share capital was EUR 92,238,541.46. At the end of 2010, Orion held 516,654 B shares as treasury shares. On 31 December 2010, the aggregate number of votes conferred by the A and B shares was 1,044,448,909 excluding treasury shares.

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

Voting rights conferred by shares

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

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

Conversion of shares

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. In 2010 a total of 3,777,103 shares were converted.

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

Trading in Orion's shares

Orion's A shares and B shares are quoted on NASDAQ OMX Helsinki in the Large Cap group under the Healthcare sector heading 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 2010 the market capitalisation of the Company's shares excluding treasury shares was EUR 2,305 million.

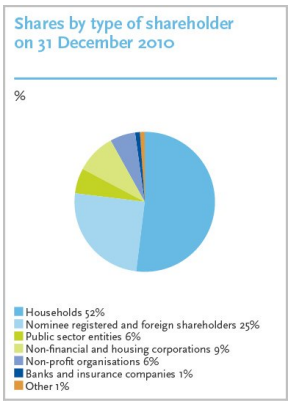
In 2010 a total of 7,779,934 A shares and 93,247,272 B shares were traded on NASDAQ OMX Helsinki. The total value of traded shares was EUR 1,526 million. During the year, 16% of A shares and 101% of B shares were traded. The average turnover in Orion's shares was 72%.

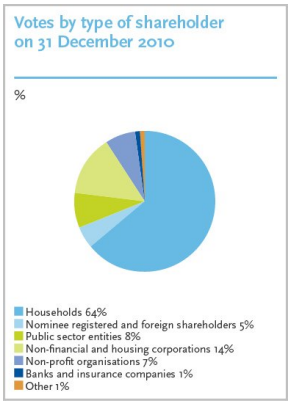
The price of Orion's A shares rose by 9% and the price of the B shares rose by 9% during 2010. On 31 December 2010 the closing quotation was EUR 16.40 for the A shares and EUR 16.37 for the B shares. The highest quotation for Orion's A shares in 2010 was EUR 17.82 and the lowest quotation was EUR 12.21. The highest quotation for the B shares in 2010 was EUR 17.88 and the lowest quotation was EUR 13.20.

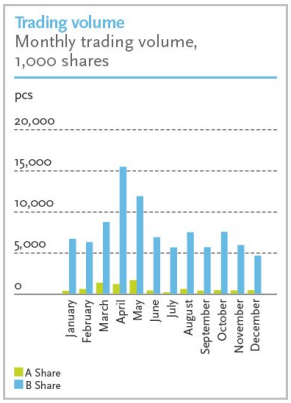
Authorisations of the Board of Directors

Orion's Board of Directors was authorised by the Annual General Meeting on 24 March 2010 to decide on acquisition of shares in the Company and on a share issue in which shares held by the Company can be conveyed. The authorisation to acquire shares is valid for 18 months and the authorisation to issue shares for five years from the respective decision taken by the Annual General Meeting.

The Board of Directors is authorised to decide on acquisition of no more than 300,000 Orion Corporation B shares. Such shares shall be acquired at the market price at the time of acquisition quoted in public trading on NASDAQ OMX Helsinki using funds in the Company's unrestricted equity. Such shares may be acquired in public trading on the stock exchange in a proportion not corresponding to the shareholders' holdings. The shares shall be acquired and paid for in accordance with the rules of the stock exchange and Euroclear Finland. The shares acquired can be kept, cancelled or further conveyed by the Company. The shares can be acquired for the purpose of developing the capital structure of the Company, for use in financing possible corporate acquisitions or other business arrangements of the Company, for financing capital expenditure, as part of the Company's incentive plan, or for otherwise conveying or cancelling them. The Board of Directors shall decide on other matters related to the acquisition of shares in the Company.







On 18 May 2010 the Board of Directors of Orion Corporation decided to repurchase shares as authorised by the Annual General Meeting. Orion acquired a total of 300,000 B shares of Orion Corporation on 11–18 August 2010 in accordance with the decision. The shares were acquired for use as part of the 2010 long-term incentive plan for the Orion Group's key persons.

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

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

Share registration and ownership structure

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

At the end of 2010, Orion had a total of 58,686 (54,323) registered shareholders, of whom 94.66% (94.0%) were private individuals holding 51.82% (51.9%) of the entire share stock and 64.51% (60.6%) of the total votes. There were altogether 36.02 (31.3) million nominee-registered shares, which is 25.5% (22.1%) of all shares, and they conferred entitlement to 4.51% (4.2%) of the votes.

At the end of 2010, Orion held 516,654 B shares as treasury shares, which is 0.37% of the Company's total share stock and 0.05% of the total votes.

Notification threshold

In accordance with Chapter 2, Section 9 of the Securities Markets Act, on 13 October 2010 Capital Research and Management Company notified that on 13 October 2010 trades in the markets decreased its total number of Orion Corporation B shares under its management below one-twentieth (1/20) of all Orion Corporations shares. According to the notification, Capital Research and Management Company had under management 6,979,085 Orion Corporation B shares, which is 4.94% of Orion's share stock and 0.66% of the total votes.

Management's shareholdings

At the end of 2010, the members of the Board of Directors owned a total of 2,327,818 Orion Corporation shares, of which 1,915,836 were A shares and 411,982 B shares. At the end of 2010, the President and CEO owned 19,050 Orion Corporation shares, which were all B shares. The members of the Executive Management Board (excluding the President and CEO) owned a total of 74,987 Orion Corporation shares, of which 464 were A shares and 74,523 were B shares. Thus, Orion's executive management held 1.72% of all shares and 3.72% of the total votes. The figures also include the holdings of minor-aged children and controlled entities.

The Company does not have stock option programmes.

Read more about Orion's shares and their prices, information on Orion's ownership structure updated monthly, a list of the largest shareholders and updated information on the shareholdings of the Orion Group's insiders subject to disclosure requirement.

Investor contacts

For more information on Orion as an investment, please contact the following persons:

Jari Karlson
CFO
Tel +358 10 426 2883

Tuukka Hirvonen
Financial Communications Officer
Tel +358 10 426 2721

Orion's email addresses are in the form of firstname.lastname (at) orion.fi.

Analyses on Orion as an investment

Analyses on Orion as an investment should be available from the following banks and brokerage firms. The list does not necessarily cover all analyses undertaken about Orion. These banks and brokerage firms analyse Orion at their own initiative, and Orion takes no responsibility for the analysts' opinions or analyses.

Updated information on analysts following Orion can be found at **www.orion.fi/en/investors.**

BASIC INFORMATION ON ORION´S SHARE

31 December 2010	A share	B share	Total
Trading code on NASDAQ OMX Helsinki	ORNAV	ORNBV	-
Listing day	1 July 2006	1 July 2006	
ISIN code	FI0009014369	FI0009014377	-
GICS code	30101030	30101030	
Reuters code	ORNAV.HE	ORNBV.HE	-
Bloomberg code	ORNAV.FH	ORNBV.FH	-
Share capital, EUR million	31.0	61.2	92.2
Counter book value of the shares, EUR	0.65	0.65	-
Total number of shares	47,563,565	93,694,263	141,257,828
% of total share stock	34%	66%	100%
Number of treasury shares	-	516,654	516,654
Total number of shares excluding treasury shares	47,563,565	93,177,609	140,741,174
Minimum number of shares	-	-	1
Maximum number of shares	500,000,000	1,000,000,000	1,000,000,000
Votes per share	20	1	-
Number of votes excluding treasury shares	951,271,300	93,177,609	1,044,448,909
% of total votes	91%	9%	100%
Total number of shareholders	19,162	46,143	58,686

INFORMATION ON TRADING

1 January–31 December 2010	A share	B share	Total
Shares traded	7,779,934	93,247,272	101,027,206
% of total number of shares	15.8%	101.2%	71.5%
Trading volume, EUR million	117.7	1,407.7	1,525.5
Closing quotation on 31 Dec 2009, EUR	15.06	15.05	
Lowest quotation, EUR (A/B 6/7 May 2010)	12.21	13.20	
Average quotation, EUR	15.13	15.10	
Highest quotation, EUR (A and B 23 March 2010)	17.82	17.88	
Closing quotation on 31 Dec 2010, EUR	16.40	16.37	
Market capitalisation on 31 Dec 2010 excluding treasury shares, EUR million	780.0	1,525.3	2,305.4

PERFORMANCE PER SHARE

	2010	2009	Change %
Basic earnings per share, EUR	1.31	1.07	+22.0%
Diluted earnings per share, EUR	1.31	1.07	+22.0%
Cash flow per share before financial items, EUR	1.26	1.03	+22.8%
Equity per share, EUR	3.32	3.11	+6.6%
Dividend per share, EUR	1.20 ¹)	1.00	+20.0%
Payout ratio, %	91.6% ¹)	93.5%	
Repayment of capital from the expendable fund, EUR	0.06 ¹)	0.10	-40.0%
Average number of shares during the period excluding treasury shares, EUR million	140,917,406	140,969,942	

¹) The Board of Directors proposes to the AGM that the dividend for 2010 be EUR 1.20 per share and that EUR 0.06 per share be distributed from the expendable fund in the distributable equity as a repayment of capital.

CHANGES IN SHARE CAPITAL

1 July 2006–31 December 2010	A shares	B shares	Total number of shares	Total number of votes	Share capital EUR million
No. of shares on 1 July 2006	56,397,540	84,860,288	141,257,828	1,212,811,088	92.2
Share conversions 1 July–31 December 2006	-843,300	843,300			
No. of shares on 31 December 2006	55,554,240	85,703,588	141,257,828	1,196,788,388	92.2
Share conversions 1 January–31 December 2007	-2,995,552	2,995,552			
No. of shares on 31 December 2007	52,558,688	88,699,140	141,257,828	1,139,872,900	92.2
Share conversions 1 January–31 December 2008	-1,118,020	1,118,020			
Repurchase of own shares	-	350,000			
Own shares transferred	-	-25,164			
No. of shares on 31 December 2008	51,440,668	89,817,160	141,257,828	1,118,630,520	92.2
Excluding treasury shares	51,440,668	89,492,324	140,932,992	1,118,305,684	92.2
Share conversions 1 January–31 December 2009	-100,000	100,000			
Own shares transferred	-	-44,806			
No. of shares on 31 December 2009	51,340,668	89,917,160	141,257,828	1,116,730,520	92.2
Excluding treasury shares	51,340,668	89,637,130	140,977,798	1,116,450,490	92.2
Share conversions 1 January–31 December 2010	-3,777,103	3,777,103			
Repurchase of own shares		302,230			
Own shares transferred	-	-65,606			
No. of shares on 31 December 2010	47,563,565	93,694,263	141,257,828	1,044,965,563	92.2
Excluding treasury shares	47,563,565	93,177,609	140,741,174	1,044,448,909	92.2

OWNERSHIP BASE BY TYPE OF SHAREHOLDERS

31 December 2010	Number of owners	%	A shares	%	B shares	%	Total number of shares	%	Total number of votes	%
Households	55,553	94.7%	31,625,709	66.5%	41,576,366	44.4%	73,202,075	51.8%	674,090,546	64.5%
Nominee-registered and foreign shareholders	225	0.4%	996,494	2.1%	36,294,050	38.7%	37,290,544	26.4%	56,223,930	5.4%
Public sector entities	38	0.1%	4,005,392	8.4%	3,690,733	3.9%	7,696,125	5.4%	83,798,573	8.0%
Non-financial and housing corporations	2,152	3.7%	7,142,515	15.0%	5,108,944	5.5%	12,251,459	8.7%	147,959,244	14.2%
Non-profit organisations	653	1.1%	3,534,422	7.4%	4,565,753	4.9%	8,100,175	5.7%	75,254,193	7.2%
Financial and insurance institutions	64	0.1%	192,129	0.4%	1,878,267	2.0%	2,070,396	1.5%	5,720,847	0.5%
Others	0	0.0%	66,904	0.1%	63,496	0.1%	130,400	0.1%	1,401,576	0.1%
Number of treasury shares	1	0.0%	0	0.0%	516,654	0.6%	516,654	0.4%	516,654	0.0%
Total	**58,686**	**100.0%**	**47,563,565**	**100.0%**	**93,694,263**	**100.0%**	**141,257,828**	**100.0%**	**1,044,965,563**	**100.0%**

OWNERSHIP BASE BY NUMBER OF SHARES

31 December 2010	Number of owners	%	A shares	%	B shares	%	Total number of shares	%	Total number of votes	%
1–100	13,399	22.8%	297,623	0.6%	674,514	0.7%	889,450	0.6%	5,768,688	0.6%
101–1 000	32,690	55.7%	3,944,798	8.3%	11,580,446	12.4%	13,816,176	9.8%	72,931,598	7.0%
1 001–10 000	11,460	19.5%	11,897,089	25.0%	23,580,611	25.2%	32,745,126	23.2%	234,011,670	22.4%
10 001–100 000	1,050	1.8%	10,750,194	22.6%	12,794,859	13.7%	25,980,346	18.4%	251,036,980	24.0%
100 001–1 000 000	75	0.1%	10,333,397	21.7%	7,861,082	8.4%	18,804,056	13.3%	224,914,821	21.5%
1 000 001–	11	0.0%	10,273,560	21.6%	36,622,601	39.1%	48,375,620	34.2%	254,383,576	24.3%
On joint account	0	0.0%	66,904	0.1%	63,496	0.1%	130,400	0.1%	1,401,576	0.1%
Total	**58,685**	**100.0%**	**47,563,565**	**100.0%**	**93,177,609**	**99.4%**	**140,741,174**	**99.6%**	**1,044,448,909**	**100.0%**
of which nominee registered	13	0.0%	583,626	1.2%	35,440,789	37.8%	36,024,415	25.5%	47,113,309	4.5%
Number of treasury shares	1	0.0%	0	0.0%	516,654	0.6%	516,654	0.4%	516,654	0.0%
Total number of shares	**58,686**	**100.0%**	**47,563,565**	**100.0%**	**93,694,263**	**100.0%**	**141,257,828**	**100.0%**	**1,044,965,563**	**100.0%**

LARGEST SHAREHOLDERS 1)

31 December 2010	A shares	B shares	Total number of shares	% of shares	Total number votes	% of votes	Order by number votes
1. Capital Research and Management Company 2)	0	6,979,085	6,979,085	4.9%	6,979,085	0.7%	
2. Erkki Etola and companies	2,500,000	0	2,500,000	1.8%	50,000,000	4.8%	1.
Etola Erkki	200,000	0			4,000,000		
Etola Oy	2,300,000	0			46,000,000		
3. Land and Water Technology Foundation and companies	2,083,360	0	2,083,360	1.5%	41,667,200	4.0%	2.
Land and Water Technology Foundation	1,034,860	0			20,697,200		
Tukinvest Oy	1,048,500	0			20,970,000		
4. Orion Pension Fund 3)	1,765,624	192,699	1,958,323	1.4%	35,505,179	0.0%	
5. Jouko Brade and companies	1,557,715	306,990	1,864,705	1.3%	31,461,290	3.0%	4.
Brade Jouko	255,800	29,600			5,145,600		
Brade Oy	726	100			14,620		
Medical Investment Trust Oy	1,300,000	275,555			26,275,555		
Lamy Oy	1,152	235			23,275		
Helsinki Investment Trust Oy	37	1,000			1,740		
Helsinki Securities Oy	0	100			100		
Töölö Trading Oy	0	100			100		
Botnia Trading Oy	0	300			300		
6. Ilmarinen Mutual Pension Insurance Company	1,577,440	150,000	1,727,440	1.2%	31,698,800	3.0%	3.
7. Social Security Institution of Finland, KELA	0	1,658,368	1,658,368	1.2%	1,658,368	0.2%	15.
8. Ylppö Jukka	1,247,136	292,241	1,539,377	1.1%	25,234,961	2.4%	5.
9. Aho Group Oy´s controlling votes	1,111,666	429	1,112,095	0.8%	22,233,749	2.1%	6.
Helsingin Lääkärikeskus Oy	658,230	4			13,164,604		
Kliinisen Kemian Tutkimussäätiö	100,000	0			2,000,000		
Aho Juhani	310,029	0			6,200,580		
Aho Kari Jussi	21,641	0			432,820		
Porkkala Miia	5,115	0			102,300		
Lappalainen Annakaija	4,944	0			98,880		
Aho Antti	7,792	0			155,840		
Aho Ville	3,915	425			78,725		
10. Into Ylppö and controlling votes	776,736	240,200	1,016,936	0.7%	15,774,920	1.5%	8.
Ylppö Into	577,936	240,200			11,798,920		
Ylppö Eeva	106,400	0			2,128,000		
Ylppö Aurora	92,400	0			1,848,000		
11. Saastamoinen Foundation	989,996	0	989,996	0.7%	19,799,920	1.9%	7.
12. State Pension Fund	0	800,000	800,000	0.6%	800,000	0.1%	16.
13. Mutual Insurance Company Pension-Fennia	292,800	372,250	665,050	0.5%	6,228,250	0.6%	12.
14. Eero Karvonen and companies	546,200	22,507	568,707	0.4%	10,946,507	1.0%	9.
Karvonen Eero	73,170	5,836			1,469,236		
EVK-Capital Oy	473,030	16,671			9,477,271		
15. Etera Mutual Pension Insurance Company	217,616	294,900	512,516	0.4%	4,647,220	0.4%	13.
16. SR Danske Invest Finland	0	494,891	494,891	0.4%	494,891	0.0%	17.
17. Maritza Salonen and controlling votes	456,146	0	456,146	0.3%	9,122,920	0.9%	10.
Salonen Maritza	387,046	0			7,740,920		
Maritza ja Reino Salonen Foundation	69,100	0			1,382,000		
18. Laakkonen Yrjö Ilmari	417,000	25,000	442,000	0.3%	8,365,000	0.8%	11.
19. Orion-Farmos Research Foundation	132,996	282,514	415,510	0.3%	2,942,434	0.3%	14.
20. Finnish Cultural Foundation	0	404,620	404,620	0.3%	404,620	0.0%	18.
Twenty largest shareholders, total	**15,672,431**	**12,516,694**	**28,189,125**	**20.0%**	**325,965,314**	**31.2%**	
Nominee-registered (excluding Capital Research and Management Company)	583,626	28,461,704	29,045,330	20.6%	40,134,224	3.8%	
Others	31,307,508	52,199,211	83,506,719	59.1%	678,349,371	64.9%	
Orion´s treasury shares	0	516,654	516,654	0.4%	516,654	0.0%	
Total	**47,563,565**	**93,694,263**	**141,257,828**	**100.0%**	**1,044,965,563**	**100.0%**	

1) The list includes the direct holdings and votes of the Company´s major shareholders, corresponding holdings of organisations or foundations controlled by a shareholder in so far as they are known to the issuer, holdings of a pension foundation or pension fund of a shareholder or an organisation controlled by a shareholder, as well as any other holdings the use of which the shareholder, alone or together with a third party, may decide on under a contract or otherwise.
2) Information based on Capital Research and Management Company´s notification on 15 October 2010 in accordance with Chapter 2, Section 9 of Finnish Securities Act.

3) Not entitled to vote at Orion´s General Meetings of the shareholders.

Year 2010 was financially successful for Orion. Figures on these pages show the basis for the good result.

- Net sales EUR 850 million (+10%)
- Operating profit EUR 254 million (+23%)
- Cash flow per share before financial items EUR 1.26 (+23%)

Key figures

ORION'S KEY FIGURES FOR 2006[1])–2010

	pro forma 2006	2007	2008	2009	2010	Change %
Net sales, EUR million	641.1	680.0	710.7	771.5	849.9	+10.2%
International operations, EUR million	456.6	479.0	493.6	548.2	620.7	+13.2%
% of net sales	71.2%	70.4%	69.4%	71.1%	73.0%	
Operating profit, EUR million	192.7	192.0	185.0	207.0	254.2	+22.8%
% of net sales	30.1%	28.2%	26.0%	26.8%	29.9%	
Profit before taxes, EUR million	193.3	193.4	184.2	203.7	252.6	+24.0%
% of net sales	30.2%	28.4%	25.9%	26.4%	29.7%	
Income tax expense, EUR million	51.2	49.5	47.8	52.3	67.9	+29.9%
R&D expenses, EUR million	73.1	85.0	90.0	95.2	85.5	-10.2%
% of net sales	11.4%	12.5%	12.7%	12.3%	10.1%	
Capital expenditure, EUR million	25.5	35.3	56.8	60.4	39.2	-35.1%
% of net sales	4.0%	5.2%	8.0%	7.8%	4.6%	
Assets total, EUR million	568.3	565.7	695.5	727.1	745.8	+2.6%
Equity ratio, %	75.5%	76.2%	60.2%	60.6%	62.7%	
Gearing, %	-23.4%	-20.0%	-7.1%	-8.9%	-12.2%	
Interest-bearing liabilities, EUR million	9.8	4.0	146.3	131.5	110.0	-16.3%
Non-interest-bearing liabilities, EUR million	129.6	130.5	130.6	156.5	168.4	+7.6%
Cash and cash equivalents and money market investments, EUR million	110.0	90.4	176.1	170.5	167.2	-1.9%
ROCE (before taxes), %	47.1%	44.8%	38.5%	37.4%	45.0%	
ROE (after taxes), %	34.9%	33.5%	32.1%	35.3%	40.7%	
Personnel at the end of the period	3,061	3,176	3,309	3,147	3,131	-0.5%
Average personnel during the period	3,066	3,160	3,270	3,192	3,137	-1.7%
Personnel expenses, EUR million	149.7	156.3	170.9	171.4	170.3	-0.7%

[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	2007	2008	2009	2010	Change %
Pharmaceuticals	601.4	639.7	667.6	728.5	806.2	+10.7%
Proprietary Products	242.0	259.6	278.1	324.0	370.9	+14.5%
Specialty Products	233.3	252.5	260.5	274.8	298.6	+8.7%
Animal Health	63.3	66.8	67.2	62.1	67.5	+8.8%
Fermion	38.5	38.1	36.1	41.4	44.9	+8.5%
Contract Manufacturing and others	24.2	22.6	25.7	26.2	24.4	-7.0%
Diagnostics	41.5	42.0	45.0	45.2	46.1	+2.0%
Group items	-1.8	-1.7	-1.9	-2.2	-2.4	+9.2%
Group total	641.1	680.0	710.7	771.5	849.9	+10.2%

ORION'S PERFORMANCE PER SHARE 2007–2010

	2007	2008	2009	2010	Change %
Basic earnings per share, EUR	1.02	0.97	1.07	1.31	+22.0%
Diluted earnings per share, EUR	1.02	0.97	1.07	1.31	+22.0%
Cash flow per share before financial items, EUR	0.92	0.66	1.03	1.26	+22.8%
Equity per share, EUR	3.05	2.97	3.11	3.32	+6.6%
Total dividend, EUR million	141.3	133.9	141.0	168.9 ¹)	+19.8%
Payout ratio, %	98.0%	97.9%	93.5%	91.6% ¹)	
Dividend per share, EUR	1.00	0.95	1.00	1.20 ¹)	+20.0%
Repayment of capital from the expendable fund, EUR			0.10	0.06 ¹)	-40.0%
A share					
Number of shares on 31 Dec	52,558,688	51,440,668	51,340,668	47,563,565	
Effective dividend yield, %	6.2%	7.9%	6.6%	7.3% ¹)	
Price/earnings ratio (P/E)	15.78	12.37	14.07	12.52	
Closing quotation on 31 Dec, EUR	16.10	12.00	15.06	16.40	
Lowest quotation during the period, EUR	15.07	10.50	10.42	12.21	
Average quotation during the period, EUR	16.57	12.98	12.65	15.13	
Highest quotation during the period, EUR	20.49	16.40	15.75	17.82	
Shares traded, 1,000 shares	3,866	2,508	3,816	7,780	
% of the total number of shares	7.2%	4.8%	7.4%	15.8%	
B share					
Number of shares on 31 Dec excl. own shares	88,699,140	89,492,324	89,637,130	93,177,609	
Own shares on 31 Dec		324,836	280,030	516,654	
Number of shares on 31 Dec incl. own shares	88,699,140	89,817,160	89,917,160	93,694,263	
Effective dividend yield, %	6.2%	7.9%	6.6%	7.3% ¹)	
Price/earnings ratio (P/E)	15.72	12.44	14.07	12.50	
Closing quotation on 31 Dec, EUR	16.03	12.07	15.05	16.37	
Lowest quotation during the period, EUR	15.22	10.30	10.35	13.20	
Average quotation during the period, EUR	16.12	12.85	12.21	15.10	
Highest quotation during the period, EUR	20.53	16.44	15.34	17.88	
Shares traded, 1,000 shares	96,266	73,719	84,569	93,247	
% of the total number of shares	110.5%	82.6%	94.1%	101.2%	
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	141,002,720	140,969,942	140,917,406	
Shares traded, % of all shares	70.9%	54.1%	62.6%	71.5%	
Market capitalisation on 31 Dec, excluding treasury shares, EUR million	2,268.0	1,697.5	2,122.2	2,305.4	

¹) The Board of Directors proposes to the AGM that the dividend for 2010 be EUR 1.20 per share and that EUR 0.06 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	2007	2008	2009	2010	Change %
Pharmaceuticals	186.2	197.1	188.5	210.6	252.2	+19.8%
Diagnostics	6.4	6.3	6.1	5.6	6.1	+10.5%
Group items	0.2	-11.4	-9.6	-9.2	-4.1	-55.2%
Group total	192.7	192.0	185.0	207.0	254.2	+22.8%

KEY FIGURES FOR PHARMACEUTICALS BUSINESS

EUR million	pro forma 2006	2007	2008	2009	2010	Change %
Net sales	601.4	639.7	667.6	728.5	806.2	+10.7%
Operating profit	186.2	197.1	188.5	210.6	252.2	+19.8%
% of net sales	31.0%	30.8%	28.2%	28.9%	31.3%	
R&D expenses	68.6	80.7	85.4	89.4	79.5	-11.1%
% of net sales	11.4%	12.6%	12.8%	12.3%	9.9%	
Capital expenditure	23.1	32.5	53.3	57.6	36.2	-37.2%
% of net sales	3.8%	5.1%	8.0%	7.9%	4.5%	
Sales revenue from own proprietary products	275.2	292.3	307.5	346.5	397.1	+14.6%
Personnel at the end of the period	2,742	2,864	2,995	2,829	2,803	-0.9%

NET SALES OF ORION'S TOP 10 PHARMACEUTICAL PRODUCTS

EUR million	Used for	2008	2009	2010	Change %
Stalevo®, Comtess® and Comtan®	Parkinson's disease	208.5	234.9	252.7	+7.6%
Simdax®	Acute decompensated heart failure	17.3	29.4	39.9	+35.5%
Easyhaler® product family	Asthma, COPD	22.2	24.9	28.1	+12.8%
Precedex®	Intensive care sedative	9.6	14.6	27.2	+86.7%
Dexdomitor®, Domitor®, Domosedan® and Antisedan®	Animal sedatives	24.6	19.3	24.2	+25.0%
Burana®	Inflammatory pain	19.4	19.9	21.5	+8.2%
Divina® product range	Menopausal symptoms	14.7	13.2	13.3	+1.0%
Marevan®	Anticoagulant	10.1	11.2	13.1	+16.7%
Enanton®	Prostate cancer	12.7	11.9	13.0	+9.1%
Fareston®	Breast cancer	10.5	10.2	11.7	+14.6%
Total		349.8	389.5	444.6	+14.1%
Share of pharmaceutical net sales, %		52%	53%	55%	

KEY FIGURES FOR DIAGNOSTICS BUSINESS

EUR million	pro forma 2006	2007	2008	2009	2010	Change %
Net sales	41.5	42.0	45.0	45.2	46.1	+2.0%
Operating profit	6.4	6.3	6.1	5.6	6.1	+10.5%
% of net sales	15.3%	15.0%	13.6%	12.3%	13.3%	
R&D expenses	4.6	4.4	4.8	5.9	6.0	+2.9%
% of net sales	11.1%	10.6%	10.6%	13.0%	13.1%	
Capital expenditure	1.4	1.6	2.8	2.5	2.5	-0.2%
% of net sales	3.5%	3.7%	6.2%	5.6%	5.5%	
Personnel at the end of the period	289	283	287	291	301	+3.3%

NET SALES BY ANNUAL QUARTERS

EUR million	Q1/09	Q2/09	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10	2010
Pharmaceuticals	178.9	185.9	181.8	181.9	203.3	196.0	203.2	203.7	806.2
Diagnostics	11.7	11.0	10.5	12.0	11.7	12.1	10.5	11.8	46.1
Group items	-0.5	-0.5	-0.5	-0.6	-0.6	-0.7	-0.5	-0.6	-2.4
Group total	190.1	196.4	191.8	193.3	214.5	207.4	213.2	214.9	849.9

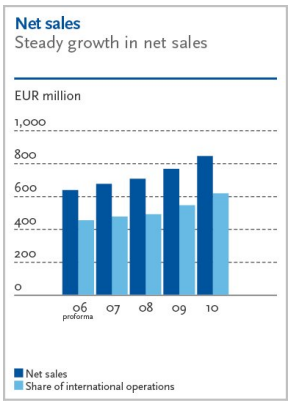
OPERATING PROFIT BY ANNUAL QUARTERS

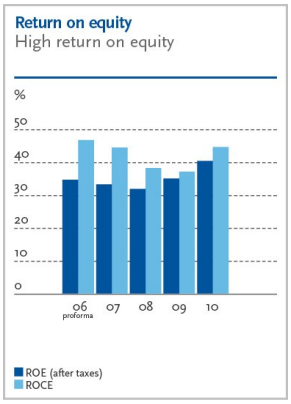
EUR million	Q1/09	Q2/09	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10	2010
Pharmaceuticals	56.9	51.6	56.6	45.5	70.5	60.4	71.5	49.9	252.2
Diagnostics	2.2	1.1	1.0	1.2	2.2	1.9	1.0	1.0	6.1
Group items	-2.2	-2.3	-1.9	-2.8	-1.7	-2.3	-1.8	1.7	-4.1
Group total	56.9	50.4	55.7	43.9	71.0	60.0	70.6	52.6	254.2

GEOGRAPHICAL BREAKDOWN OF NET SALES BY ANNUAL QUARTERS

EUR million	Q1/09	Q2/09	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10	2010
Finland	53.5	55.0	55.6	59.2	56.9	53.7	57.6	61.0	229.2
Scandinavia	25.4	25.8	24.5	25.9	29.0	28.1	28.4	28.6	114.0
Other Europe	61.2	71.8	68.9	72.8	72.1	72.7	70.0	77.4	292.2
North America	22.6	18.2	18.1	12.1	30.3	26.3	31.1	22.1	109.9
Other markets	27.4	25.6	24.7	23.4	26.1	26.7	26.0	25.8	104.6
Group total	190.1	196.4	191.8	193.3	214.5	207.4	213.2	214.9	849.9

Report by the Board of Directors





Events in 2010

In April Orion commented on the US Food and Drug Administration's release published on 31 March 2010 concerning the ongoing review of the safety of Orion's drug Stalevo®.

In April Orion announced that the initial results of the studies with dexmedetomidine were positive, and the Company planned to submit an application for marketing authorisation for the intensive care sedative to the European Medicines Agency by the end of 2010.

In June Orion Corporation agreed a settlement with companies belonging to the Sun Group to a dispute in which in order to defend its patents, Orion had filed a lawsuit in the United States against Sun regarding Sun's submissions of abbreviated new drug applications ("ANDAs") for generic versions of Orion's Comtan® and Stalevo® drugs.

In October Orion announced that the European Medicines Agency had initiated the review of Orion's dexmedetomidine marketing authorisation application.

In November the Association of Finnish Pharmacies and Orion Corporation announced Orion's purchase of a 49% stake in Pharmaservice Oy, which provides dispensing support services for pharmacies.

In December Orion announced that it had been informed that Mylan Pharmaceuticals Inc. had submitted an application to the US Food and Drug Administration for authorisation to produce and market a generic version of entacapone as 200 mg dosage tablets.

Events after the Financial Year

On 24 January Orion filed a patent infringement lawsuit in the United States to enforce Orion's US patent covering Comtan® against Mylan Pharmaceuticals Inc.

On 28 January Orion and Endo Pharmaceuticals Inc. announced that they had signed a novel collaboration agreement for the discovery, development and commercialisation of assets in oncology. The companies will begin development of altogether eight drug candidates, one of them in the clinical phase, by combining equal numbers of research programmes. The companies are sharing all development costs. For products arising from the development work, Orion will have the marketing rights in Europe and Russia, and Endo Pharmaceuticals in North America.

Concurrently with the establishment of the partnership, Endo Pharmaceuticals has exercised its option to license the lead asset in this collaboration discovered at Orion, a novel androgen receptor antagonist for the treatment of advanced prostate cancer. The companies will now jointly develop this drug candidate with the objective of approval globally. Endo Pharmaceuticals is paying Orion USD 10 million for exercising the option. Clinical trials have started in the first quarter of the current year in Europe in co-operation with Endo Pharmaceuticals.

Financial review 2010

Net sales

The Orion Group's net sales in 2010 totalled EUR 850 million (EUR 772 million in 2009), up by 10% on the previous year. The net effect of currency exchange rates was plus EUR 14 million.

The Pharmaceuticals business's net sales were up by 11% at EUR 806 (729) million. The products based on in-house R&D accounted for EUR 397 (347) million, or 49% (48%) of the Pharmaceuticals business's net sales. Net sales of Orion's Parkinson's drugs were up by 8% and totalled EUR 253 (235) million, or about 31% (32%) of the segment's net sales. The net sales of the other products in the portfolio excluding Parkinson's drugs were up by 12% at EUR 554 (494) million.

The Diagnostics business's net sales were EUR 46 (45) million. Sales of QuikRead® infection tests grew, but sales from the older product portfolio were lower than in the comparative period.

Operating profit

The Orion Group's operating profit in 2010 was up by 23% at EUR 254 (207) million.

The Pharmaceuticals business's operating profit was up by 20% at EUR 252 (211) million. The gross profit grew slightly faster than net sales. However, operating profit improved clearly more because the fixed costs of the business operations were only slightly higher than in the previous year. Sales and marketing expenses were as anticipated higher, but research and administrative expenses lower than in the comparative period.

The Diagnostics business's operating profit was up by 11% at EUR 6.1 (5.6) million. The increase in operating profit was mainly due to growth in sales of products with better gross margin.

Operating expenses

The Group's sales and marketing expenses at EUR 189 (160) million were as anticipated clearly higher, up by 18%. The increase was mainly due to the launch of operations in Southern Europe in the second half of 2009, EUR 9 (6) million of royalties paid to Abbott following its sale of Simdax®, investments in developing operations in Scandinavia and Eastern Europe, and increased distribution costs due to volume growth in the business operations as a whole.

R&D expenses were down by 10% at EUR 86 (95) million and accounted for 10% (12%) of the Group's net sales. Pharmaceutical R&D expenses amounted to EUR 80 (89) million. The decrease was mainly due to the timing of the ongoing research projects, especially as clinical trials of the intensive care sedative dexmedetomidine with patients concluded at end of the previous year. Research projects are reported in more detail under Pharmaceuticals in the Business Reviews.

Administrative expenses were down by 22% at EUR 39 (50) million. The costs due to patent litigation in the United States were EUR 3 (9) million. There is more information on the legal proceedings in the section "Legal proceedings".

Other operating income and expenses increased profit by EUR 1 (6) million. This includes EUR 4 million profit on the sale of a real estate limited company in the second half of the year and currency hedge items. The comparative period includes a one-off payment of EUR 4 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 253 (204) million. Basic earnings per share were EUR 1.31 (1.07) and diluted earnings per share were EUR 1.31 (1.07). Equity per share was EUR 3.32 (3.11). The return on capital employed before taxes (ROCE) was 45% (37%) and the return on equity after taxes (ROE) 41% (35%).

Financial position

The Group's gearing was -12% (-9%) and the equity ratio 63% (61%).

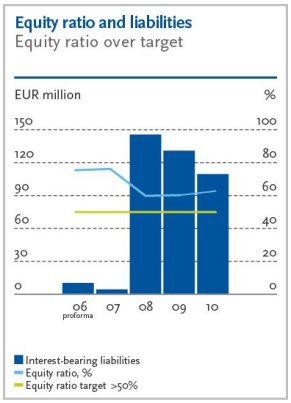
Total liabilities in the Consolidated Statement of Financial Position at 31 December 2010 were EUR 278 (288) million. At the end of the period, interest-bearing liabilities amounted to EUR 110 (132) million, including EUR 88 (109) million of long-term loans.

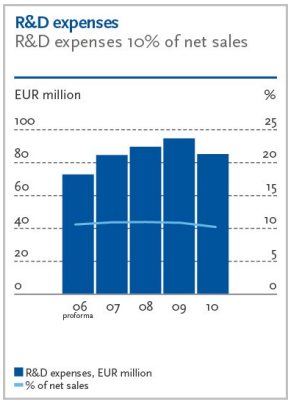
The Group's cash and cash equivalents and money market investments at the end of the year were EUR 167 (171) million. They are invested in short-term interest-bearing instruments issued by financially solid financial institutions and corporations.

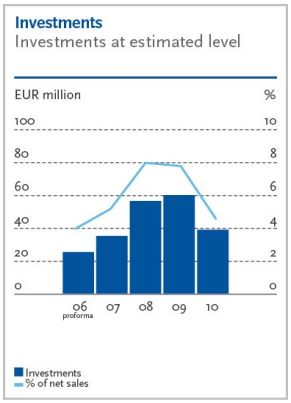
Cash flow

Cash flow from operating activities was EUR 209 (205) million, slightly higher than in the comparative period. Operating profit was clearly higher than in the previous year, but the amount tied up in working capital was EUR 28 million higher than in 2009. The rise in working capital was due to an increase in trade receivables. The strong growth in net sales and proportionally greater growth in countries where payment times are typically longer than average for Orion led to the increase in trade receivables. Stocks increased slightly due to volume growth in business operations.

Cash flow from investing activities was EUR -31 (-60) million. In the comparative period, investments were increased by the repurchasing of marketing rights to the heart failure drug Simdax® for EUR 26 million.







Cash flow from financing activities was EUR -182 (-152) million. The change is due to repayment of capital in 2010, repurchase of own shares and higher dividends than in the previous year.

Capital expenditure

The Group's capital expenditure totalled EUR 39 (60) million. This comprised EUR 23 (25) million on property, plant and equipment, EUR 15 (35) million on intangible assets and EUR 1 (0) million on investments.

Outlook for 2011

Net sales will be slightly higher than in 2010.

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

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

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

Basis for outlook

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

In-market sales of the Parkinson's drugs grew by just under 10% in 2010. The pace of growth of sales is forecast to continue to slow in 2011. The generic competition commencing in April 2012 in the United States is not expected to have a material impact on Orion's sales in 2011.

Because the registrations and launches of new products are projects that take more than a year, the increases in resources and other inputs required in 2011 were planned mainly during the previous year.

Research and development costs can be estimated quite accurately in advance. They are partly the Company's internal fixed cost items, such as salaries and maintenance of the operating infrastructure, and partly external variable costs. External costs arise from, among other things, long-term clinical trials, which are typically performed in clinics located in several countries. The most important clinical trials scheduled for 2011 are either ongoing from the previous year or at an advanced stage of planning, therefore their cost level can be estimated rather accurately.

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

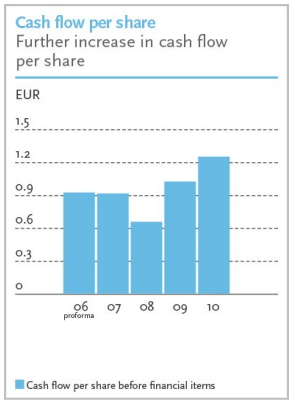
Near-term risks and uncertainties relating to the outlook

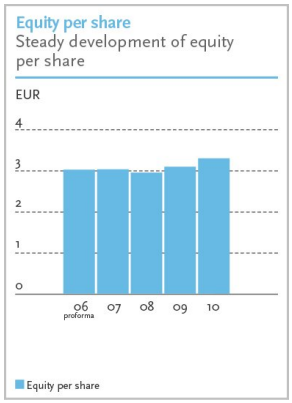
The Company is not aware of any significant risk factors relating to the earnings outlook for 2011.

Sales of individual products and also Orion's sales in individual markets may vary slightly depending on the extent to which the ever-tougher price and other competition prevailing in pharmaceutical markets in recent years will specifically affect Orion's products. Deliveries to Novartis are based on timetables that are jointly agreed in advance. Nevertheless, they can change, for example as a consequence of decisions by Novartis concerning adjustments of stock levels.

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

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





Financial objectives

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

The principal means of achieving these objectives are:

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

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

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

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 of Directors for distribution of profit

The parent company's distributable funds are EUR 208,688,471.92, including EUR 178,406,411.05 of profit for the financial year.

The Board of Directors proposes that a dividend of EUR 1.20 per share be paid from the parent company's distributable funds. No dividend shall be paid on treasury shares held by the Company on the dividend distribution record date. On the day when the profit distribution was proposed, the number of shares conferring entitlement to receive dividend totalled 140,741,174, on which the total dividend payment would be EUR 168,889,408.80. The Group's payout ratio for the financial year 2010 would be 91.6% (93.5%).The dividend payment date would be 12 April 2011, and shareholders registered in the Company's shareholder register on 5 April 2011 would be entitled to the dividend payment.

The Board of Directors further proposes that EUR 150,000 be donated to medical research and other purposes of public interest in accordance with a separate decision by the Board and that EUR 39,649,063.12 remain in the retained earnings account.

Proposal by the Board of Directors for distribution of equity

The Board of Directors proposes to the Annual General Meeting of Orion Corporation to be held on 31 March 2011 that EUR 0.06 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 shareholders registered in the Company's shareholder register maintained by Euroclear Finland on 5 April 2011, the record date for dividend distribution. The payment date would be 12 April 2011.

Business Reviews

Pharmaceuticals

Review of human pharmaceuticals market

According to statistics collected by Finnish Pharmaceutical Data, Finnish ***wholesale of human pharmaceuticals*** in 2010 totalled EUR 1,926 (1,947) million, slightly down on the previous year.

Finland is the most important individual market for Orion, its share of total net sales declined a little but was still about a quarter of the total net sales. Despite a decline in the market as a whole, Orion was able to increase sales in all areas and 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 2010 amounted to EUR 192 (186) million, up by 3% compared with the previous year. Orion's market share was 10% (10%), which was over three percentage points higher than the second-largest company's market share.

According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in September 2010 the ***total sales of Parkinson's drugs*** in the United States were up by 2% at USD 1,005 million (USD 981 million in the previous 12-month period). The five largest European markets for Parkinson's disease drugs were Germany, the United Kingdom, France, Spain and Italy. In these countries, the combined sales of Parkinson's drugs in the 12-month period ending in September totalled EUR 993 (894) million, and the average market growth was 11%.

The most important individual therapy area for Orion is still the treatment of Parkinson's disease. Orion's Parkinson's drugs account for just under one-third of the Group's net sales. Sales of ***Orion's Parkinson's drugs*** continued to grow favourably and clearly faster than the market as a whole in the United States and in Japan. According to IMS Health pharmaceutical sales statistics, in the 12-month period ending September 2010, total sales of Orion's Parkinson's drugs were up by 6% at USD 181 (171) million in the United States, up by 6% at a total of EUR 156 (147) million in the five largest markets in Europe, and up by 39% at EUR 43 (31) million in Japan. The market share of Orion's Parkinson's drugs was 18% in the United States, on average 16% in the five largest European markets and 10% in Japan.

According to IMS Health pharmaceutical sales statistics, sales of ***Precedex® intensive care sedative (dexmedetomidine),*** which is becoming increasingly important for Orion, were up by 61% at USD 142 million in the 12-month period ending September 2010 (USD 88 million in the previous 12-month period); 86% of the sales amounting to USD 123 (74) million were in the United States, where Precedex® sales grew by 67%.

Net sales and operating profit of the Pharmaceuticals business

Net sales of the Pharmaceuticals business in 2010 were EUR 806 (729) million, up by 11% on the previous year. The operating profit of the Pharmaceuticals business was up by 20% at EUR 252 (211) million. The operating profit of the Pharmaceuticals business was 31% (29%) of the segment's net sales.

Net sales of the top ten best-selling pharmaceuticals in 2010 were up by 14% at EUR 445 (390) million. They accounted for 55% (53%) of the total net sales of the Pharmaceuticals business. Among these best-sellers, the fastest-growing products were the intensive care sedative Precedex®, the heart failure drug Simdax® and the animal sedatives Dexdomitor®, Domitor®, Domosedan® and Antisedan®.

Net sales of the products based on own in-house R&D in 2010 were up by 15% at EUR 397 (347) million. These products accounted for about 49% (48%) of the net sales of the Pharmaceuticals business.

Proprietary Products

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

Net sales of Proprietary Products were up by 15% in 2010 at EUR 371 (324) million.

Orion's drugs for treatment of Parkinson's disease are Stalevo® (active ingredients carbidopa, levodopa, entacapone) and Comtess®/Comtan® (entacapone), and their net sales in 2010 totalled EUR 253 (235) million. The net sales were up by 8% and accounted for 31% (32%) of the total net sales of the Pharmaceuticals business. Net sales from deliveries of Stalevo® and Comtan® to Novartis totalled EUR 153 (138) million, up by 11% on the previous year. Deliveries of Stalevo® to Novartis increased by 7%, and deliveries of Comtan® by 18%. Total net sales generated by Stalevo® and Comtess® in Orion's own sales organisation were up by 3% at EUR 100 (97) million. Net sales of Stalevo® through Orion's own sales organisation were up by 7% at EUR 82 (77) million.

The US Food and Drug Administration (FDA) has an ongoing safety review of Stalevo, which began in spring 2009. Orion has no information on when the FDA's ongoing safety review will be completed.

Net sales of the intravenous drug Simdax® for acute decompensated heart failure (active ingredient levosimendan) in 2010 were up by 36% at EUR 40 (29) million. Orion repurchased the rights to Simdax from Abbott in 2009. The transfer of the rights to the product has proceeded according to plan in Orion's own sales network, and during 2010 Orion signed agreements with marketing partners for Simdax in markets outside Europe, such as Turkey, Australia and several countries in Asia, the Middle East and Africa.

Net sales of the Easyhaler® product family for asthma and chronic obstructive pulmonary disease were up by 13% at EUR 28 (25) million in 2010. Orion further strengthened its presence in European markets, and at the end of the year the Company was itself marketing the Easyhaler product family in nine countries. The largest markets for the product family are Germany, Turkey and Finland.

Net sales of the Precedex® intensive care sedative (active ingredient dexmedetomidine) in 2010 were up by 87% at EUR 27 (15) million. In markets outside Europe the sedative is sold by Orion's partner Hospira. Early in the year Orion completed its research programme developing dexmedetomidine for European markets and the European Medicines Agency began reviewing the dexmedetomidine marketing authorisation application in October. The centralised procedure for marketing authorisation applications generally takes more than a year.

Marketing authorisation in Europe has been received for Vantas® (histrelin implant) for treatment of advanced prostate cancer. Price negotiations and reimbursement applications are in progress in several countries and the product has been launched in five countries.

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 9% in 2010 at EUR 299 (275) million. Net sales of the business division in markets outside Finland were up by 22% on the corresponding period. The significant increase in net sales is the result of long-term work to develop the competitiveness of the product portfolio and launches of new products in the markets. Orion launched 144 (74) generic prescription drugs and self-care products in 2010. Nearly half of the launches were in Eastern European markets.

Net sales of Orion's human pharmaceuticals in Finland in 2010 were up by 3% at EUR 210 (204) million. Specialty Products accounted for the majority of sales in Finland. Orion has further strengthened its position as market leader owing above all to its competitive self-care product portfolio and its broad product portfolio, particularly in substitutable prescription drugs. The implementation of the reference price system in Finland in April 2009 and intense price competition due to it continued to reduce the market as a whole, but also expanded the range of substitutable prescription drugs. Orion's operations in Finland expanded into a new field when the Company acquired a stake in Pharmaservice Oy, which provides dispensing support services for pharmacies.

Net sales of Orion's human pharmaceuticals in Eastern Europe in 2010 were up by 28% at EUR 50 (39) million. Specialty Products accounted for the majority of sales in the region. The growth has been clearly stronger than the market as a whole in many countries due to the good performance of individual products.

Orion continued to develop its self-care product portfolio in Scandinavia, which the Company aims to make its domestic market. Growth in net sales in Scandinavia was strong in 2010 due to new product launches. The markets in Sweden are being transformed by the abolition of the national pharmacy monopoly. Orion has been able to strengthen its market position despite the clearly intensified price competition due to the change in the distribution channels.

Animal Health

Net sales of the Animal Health business division were up by 9% in 2010 at EUR 68 (62) million. Net sales of the animal sedatives Dexdomitor® (dexmedetomidine), Domitor® (medetomidine), Domosedan® (detomidine) and Antisedan® (atipamezole) were up by 25% and accounted for 36% (31%) of the division's net sales. Growth in sales were supported by higher than anticipated sales by marketing partners and launching of Domosedan gel in Europe and the United States, where Pfizer is Orion's marketing partner.

Orion's share of the Finnish market for veterinary drugs in 2010 was 20% (20%), which was the second-biggest share and almost the same as the market leader's. The Finnish market for veterinary drugs as whole was up by 8% at about EUR 49 million in 2010. Orion was one of the three largest marketers of veterinary drugs in the Nordic countries in 2010.

On 1 October 2010 Niclas Lindstedt became Senior Vice President, Animal Health. He reports to CFO Jari Karlson.

Fermion

Fermion manufactures active pharmaceutical ingredients for Orion and other pharmaceutical companies. Its product range comprises nearly 30 pharmaceutical ingredients. Fermion's net sales in 2010 excluding pharmaceutical ingredients supplied for Orion's own use were up by 9% at EUR 45 (41) million and accounted for about two-thirds of Fermion's entire net sales. Several key products performed well, even though competition in the markets remained intense. In addition, measures to enhance competitiveness and high capacity utilisation of plants sustained profitability at a good level.

Research and development

The Group's R&D expenses totalled EUR 86 (95) million in 2010, of which the Pharmaceuticals business accounted for EUR 80 (89) million. The Group's R&D expenses accounted for 10% (12%) of the Group's net sales. R&D expenses also include expenses relating to development of the current portfolio.

Orion has submitted an application for marketing authorisation for ***dexmedetomidine*** to the European Medicines Agency, which began processing it in October. The centralised procedure for marketing authorisation applications generally takes more than a year. The initial results of studies with the sedative dexmedetomidine show that it is as effective as the standard comparative products midazolam and propofol. The second primary endpoint, time to the end of mechanical ventilation of the patients was statistically significantly reduced by dexmedetomidine compared to midazolam.

Orion has an ongoing project to broaden the range of the ***Easyhaler®*** product family. Orion is developing a new ***budesonide-formoterol formulation*** that combines budesonide as an anti-inflammatory agent and formoterol as a long-acting bronchodilator. The results of research with the objective of a marketing authorisation application are expected during 2011. In addition, Orion has another Easyhaler® research programme in progress to develop a ***fluticasone-salmeterol formulation.*** In this formulation fluticasone acts as an anti-inflammatory agent and salmeterol acts as a long-acting bronchodilator.

Orion is collaborating with Novartis to develop ***Stalevo® for the Japanese market.*** Novartis intends to submit a marketing authorisation application during 2011.

Orion has concluded the ***alpha 2c receptor antagonist*** Phase I clinical trials and progressed to Phase II. In early research, this compound has been found to be possibly suitable for the treatment of Alzheimer's disease and Raynaud's phenomenon.

Development of an ***androgen receptor antagonist*** for the treatment of advanced prostate cancer has moved to clinical trials in the first quarter of the current year in Europe in co-operation with Endo Pharmaceuticals Inc.

Orion has in clinical development a new more effective ***levodopa product*** including optimized doses and formulations of existing active ingredients.

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

During 2010 the US pharmaceutical company GTx announced the discontinuance of its studies on the use of 20 mg doses of toremifene to prevent prostate cancer in men. GTx also has ongoing new clinical Phase III trials on the use of 80 mg doses of toremifene for treating the adverse effects of prostate cancer treatment. Orion originally developed toremifene for treatment of breast cancer.

Diagnostics

Net sales of the Diagnostics business in 2010 were EUR 46 (45) million. Sales in the Nordic countries were similar to 2009, but sales to China and the Czech Republic were higher than in the previous year.

QuikRead® tests remained the main products, with reagent and equipment sales continuing to grow. 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 increase in QuikRead® equipment in doctors' surgeries and clinical laboratories creates a solid basis for future demand for reagents.

As regards dip slide tests, sales of hygiene tests for industry increased, partly because industrial capacity utilisation rates recovered.

Operating profit was EUR 6.1 (5.6) million, up by 11% despite increasing investment in the business division's product development and sales. The increase in operating profit was mainly due to higher sales of products with better gross margin.

In April Orion Diagnostica received the Innovation Award of Chemical Industry Finland for Orion Clean Card PRO® for testing surface cleanliness jointly developed by Orion Diagnostica and VTT (Technical Research Centre of Finland). The test can be utilised by, for example, the food and drinks industry and hospitals, as hygiene requirements become more stringent.

New products launched in the markets by Orion Diagnostica during 2010 include a new more user-friendly QuikRead CRP test and QuikRead go®, an easy-to-use, new generation testing instrument in the QuikRead® product range.

Shares and shareholders

On 31 December 2010, Orion had a total of 141,257,828 (141,257,828) shares, of which 47,563,565 (51,340,668) were A shares and 93,694,263 (89,917,160) B shares. The Group's share capital was EUR 92,238,541.46. (92,238,541.46) At the end 2010, Orion held 516,654 (280,030) B shares as treasury shares. On 31 December 2010, the aggregate number of votes conferred by the A and B shares was 1,044,448,909 (1,116,450,490) excluding treasury shares.

At the end of 2010, Orion had a total of 58,686 (54,323) registered shareholders.

Voting rights conferred by shares

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

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

Conversion of shares

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. In 2010 a total of 3,777,103 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 2010 the market capitalisation of the Company's shares excluding treasury shares was EUR 2,305 million.

In 2010 a total of 7,779,934 A shares and 93,247,272 B shares were traded on NASDAQ OMX Helsinki. The total value of traded shares was EUR 1,526 million. During the year, 16% of A shares and 101% of B shares were traded. The average turnover in Orion's shares was 72%.

The price of Orion's A shares rose by 9% and the price of the B shares rose by 9% during 2010. On 31 December 2010 the closing quotation was EUR 16.40 for the A shares and EUR 16.37 for the B shares. The highest quotation for Orion's A shares in 2010 was EUR 17.82 and the lowest quotation was EUR 12.21. The highest quotation for the B shares in 2010 was EUR 17.88 and the lowest quotation was EUR 13.20.

Authorisations of the Board of Directors

Orion's Board of Directors was authorised by the Annual General Meeting on 24 March 2010 to decide on acquisition of shares in the Company and on a share issue in which shares held by the Company can be conveyed. The authorisation to acquire shares is valid for 18 months and the authorisation to issue shares for five years from the respective decision taken by the Annual General Meeting.

The Board of Directors is authorised to decide on acquisition of no more than 300,000 Orion Corporation B shares. Such shares shall be acquired at the market price at the time of acquisition quoted in public trading on NASDAQ OMX Helsinki using funds in the Company's distributable equity. Such shares may be acquired in public trading on the stock exchange in a proportion not corresponding to the shareholders' holdings. The shares shall be acquired and paid for in accordance with the rules of the stock exchange and Euroclear Finland. The shares acquired can be kept, cancelled or further conveyed by the Company. The shares can be acquired for the purpose of developing the capital structure of the Company, for use in financing possible corporate acquisitions or other business arrangements of the Company, for financing capital expenditure, as part of the Company's incentive plan, or for otherwise conveying or cancelling them. The Board of Directors shall decide on other matters related to the acquisition of shares in the Company.

On 18 May 2010 the Board of Directors of Orion Corporation decided to repurchase shares as authorised by the Annual General Meeting. Orion acquired in total 300,000 B shares of Orion Corporation on 11–18 August 2010 in accordance with the decision. The shares were acquired for use as part of the 2010 long-term incentive plan for the Orion Group's key persons.

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

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

Share-based Incentive Plan

Altogether 65,606 Orion Corporation B shares held by the Company were transferred at the beginning of March 2010 as a share bonus for 2009 to key persons employed by the Group and belonging to the Share-based Incentive Plan of the Orion Group. The price per share of the transferred shares was EUR 16.4705, which was the volume weighted average quotation of Orion Corporation B shares on 1 March 2010. The total transaction price of the transferred shares was therefore EUR 1,080,564.

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

Share ownership

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

At the end of 2010, Orion had a total of 58,686 (54,323) registered shareholders, of whom 95% (94%) were private individuals holding 52% (52%) of the entire share stock and 65% (61%) of the total votes. There were altogether 36 (31) million nominee-registered shares, which is 26% (22%) of all shares, and they conferred entitlement to 5% (4%) of the votes.

At the end of 2010, Orion held 516,654 B shares as treasury shares, which is 0.37% of the Company's total share stock and 0.05% of the total votes. The total acquisition price of the treasury shares held by Orion was EUR 7,585,600.01.

Notification threshold

In accordance with Chapter 2, Section 9 of the Securities Markets Act, on 13 October 2010 Capital Research and Management Company notified that on 13 October 2010 trades in the markets decreased its total number of Orion Corporation B shares under its management below one-twentieth (1/20) of all Orion Corporations shares. According to the notification, Capital Research and Management Company had under management 6,979,085 Orion Corporation B shares, which is 4.94% of Orion's share stock and 0.66% of the total votes.

Management's shareholdings

At the end of 2010, the members of the Board of Directors owned a total of 2,327,818 Orion Corporation shares, of which 1,915,836 were A shares and 411,982 B shares. At the end of 2010, the President and CEO owned 19,050 Orion Corporation shares, which were all B shares. The members of the Executive Management Board (excluding the President and CEO) owned a total of 74,987 Orion Corporation shares, of which 464 were A shares and 74,523 were B shares. Thus, Orion's executive management held 1.72% of all shares and 3.72% of the total votes. The figures also include the holdings of minor-aged children and controlled entities.

The Company does not have stock option programmes.

Corporate Governance

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

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

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

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

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

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

Orion will provide its Corporate Government statement separately from the Report of the Board of Directors on the company's website at **www.orion.fi/corporate-governance** as well as in the **Annual Report 2010**.

Changes in Executive Management Board

Satu Ahomäki, M.Sc. (Econ.), became Senior Vice President, Global Sales, on 1 October 2010. She was previously Senior Vice President responsible for Orion's Animal Health business division and member of the Executive Management Board of the Orion Group. She will remain a member of the Executive Management Board in her new position. On 1 October 2010 Pekka Kaivola, her predecessor as Senior Vice President, Global Sales, left the Executive Management Board and became a Senior Advisor until his retirement on 31 December 2010.

Riitta Vartiainen, Senior Vice President, Business Development and Support, of the Orion Group and member of its Executive Management Board, left the Executive Management Board at the end of 2010. She retired in February 2011.

Annual General Meeting on 24 March 2010

Orion Corporation's Annual General Meeting was held on 24 March 2010 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 distribution from the unrestricted equity as a repayment of capital, amendment to the Articles of Association Section 12, and authorisation of the Board of Directors to acquire and dispose of treasury shares in the Company.

A dividend of EUR 1.00 to be distributed per share was approved for 2009, in accordance with the Board's proposal. In addition, a repayment of capital to the shareholders of EUR 0.10 per share was approved, in accordance with the Board's proposal

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

Annual General Meeting on 31 March 2011

Orion Corporation's Annual General Meeting will be held at 14:00 on Thursday 31 March 2011 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 2010 was 3,137 (3,192). At the end of 2010, the Group had a total of 3,131 (3,147) employees, of whom 2,475 (2,523) worked in Finland and 656 (624) outside Finland.

Salaries and other personnel expenses in 2010 totalled EUR 170 (171) million.

Environmental issues

The environmental effects of Orion's own production operations mainly relate 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 valid environmental permits. Orion has manufacturing 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 Sun companies ended in settlement

Orion Corporation, and Sun Pharmaceutical Industries Limited and certain other companies belonging to the Sun Group of companies (together "Sun") agreed in June a settlement to lawsuits filed by Orion in the United States against Sun regarding Sun's submissions of abbreviated new drug applications ("ANDAs") for generic versions of Orion's Comtan® and Stalevo®.

Litigations against Sun by Orion have been ongoing in the United States since 2007. The settlement agreement covers all these lawsuits. Under the terms of the settlement agreement, Sun will be able to launch generic versions of Stalevo® tablets with strengths 25/100/200 mg and 37.5/150/200 mg (active ingredients carbidopa, levodopa, entacapone) in the United States on 1 April 2012. In addition to these strengths, Sun will be able to launch generic versions of Stalevo tablets with other strengths on 2 October 2012 and generic versions of Comtan on 1 April 2013 unless certain conditions relating to the launch are fulfilled even earlier. The parties have agreed that Orion will supply the generic versions of these products to Sun. The parties will not disclose the terms of the settlement agreement in other respects.

As a consequence of this settlement, Wockhardt, with which Orion executed a patent dispute settlement on 29 April 2009, can launch other generic versions of Stalevo except the strengths 25/100/200 mg and 37.5/150/200 mg in the United States already on 1 April 2012, and tablets with the strengths 25/100/200 mg and 37.5/150/200 mg approximately six months after Sun is allowed to market them under the licence from Orion unless certain conditions relating to the launch are fulfilled even earlier.

The settlement agreement ended the lawsuits and Orion's US Patents No. 5,446,194 and No. 6,500,867, which were challenged, remain in force.

In compliance with the applicable US laws, Orion has filed all of the agreements related to the settlement with the United States Federal Trade Commission and the United States Department of Justice.

Legal proceedings against the Sandoz companies

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

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

Orion expects the costs of the legal proceedings against the Sandoz companies to be substantially less than the costs of the entacapone patent litigation that had previously been pending in the United States.

Legal proceedings against Caraco Pharmaceutical Laboratories, Ltd.

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

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

Orion expects the costs of the legal proceedings against Caraco to be substantially less than the costs of the entacapone patent litigation that had previously been pending in the United States.

Events after the period

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

Mylan intends to market in the United States a generic version of entacapone tablets with strength 200 mg like Orion's Comtan® proprietary drug. Comtan is used as an adjunct to levodopa/carbidopa therapy to treat patients with idiopathic Parkinson's disease who experience the signs and symptoms of end-of-dose "wearing-off." Novartis is Orion's exclusive licensee for marketing the drug Comtan in the United States. Because of this lawsuit, there is no imminent threat of generic competition for this drug.

Consolidated financial statements (IFRS)

- **Consolidated statement of comprehensive income**
- **Consolidated statement of financial position**
- **Consolidated statement of changes in equity**
- **Consolidated statement of cash flows**
- **Notes to the consolidated financial statements**

Consolidated financial statements (IFRS)

Consolidated statement of comprehensive income

EUR million	Note	2010	2009
Net sales	1	849.9	771.5
Cost of goods sold		-283.2	-265.2
Gross profit		566.8	506.3
Other operating income and expenses	2	1.2	6.0
Selling and marketing expenses	3, 4	-188.9	-160.0
R&D expenses	3, 4	-85.5	-95.2
Administrative expenses	3, 4	-39.3	-50.2
Operating profit		254.2	207.0
Finance income	5	4.2	5.1
Finance expenses	5	-5.9	-8.4
Profit before income taxes		252.6	203.7
Income tax expense	6	-67.9	-52.3
Profit for the period		184.7	151.4
OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS			
Translation differences		1.3	1.3
Cash flow hedges		1.6	0.9
Other comprehensive income net of tax		2.9	2.1
Comprehensive income for the period including tax effects		187.6	153.5
PROFIT ATTRIBUTABLE TO			
Owners of the parent company		184.7	151.4
Non-controlling interests		0.0	0.0
COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent company		187.6	153.5
Non-controlling interests		0.0	0.0
Basic earnings per share, EUR [1]		1.31	1.07
Diluted earnings per share, EUR [1]		1.31	1.07
Depreciation, amortisation and impairment		38.9	34.4
Personnel expenses		170.3	171.4

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

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

Consolidated statement of financial position

ASSETS

EUR million, 31 Dec	Note	2010	2009
Property, plant and equipment	8	187.1	192.0
Goodwill	9	13.5	13.5
Intangible rights	9	65.3	63.4
Other intangible assets	9	4.2	3.7
Investments in associates	10	1.3	0.1
Available-for-sale investments	11	1.0	1.0
Pension asset	12	31.6	29.8
Deferred tax assets	13	2.9	5.5
Other non-current receivables	14	2.4	0.9
Non-current assets, total		309.3	309.9
Inventories	15	131.1	122.7
Trade receivables	16	118.3	102.6
Other receivables	16	20.0	21.4
Money market investments	16	77.7	
Cash and cash equivalents	17	89.5	170.5
Current assets, total		436.5	417.2
Assets, total		745.8	727.1

EQUITY AND LIABILITIES

EUR million, 31 Dec	Note	2010	2009
Share capital		92.2	92.2
Share premium		17.8	17.8
Expendable fund		8.9	23.0
Other reserves		1.6	0.0
Retained earnings		346.8	306.0
Equity attributable to owners of the parent company		467.4	439.1
Non-controlling interests		0.0	0.0
Equity, total	18	467.4	439.1
Deferred tax liabilities	13	44.8	43.0
Pension liability	12	0.7	0.8
Provisions	19	0.4	0.5
Interest-bearing non-current liabilities	20	87.5	108.7
Other non-current liabilities	21	0.1	0.1
Non-current liabilities, total		133.6	153.1
Trade payables	22	49.0	42.3
Current income tax liabilities		12.7	3.0
Other current liabilities	22	60.6	66.8
Provisions	19		0.0
Interest-bearing current liabilities	20	22.5	22.7
Current liabilities, total		144.8	134.8
Liabilities, total		278.4	287.9
Equity and liabilities, total		745.8	727.1

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

Consolidated statement of changes in equity

		Equity attributable to owners of the parent company							
EUR million	**Note**	**Share capital**	**Share premium**	**Expendable fund**	**Other reserves**	**Translation differences**	**Retained earnings**	**Non-controlling interests**	**Equity total**
Equity at 1 January 2009		92.2	17.8	23.0	-0.9	-6.9	293.3	0.0	418.6
Profit for the period							151.4	-0.0	151.4
Other comprehensive income:									
Cash flow hedges					0.9				0.9
Translation differences						1.3			1.3
Transactions with owners and non-controlling interests:									
Dividend	18						-133.9		-133.9
Share-based incentive plan	4						0.9		0.9
Other adjustments					0.0		0.1		0.1
Equity at 31 December 2009		92.2	17.8	23.0	0.0	-5.7	311.7	0.0	439.1
Profit for the period							184.7	0.0	184.7
Other comprehensive income:									
Cash flow hedges					1.6				1.6
Translation differences						1.3			1.3
Transactions with owners and non-controlling interests:									
Dividend	18			-14.1			-141.0		-155.1
Treasury shares	18						-4.6		-4.6
Share-based incentive plan	4						0.5		0.5
Other adjustments					-0.0		-0.1		-0.1
Equity at 31 December 2010		92.2	17.8	8.9	1.6	-4.4	351.2	0.0	467.4

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

Consolidated statement of cash flows

EUR million	Note	2010	2009
Operating profit		254.2	207.0
Depreciation, amortisation and impairment	3	38.9	34.4
Gains/losses on sales or disposals of property, plant and equipment and intangible assets		0.0	1.1
Unrealised foreign exchange gains and losses		0.0	1.7
Change in pension asset and pension obligation	12	-2.0	-0.5
Change in provisions	19	-0.0	0.1
Other adjustments		-3.2	0.9
Adjustments to operating profit, total		33.7	37.7
Change in trade and other receivables		-17.8	-20.8
Change in inventories		-8.2	9.1
Change in trade and other payables		-1.5	27.0
Change in working capital, total		-27.6	15.3
Interest paid		-5.7	-9.7
Interest received		4.3	4.9
Income taxes paid	6	-49.9	-50.6
Net cash generated from operating activities, total		209.1	204.6
Investments in property, plant and equipment	8	-22.1	-24.6
Investments in intangible assets	9	-13.3	-36.1
Acquisition of an associate		-1.3	
Sale of a subsidiary less cash and cash equivalents at sale date		4.5	
Sales of property, plant and equipment and available-for-sale investments	8	1.2	0.8
Sales of intangible assets	9	0.2	0.5
Net cash used in investing activities, total		-30.8	-59.5
Short-term loans raised	20	0.6	0.7
Repayments of short-term loans	20	-2.0	-19.8
Long-term loans raised	20		22.8
Repayments of long-term loans	20	-21.0	-21.3
Repurchase of own shares		-4.6	
Dividends paid and other distribution of profits	18	-155.3	-134.4
Net cash used in financing activities, total		-182.2	-152.1
Net change in cash, cash equivalents and money market investments		-4.0	-7.0
Cash, cash equivalents and money market investments at 1 Jan	17	170.5	176.1
Foreign exchange differences		0.7	1.4
Net change in cash, cash equivalents and money market investments		-4.0	-7.0
Cash, cash equivalents and money market investments at 31 Dec	17	167.2	170.5
Reconciliation of cash and cash equivalents in statement of financial position			
Cash and cash equivalents at 31 Dec in statement of financial position		89.5	170.5
Money market investments at 31 Dec		77.7	
Cash and cash equivalents in statement of cash flows		167.2	170.5

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

Notes to the consolidated financial statements

General information

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

The Orion Group's first financial year was 1 July–31 December 2006, because the Group came into being on 1 July 2006 following the demerger of its predecessor Orion Group into the pharmaceuticals and diagnostics 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 2011, 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 1 January 2010. 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.

Adoption of new standards, interpretations and amendments

For the financial year, the Group has adopted the following relevant standards, interpretations and amendments that became effective in 2010:

- IFRS 3 (Revised), *Business Combinations*

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The revised standard affects business combinations that take place after 1 January 2010.

The following standards, interpretations and amendments that became effective in 2010 did not have material effects on the consolidated financial statements:

- IAS 27 (Revised), *Consolidated and Separate Financial Statements*
- IFRIC 12, *Service Concession Arrangements*
- IFRIC 15, *Agreements for the Construction of Real Estate*
- IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
- IFRIC 17, *Distributions of Non-cash Assets to Owners*
- IFRIC 18, *Transfers of Assets from Customers*
- IFRIC 9 and IAS 39 (Amendment), *Reassessment of Embedded Derivatives on Reclassification*
- IAS 39 (Amendment), *Financial Instruments: Recognition and measurement – Eligible Hedged Items*
- IFRS 2 (Amendment), *Share-based Payment – Group Cash-settled Share-based Payment Transactions*

IASB published changes to 12 standards or interpretations in April 2009 as part of the annual improvements to standards. These changes do not have an impact on the consolidated financial statements.

The following new standards, interpretations and amendments to existing standards and interpretations will be adopted by the group as of 1 January 2011.These are not expected to have a material impact on the consolidated financial statements.

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

IASB published changes to 7 standards or interpretations in July 2010 as part of the annual Improvements to IFRSs project, which will be adopted by the group in 2011. The changes are still subject to endorsement by the European Union. The following presentation includes the changes but they will not have a material impact on the consolidated financial statements.

- IFRS 3 (Amendments), *Business Combinations*
- IFRS 7 (Amendment), *Financial instruments: Financial statement disclosures*
- IAS 1 (Amendment), *Presentation of financial statements – statement of changes in eqity*
- IAS 27 (Amendment), *Consolidated and separate financial statements*
- IAS 34 (Amendment), *Interim financial reporting*
- IFRIC 13 (Amendment), *Customer loyalty programmes*

The following standards and amendments to existing standards will be adopted in 2012 or later:

- IFRS 9*, *Financial instruments, Financial Assets and Liabilities – Classification and Measurement.* The standard was published in November 2009 and it represents the first milestone in the IASB's planned replacement of IAS 39. It addresses classification and measurement of financial assets. The standard will probably have an impact on accounting for financial assets in the group. The second part of IFRS 9 was published in October 2010. It complements previously issued IFRS 9, 'Financial instruments' to include guidance on financial liabilities. The accounting and presentation for financial liabilities shall remain the same except for those financial liabilities for which the fair value option is applied. The Group will probably adopt the standard in its 2013 financial statements or later. Management is currently assessing the impact of the standard on the financial statements of the group.
- IFRS 7 (Amendment)*, *Disclosures – Transfers of financial assets.* The amendment adds disclosure requirements related to risk exposures derived from transferred assets. Additional disclosures, where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, are required. The amendment can increase the disclosures in the notes to financial statements in the future. The amendment is not expected to have an impact on the consolidated financial statements.
- IAS 12 (Amendment)*, *Income taxes.* The amendment is not expected to have an impact on the consolidated financial statements.

*) This new or 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 CEO and President of Orion Corporation, who makes the Group's strategic decisions.

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items in foreign currencies at the end of the reporting period in the statement of financial position are measured using the exchange rates at the end of the reporting period. Foreign exchange gains and losses from translation of the items are recognised in the statement of comprehensive income. Exchange rate gains and losses related to business operations are included in the corresponding items above the operating profit line. Exchange rate differences resulting from hedges made for hedging purposes but 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 finance 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, therefore 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. Using the straight-line method, the marketing authorisations are depreciated over their useful life, which is five to fifteen years.

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. 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

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

The classification is based on the purpose for which the financial assets were acquired, and they are classified at initial recognition.

Financial assets at fair value through profit or loss

Financial assets recognised at fair value through profit or loss are financial assets held for trading. A financial asset is classified as held for trading if it has been acquired principally for sale in the short term. Derivatives that do not qualify for hedge accounting are also classified as held for trading. Derivatives held for trading and financial assets are included in the current assets if their maturities are less than 12 months from the end date of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. They are included in the current assets in the statement of financial position, except for assets that have maturities over 12 months from the end date of the reporting period, which are classified as non-current assets. The Group's loans and receivables also include "trade receivables" and some "other receivables" related to cash and cash equivalents in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that have been specially classified in this category or have not been classified in any other category. They are included in the non-current assets unless the intention is to hold them for less than 12 months from the end date of the reporting period, in which case they are included in the current assets.
Available-for-sale assets include available-for-sale investments and money market investments in the statement of financial position. Available-for-sale financial assets include shares in unlisted companies and debt instruments with maturities over three months.

Recognition and measurement

All purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell an asset. Investments in financial assets that are not recognised at fair value through profit or loss are initially recognised at fair value, including transaction costs. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are recognised as expenses in the Income Statement.

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

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

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

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

Impairment of financial assets

Assets recognised at amortised cost in the statement of financial position
At the end of each reporting period, it is assessed whether there is any objective evidence that an item in the Group's financial assets might be impaired. If there is any objective evidence of impairment of the value of some category of financial asset, an impairment loss is calculated and recognised through profit or loss.

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

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

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

Assets classified as available for sale
At the end of each reporting period, it is assessed whether there is any evidence that an item in the Group's financial assets might be impaired. For debt securities, the Group applies the above-mentioned criteria. For assets classified as available-for-sale equity accounted investments, a significant or prolonged decrease in fair value below acquisition cost is deemed as evidence of impairment of the asset. If there is such evidence, the accumulated loss in fair value reserve is transferred through profit or loss. An impairment loss relating to equity accounted investments is not reversed through profit or loss, but any later reversal of impairment loss on debt instruments is recognised through profit or loss.

Cash and cash equivalents

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

Financial liabilities

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

Financial liabilities include non-current and current liabilities. Non-current interest-bearing liabilities include loans raised by the Group from financial institutions and pension companies, 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, as are any repayments of capital of non-current interest-bearing liabilities due in the next 12 months.

Under "Derivative financial instruments and hedging" there is more information on held-for-trading derivative financial instruments included in other current and non-current liabilities.

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 using the price quotations at the end of the reporting period. 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 finance items have been hedged.

Cash flow hedging

The Group applies hedge accounting in accordance with IFRS to electricity derivative contracts that hedge highly probable forecast cash flows associated with electricity purchases. The change in the fair value of the effective portion of qualifying derivative instruments that hedge cash flow is directly recognised against the fair value reserve included in the equity. The gains and losses recognised in equity are transferred to the 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.

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	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Sale of goods	773.1	706.1	46.0	44.3			819.1	750.5
Rendering of services	2.1	1.9	0.0	0.8			2.1	2.8
Royalties and milestone payments	28.7	18.3	0.0	0.0			28.7	18.3
Sales to external customers	803.9	726.3	46.1	45.2			849.9	771.5
Sales to other segments	2.4	2.2	0.0	0.0	-2.4	-2.2		
Net sales	806.2	728.5	46.1	45.2	-2.4	-2.2	849.9	771.5
Operating profit	252.2	210.6	6.1	5.6	-4.1	-9.2	254.2	207.0
Assets	527.7	504.0	34.2	30.3	183.9	192.7	745.8	727.1
Liabilities	102.1	101.7	9.1	9.4	167.3	176.8	278.4	287.9
Capital expenditure	36.2	57.6	2.5	2.5	0.5	0.2	39.2	60.4
Depreciation, amortisation and impairment	36.6	32.0	1.7	1.7	0.6	0.8	38.9	34.4
Cash flow from operating activities	262.8	259.8	4.3	7.6	-58.1	-62.8	209.1	204.6
Cash flow from investing activities	-31.4	-57.0	-2.4	-2.6	2.9	0.1	-30.8	-59.5
Cash flow from financing activities							-182.2	-152.1
Average number of personnel	2,815	2,872	296	292	26	28	3,137	3,192

The Group items include the following Group eliminations: net sales EUR 2.4 (2009: 2.2) million, operating profit EUR 0.2 (2009: 0.2) million, assets EUR 6.3 (2009: 6.3) million and liabilities EUR 6.3 (2009: 6.3) 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	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Sales to external customers	229.2	223.3	114.0	101.6	292.2	274.7	109.9	70.9	104.6	101.0	849.9	771.5
Assets	688.8	681.1	22.4	19.4	34.5	26.5					745.8	727.1
Capital expenditure	38.5	59.5	0.1	0.2	0.5	0.7					39.2	60.4

2. Other operating income and expenses

EUR million	2010	2009
Gains on sale of a real estate limited company	4.1	
Other gains on sales of property, plant and equipment and intangible assets	0.2	0.2
Rental income	1.0	1.0
Compensation on cancellation of distribution agreement		4.0
Exchange rate gains and losses	-5.1	0.1
Other operating income	1.1	1.5
Other operating expenses	-0.2	-0.8
Total	1.2	6.0

3. Depreciation, amortisation and impairment

DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR million	2010	2009
Cost of goods sold	15.3	14.2
Selling and marketing	9.8	5.7
Research and development	6.3	8.1
Administration	7.6	6.4
Total	38.9	34.4

DEPRECIATION, AMORTISATION AND IMPAIRMENT BY TYPE OF ASSET

EUR million	2010	2009
Buildings and constructions	7.5	7.2
Machinery and equipment	19.0	18.7
Other tangible assets	0.2	0.2
Property, plant and equipment, total	26.6	26.1
Intangible rights	11.1	7.3
Other intangible assets	1.1	1.0
Intangible assets, total	12.2	8.3

During the period, an impairment loss of EUR 2.8 (2009: 0.0) million has been recognised of intangible rights. The basis for depreciation and amortisation is described in the accounting policies for the financial statements.

4. Employee benefits and auditor's remuneration

EUR million	2010	2009
Wages and salaries	141.2	140.5
PENSION COSTS		
Defined contribution plans	18.2	17.4
Defined benefit plans	-1.6	-1.6
SHARE-BASED INCENTIVE PLAN		
Equity-settled	0.6	1.0
Cash-settled	0.6	1.4
Other social security expenses	11.4	12.9
Total	170.3	171.4
Average number of personnel	3,137	3,192

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

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

This potential remuneration will be paid in 2011 based on the earning period 2010, and in 2013 based on the earning period 2010–2012, in both cases partly in the form of the Company's B shares and partly in cash. The shares paid on the basis of the earning period 2010 cannot be transferred during a restricted period that ends on 31 December 2012. A key person whose employment or service in a Group company ends during the restricted period must return the shares received as remuneration to the Company without compensation.

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

The share-based remuneration was granted on 5 March 2010. The fair value of the shares granted for the earning period 2010 was EUR 16.94, which was the share price of B shares on the granting date. The anticipated dividends have not been separately taken into account because the recipient of the benefit is entitled to dividends relating to the benefit. The costs due to the plan are recorded as expenses during the restricted period.

The average weighted fair value of the remuneration granted based on the total return on Orion Corporation B shares for the earning period 2010–2012 was 7.18. The fair value has been determined using the binary asset-or-nothing call option method. The anticipated dividends have not been separately taken into account because dividends are taken into account in determining the share-based remuneration.

During the period, 65,606 (2009: 44,806) B shares were transferred as share-based remuneration for 2009 based on the Company's earlier (2007) incentive plan. The price per share of the transferred shares was EUR 16.47, which was the volume weighted average quotation of Orion Corporation B shares on 1 March 2010. The total transaction price of the transferred shares was EUR 1,080,564. The shares received as remuneration cannot be transferred during a restricted period of two years from the date they were received, except in some special cases.

Auditor's remuneration

EUR million	2010	2009
Auditing	0.2	0.3
Assignments in accordance with the Auditing Act	0.0	0.0
Consultation on taxation	0.1	0.1
Other services	0.0	0.1
Total	0.4	0.5

5. Finance income and expenses

EUR million	2010	2009
Interest income on available-for-sale financial assets	0.2	
Interest income on cash and cash equivalents	0.5	1.9
Dividend income on available-for-sale financial assets	0.1	0.1
Foreign exchange gains on held-for-trading financial assets and liabilities	3.5	3.0
Other finance income	0.0	0.0
Finance income, total	4.2	5.1
Interest expenses on financial liabilities measured at amortised cost	2.2	4.7
Foreign exchange losses on held-for-trading financial assets and liabilities	3.2	3.1
Other finance expenses	0.5	0.6
Finance expenses, total	5.9	8.4
Finance income and expenses, total	-1.6	-3.3

FOREIGN EXCHANGE GAINS (+) AND LOSSES (-) ABOVE THE OPERATING PROFIT LINE

EUR million	2010	2009
In net sales	2.1	-0.7
In other income		0.1
In purchases	-0.4	-0.0
In other expenses	-5.4	-0.0

6. Income tax expense

EUR million	2010	2009
Current taxes	64.2	52.9
Adjustments in respect of prior periods	-0.1	0.0
Deferred taxes	3.9	-0.6
Total	67.9	52.3
Taxes directly recognised in equity		
Electricity hedging (income -/expense +)	-0.6	0.3

INCOME TAX RECONCILIATION

EUR million	2010	2009
Profit before taxes	252.6	203.7
Consolidated income taxes at Finnish tax rate	65.7	53.0
Use of previously unrecognised tax losses carried forward at foreign subsidiaries		-1.8
Revaluation of deferred taxes	1.4	-0.2
Impact of different tax rates of foreign subsidiaries	0.5	0.5
Tax-exempt income	-0.1	-0.0
Non-deductible expenses	0.6	0.6
Adjustments in respect of prior periods	-0.1	0.0
Other items	0.0	0.1
Income tax expense, total	67.9	52.3
Effective tax rate, %	26.9%	25.7%

7. Earnings and dividend per share

BASIC EARNINGS PER SHARE

	2010	2009
Profit for the period attributable to owners of the parent company, EUR million	184.7	151.4
Weighted average number of shares during the period (1,000 shares)	140,917	140,970
Basic earnings per share, EUR	1.31	1.07

DILUTED EARNINGS PER SHARE

	2010	2009
Profit used to determine diluted earnings per share, EUR million	184.7	151.4
Weighted average number of shares for diluted earnings per share (1,000 shares)	140,917	140,970
Diluted earnings per share, EUR	1.31	1.07

Earnings per share are calculated by dividing the profit for the period attributable to owners by the weighted average number of shares outstanding during the period. The weighted average number of shares has been adjusted for the number of treasury shares held by the Company during 2010.

DIVIDEND PER SHARE

	2010	2009
Dividend paid during the period, EUR million	141.4	133.9
Number of shares at 31 Dec, (1,000 shares)	140,741	140,978
Dividend per share paid during the period, EUR	1.00	0.95

Dividend per share is calculated by dividing the dividend distributed during the period by the number of shares outstanding at 31 December. The Group held 516,654 Company's B shares as treasury shares at 31 December 2010.

A dividend of EUR 1.20 per share, amounting to a total EUR 168.9 million, and EUR 0.06 per share from the expendable fund as a repayment of capital is proposed to the Annual General Meeting on 31 March 2011. These financial statements do not reflect the proposed dividend and repayment of capital.

8. Property, plant and equipment

EUR million	Land and water		Buildings and constructions		Machinery and equipment		Other tangible assets		Advance payments and construction in progress		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Historical cost at 1 Jan	6.4	6.5	232.7	230.5	296.4	281.2	3.7	3.6	7.8	8.1	547.0	529.9
Adjustment in respect of previous period						2.7						2.7
Additions		0.0	3.8	2.1	16.8	17.6	0.0	0.0	2.7	5.3	23.3	25.1
Sale of a real estate limited company	-0.4		-4.3		-0.1		-0.0				-4.8	
Other disposals		-0.0	-0.2	-0.1	-9.1	-10.7		-0.0		-0.0	-9.3	-10.8
Transfers between statement of financial position items			1.6	0.2	5.6	5.3	0.0		-7.2	-5.6	-0.1	-0.1
Translation differences					0.3	0.2	0.0	0.0			0.3	0.2
Historical cost at 31 Dec	6.1	6.4	233.5	232.7	309.8	296.4	3.7	3.7	3.3	7.8	556.4	547.0
Accumulated depreciation at 1 Jan			-142.7	-135.6	-209.4	-199.4	-2.8	-2.5			-354.9	-337.5
Adjustment in respect of previous period						-0.3						-0.3
Sale of a real estate limited company			4.2		0.1		0.0				4.3	
Other accumulated depreciation on disposals and transfers			0.2	0.0	8.0	9.1		-0.1			8.2	9.1
Depreciation for the period			-7.5	-7.2	-19.0	-18.7	-0.2	-0.2			-26.6	-26.1
Translation differences					-0.2	-0.2	-0.0	0.1			-0.3	-0.1
Accumulated depreciation at 31 Dec			-145.8	-142.7	-220.6	-209.4	-2.9	-2.8			-369.4	-354.9
Carrying amount at 1 Jan	6.4	6.5	90.0	94.9	86.9	81.9	0.9	1.1	7.8	8.1	192.0	192.4
Carrying amount at 31 Dec	6.1	6.4	87.7	90.0	89.2	86.9	0.8	0.9	3.3	7.8	187.1	192.0

Finance leases

ASSETS LEASED THROUGH FINANCE LEASE AGREEMENTS INCLUDED IN MACHINERY AND EQUIPMENT

EUR million, 31 Dec	2010	2009
Historical cost	11.6	10.7
Accumulated depreciation	-8.6	-7.3
Carrying amount	3.1	3.4

The additions to the historical cost of machinery and equipment include EUR 0.9 (2009: 0.4) million of assets leased through finance lease agreements.

9. Intangible assets

EUR million	Goodwill		Intangible rights [1]		Other intangible assets [2]		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Historical cost at 1 Jan	13.5	13.5	111.9	80.7	50.2	48.4	175.6	142.6
Additions			13.0	33.5	1.6	1.8	14.6	35.2
Disposals			-3.5	-2.2	-0.0		-3.5	-2.2
Transfers between statement of financial position items			0.0	0.0			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	121.5	111.9	51.8	50.2	186.8	175.6
Accumulated amortisation at 1 Jan			-48.6	-43.2	-46.5	-45.5	-95.0	-88.7
Accumulated amortisation on disposals and transfers			3.5	2.1			3.5	2.1
Amortisation for the period			-8.3	-7.3	-1.1	-1.0	-9.4	-8.3
Impairment			-2.8				-2.8	
Translation differences			-0.0	-0.1			-0.0	-0.1
Accumulated amortisation at 31 Dec			-56.3	-48.6	-47.6	-46.5	-103.8	-95.0
Carrying amount at 1 Jan	13.5	13.5	63.4	37.5	3.7	2.9	80.6	53.9
Carrying amount at 31 Dec	13.5	13.5	65.3	63.4	4.2	3.7	82.9	80.6

[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.

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 cash generating units that form the Pharmaceuticals operating segment. The cash generating units of the segment are Proprietary Products, Specialty Products and Animal Health.

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 ten-year plans due to the long period of the research and development as well as the estimated useful life of pharmaceutical products. The cash flow forecasts are based on the detailed five-year plans adopted by the management. The five-year 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 global 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 9.8% (2009: 10.3%).

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

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

PRE-LAUNCH MARKETING AUTHORISATIONS AND MARKETING LICENCES

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%.

The impairment loss of EUR 2.8 million (2009: 0.0) is recognised from pre-launch marketing authorisations belonging to Animal Health -cash generating unit.

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	2010	2009
Carrying amount at 1 Jan	0.1	0.1
Acquisition of an associate	1.3	
Carrying amount at 31 Dec	1.3	0.1

ASSOCIATES AND AFFILIATES OF THE GROUP

Holding at 31 Dec, %	Domicile	2010	2009
Hangon Puhdistamo Oy	Hanko	50.0%	50.0%
Regattalämpö Oy	Hanko	42.6%	42.6%
Pharmaservice Oy	Helsinki	49.0%	

Hangon Puhdistamo Oy engages in wastewater treatment for the companies that own it. Regattalämpö Oy provides real estate services for the residential buildings of the companies that own it. The companies operate at cost, by covering their own expenses and without making any profit, so their impact on the consolidated statement of comprehensive income and statement of financial position is minimal. Pharmaservice Oy is a provider of dose dispensing support services for pharmacies.

SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

EUR million	2010	2009
Assets	3.2	1.8
Liabilities	3.8	1.2
Revenues	4.9	1.9
Profit (+) or loss (-) for the period	-0.3	0.0

The most recent available financial statements of the associates are for the years 2009 and 2008.

11. Available-for-sale investments

Available-for-sale investments, with asset values of EUR 1.0 (2009: 1.0) million at 31 December 2010, include shares and investments in unlisted companies. The shares and investments are stated at cost, because their fair value cannot be determined reliably.

12. Pension assets and pension liabilities

DEFINED BENEFIT PLANS - AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

EUR million, 31 Dec	Pension Fund 2010	Other 2010	Pension Fund 2009	Other 2009
Present value of funded obligations	207.0	5.2	178.8	5.0
Fair value of plan assets	-241.6	-5.1	-214.0	-4.5
Deficit/surplus	-34.7	0.1	-35.2	0.5
Present value of unfunded obligations		0.9		1.0
Unrecognised and actuarial gains (+) and losses (-)	3.0	-0.3	5.5	-0.7
Net asset (-) / liability (+) recognised in the statement of financial position	-31.6	0.7	-29.8	0.8

AMOUNTS IN STATEMENTS OF FINANCIAL POSITION

EUR million, 31 Dec	Pension Fund 2010	Other 2010	Pension Fund 2009	Other 2009
Liabilities		0.9		1.0
Asset	-31.6	-0.2	-29.8	-0.2
Net asset (-) / liability (+) recognised in the statement of financial position	-31.6	0.7	-29.8	0.8

DEFINED BENEFIT PLAN PENSION EXPENSES IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Pension Fund 2010	Other 2010	Pension Fund 2009	Other 2009
Current service cost	3.6	0.4	2.9	0.4
Interest expenses	9.0	0.3	9.0	0.3
Expected return on plan assets	-12.6	-0.3	-10.0	-0.2
Actuarial gains (-) and losses (+)	-2.0	0.0	-1.9	0.1
Losses/gains on curtailments			-2.2	
Pension expense (+) / income (-) in the consolidated statement of comprehensive income	-2.1	0.4	-2.2	0.5

The actual return on plan assets was EUR 32.8 (2009: 38.5) million in 2010.

DEFINED BENEFIT PLAN PENSION EXPENSES BY FUNCTION

EUR million	Pension Fund 2010	Other 2010	Pension Fund 2009	Other 2009
Cost of goods sold	-0.6		-0.6	
Selling and marketing	-0.4	0.1	-0.4	0.2
Research and development	-0.7		-0.8	
Administration	-0.4	0.3	-0.4	0.3
Pension expense (+) / income (-)	-2.1	0.4	-2.2	0.5

CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

EUR million	Pension Fund 2010	Other 2010	Pension Fund 2009	Other 2009
Defined benefit plan obligation at 1 Jan	178.8	5.7	149.6	4.9
Current service cost	3.6	0.4	2.9	0.4
Interest expenses	9.0	0.3	9.0	0.3
Actuarial gains (-) and losses (+)	20.2	-0.3	23.4	0.3
Foreign exchange differences		0.4		0.0
Benefits paid	-4.6	-0.3	-4.4	-0.3
Gains (-) and losses (+) on curtailments			-1.7	
Obligation at 31 Dec	207.0	6.2	178.8	5.7

CHANGES IN FAIR VALUE OF PLAN ASSETS

EUR million	Pension Fund 2010	Other 2010	Pension Fund 2009	Other 2009
Fair value of plan assets at 1 Jan	214.0	4.5	182.0	3.7
Expected return on plan assets	12.6	0.3	10.0	0.2
Actuarial gains (+) and losses (-)	19.8	0.1	28.1	0.1
Employer contributions	-0.2	0.4	-1.7	0.5
Foreign exchange differences		0.1		0.2
Benefits paid	-4.6	-0.2	-4.4	-0.2
Other				-0.0
Fair value of plan assets at 31 Dec	241.6	5.1	214.0	4.5

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

%	2010	2009
European equity	43%	40%
North American equity	1%	1%
Emerging market equity	10%	8%
Bonds	35%	40%
Properties	2%	1%
Certificates of deposits and commercial paper	6%	5%
Other	3%	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 2010 include shares issued by the parent company Orion Corporation with fair value of EUR 32.1 (2009: 31.0) million, accounting for 12.6% (2009: 13.7%) of the plan assets.

ACTURIAL ASSUMPTIONS USED BY ORION PENSION FUND

%	2010	2009
Discount rate	4.6%	5.0%
Inflation rate	2.0%	2.0%
Expected return on plan assets	6.0%	6.0%
Future salary increases	2.0%	2.0%
Future pension increases	2.1–2.7%	2.1%–2.7%

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

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

AMOUNTS FOR THE CURRENT AND FOUR PREVIOUS FINANCIAL YEARS

EUR million, 31.12.	Pension Fund 2010	Other 2010	Pension Fund 2009	Other 2009	Pension Fund 2008	Other 2008
Present value of defined benefit obligation	207.0	6.2	178.8	6.1	149.6	5.0
Fair value of plan assets	-241.6	-5.1	-214.0	-4.5	-182.0	-3.7
Surplus (-) / deficit (+)	-34.7	1.0	-35.2	1.5	-32.3	1.3
Experience adjustments on plan liabilities, gains (-) / losses (+)	6.0	0.0	-1.9	0.1	-0.9	0.5
Experience adjustments on plan assets, gains (+) / losses (-)	19.8	0.1	28.1	0.2	-48.5	0.2

EUR million, 31.12.	Pension Fund 2007	Other 2007	Pension Fund 2006	Other 2006
Present value of defined benefit obligation	161.8	4.4	149.9	3.6
Fair value of plan assets	-220.5	-2.9	-224.0	-2.1
Surplus (-) / deficit (+)	-58.8	1.5	-74.1	1.5
Experience adjustments on plan liabilities, gains (-) / losses (+)	5.2	0.0	-19.8	0.1
Experience adjustments on plan assets, gains (+) / losses (-)	-2.3	-0.0	-12.7	-0.0

The Group expects to contribute EUR 14 million to its defined benefit plans in 2011.

13. Deferred tax assets and liabilities

DEFERRED TAX ASSETS

EUR million, 31 Dec	2010	2009
Pension liability	0.1	0.1
Internal inventory margin	1.3	1.5
Tax losses	1.1	3.6
Other deductible temporary differences	0.4	0.3
Total	2.9	5.5

DEFERRED TAX LIABILITIES

EUR million, 31 Dec	2010	2009
Depreciation difference and provisions	27.3	26.7
Pension asset	8.2	7.9
Effects of consolidation and elimination	0.5	0.5
Capitalised cost of inventory	5.5	5.4
Other taxable temporary differences	3.3	2.5
Total	44.8	43.0

CHANGE IN DEFERRED TAX ARISES FROM

EUR million	2010	2009
Pension asset/liability	-0.4	-0.3
Internal inventory margin	-0.2	-0.2
Change in estimate of previously unrecognised tax losses	-1.5	0.2
Depreciation difference and provisions	-0.3	0.4
Consolidation measures	0.0	0.1
Capitalised cost of inventory	-0.1	0.5
Deductible losses and other timing differences	-1.9	-0.3
Total	-4.5	0.3

At 31 December 2010 the Group had a total of EUR 5.2 (2009: 5.2) million of temporary differences for which no deferred tax asset has been recognised. These unrecognised deferred tax assets relate to tax losses of foreign subsidiaries which will not expire but realisation of the tax benefit included in them is not likely.

During the period, EUR 0.6 million of income taxes was recognised directly in the equity as a decrease (2009: EUR 0.3 million as an increase), and in the equity there is EUR -0.5 (2009: 0.1) million of recognised taxes.

14. Other non-current receivables

EUR million, 31 Dec	2010	2009
Loan receivables from associates	0.9	0.0
Other loan receivables	0.5	0.6
Electricity forward contracts	0.8	
Other non-current receivables	0.2	0.3
Total	2.4	0.9

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

15. Inventories

EUR million, 31 Dec	2010	2009
Raw materials and consumables	28.3	29.5
Work in progress	32.4	31.5
Finished products and goods	70.3	61.7
Total	131.1	122.7

An inventory impairment totalling EUR 4.2 (2009: 1.7) million has been recognised for the period. A reversal of impairment of EUR 0.4 (2009: 0.2) million has been recognised for the period.

16. Trade and other receivables and money market investments

EUR million, 31 Dec	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Trade receivables	118.3	118.3	102.6	102.6
Receivables due from associates	0.1	0.1	0.1	0.1
Prepaid expenses and accrued income	11.7	11.7	14.8	14.8
Derivative financial assets	1.4	1.4	0.7	0.7
Other receivables	6.8	6.8	5.8	5.8
Money market investments	77.7	77.7		
Total	216.0	216.0	124.0	124.0

AGEING ANALYSIS OF TRADE RECEIVABLES

EUR million, 31 Dec	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Not yet due	85.7	85.7	85.4	85.4
1 to 30 days past due	18.1	18.1	13.4	13.4
31 to 60 days past due	2.4	2.4	0.9	0.9
61 to 90 days past due	2.0	2.0	1.7	1.7
Over 90 days overdue	10.1	10.1	1.3	1.3
Total	118.3	118.3	102.6	102.6

The maturities of the money market investments on their acquisition dates were over 3 months but no more than 6 months. 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 0.9 (2009: 0.2) million.

MATERIAL ITEMS INCLUDED IN PREPAID EXPENSES AND ACCRUED INCOME

EUR million, 31 Dec	2010	2009
Receivables from royalties	4.2	2.7
Income tax receivable	1.2	5.2
Advances paid on IT services	0.9	0.9
Price differential payments	0.7	0.4
Pending compensations	0.7	1.3
Pending R&D contributions	0.4	0.8
Interest	0.2	0.1
Other prepaid expenses and accrued income	3.4	3.5
Total	11.7	14.8

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

17. Cash and cash equivalents and money market investments

EUR million, 31 Dec	2010	2009
Cash at bank and in hand	47.6	31.7
Money market investments	41.9	138.8
Total	89.5	170.5

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

18. Equity

CHANGES IN SHARE CAPITAL

	A shares	B shares	Total	Share capital EUR million
Total number of shares at 1 Jan 2009	**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
Conversions of A shares to B shares in 1 Jan–31 Dec 2010	-3,777,103	3,777,103		
Total number of shares at 31 Dec 2010	**47,563,565**	**93,694,263**	**141,257,828**	**92.2**
Number of treasury shares at 31 Dec 2010		-516,654	-516,654	
Total number of shares at 31 Dec 2010 excluding treasury shares	**47,563,565**	**93,177,609**	**140,741,174**	
Total number of votes at 31 Dec 2010 excluding treasury shares	**951,271,300**	**93,177,609**	**1,044,448,909**	

On 31 December 2010, Orion had a total of 141,257,828 shares, of which 47,563,565 were A shares and 93,694,263 B shares. The Group's share capital was EUR 92,238,541.46. At the end 2010, Orion held 516,654 B shares as treasury shares. On 31 December 2010, the aggregate number of votes conferred by both share classes was 1,044,448,909 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. During 2010, a total of 3,777,103 shares were converted.

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

Orion's Board of Directors was authorised by the Annual General Meeting on 24 March 2010 to decide on acquisition of shares in the Company and on a share issue in which shares held by the Company can be conveyed. The authorisation to acquire shares is valid for 18 months and the authorisation to issue shares for five years from the respective decision taken by the Annual General Meeting. The Board of Directors is authorised to decide on acquisition of no more than 300,000 Orion Corporation B shares.

The Board of Directors is authorised to decide on conveyance of no more than 500,000 Orion Corporation B shares held by the Company.

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

At the end of the period, Orion holds 516,654 B shares as treasury shares.

After the end of the period, the Board of Directors proposed a dividend of EUR 1.20 per share to be distributed and EUR 0.06 per share to be distributed from the expendable fund as a repayment of capital.

SHARE PREMIUM

EUR million	2010	2009
Share premium at 1 Jan	17.8	17.8
Share premium at 31 Dec	17.8	17.8

EXPENDABLE FUND

EUR million	2010	2009
Expendable fund at 1 Jan	23.0	23.0
Repayment of capital	-14.1	
Expendable fund at 31 Dec	8.9	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 (2009: 0.2) million and a fair value reserve. The fair value reserve includes a hedging reserve of EUR 1.4 (2009: -0.1) 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 1.00 (2009: 0.95) per share and a repayment of capital from the expendable fund of EUR 0.10 (2009 no repayment of capital) was distributed in the period. In addition, donations of EUR 0.1 (2009: 0.1) million were distributed.

19. Provisions

EUR million	Pension provisions	Other provisions	Total
1 Jan 2010	0.3	0.2	0.5
Foreign exchange differences		0.0	0.0
Utilised during the period	-0.0	-0.0	-0.0
Additions to provisions		0.0	0.0
31 Dec 2010	0.3	0.2	0.4

EUR million, 31 Dec	2010	2009
Non-current provisions	0.4	0.5
Current provisions		0.0
Total	0.4	0.5

Pension provision

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

Other provisions

The largest proportion of other provisions include a provision for credit losses in the United Kingdom.

20. Interest-bearing liabilities

EUR million, 31 Dec	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Loans from financial institutions	66.1	63.3	77.4	78.8
Loans from pension insurance companies	19.1	18.8	28.7	28.4
Finance lease liabilities	2.2	2.4	2.4	2.9
Other interest-bearing liabilities	0.1	0.1	0.3	0.3
Non-current liabilities, total	87.5	84.6	108.7	110.3

EUR million, 31 Dec	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Repayments of long-term loans	20.9	22.1	20.9	22.7
Finance lease liabilities	1.0	1.1	1.1	1.2
Other interest-bearing liabilities	0.6	0.6	0.8	0.8
Current liabilities, total	22.5	23.8	22.7	24.7

The fair values of the liabilities have been determined by discounting future cash flows to present value using the market interest rate applicable to a Group loan at the end of the reporting period. At the end of the reporting period, market interest rates were 0.99–2.89%, to which a company-specific margin has been added in discounting.

Most of the interest-bearing liabilities are euro-denominated.

Maturity of finance lease liabilities

MINIMUM LEASE PAYMENTS

EUR million, 31 Dec	2010	2009
No later than 1 year	1.2	1.2
Later than 1 year but no later than 5 years	1.8	2.1
Later than 5 years	0.6	0.6
Total	3.6	3.9

PRESENT VALUE OF MINIMUM LEASE PAYMENTS

EUR million, 31 Dec	2010	2009
No later than 1 year	1.0	1.1
Later than 1 year but no later than 5 years	1.6	1.8
Later than 5 years	0.6	0.6
Present value of minimum lease payments	3.2	3.5
Future finance charges	0.3	0.4
Minimum lease payments, total	3.6	3.9

21. Other non-current liabilities

EUR million, 31 Dec	2010	2009
Hedge-accounting derivatives		0.0
Other non-current liabilities	0.1	0.1
Total	0.1	0.1

22. Trade payables and other current liabilities

EUR million, 31 Dec	2010	2009
Trade payables	49.0	42.3
Other current liabilities to associates	0.3	0.2
Accrued liabilities and deferred income	61.0	56.1
Other current liabilities	12.1	13.4
Total	122.3	112.1

MATERIAL ITEMS INCLUDED IN ACCRUED LIABILITIES AND DEFERRED INCOME

EUR million, 31 Dec	2010	2009
Liabilities from share-based incentive plan	0.6	1.4
Other accrued salary, wage and social security payments	34.1	33.1
Income tax liability	12.7	3.0
Accrued royalties	4.1	3.9
Derivative liability	1.0	1.2
Accrued R&D expenses	0.9	3.5
Accrued price reductions	0.8	0.3
Accrued compensations	0.7	4.6
Accrued interest	0.3	0.4
Other accrued liabilities and deferred income	5.7	4.8
Total	61.0	56.1

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

23. Financial instruments by category

EUR million, 31 Dec	2010	2009
Hedge-accounting derivatives		
Non-current	0.8	
Current	1.1	
Financial assets at fair value through profit and loss		
Held-for-trading financial assets		
Non-hedge-accounting derivatives	0.2	0.7
Loans and other receivables		
Other non-current assets	1.6	0.9
Trade receivables	118.3	102.6
Other receivables	5.6	4.2
Available-for-sale financial assets		
Available-for-sale investments	1.0	1.0
Money market investments	77.7	
Cash and cash equivalents	89.5	170.5
Financial assets, total	295.8	279.9
Hedge-accounting derivatives		
Non-current		0.0
Current		0.3
Financial liabilities at fair value through profit and loss		
Held-for-trading financial liabilities		
Non-hedge-accounting derivatives	1.0	1.0
Financial liabilities measured at amortised costs		
Interest-bearing non-current liabilities	87.5	108.7
Other non-current liabilities	0.1	0.1
Trade payables	49.0	42.3
Other current liabilities	6.2	12.6
Interest-bearing current liabilities	22.5	22.7
Financial liabilities, total	166.3	187.8

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 decrease the adverse effects of changes in financial markets on the Group's results and cash flows and to ensure sufficient liquidity. Financial risks consist of market, counterparty and liquidity risks. The Group's most important financial risks are exchange rate risk and counterparty risk.

The main principles for financial risk management are described in the Group treasury policy approved by the Company's Board of Directors. The treasury management team is responsible for implementation of the financial 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 operational items (such as sales and purchases) and financial items (such as loans, deposits and interests) in foreign currency in the statement of financial position, and from forecast future cash flows, observing the items of the upcoming 12 months. Transaction risk is monitored and hedged actively. The largest risk in terms of value is posed by sales invoiced in US dollars. Other significant currencies are the Japanese yen, the Swedish krona, the Norwegian krona, the GB pound and the Polish zloty. In regards to other currencies, no individual currency has a significant effect on the Group's overall position.

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

	USD		Other significant currencies	
EUR million, 31 Dec	**2010**	**2009**	**2010**	**2009**
Net position in statement of financial position	12.4	2.4	15.9	12.7
Forecasted net position (12 months)	104.1	67.7	58.8	65.8
Net position, total	116.5	70.2	74.6	78.6
Hedges	-24.7	-20.7	-28.0	-30.6
Unhedged net risk exposure, total	91.8	49.5	46.6	48.0

The Group has no interest-bearing debt denominated in foreign currencies. The Group's internal loans and deposits are denominated in the local currency of the subsidiary, and their exchange rate risk is hedged in full 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. At 31 December 2010 the equity in these subsidiaries totalled EUR 33.9 (2009: 31.7) 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 presented 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	**2010**	**2009**	**2010**	**2009**
USD +/- 10%	1.1/-1.4	1.7/-2.0	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.

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 1.9 (2009: -0.2) million for electricity hedges was recognised in the equity for 2010. The nominal values of the derivatives totalled EUR 7.4 (2009: 7.0) million.

24.1.3. INTEREST RATE RISK

Changes in interest rates affect the Group's cash flow and results. At 31 December 2010, the Group's interest-bearing liabilities totalled EUR 110.0 (2009: 131.5) million. The Group is exposed to interest rate risk associated with non-current loans raised from the European Investment Bank. At 31 December 2010, the capital of these loans with interest rates tied to the 6-month Euribor rate totalled EUR 77.4 (2009: 88.7) million. If interest rates rise in 2011 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 0.7 million in 2011 (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 at 31 December 2010 totalled EUR 119.6 (2009: 138.8) million, 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 2010 is the total of financial assets less carrying amounts of derivatives in financial liabilities, which totals EUR 294.8 (2009: 278.6) million. The main risks relate to trade receivables, money market investments 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 six months that are tradable in secondary markets.

The Group Customer Credit Policy defines the requirements for the creditworthiness of the customers. In the pharmaceutical industry trade receivables are typically generated by distributors representing different geographical areas. In certain countries, products are also sold directly to local hospitals. The Group's 25 largest customers generated about 71% (2009: 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 gradually increasing sales in Southern Europe and the longer payment periods in the region have led to increased trade receivables and mature receivables in 2010. The trade receivables do not involve significant risk. In Southern Europe especially, the receivables from single counter parties are relatively low. 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, cash and cash equivalents and money market investments, 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 2010 were EUR 110.0 (2009: 131.5) million, and they were mostly non-current. The average maturity for loans from the European Investment Bank is 4.1 years and for loans from pension insurance companies 1.7 years.

At 31 December 2010, the Group's cash and cash equivalents and other money market investments totalled EUR 167.2 million (2009: 170.5), thus exceeding the Group's interest-bearing net debt. To ensure the Group's liquidity, surplus cash is invested mainly in current euro-denominated interest-bearing instruments with good creditworthiness that are tradable in secondary markets. Counterparties and limits for these investments are defined in accordance with the Treasury Policy.

FORECASTED CASH FLOWS OF INTEREST-BEARING LOAN REPAYMENTS AND FINANCE EXPENSES

EUR million	2010	2011	2012	2013	2014-	Total
Loans from financial institutions	12.6	12.6	12.4	12.2	34.0	83.7
- finance expenses	-1.3	-1.3	-1.1	-0.8	-1.8	-6.3
Repayment of loans	11.3	11.3	11.3	11.3	32.1	77.4
Loans from pension insurance companies	10.5	10.1	9.8			30.4
- finance expenses	-1.0	-0.6	-0.2			-1.7
Repayment of loans	9.6	9.6	9.6			28.7
Finance lease loans	1.1	1.0	0.4	0.4	0.7	3.6
- finance expenses	-0.1	-0.1	-0.1	-0.0	-0.1	-0.3
Repayment of finance lease loans	1.0	0.9	0.4	0.3	0.6	3.2
Other liabilities	0.6	0.1				0.7
- finance expenses	-0.0	-0.0				-0.0
Repayment of other liabilities	0.6	0.1				0.7

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

THE 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	**2010**	**2009**
Equity, EUR million	467.4	439.1
Equity and liabilities total, EUR million	745.8	727.1
Equity ratio, (incl. advance payments) %	62.7%	60.4%

GROUP INTEREST-BEARING LIABILITIES / GROUP EBITDA

EUR million, 31 Dec	**2010**	**2009**
Interest-bearing liabilities	110.0	131.5
EBITDA	293.1	241.4
Interest-bearing liabilities / EBITDA	0.4	0.5

GROUP EBITDA / NET INTEREST

EUR million, 31 Dec	**2010**	**2009**
EBITDA	293.1	241.4
Net interest expenses	1.5	2.7
EBITDA / net interest expenses	202	88

25. Contingent liabilities

COMMITMENTS AND CONTINGENCIES

EUR million, 31 Dec	2010	2009
Contingencies for own liabilities		
Mortgages on land and buildings	41.0	41.0
of which those to Orion Pension Fund	9.0	9.0
Guarantees	1.3	1.1
Other	0.3	0.3

Significant legal proceedings

LEGAL PROCEEDINGS AGAINST SUN COMPANIES ENDED IN SETTLEMENT

Orion Corporation, and Sun Pharmaceutical Industries Limited and certain other companies belonging to the Sun Group of companies (together “Sun”) agreed in June a settlement to lawsuits filed by Orion in the United States against Sun regarding Sun's submissions of abbreviated new drug applications (“ANDAs”) for generic versions of Orion's Comtan® and Stalevo®.

Litigations against Sun by Orion have been ongoing in the United States since 2007. The settlement agreement covers all these lawsuits. Under the terms of the settlement agreement, Sun will be able to launch generic versions of Stalevo® tablets with strengths 25/100/200 mg and 37.5/150/200 mg (active ingredients carbidopa, levodopa, entacapone) in the United States on 1 April 2012. In addition to these strengths, Sun will be able to launch generic versions of Stalevo tablets with other strengths on 2 October 2012 and generic versions of Comtan on 1 April 2013 unless certain conditions relating to the launch are fulfilled even earlier. The parties have agreed that Orion will supply the generic versions of these products to Sun. The parties will not disclose the terms of the settlement agreement in other respects.

As a consequence of this settlement, Wockhardt, with which Orion executed a patent dispute settlement on 29 April 2009, can launch other generic versions of Stalevo except the strengths 25/100/200 mg and 37.5/150/200 mg in the United States already on 1 April 2012, and tablets with the strengths 25/100/200 mg and 37.5/150/200 mg approximately six months after Sun is allowed to market them under the licence from Orion unless certain conditions relating to the launch are fulfilled even earlier.

The settlement agreement ended the lawsuits and Orion’s US Patents No. 5,446,194 and No. 6,500,867, which were challenged, remain in force.

In compliance with the applicable US laws, Orion has filed all of the agreements related to the settlement with the United States Federal Trade Commission and the United States Department of Justice.

LEGAL PROCEEDINGS AGAINST THE SANDOZ COMPANIES

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

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

Orion expects the costs of the legal proceedings against the Sandoz companies to be substantially less than the costs of the entacapone patent litigation that had previously been pending in the United States.

LEGAL PROCEEDINGS AGAINST CARACO PHARMACEUTICAL LABORATORIES, LTD.

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

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

Orion expects the costs of the legal proceedings against Caraco to be substantially less than the costs of the entacapone patent litigation that had previously been pending in the United States.

EVENTS AFTER THE PERIOD

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

Mylan intends to market in the United States a generic version of entacapone tablets with strength 200 mg like Orion’s Comtan® proprietary drug. Comtan is used as an adjunct to levodopa/carbidopa therapy to treat patients with idiopathic Parkinson's disease who experience the signs and symptoms of end-of-dose "wearing-off." Novartis is Orion’s exclusive licensee for marketing the drug Comtan in the United States. Because of this lawsuit, there is no imminent threat of generic competition for this drug.

26. Derivatives

NOMINAL VALUES AND MATURITY OF DERIVATIVES

EUR million, 31 Dec	2010	2009
Currency derivatives [1]		
Forward exchange contracts and currency swaps	56.1	86.4
Currency options	33.4	
Nominal value of electricity forward contracts, GWh	171	160

EUR million, 31 Dec	2010	2009
Maturity of electricity forward contracts		
No later than 1 year	2.6	2.3
Later than 1 year but not later than 2 years	2.1	2.2
Later than 2 years	2.7	2.5
Total	7.4	7.0

[1] Currency derivatives mature in less than one year.

FAIR VALUES OF DERIVATIVES

	2010			2009
EUR million, 31 Dec	Positive	Negative	Net	Net
Non-hedge-accounting derivatives				
Forward exchange contracts and currency swaps	0.1	-0.9	-0.8	-0.3
Currency options	0.1	-0.1	-0.0	
Hegde-accounting derivatives				
Electricity forward contracts	1.9		1.9	-0.2

DERIVATIVE CATEGORIES USING FAIR VALUE HIERARCHY

EUR million, 31 Dec	Level 1	Level 2	Level 3	Total
Forward exchange contracts and currency swaps		-0.8		-0.8
Currency options		-0.0		-0.0
Electricity forward contracts	1.9			1.9

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

27. Operating leases

GROUP AS LESSEE

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

EUR million, 31 Dec	2010	2009
No later than 1 year	1.9	1.9
Later than 1 year but not later than 5 years	2.2	2.3
Later than 5 years		0.0
Total	4.1	4.3
Rents paid on the basis of other operating leases during the period	2.6	2.8

Other lease expenses comprise mainly expenses for business premises abroad.

Group as lessor

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

28. Related party transactions

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

GROUP COMPANIES AT 31 DECEMBER 2010

	Group		Parent company	
	Ownership, %	Share of votes, %	Ownership, %	Share of votes %
Pharmaceuticals				
Parent company Orion Corporation				
Fermion Oy, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Harmaaparta, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Kalkkipellontie 2, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Kapseli, Hanko	100.00	100.00		
Kiinteistö Oy Pilleri, Hanko	70.39	70.39		
Kiinteistö Oy Tonttuvainio, Espoo	100.00	100.00	100.00	100.00
OOO Orion Pharma, Russia	100.00	100.00		
Orion Export Oy, Espoo [1]	100.00	100.00	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	100.00	100.00	100.00	100.00
Orion Pharma d.o.o., Slovenia	100.00	100.00	100.00	100.00
Orion Pharma Farmakeftiki MEPE, Greece	100.00	100.00	100.00	100.00
Orion Pharma GmbH, Germany	100.00	100.00	100.00	100.00
Orion Pharma Ilac Pazarlama Ticaret Limited Sirketi, Turkey [1]	100.00	100.00	90.00	90,00
Orion Pharma Kft., Hungary	100.00	100.00	100.00	100.00
Orion Pharma Poland Sp.z.o.o., Poland	100.00	100.00	100.00	100.00
Orion Pharma S.L., Spain	100.00	100.00	100.00	100.00
Orion Pharma S.r.l., Italy	100.00	100.00	100.00	100,00
Orion Pharma SA, France	100.00	100.00	100.00	100.00
Orion Pharma, Inc., USA [1]	100.00	100.00	100.00	100.00
Orionfin Unipessoal Lda, Portugal	100.00	100.00	100.00	100.00
OÜ Orion Pharma Eesti, Estonia	100.00	100.00	100.00	100.00
Saiph Therapeutics Oy, Espoo [1]	100.00	100.00	100.00	100.00
UAB Orion Pharma, Lithuania	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	2010	2009
Salaries and other short-term employment benefits	4.1	3.0
Post-employment benefits	0.3	0.3

SALARIES AND REMUNERATION 1)

EUR million	2010	2009
Timo Lappalainen, President and CEO	0.8	0.6
Matti Kavetvuo, Chairman until March 24, since then Vice Chairman	0.1	0.1
Hannu Syrjänen, Chairman from March 24	0.1	0.0
Jukka Ylppö, Vice Chairman until March 24	0.1	0.1
Sirpa Jalkanen	0.0	0.0
Eero Karvonen	0.0	0.0
Leena Palotie	0.0	0.0
Vesa Puttonen	0.0	0.1
Heikki Westerlund	0.0	0.0
Board of Directors, total	0.4	0.4

1) Exact figures can be found in the Corporate Governance Statement, under Remuneration Statement

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

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

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

Orion Corporation is the lender of a loan of EUR 0.9 million to Pharmaservice Oy with conditional interest payment, and an interest-free loan of EUR 0.1 million to Hangon Puhdistamo Oy.

29. Events after the end of the reporting period

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

Parent company Orion corporation's financial statements (FAS)

Income statement

EUR million	2010	2009
Net sales	701.7	634.8
Other operating income	7.2	10.2
Operating expenses	-473.2	-450.8
Amortisation of goodwill		-3.4
Depreciation, amortisation and impairment	-28.1	-23.7
Operating profit	207.7	167.0
Finance income and expenses	16.8	4.8
Profit before appropriations and taxes	224.5	171.8
Extraordinary items	12.5	11.8
Appropriations	-0.7	-0.8
Income tax expense	-57.8	-46.3
Profit for the period	178.4	136.5

Balance sheet

ASSETS

EUR million, 31 Dec	2010	2009
Intangible rights	62.9	60.9
Other long-term expenditure	4.0	3.6
Intangible assets, total	67.0	64.5
Land	3.7	3.7
Buildings and constructions	72.9	73.3
Machinery and equipment	58.0	58.0
Other tangible assets	0.7	0.7
Advance payments and construction in progress	2.3	3.8
Tangible assets, total	137.6	139.5
Holdings in Group companies	83.7	85.5
Holdings in associates	2.2	
Other investments	1.3	1.3
Investments, total	87.3	86.9
Non-current assets, total	291.8	290.8
Inventories	86.6	83.5
Non-current receivables	1.0	0.3
Trade receivables	104.7	88.6
Other current receivables	26.7	22.4
Investments	119.6	138.8
Cash and bank	27.5	13.7
Current assets, total	366.2	347.2
Assets, total	657.9	638.0

LIABILITIES

EUR million, 31 Dec	2010	2009
Share capital	92.2	92.2
Share premium	17.8	17.8
Fair value reserve	1.9	-0.2
Expendable fund	8.9	23.0
Retained earnings	21.3	29.5
Profit for the period	178.4	136.5
Shareholders' equity	320.6	298.9
Appropriations	74.7	74.0
Provisions	0.9	0.9
Loans from financial institutions	66.1	77.4
Loans from pension insurance companies	19.1	28.7
Other non-current liabilities	0.1	0.3
Non-current liabilities, total	85.3	106.3
Trade payables	49.9	43.3
Other current liabilities	126.5	114.7
Current liabilities, total	176.4	158.0
Liabilities, total	657.9	638.0

Cash flow statement

EUR million	2010	2009
Operating profit	207.7	167.0
Depreciation and amortisation according to plan and impairment	28.1	27.1
Other adjustments	1.4	2.8
Adjustments to operating profit, total	29.4	29.9
Change in non-interest-bearing current receivables	-7.4	-3.0
Change in inventories	-3.1	9.4
Change in non-interest-bearing current liabilities	-5.7	9.9
Change in working capital, total [1]	-16.2	16.3
Interest paid	-5.9	-9.7
Dividends received [2]	14.9	9.4
Interest received [2]	3.9	4.5
Income tax paid	-47.8	-43.1
Net cash generated from operating activities, total	186.1	174.5
Investments in intangible assets	-12.7	-34.6
Investments in tangible assets	-15.5	-18.3
Sales of tangible assets	1.0	1.2
Investments in subsidiary shares	-0.0	-0.2
Sale of a subsidiary less cash and cash equivalents at sale date	4.6	
Acquisition of an associate	-1.3	
Purchase of other investments		-0.1
Sales of other shares		0.0
Loans granted (-) / repayments of loans granted (+)	-0.6	-0.5
Net cash used in investing activities, total	-24.5	-52.3
Short-tem loans raised	2.9	6.5
Repayments of short-term loans	-0.8	-18.6
Long-term loans raised		22.8
Repayments of long-term loans	-21.0	-21.2
Repurchase of own shares	-4.6	
Dividends paid and other distribution of profits	-155.2	-134.2
Group contributions received	11.8	13.3
Net cash used in financing activities, total	-166.9	-131.4
Net change in cash and cash equivalents	-5.3	-9.2
Cash and cash equivalents at 1 Jan [3]	152.4	161.7
Net change in cash and cash equivalents	-5.3	-9.2
Cash and cash equivalents at 31 Dec [3]	147.1	152.4

[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.

Notes to the financial statements of the parent company

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 Nasdaq OMX Helsinki.

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 compliation of the financial statements. The followings 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 the basis of leases are recognised as an expense that is allocated evenly over the entire lease term.

Proposal by the Board of Directors on use of profit

The parent company's distributable funds are EUR 208,688,471.92, including EUR 178,406,411.05 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 1.20 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 140,741,174 on which the total dividend would be	EUR	168,889,408.80
– 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	39,649,063.12
	EUR	208,688,471.92

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 31 March 2011 that EUR 0.06 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 2011

Hannu Syrjänen
Chairman

Matti Kavetvuo
Vice chairman

Sirpa Jalkanen

Eero Karvonen

Heikki Westerlund

Jukka Ylppö

Timo Lappalainen
President and CEO

Auditor's Report

To the Annual General Meeting of Orion Oyj

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 31 December, 2010. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

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

Opinion on the Company's Financial Statements and the Report of the Board of Directors

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

Other Opinions

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

Espoo, 9 February 2011

PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
Authorised Public Accountant

Calculation of the key figures

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

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

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

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

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

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

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

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

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

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

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

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

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

EBITDA = EBIT + Depreciation + Amortisation + Impairment