



Orion Group Interim Report January–June 2010

Orion's net sales for January–June 2010 totalled EUR 422 million (EUR 386 million for January–June 2009), up by 9% on the comparative period last year.

- Operating profit was EUR 131 (107) million.
- Profit before taxes was EUR 130 (106) million.
- Equity ratio was 59% (56%).
- ROCE before taxes was 50% (40%).
- ROE after taxes was 47% (40%).
- Diluted earnings per share were EUR 0.68 (0.55).
- Cash flow per share before financial items was EUR 0.48 (0.35).

ORION'S KEY FIGURES FOR THE REVIEW PERIOD

	Q2/10	Q2/09	Change %	Q1–Q2/10	Q1–Q2/09	Change %	2009
Net sales, EUR million	207.4	196.4	+5.6%	421.9	386.4	+9.2%	771.5
International operations, EUR million	153.7	141.4	+8.7%	311.2	277.9	+12.0%	548.2
% of net sales	74.1%	72.0%		73.8%	71.9%		71.1%
Operating profit, EUR million	60.0	50.4	+18.9%	131.0	107.3	+22.1%	207.0
% of net sales	28.9%	25.7%		31.1%	27.8%		26.8%
Profit before taxes, EUR million	59.4	49.0	+21.2%	130.2	105.6	+23.3%	203.7
% of net sales	28.6%	25.0%		30.9%	27.3%		26.4%
Income tax expense, EUR million	15.4	12.8	+20.1%	33.9	27.6	+22.8%	52.3
R&D expenses, EUR million	20.2	25.0	-19.1%	39.4	49.1	-19.7%	95.2
% of net sales	9.7%	12.7%		9.3%	12.7%		12.3%
Capital expenditure, EUR million	9.7	34.4	-71.7%	17.8	40.0	-55.7%	60.4
% of net sales	4.7%	17.5%		4.2%	10.4%		7.8%
Assets total, EUR million				655.5	656.0	-0.1%	727.1
Equity ratio, %				58.7%	55.5%		60.6%
Gearing, %				12.6%	14.7%		-8.9%
Interest-bearing liabilities, EUR million				127.0	164.1	-22.7%	131.5
Non-interest-bearing liabilities, EUR million				146.0	127.5	+14.5%	156.5
Cash and cash equivalents, EUR million				78.9	110.7	-28.7%	170.5
ROCE (before taxes), %				49.5%	40.4%		37.4%
ROE (after taxes), %				46.9%	39.9%		35.3%
Basic earnings per share, EUR	0.31	0.26	+21.5%	0.68	0.55	+23.4%	1.07
Diluted earnings per share, EUR	0.31	0.26	+21.5%	0.68	0.55	+23.4%	1.07
Cash flow per share before financial items, EUR	0.25	0.10	+144.7%	0.48	0.35	+35.0%	1.03
Equity per share, EUR				2.71	2.58	+4.9%	3.11
Personnel at the end of the period				3,228	3,284	-1.7%	3,147
Average personnel during the period				3,135	3,232	-3.0%	3,192
Personnel expenses, EUR million				84.6	86.4	-2.1%	171.4



President and CEO Timo Lappalainen's review

“Solid growth continued”

“Our net sales and operating profit in the first half of the year were clearly higher than a year ago.

“In Orion's key markets in Europe, the prices of drugs reimbursed under the healthcare systems of many countries have already decreased or will clearly decrease during the current year. However, we performed well in this very challenging market situation. Sales of our Parkinson's drugs continued to grow slightly, and we are especially pleased that sales from our other product portfolios grew well throughout the first half of the year. We were able to maintain and to some extent strengthen our market position in Finland. Our growth in Scandinavia and Eastern Europe also continued.

“As anticipated, investments in new markets increased our sales and marketing expenses. In particular, costs increased in Southern Europe, where a year ago we did not yet have our own operations. Costs were also increased by royalties payable to Abbott for its sale of Simdax and higher distribution costs due to volume growth in business operations. Research and development expenses decreased, mainly because of the timing of our research programmes. Trials with the intensive care sedative dexmedetomidine have finished, and the focus of research is on many early-phase projects and expansion of the Easyhaler product family. Administrative expenses were again lower as litigation costs in the United States decreased.

“A challenging period for Orion ended when we reached an agreement with the Sun Group to the patent litigation in the United States concerning Parkinson's drugs and thereby ended these lawsuits. We settled our patent disputes with the Wockhardt companies concerning Parkinson's drugs already last year. The settlement now agreed has clarified the schedule for starting generic competition in the United States and our planning for the future.

“The key themes of our strategy remain the same following the review in June. Orion's strategic focus remains on growth of business operations through a competitive product portfolio, strengthening the market position in Europe and improving the flexibility and efficiency of operations. One key prerequisite for achieving this is continuous enhancement of our capability to network and collaborate with partners at all stages of the value chain.

“This year proved better in terms of growth in net sales and operating profit than we had anticipated earlier this year when the Financial Statements and the first quarter Interim Report were published, so we upgraded our full-year outlook for 2010 in June. We estimate that net sales and operating profit will be higher than in 2009. More information about the outlook estimate and the basis for it can be found on pages 6–7 of this Interim Report.”



Events during the period

On 1 April 2010 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.

On 20 April 2010 Orion announced that the initial results of the studies with dexmedetomidine were positive, and the Company plans to submit an application for marketing authorisation for the intensive care sedative to the European Medicines Agency by the end of 2010.

On 18 May 2010 Orion announced that Pekka Kaivola, Senior Vice President responsible for the Global Sales line function of the Orion Group, will retire at the end of 2010. From 1 October 2010 until his retirement, he will be a Senior Advisor. Satu Ahomäki has been appointed Senior Vice President responsible for the Global Sales line function as of 1 October 2010.

On 18 May 2010 the Board of Directors of Orion Corporation decided to repurchase shares as authorised by the Annual General Meeting on 24 March 2010. Orion intends to acquire 300,000 B shares of Orion Corporation not earlier than 11 August 2010, which is the day after the Group's Interim Report for January–June 2010 is published.

On 14 June 2010 Orion upgraded its full-year outlook for 2010 because earnings had continued to develop positively in the second quarter.

On 15 June 2010 the Board of Directors of Orion Corporation decided to appoint Matti Kavetvuo and Heikki Westerlund as additional new members of the R&D Committee as of 15 June 2010.

On 22 June 2010 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.



News conference and teleconference

A news conference and teleconference on the published results will be held today, Tuesday 10 August 2010, at 14:30 EEST in Hotel Kämp, address: Pohjoisesplanadi 29, Helsinki. President and CEO Timo Lappalainen will give a brief presentation in English on the financial review.

The event can be followed live as a webcast accessible at www.orion.fi. After the presentation, questions can be put to the Company's management by telephone in Finnish and English.

The teleconference code is 869772 and to participate in the teleconference, please call:
 from the USA: +1 334 323 6203
 from other countries: +44 (0)20 7162 0125

News conference recordings

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

Financial report material

Orion's financial reports and related presentation material are available on the Group's website at www.orion.fi/en/ promptly after publication. The website also has a form for subscribing to Orion's publications for investors and releases.

Dates in Orion Calendar 2010 and 2011

Interim Report January–September 2010	Tuesday 26 October 2010
Capital Markets Day in Helsinki	Thursday 9 December 2010
Financial Statements 2010	Wednesday 9 February 2011
Annual General Meeting 2011	Thursday 31 March 2011
Interim Report January–March 2011	Wednesday 27 April 2011
Interim Report January–June 2011	Tuesday 2 August 2011
Interim Report January–September 2011	Tuesday 25 October 2011

For additional information about the financial review:

Jari Karlson, CFO, tel. +358 10 426 2883

www.orion.fi/en
www.orion.fi/en/investors/



Financial review Q1–Q2/2010

Net sales

The Orion Group's net sales in January–June 2010 totalled EUR 422 million (EUR 386 million in January–June 2009), up by 9% on the comparative period of the previous year. The net effect of currency exchange rates was plus EUR 4 million.

The Pharmaceuticals business's net sales were up by 9% at EUR 399 (365) million. The products based on in-house R&D accounted for EUR 197 (176) million, or 49% (48%) of the Pharmaceuticals business's net sales. Net sales of Orion's Parkinson's drugs were up by 2% at EUR 126 (123) million, which was 31% (34%) of the Pharmaceuticals business's net sales. The net sales of the other products in the portfolio excluding Parkinson's drugs were up by 13% at EUR 274 (242) million.

The Diagnostics business's net sales were up by 5% at EUR 24 (23) million.

Operating profit

The Orion Group's operating profit was up by 22% at EUR 131 (107) million.

The Pharmaceuticals business's operating profit was EUR 131 (109) million, up by 21% on the comparative period. The gross profit grew slightly faster than net sales. However, operating profit improved clearly more because the fixed costs of the business operations were slightly lower 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 EUR 4 (3) million, up by 24% on the comparative period. Net sales and gross profit were slightly higher but fixed costs were similar to the comparative period.

Operating expenses

The Group's sales and marketing expenses at EUR 89 (75) 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 4 (2) million of royalties paid to Abbott following its sale of Simdax and increased distribution costs due to volume growth in the business operations as a whole.

R&D expenses were down by 20% at EUR 39 (49) million and accounted for 9% (13%) of the Group's net sales. Pharmaceutical R&D expenses amounted to EUR 37 (46) 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 the turn of the year and the research programme moved to the analysis phase. Ongoing research projects are reported in more detail under Pharmaceuticals in the Business Reviews.

Administrative expenses were down by 25% at EUR 20 (27) million. The costs due to patent litigation in the United States were EUR 2 (6) million. There is more information on the legal proceedings in the section "Legal proceedings".

Other operating income and expenses decreased profit by EUR 5 million (profit increase in comparative period EUR 2 million). These expenses include items arising mainly from foreign exchange hedges.

Profit before taxes

Group profit before taxes totalled EUR 130 (106) million. Basic earnings per share were EUR 0.68 (0.55) and diluted earnings per share were 0.68 (0.55). Equity per share was EUR 2.71 (2.58). The return on capital employed before taxes (ROCE) was 50% (40%) and the return on equity after taxes (ROE) 47% (40%).



Financial position

The Group's gearing was 13% (15%) and the equity ratio 59% (56%).

Total **liabilities** at 30 June 2010 were EUR 273 (292) million. At the end of the period, interest-bearing liabilities amounted to EUR 127 (164) million, including EUR 104 (123) million of long-term loans.

The Group had EUR 79 (111) million **cash and cash equivalents** at the end of the period, which are invested in short-term interest-bearing instruments issued by financially solid financial institutions and corporations.

Cash flow

Cash flow from operating activities was slightly down on the comparative period at EUR 84 (91) million. Operating profit was clearly higher in the first half of 2010, but the amount tied up in working capital was EUR 39 million more than in the comparative period. The rise in working capital was due to an increase in trade receivables and a decrease in non-interest-bearing liabilities. 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. Orion's non-interest-bearing liabilities fluctuate quite a lot during the year. The amount was exceptionally high at the turn of the year, and the decrease to normal during the first half the year tied up working capital.

Cash flow from investing activities was EUR -17 (-42) million. **Cash flow from financing activities** was EUR -160 (-116) million, due to loan repayments, repayment of capital and higher dividends than in the previous year.

Capital expenditure

The Group's capital expenditure totalled EUR 18 (40) million. This comprised EUR 11 (9) million on property, plant and equipment and EUR 7 (31) million on intangible assets.

Outlook for 2010

Net sales will be higher than in 2009.

Marketing expenditure will be higher due to the increased number of product launches and expansion of operations into Southern Europe. Research expenditure and the costs of patent litigation in the United States will be lower than in 2009.

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

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

The second paragraph of Outlook for 2010 was previously:

Marketing expenditure will be higher due to the increased number of product launches and expansion of operations to Southern Europe. Research expenditure will be lower than in 2009. The costs of ongoing patent litigation in the United States are expected to be lower than in 2009.

Basis for outlook

The reference price system implemented in Finland in April 2009 increased price competition in the category of substitutable products, which led to a clear decrease in prices. During 2010 price competition has persisted. Product launches will support Orion's position as market leader in 2010 too.



In-market sales of the Parkinson's drugs grew by just over 10% in 2009, as in the previous year. However, the growth was faster than anticipated, and is forecast to slow down slightly in 2010.

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

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

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

Orion Corporation and companies belonging to the Sun Group agreed a settlement in June. The agreement ended the most important litigation proceedings for Orion in the United States. As a result, the costs of patent lawsuits for the whole year can be estimated better than before.

Near-term risks and uncertainties relating to the outlook

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

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

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

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

Financial objectives

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

The principal means of achieving these objectives are:

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

Sales of 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.

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.

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 core therapy areas are central nervous system drugs, oncology and critical care drugs, and Easyhaler pulmonary drugs. Orion's R&D operations concentrate on early-phase research. In addition to in-house research, 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 studies, which are the final phase, especially for projects outside Europe. Orion also seeks to purchase new 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. In specialised medical care, 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. Secondly, Orion seeks to promote late-phase research projects and secure rapid commercialisation of products developed through them. 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. Thirdly, Orion aims to ensure continuity of clinical studies 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 Russia, Orion's product portfolio focuses on generic prescription drugs in certain therapy areas.



Strengthening market position in Europe

In 2009 Orion expanded its own sales network to cover nearly all the key European markets except France. 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 committed to remaining the market leader in Finland and making the Scandinavian countries a strong domestic market. 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 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. In addition, outsourcing certain business support and administrative functions will increase the flexibility of operations.

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 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.

As decided by the Annual General Meeting, Orion distributed a dividend of EUR 1.00 per share for 2009 (EUR 0.95 per share for 2008). In addition, EUR 0.10 per share was paid as repayment of capital. The payment date for the dividend distribution and repayment of capital was 7 April 2010.

Shares and shareholders

On 30 June 2010 Orion had a total of 141,257,828 shares, of which 48,320,530 were A shares and 92,937,298 B shares. The Group's share capital was EUR 92,238,541.46. At the end June 2010 Orion held 214,424 B shares as treasury shares. On 30 June 2010 the aggregate number of votes conferred by the A and B shares was 1,059,133,474 excluding treasury shares.



Voting rights conferred by shares

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

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

Conversion of shares

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares. In January–June 2010 a total of 3,020,138 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 30 June 2010 the market capitalisation of the Company's shares excluding treasury shares was EUR 2,161 million.

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 on 24 March 2010. Orion intends to acquire 300,000 B shares of Orion Corporation not earlier than 11 August 2010, which is the day after the Group's Interim Report for January–June 2010 is published. The shares will be acquired in accordance with the terms of the authorisation by the Annual General Meeting. The shares will be 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 16.47, 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 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

At the end of June 2010 Orion had a total of 56,615 (47,239) registered shareholders, of whom 95% (94%) were private individuals holding 52% (50%) of the entire share stock and 64% (60%) of the total votes. There were altogether 37 (31) million nominee-registered shares, which is 26% (22%) of all shares, and they conferred entitlement to 5% (5%) of the votes.

At the end of June 2010 Orion held 214,424 (280,030) B shares as treasury shares, which is 0.2% (0.2%) of the Company's total share stock and 0.02% (0.02%) of the total votes.

No new transactions exceeding the notification threshold set in the Finnish Securities Markets Act were brought to the attention of the Company during the first quarter of 2010.

Personnel

The average number of employees in the Orion Group in January–June 2010 was 3,135 (3,232). At the end of June 2010 the Group had a total of 3,228 (3,284) employees, of whom 2,599 (2,712) worked in Finland and 629 (572) outside Finland.

Salaries and other personnel expenses in January–June 2010 totalled EUR 85 (86) million.

Legal proceedings

Lawsuits 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") have agreed 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 settled entacapone patent litigation in the United States.



Business Reviews

Pharmaceuticals

Review of human pharmaceuticals market

According to statistics collected by Finnish Pharmaceutical Data Ltd, **Finnish wholesale of human pharmaceuticals** in January–June 2010 totalled EUR 937 (960) million, down by 3% on the comparative period of the previous year. The market as a whole decreased most in pharmaceuticals covered by the reference price system, which has been in force since the beginning of April 2009.

Finland is the most important individual market for Orion, generating one-quarter of the Group's net sales. Orion continued to strengthen its position as leader in marketing pharmaceuticals in Finland. According to statistics collected by Finnish Pharmaceutical Data Ltd, **Orion's wholesale of human pharmaceuticals in Finland** in January–June 2010 amounted to EUR 92 (91) million, up by one per cent on the comparative period. Orion's market share was 10% (10%), which was nearly four percentage points higher than for the second-largest company.

According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in March 2010 the **total sales of Parkinson's drugs** in the United States were up by 6% at USD 1,026 million (USD 966 million in the previous 12-month period). The five largest European markets for Parkinson's 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 March 2010 totalled EUR 937 (877) million, and the average market growth was 7%.

The most important individual therapy area for Orion is 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 and clearly faster than the market as a whole in the United States and Japan. According to IMS Health pharmaceutical sales statistics, in the 12-month period ending March 2010, total sales of Orion's Parkinson's drugs were up by 10% at EUR 179 (163) million in the United States, up by 6% at a total of EUR 152 (143) million in the five largest Parkinson's drugs markets in Europe, and up by 48% at EUR 35 (24) million in Japan. The market share of Orion's Parkinson's drugs was 17% in the United States, on average 16% in the five largest European markets and 9% in Japan.

According to IMS Health pharmaceutical sales statistics, **sales of the intensive care sedative Precedex (dexmedetomidine)**, which is becoming increasingly important for Orion, were up by 55% at USD 101 million in 2009 (USD 65 million in 2008); 85% of the sales were in the United States, where Precedex sales grew by 62% to USD 85 (53) million.

Net sales and operating profit of the Pharmaceuticals business

Net sales of the Pharmaceuticals business in January–June 2010 were up by 9% at EUR 399 (365) million. The operating profit of the Pharmaceuticals business was up by 21% at EUR 131 (109) million. The operating profit of the Pharmaceuticals business was 33% (30%) of the segment's net sales.

Net sales of Orion's top ten pharmaceuticals in January–June 2010 were up by 12% at EUR 220 (196) million. They accounted for 55% (54%) of the total net sales of the Pharmaceuticals business. Among these best-sellers, the fastest-growing products were Precedex sedative for patients in intensive care and Simdax heart failure drug.

Net sales of the products based on own in-house R&D in January–June 2010 were up by 12% at EUR 197 (176) 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 drugs in three therapy areas: central nervous system drugs; oncology and critical care drugs; and Easyhaler[®] pulmonary drugs.

Net sales of Proprietary Products in January–June 2010 were EUR 184 (166) million, up by 11% on the comparative period of the previous year.

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 January–June 2010 totalled EUR 126 (123) million. The net sales were up by 2% and accounted for 31% (34%) of the total net sales of the Pharmaceuticals business. Net sales from deliveries of Parkinson's drugs to Novartis totalled EUR 77 (76) million, up by about one per cent. Deliveries of Stalevo to Novartis were similar to the comparative period, but deliveries of Comtan increased by 3%. Total net sales generated by Parkinson's drugs in Orion's own sales organisation were up by 3% at EUR 49 (47) million. Net sales of Stalevo through Orion's own sales network were up by 9% at EUR 40 (37) million.

Patent litigation in the United States against the Sun companies was ended by a settlement agreement in June. Patent litigation against Sandoz companies continues. The Sandoz companies intend to launch in the United States a generic version of Precedex (active ingredient dexmedetomidine) developed by Orion.

Net sales of Simdax[®] for acute decompensated heart failure (active ingredient levosimendan) intravenous drug in January–June 2010 were up by 77% at EUR 20 (11) million.

Net sales of the Easyhaler[®] product family for asthma and chronic obstructive pulmonary disease in January–June 2010 were up by 16% at a total of EUR 15 (13) million. The largest markets for the product family are Germany, Turkey and Finland.

Net sales of the Precedex[®] intensive care sedative (active ingredient dexmedetomidine) in January–June 2010 were up by 91% at EUR 13 (7) million. In markets outside Europe the sedative is sold by Orion's partner Hospira. In the first half of the year Orion concluded its research programme for developing dexmedetomidine for European markets and the Company plans to apply for European marketing authorisation by the end of 2010.

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 7% at EUR 144 (134) million in January–June 2010. Net sales of Specialty Products in markets outside Finland were up by 20% on the comparative period. Orion launched 59 (21) generic prescription drugs and self-care products in the first half of 2010.

Net sales in Finland of Orion's human pharmaceuticals were up by one per cent at EUR 101 (100) million in January–June 2010. Specialty Products accounted for most of the sales. Orion has retained its position as clear 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. The reference price system has further intensified price competition, but also expanded the range of substitutable prescription drugs.

Net sales of Orion's human pharmaceuticals in Eastern Europe in January–June 2010 were up by 19% at EUR 22 (18) million. Specialty Products account for the majority of sales in the region. The growth has been strong in many markets due to the good performance of individual products.

Orion continued to develop its self-care product portfolio in Scandinavia. Orion aims to make its domestic market all the Nordic countries, not just Finland. Growth in net sales was strong in the first half of the year in Denmark, Sweden and Norway due to new products. 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.



US pharmaceutical company GTx undertook studies of the efficacy of 20 mg doses of toremifene, a selective oestrogen modulator developed by Orion, in prevention of prostate cancer in men. Orion originally developed toremifene for treatment of breast cancer. Results published in May showed that there were fewer prostate cancer cases with toremifene than with a placebo, but the difference was not statistically significant. The study involved 1,600 men and a three-year treatment period. GTx also announced that it would begin new clinical Phase III trials on the use of 80 mg doses of toremifene for treating the side effects of prostate cancer treatment.

Animal Health

Net sales of the Animal Health business division in January–June 2010 were up by 8% at EUR 33 (30) million. Net sales of the animal sedatives Dexdomitor[®] (dexmedetomidine), Domitor[®] (medetomidine), Domosedan[®] (detomidine) and Antisedan[®] (atipamezole) were up by 29% and accounted for 33% (28%) of the division's net sales. Sedative sales in the period under review were particularly strong in the United States and Japan.

Orion has been appointed as distributor of the Janssen Animal Health products for pets in certain Eastern European countries.

Orion is the second-biggest marketer of veterinary drugs in the Finnish market for veterinary drugs with a market share of 19% in January–June 2010, which is three percentage points behind the market leader. The Finnish market for veterinary drugs was up by 9% at about EUR 25 million in the first half of 2010.

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 January–June 2010 excluding pharmaceutical ingredients supplied for Orion's own use were up by 18% at EUR 26 (22) million and accounted for about two-thirds of Fermion's entire net sales. Orders for many key products are still high, even though competition in the markets remains intense.

Research and development projects

The Group's R&D expenses in January–June 2010 totalled EUR 39 (49) million, of which the Pharmaceuticals business accounted for EUR 37 (46) million. The Group's R&D expenses accounted for 9% (13%) of the Group's net sales. R&D expenses also include expenses relating to development of the current portfolio.

Orion and Polish biotechnology company Selvita have 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. Selvita will be responsible for early-phase research, following which Orion will undertake the development phases, including pre-clinical and clinical trials, and commercialisation.

The initial results of studies with the sedative **dexmedetomidine** show that it is as effective as the standard comparative products midazolam and propofol. Compared with midazolam, dexmedetomidine also decreased the duration of treatment in a ventilator. Based on these positive results, Orion plans to apply for European marketing authorisation for dexmedetomidine by the end of 2010.

Orion has ongoing projects to broaden the range of the **Easyhaler product family**. Orion's aim is not only to utilise Easyhaler technology in current products and development projects, but also to develop new products. Orion is developing a **budesonide-formoterol formulation** that combines budesonide as an anti-inflammatory agent and formoterol as a long-acting bronchodilator. More information on the research programme will be given during 2010.



Orion has a new 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**. The aim is to submit a market authorisation application during 2011.

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

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

Diagnostics

Orion Diagnostica manufactures easy-to-use, rapid in vitro diagnostic tests for use externally on the body and test systems suitable for point-of-care testing. Net sales of the Diagnostics business in January–June 2010 were up by 5% at EUR 24 (23) million.

Sales of QuikRead[®] infection tests remained strong. Sales of industrial hygiene products also developed favourably. Sales continued to grow in China and the Czech Republic, but in the Nordic countries more slowly than in the comparative period.

QuikRead tests maintained their position as the main products and sales continued to grow well. The tests are used in, for example, detecting infection from the CRP level in a blood sample or streptococcus A in a pharyngeal sample. The increasing selection of QuikRead products in doctors' surgeries and clinical laboratories creates a firm basis for growth in future demand for reagents used in tests.

The operating profit of the Diagnostics business was up by 24% at EUR 4 (3) million and accounted for 17% (15%) of the segment's sales. R&D expenditure on diagnostic tests and equipment totalled EUR 3 (3) million, which is 12% (14%) of the business area's net sales.

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). The test, which is quick and easy to use, is for assessing and monitoring surface cleanliness. The test can be utilised by, for example, the food and drinks industry and hospitals, as hygiene requirements become more stringent.

Espoo, 10 August 2010

Board of Directors of Orion Corporation

Orion Corporation

Timo Lappalainen
President and CEO

Jari Karlson
CFO



Tables

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Q2/10	Q2/09	Change %	Q1–Q2/10	Q1–Q2/09	Change %	2009
Net sales	207.4	196.4	+5.6%	421.9	386.4	+9.2%	771.5
Cost of goods sold	-68.2	-68.1	+0.1%	-137.8	-129.9	+6.1%	-265.2
Gross profit	139.2	128.3	+8.5%	284.0	256.5	+10.7%	506.3
Other income and expenses	-2.2	1.6	-240.3%	-4.6	2.2	-307.6%	6.0
Selling and marketing expenses	-44.8	-40.3	+11.2%	-88.7	-75.3	+17.8%	-160.0
R&D expenses	-20.2	-25.0	-19.1%	-39.4	-49.1	-19.7%	-95.2
Administrative expenses	-12.1	-14.2	-14.8%	-20.3	-27.0	-24.9%	-50.2
Operating profit	60.0	50.4	+18.9%	131.0	107.3	+22.1%	207.0
Finance income	1.7	1.0	+71.7%	2.7	3.1	-15.1%	5.1
Finance expenses	-2.2	-2.4	-7.7%	-3.4	-4.8	-29.3%	-8.4
Profit before taxes	59.4	49.0	+21.2%	130.2	105.6	+23.3%	203.7
Income tax expense	-15.4	-12.8	+20.1%	-33.9	-27.6	+22.8%	-52.3
Profit for the period	44.0	36.2	+21.6%	96.4	78.0	+23.5%	151.4
OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS							
Translation differences	1.7	0.9	+85.3%	2.1	1.1	+86.0%	1.3
Cash flow hedges	0.3	0.5	-51.8%	0.0	0.2	-89.7%	0.9
Other comprehensive income net of tax	1.9	1.4	+35.0%	2.1	1.4	+56.2%	2.1
Comprehensive income for the period including tax effects	45.9	37.6	+22.1%	98.5	79.4	+24.0%	153.5
PROFIT ATTRIBUTABLE TO:							
Owners of the parent company	44.0	36.2	+21.6%	96.4	78.0	+23.5%	151.4
Non-controlling interests	0.0	0.0		0.0	0.0		0.0
COMPREHENSIVE INCOME ATTRIBUTABLE TO:							
Owners of the parent company	45.9	37.6	+22.1%	98.5	79.4	+24.0%	153.5
Non-controlling interests	0.0	0.0		0.0	0.0		0.0
Basic earnings per share, EUR ¹⁾	0.31	0.26	+21.5%	0.68	0.55	+23.4%	1.07
Diluted earnings per share, EUR ¹⁾	0.31	0.26	+21.5%	0.68	0.55	+23.4%	1.07
Depreciation and amortisation	8.8	8.4	+4.6%	17.5	16.4	+6.3%	34.4
Personnel expenses	44.5	44.6	-0.4%	84.6	86.4	-2.1%	171.4

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


CONSOLIDATED STATEMENT OF FINANCIAL POSITION
ASSETS

EUR million	6/10	6/09	Change %	2009
Property, plant and equipment	189.6	188.6	+0.6%	192.0
Goodwill	13.5	13.5		13.5
Intangible rights	65.4	63.8	+2.6%	63.4
Other intangible assets	3.9	3.6	+8.6%	3.7
Investments in associates	0.1	0.1		0.1
Available-for-sale investments	1.0	1.0		1.0
Pension asset	29.8	32.3	-7.6%	29.8
Deferred tax assets	5.7	4.1	+39.6%	5.5
Other non-current assets	0.8	1.6	-51.3%	0.9
Non-current assets total	309.8	308.4	+0.5%	309.9
Inventories	129.6	123.8	+4.7%	122.7
Trade receivables	119.8	95.7	+25.2%	102.6
Other receivables	17.4	17.4		21.4
Cash and cash equivalents	78.9	110.7	-28.7%	170.5
Current assets total	345.7	347.5	-0.5%	417.2
Assets total	655.5	656.0	-0.1%	727.1

EQUITY AND LIABILITIES

EUR million	6/10	6/09	Change %	2009
Share capital	92.2	92.2		92.2
Share premium	17.8	17.8		17.8
Expendable fund	8.9	23.0	-61.2%	23.0
Other reserves	0.0	-0.6	+106.1%	0.0
Retained earnings	263.5	231.8	+13.6%	306.0
Equity attributable to owners of the parent company total	382.5	364.3	+5.0%	439.1
Non-controlling interests	0.0	0.0	+10.9%	0.0
Equity total	382.5	364.3	+5.0%	439.1
Deferred tax liabilities	42.3	41.5	+1.9%	43.0
Pension liability	0.8	0.7	+14.2%	0.8
Provisions	0.5	0.5	-9.2%	0.5
Interest-bearing non-current liabilities	103.7	123.1	-15.7%	108.7
Other non-current liabilities	0.3	0.6	-60.0%	0.1
Non-current liabilities total	147.6	166.5	-11.4%	153.1
Trade payables	37.0	26.4	+40.1%	42.3
Income tax liabilities	12.2	1.3	+814.2%	3.0
Other current liabilities	53.0	56.4	-6.0%	66.8
Provisions	0.0	0.0		0.0
Interest-bearing current liabilities	23.2	41.1	-43.5%	22.7
Current liabilities total	125.4	125.2	+0.2%	134.8
Liabilities total	273.0	291.6	-6.4%	287.9
Equity and liabilities total	655.5	656.0	-0.1%	727.1


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

- a. Share capital
- b. Share premium
- c. Expendable fund
- d. Other reserves
- e. Translation differences
- f. Retained earnings
- g. Non-controlling interests
- h. Equity total**

EUR million	Equity attributable to owners of the parent company							h.
	a.	b.	c.	d.	e.	f.	g.	
Equity at 31 Dec 2008	92.2	17.8	23.0	-0.9	-6.9	293.3	0.0	418.6
Profit for the period						77.9		77.9
Other comprehensive income:								
Cash flow hedges				0.2				0.2
Translation differences					1.1			1.1
Transactions with equity holders and non-controlling interests:								
Dividend						-133.9		-133.9
Share-based incentive plan						0.4		0.4
Equity at 30 June 2009	92.2	17.8	23.0	-0.6	-5.8	237.6	0.0	364.3
Equity at 31 Dec 2009	92.2	17.8	23.0	0.0	-5.7	311.7	0.0	439.1
Profit for the period						96.4		96.4
Other comprehensive income:								
Cash flow hedges				0.0				0.0
Translation differences					2.1			2.1
Transactions with equity holders and non-controlling interests:								
Dividend			-14.1			-141.0		-155.1
Share-based incentive plan						0.2		0.2
Equity at 30 June 2010	92.2	17.8	8.9	0.0	-3.6	267.3	0.0	382.5


CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	6/10	6/09	2009
Operating profit	131.0	107.3	207.0
Adjustments	18.4	13.9	37.7
Change in working capital	-43.5	-4.8	15.3
Interest paid	-3.5	-5.1	-9.7
Interest received	2.3	3.2	4.9
Income taxes paid	-20.8	-23.3	-50.6
Total net cash flow from operating activities	83.8	91.3	204.6
Investments in property, plant and equipment	-11.3	-10.3	-24.6
Investments in intangible assets	-6.1	-31.4	-36.1
Sales of property, plant and equipment and available-for-sale investments	0.6	0.4	0.8
Sales of intangible assets	0.2	-0.2	0.5
Total net cash flow from investing activities	-16.6	-41.5	-59.5
Short-term loans raised	0.6	0.6	0.7
Repayments of short-term loans	-0.7	-0.6	-19.8
Long-term loans raised	0.0	22.8	22.8
Repayments of long-term loans	-4.8	-5.1	-21.3
Repurchase of own shares	0.0	0.0	0.0
Dividends paid and other distribution of profits	-155.2	-133.9	-134.4
Total net cash flow from financing activities	-160.1	-116.2	-152.1
Net change in cash and cash equivalents	-92.8	-66.4	-7.0
Cash and cash equivalents at the beginning of the period	170.5	176.1	176.1
Foreign exchange differences	1.2	1.0	1.4
Net change in cash and cash equivalents	-92.8	-66.4	-7.0
Cash and cash equivalents at the end of the period	78.9	110.7	170.5



CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	6/10	6/09	2009
Carrying amount at the beginning of the period	192.0	192.4	192.4
Adjustments to previous period carrying amount			2.4
Additions	11.0	9.2	25.1
Disposals	-0.5	-0.4	-1.7
Depreciation	-13.0	-12.6	-26.1
Carrying amount at the end of the period	189.6	188.6	192.0

CHANGES IN INTANGIBLE ASSETS (EXCLUDING GOODWILL)

EUR million	6/10	6/09	2009
Carrying amount at the beginning of the period	67.0	40.4	40.4
Additions	6.7	30.7	35.2
Disposals			-0.3
Depreciation	-4.5	-3.8	-8.3
Carrying amount at the end of the period	69.2	67.3	67.0

COMMITMENTS AND CONTINGENCIES

EUR million	6/10	6/09	2009
CONTINGENCIES FOR OWN LIABILITIES			
Mortgages on land and buildings	32.0	45.0	32.0
of which those to Orion Pension Fund	9.0	9.0	9.0
Guarantees	1.1	1.1	1.1
OTHER LIABILITIES			
Leasing liabilities (excluding finance lease contracts)	4.1	4.0	4.3
Other liabilities	0.3	0.3	0.3

DERIVATIVE CONTRACTS

EUR million	6/10	6/09	2009
FORWARD EXCHANGE CONTRACTS AND SWAPS			
Fair value, EUR million	0.8	1.6	-0.3
Nominal value, EUR million	68.0	70.2	86.4
ELECTRICITY FORWARD CONTRACTS			
Fair value, EUR million	0.2	-1.1	-0.2
Nominal value, GWh	152	93	160

RELATED PARTY TRANSACTIONS

EUR million	Q1–Q2/10	Q1–Q2/09	2009
Management's employment benefits	3.1	2.4	3.5



Operating segment performance

NET SALES BY BUSINESS DIVISION

EUR million	Q2/10	Q2/09	Change %	Q1–Q2/10	Q1–Q2/09	Change %	2009
Pharmaceuticals	196.0	185.9	+5.4%	399.3	364.8	+9.4%	728.5
Proprietary Products	90.8	84.2	+7.9%	184.3	165.7	+11.3%	324.0
Specialty Products	70.6	67.8	+4.0%	143.7	133.9	+7.3%	274.8
Animal Health	17.4	15.2	+14.7%	32.7	30.4	+7.6%	62.1
Fermion	12.4	10.8	+15.1%	25.9	21.9	+18.4%	41.4
Contract manufacturing and other	4.8	8.0	-40.1%	12.6	13.0	-2.8%	26.2
Diagnostics	12.1	11.0	+10.8%	23.9	22.6	+5.4%	45.2
Group items	-0.7	-0.5	+30.4%	-1.3	-1.1	+19.0%	-2.2
Group total	207.4	196.4	+5.6%	421.9	386.4	+9.2%	771.5

OPERATING PROFIT BY BUSINESS AREA

EUR million	Q2/10	Q2/09	Change %	Q1–Q2/10	Q1–Q2/09	Change %	2009
Pharmaceuticals	60.4	51.6	+16.9%	130.9	108.5	+20.7%	210.6
Diagnostics	1.9	1.1	+73.2%	4.1	3.3	+24.0%	5.6
Group items	-2.3	-2.3	+1.2%	-4.0	-4.5	-10.0%	-9.2
Group total	60.0	50.4	+18.9%	131.0	107.3	+22.1%	207.0

NET SALES BY ANNUAL QUARTERS

EUR million	2010		2009				2008	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Pharmaceuticals	196.0	203.3	181.9	181.8	185.9	178.9	169.6	161.0
Diagnostics	12.1	11.7	12.0	10.5	11.0	11.7	10.7	9.5
Group items	-0.7	-0.6	-0.6	-0.5	-0.5	-0.5	-0.5	-0.4
Group total	207.4	214.5	193.3	191.8	196.4	190.1	179.9	170.1

OPERATING PROFIT BY ANNUAL QUARTERS

EUR million	2010		2009				2008	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Pharmaceuticals	60,4	70,5	45,5	56,6	51,6	56,9	35,3	44,3
Diagnostics	1,9	2,2	1,2	1,0	1,1	2,2	0,2	1,0
Group items	-2,3	-1,7	-2,8	-1,9	-2,3	-2,2	-2,7	-1,8
Group total	60,0	71,0	43,9	55,7	50,4	56,9	32,8	43,6

GEOGRAPHICAL BREAKDOWN OF NET SALES BY ANNUAL QUARTERS

EUR million	2010		2009				2008	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Finland	53.7	56.9	59.2	55.6	55.0	53.5	55.2	52.8
Scandinavia	28.1	29.0	25.9	24.5	25.8	25.4	23.7	23.3
Other Europe	72.7	72.1	72.8	68.9	71.8	61.2	62.0	56.2
North America	26.3	30.3	12.1	18.1	18.2	22.6	19.2	21.7
Other markets	26.7	26.1	23.4	24.7	25.6	27.4	19.8	16.1
Group total	207.4	214.5	193.3	191.8	196.4	190.1	179.9	170.1



Business reviews

KEY FIGURES FOR PHARMACEUTICALS BUSINESS

EUR million	Q2/10	Q2/09	Change %	Q1–Q2/10	Q1–Q2/09	Change %	2009
Net sales	196.0	185.9	+5.4%	399.3	364.8	+9.4%	728.5
Operating profit	60.4	51.6	+16.9%	130.9	108.5	+20.7%	210.6
% of net sales	30.8%	27.8%		32.8%	29.7%		28.9%
R&D expenses	18.6	23.4	-20.3%	36.5	46.1	-20.8%	89.4
% of net sales	9.5%	12.6%		9.1%	12.6%		12.3%
Capital expenditure	9.3	33.7	-72.4%	16.7	39.0	-57.1%	57.6
% of net sales	4.7%	18.1%		4.2%	10.7%		7.9%
Sales revenue from proprietary products	96.0	88.1	+9.0%	196.6	175.7	+11.9%	346.5
Personnel at the end of the period				2,904	2,960	-1.9%	2,829

NET SALES OF ORION'S TOP 10 PHARMACEUTICAL PRODUCTS

EUR million	Q2/10	Q2/09	Change %	Q1–Q2/10	Q1–Q2/09	Change %	2009
1. Stalevo [®] , Comtess [®] and Comtan [®] (Parkinson's disease)	59.8	61.1	-2.2%	125.6	123.3	+1.8%	234.9
2. Simdax [®] (acute decompensated heart failure)	9.9	8.6	+16.1%	20.2	11.4	+77.4%	29.4
3. Easyhaler [®] product family (asthma, COPD)	7.4	6.2	+18.6%	14.6	12.6	+16.0%	24.9
4. Precedex [®] (sedative for patients in intensive care)	7.5	2.7	+179.3%	12.9	6.8	+90.5%	14.6
5. Dexdomitor [®] , Domitor [®] , Domosedan [®] and Antisedan [®] (animal sedatives)	5.2	3.5	+48.5%	10.9	8.4	+28.6%	19.3
6. Burana [®] (inflammatory pain)	5.1	4.6	+10.6%	10.1	9.1	+10.7%	19.9
7. Divina [®] range (menopausal symptoms)	3.6	3.6	+0.6%	6.8	7.1	-3.5%	13.2
8. Enanton [®] (prostate cancer)	3.3	3.1	+6.0%	6.4	6.1	+5.7%	11.9
9. Marevan [®] (anticoagulant)	3.3	2.5	+28.3%	6.4	5.2	+22.4%	11.2
10. Fareston [®] (breast cancer)	2.7	2.4	+8.9%	5.6	6.2	-8.6%	10.2
Total	107.7	98.4	+9.5%	219.5	196.2	+11.9%	389.5
Share of pharmaceutical net sales	55%	53%		55%	54%		53%

KEY FIGURES FOR DIAGNOSTICS BUSINESS

EUR million	Q2/10	Q2/09	Change %	Q1–Q2/10	Q1–Q2/09	Change %	2009
Net sales	12.1	11.0	+10.8%	23.9	22.6	+5.4%	45.2
Operating profit	1.9	1.1	+73.2%	4.1	3.3	+24.0%	5.6
% of net sales	15.6%	10.0%		17.3%	14.7%		12.3%
R&D expenses	1.6	1.6	-1.9%	2.9	3.1	-5.4%	5.9
% of net sales	13.0%	14.7%		12.3%	13.8%		13.0%
Capital expenditure	0.4	0.6	-30.3%	0.9	0.9	+4.2%	2.5
% of net sales	3.4%	5.5%		3.9%	4.0%		5.6%
Personnel at the end of the period				298	296	+0.8%	291



Information on Orion's shares

BASIC SHARE INFORMATION

30 June 2010	A shares	B shares	Total
Trading code on NASDAQ OMX Helsinki	ORNAV	ORNBV	
Listing day	1 Jul 2006	1 Jul 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	31,5	60,7	92,2
Counter book value per share, EUR	0,65	0,65	
Total number of shares	48,320,530	92,937,298	141,257,828
% of total share stock	34%	66%	100%
Number of treasury shares		214,424	214,424
Total number of shares excluding treasury shares	48,320,530	92,722,874	141,043,404
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	966,410,600	92,722,874	1,059,133,474
% of total votes	91%	9%	100%
Total number of shareholders	18,367	44,825	56,615

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

INFORMATION ON TRADING

1 January – 30 June 2010	A shares	B shares	Total
Shares traded	5,452,232	56,232,268	61,684,500
% of the total number of shares	11.3%	60.5%	43.7%
Trading volume, EUR million	82.3	846.1	928.4
Closing quotation on 31 Dec 2009, EUR	15.06	15.05	
Lowest quotation, EUR (A 6 May and B 7 May 2010)	12.21	13.20	
Average quotation, EUR	15.10	15.05	
Highest quotation, EUR (A and B 23 March 2010)	17.82	17.88	
Closing quotation on 30 June 2010, EUR	15.25	15.36	
Market capitalisation on 30 June 2010 excluding treasury shares, EUR million	736.9	1,424.2	2,161.1

PERFORMANCE PER SHARE

	Q2/10	Q2/09	Change %	Q1–Q2/10	Q1–Q2/09	Change %	2009
Basic earnings per share, EUR	0.31	0.26	+21.5%	0.68	0.55	+23.4%	1.07
Diluted earnings per share, EUR	0.31	0.26	+21.5%	0.68	0.55	+23.4%	1.07
Cash flow per share before financial items, EUR	0.25	0.10	+144.7%	0.48	0.35	+35.0%	1.03
Equity per share, EUR				2.71	2.58	+4.9%	3.11
Average number of shares excluding treasury shares, 1,000 shares	141,043	140,978		141,022	140,962		140,970



Appendices

Reporting

Orion Corporation is the parent company of the Orion Group. The Group consists of two business areas, or operating segments, and five business divisions. Orion reports on its operations segmentally.

- Pharmaceuticals business
 - Proprietary Products (patented prescription products for three therapy areas)
 - Specialty Products (off-patent, generic prescription products and self-care products)
 - Animal Health (veterinary products for pets and production animals)
 - Fermion (active pharmaceutical ingredients for Orion and other companies)
- Diagnostics business
 - Orion Diagnostica (diagnostic test systems for point-of-care in healthcare and hygiene tests for industry).

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

Accounting policies

This Interim Report has been prepared in compliance with IAS 34 *Interim Financial Reporting* applying the same accounting policies as for the Financial Statements 2009. In addition, the following new standards, interpretations and amendments approved by the EU have been applied as of 1 January 2010:

IFRS 3 (Revised) Business Combinations

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For instance, all payments for acquisitions shall be recognised at fair value at the time of acquisition, and liabilities that are classified as conditional payments shall be recognised later at fair value through profit or loss. For each acquisition, the share of the non-controlling interests can be measured either as their proportionate interest in the net identifiable assets of the acquisition or at fair value. All acquisition-related costs are recognised as expenses. The revised standard affects business combinations that take place after 1 January 2010.

The following new standards, interpretations and amendments to existing standards approved by the EU have been adopted as of 1 January 2010. However, they do 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 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), Eligible Hedged Items

IFRS 2 (Amendment), Share-based Payment – Cash-settled Share-based Payment Transactions

IASB published changes to 12 standards in April 2009 as part of the annual improvements to standards. The key changes that the Group has adopted as of 1 January 2010 are presented below, but they will not affect the Consolidated Financial Statements.

IFRS 2 (Amendment), IFRS – Scope of IFRS 2



IFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations*
The amendment clarifies the disclosure of information relating to assets held for sale required by IFRS 5.

IFRS 8 (Amendment), *Operating Segments*

IAS 1 (Amendment), *Presentation of Financial Statements*

IAS 7 (Amendment), *Statement of Cash Flows*

IAS 17 (Amendment), *Leases*

IAS 18 (Amendment), *Revenue*

IAS 36 (Amendment), *Impairment of Assets*

IAS 38 (Amendments), *Intangible Assets*

IAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*

IFRIC 9 (Amendment), *Reassessment of Embedded Derivatives*

IFRIC 16 (Amendment), *Hedges of a Net Investment in a Foreign Operation*

The policies and calculation methods applied during the period can be found on the Orion website at www.orion.fi/en/investors.

Other matters

The data in this financial review are not audited.

The figures in parentheses are for the comparative period of the previous year. All the figures have been rounded, which is why the total sums of individual figures may differ from the total sums shown.



CALCULATION OF THE KEY FIGURES

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

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

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

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

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

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

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

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

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

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Orion is an innovative European R&D-based pharmaceutical and diagnostic 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, cancer and critical care drugs, and Easyhaler[®] pulmonary drugs.

The Group's net sales in 2009 amounted to EUR 772 million. The Company invested EUR 95 million in research and development. At the end of 2009, the Group had a total of 3,100 employees, of whom 2,500 worked in Finland and 600 in other European countries. Orion's A and B shares are listed on NASDAQ OMX Helsinki.