Orion

Annual Report 2008

Orion's Annual Report 2008

Dear reader,

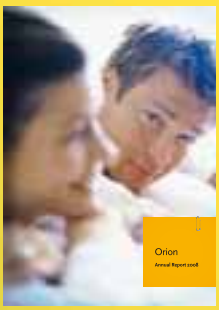
Orion's Annual Report 2008 comprises two sections: Company Brochure and Financial Statements. The Brochure section includes a Well-Being Guide with tips for a healthier life.

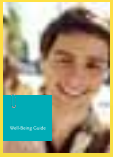
The Company Brochure discusses Orion as a company, including the business divisions, R&D activities and corporate responsibility. The Financial Statements section also includes special information for investors.

Once again, Orion's employees have teamed up to promote Orion's mission to build well-being. This is also the theme of the Annual Report. The Well-Being Guide shows us how to enjoy the pleasures offered by work, health, family and leisure that are available to us every day.

Read more about Orion on these pages and browse through the provided links for more information. Enjoy!

DID YOU KNOW THAT
Orion's logo is derived from the shape of the retort, a glass bottle used for distillation in a chemistry laboratory.





Contents


ORION

Orion is an innovative European R&D-based pharmaceuticals and diagnostics company with an emphasis on developing medicinal treatments and diagnostic tests for global markets.

Orion in brief

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

Orion's customers are mainly healthcare service providers and professionals such as doctors, vets, pharmacies, hospitals, healthcare centres, clinics and laboratories. Consumers and pet owners constitute another important customer group.

Orion's products are available in over one hundred countries. Orion has operations in 19 countries, employing about 3,100 professionals. In 2008, the company's net sales amounted to EUR 710.7 million. Operating profit was EUR 185.0 million. Orion's shares are listed on NASDAQ OMX Helsinki (Orion Corporation: ORNAV and ORNBV). The company's auxiliary business names include Orion Pharma, Fermion and Orion Diagnostica.

Read more about year 2008 on pages 4–5.
Read more about strategy on pages 8–11.

Two business segments and five business divisions

Proprietary Products	• Patented prescription products focus on 3 core therapy areas: Central Nervous System, Oncology and Critical Care, Easyhaler	40%
Specialty Products	• Generic, off-patented prescription products and self-care products	36%
Animal Health	• Veterinary products for pets and production animals	9%
Fermion	• Active pharmaceutical ingredients	5%
Orion Diagnostica	• Diagnostic tests	6%
Other	• Contract manufacturing for other companies	4%

Research and development

Orion carries on intensive research with the aim of introducing innovative new medicinal treatments to global markets. The focus of Orion's research and development strategy is on three core therapy areas: central nervous system, oncology and critical care, and respiratory products for Orion's proprietary device Easyhaler.

Read more about R&D on pages 36–41.

Business segments

Orion has two business segments: the Pharmaceuticals business and the Diagnostics business.

The Pharmaceuticals business segment researches, develops, manufactures and markets pharmaceuticals and active pharmaceutical ingredients. The Pharmaceuticals business comprises the following divisions:

- **Proprietary Products** – patented prescription products
- **Specialty Products** – off-patent prescription drugs and self-care products
- **Animal Health** – veterinary products for pets and production animals
- **Fermion** – active pharmaceutical ingredients

The Diagnostics business segment develops, manufactures and markets diagnostic tests. The business comprises one business division:

- **Orion Diagnostica** – diagnostic products

Read more about divisions on pages 22–33.

Events in 2008

JANUARY 1 — **TIMO LAPPALAINEN** took over as President and CEO of Orion.

FEBRUARY 7 — **ORION PUBLISHED** its financial statements for 2007. The company's financial performance remained good.

APRIL 4 — **ORION ANNOUNCED** that it had acquired European-wide marketing rights to the prostate cancer drug Vantas® from the US-based Indevus.

APRIL 15 — **BASED ON** the favourable results received from the FIRST-STEP study, Orion initiated a process for expanding the indication for the Parkinson's disease drug Stalevo® in the USA and Europe.

APRIL 25 — **INTERIM REPORT 1–3/2008** was published. The key figures were strong.

MAY 9 — **ORION ANNOUNCED** its decision to discontinue the development of a new COMT inhibitor candidate at the end of clinical Phase I.

MAY 30 — **ORION ANNOUNCED** that it had acquired marketing rights to Kentera® from the Italian company Recordati. Kentera is indicated for urge incontinence and overactive bladder.

JUNE 25 — **CO-OPERATION WITH** the Swedish company Oasmia was extended to veterinary medicines through a licensing agreement for marketing Paccal®, a skin cancer drug being developed for dogs.

AUGUST 5 — **INTERIM REPORT 1–6/2008** was published. Steady growth continued.

SEPTEMBER 29 — **ORION RECEIVED** exclusive rights to market an extensive portfolio of Pfizer's veterinary medicines in Scandinavia.

OCTOBER 28 — **INTERIM REPORT 1–9/2008** was published. Net sales were higher compared with the previous year.

NOVEMBER 19 — **ORION ANNOUNCED** plans to renew its operational model for pharmaceutical R&D. The related negotiations with personnel representatives may lead to a reduction of jobs in Finland.

In 2008, Orion had to defend its patents. ANDAs were filed in the USA on generic versions of Stalevo and Comtan. Therefore, Orion filed patent infringement lawsuits against the Wockhardt and Sun companies. By virtue of the legal proceedings, the realisation of generic competition regarding these products is neither certain nor imminent.

» More information on these and other events is available at www.orion.fi

46%

The products resulting from Orion's in-house R&D accounted for 46% of the pharmaceutical net sales.

Orion's result

Orion's net sales in 2008 were EUR 710.7 million (EUR 680.0 million in 2007), up by 4.5% on the comparative year 2007.

- Operating profit was EUR 185.0 (192.0) million.
- Profit before taxes was EUR 184.2 (193.4) million.
- Equity ratio was 60.2% (76.2%).
- Return on capital employed (ROCE) before taxes was 38.5% (44.8%).
- Return on equity (ROE) after taxes was 32.1% (33.5%).
- Earnings per share were EUR 0.97 (1.02).
- Cash flow per share before financing was EUR 0.66 (0.92).
- Proposed dividend per share is EUR 0.95 (1.00) per share.

The Orion Group's net sales in 2008 were EUR 710.7 million (EUR 680.0 million in 2007), an increase of 4.5% on the previous year. The Pharmaceuticals business had net sales of EUR 667.6 (639.7) million, up by 4.4% on the previous year. Products based on in-house R&D accounted for EUR 307.5 (292.3) million, or 46% (46%) of net sales. Net sales from the Parkinson's disease drugs Stalevo® and Comtess®/Comtan® totalled EUR 208.5 (200.1) million, or about 31% (31%) of the net sales of the Pharmaceuticals business. Orion Diagnostica's net sales were EUR 45.0 (42.0) million, up by 7.1% on the previous year. The sales of the QuikRead® infection tests continued to grow, but declined sales of the older product portfolio slowed down overall growth.

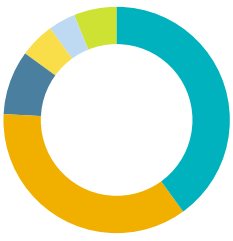
The Orion Group's operating profit in 2008 was EUR 185.0 (192.0) million, down by 3.6% on the comparative year. The Pharmaceuticals business had an operating profit of EUR 188.5 (197.1) million, down by 4.4% on the previous year. The Diagnostics business had an operating profit of EUR 6.1 (6.3) million.

R&D expenses amounted to EUR 103.4 (98.5) million, up by 5.0% on the previous year and accounting for 14.5% (14.5%) of the consolidated net sales. Pharmaceutical R&D accounted for EUR 98.8 (94.2) million of the total.

Net sales by market area 2008
%

- Finland, 31%
- Scandinavia, 14%
- Other Europe, 34%
- North America, 10%
- Other markets, 11%

Net sales by business divisions 2008
%



- Proprietary Products, 40%
- Specialty Products, 36%
- Animal Health, 9%
- Fermion, 5%
- Other, 4%
- Orion Diagnostica, 6%

Key figures

	2008	2007
Net sales, EUR million	710.7	680.0
Operating profit (EBIT), EUR million	185.0	192.0
% of net sales	26.0	28.2
Profit before taxes, EUR million	184.2	193.4
Earnings per share (EPS), EUR	0.97	1.02
R&D expenses, EUR million	103.4	98.5
ROCE, %	38.5	44.8
ROE, %	32.1	33.5
Equity ratio, %	60.2	76.2
Gearing, %	-7.1	-20.0
Personnel at end of the period	3,309	3,176

Read more on pages 65–73.

Cumulative net sales of Parkinson's disease drugs Stalevo and Comtess/Comtan exceeded EUR 1 billion.

President and CEO's Review

Orion had another successful year in 2008. The company's financial performance was good, with operating profit amounting to EUR 185 million. The current crisis in the real economy did not have a material effect on Orion's business in 2008.

Orion's strategy is to build a European presence

We have continued to focus on three strategic themes: 'Fill the gap', 'Build European presence' and 'Act smart'. In 2008, we continued working systematically in all these areas.

Orion has strengthened its market position in Finland. With our 9.2 per cent market share we are the leading pharmaceutical company in Finland. We are diversifying our business in Scandinavia, aiming to build all the Nordic countries into a home market and to make our products available as widely as possible in all of them. We are particularly happy to have shown vigorous growth in the Eastern European pharmaceutical markets in 2008, at a clearly faster rate than the market average.

Orion is not immune to the challenge of introducing new proprietary products to compensate for those approaching patent expiry. We experienced some disappointments in 2008, like the discontinuation of the development of a new COMT inhibitor candidate and the delay in the Phase III studies on dexmedetomidine. Preparing for the Stalevo® and Comtan® patent litigations in the USA, the world's largest pharmaceutical market, required considerable resources.

Towards even more intense networking

As a medium-sized pharmaceutical company, Orion operates in a broad international network of collaborationships. We have worked to develop our preparedness for increased and intensified partnerships in all Orion's businesses and functions.

One of our new partners is the India-based Aurigene. It engages in early research with Orion on certain molecule families for treating cancer. We have also initiated co-operation with the American Rëcro Pharma to develop new, other than intravenously administered dosage forms of Orion's proprietary drug dexmedetomidine.

In line with the strategy of intensified networking, we are now increasing partnering also in early research phases. Moreover, we are adopting a more flexible R&D cost structure, which will enable us to better direct investments to those stages of development that generate added value and to share risks associated with and earnings resulting from drug development projects. Basically, Orion will concentrate on R&D operations in Europe. These were the background for the statutory employee negotiation procedure which started towards the end of 2008 and which at the beginning of 2009 led to the reduction of some 200 jobs. We also adjusted our business in Germany and reduced 25 jobs in 2008. I am very sorry for all those who lost their jobs.

Preparing for tomorrow

Obviously, the pharmaceutical industry has suffered less from the current economic crisis compared with many other industries. Nevertheless, it should be noted that in 2007 the growth rate in the world's largest pharmaceutical market, the USA, was only 4.9 per cent, which is the lowest in 44 years. Moreover, the outlook for economic development in Eastern Europe is uncertain, requiring delicate management of the business.

Orion is already getting prepared for the expiry of the Stalevo and Comtess/Comtan patents in the early 2010s. We are working hard to be able to launch several new products in the next decade, but their sales are unlikely to equal those of Stalevo. Our vision is to be an innovative European pharmaceuticals and diagnostics company. This means that in global operations we work in collaboration with partners.

I would like to thank Orion's staff for their persistent effort and commitment to further develop Orion for the benefit of patients and customers in 2008. I would also like to extend warm thanks to our demanding customers with whom we have been allowed to collaborate and whose trust we have had to earn every single day.

Espoo, 6 February 2009

Timo Lappalainen
President and CEO

Read more about year 2008 on pages 65–73.

Strategy

Orion's strategy for the years 2009–2013 focuses on three key themes. The first of these is to ensure growth, the second to expand and reinforce European presence and the third to strengthen competitiveness by acting smart. Orion will strive to respond even better to operational changes resulting from the expiry of patent protection for entacapone, an ingredient used in Orion's drugs for Parkinson's.

At the core of Orion's strategy is building a more concrete European presence. A clear target of the strategy is to strengthen competitiveness, and Proprietary Products and Specialty Products are seen as key pillars supporting the strategy.

Orion is already preparing for the expiry of the entacapone patent next decade. The aim is to reinforce European presence and speed up the growth of the Proprietary Products and Specialty Products divisions in particular, as well as to strengthen Orion's number one position in Finland, the domestic market. Other core strategic elements are continuous development of operations and finding new, innovative solutions.

Strategic focus areas

Mission: well-being – vision: innovation

Orion's mission is to build well-being. To this end, Orion brings to the market new, innovative pharmaceuticals that allow patients to effectively treat their diseases. Effective drugs also provide added value for patients by improving their quality of life. Through its portfolio of generic, off-patent products, Orion can offer its customers an extensive range of products. In Finland, the company caters for everyone from newborns to seniors. It also takes account of the need to rein in healthcare costs by providing more affordable treatment options.

The mission is underpinned by Orion's vision to be an innovative European R&D-based pharmaceuticals and diagnostics company with an emphasis on developing medicinal treatments and diagnostic tests for global markets. Innovation is at the centre of Orion's vision since the development of innovative products alone is not enough in the current competitive environment: innovation must run through the company's entire way of working. Orion is aiming at innovative, effective practices and business models throughout its operations.

Orion's values are mutual trust and respect, customer focus, innovation, achievement as well as quality, reliability and safety.

Ensure growth

A clear goal for the new strategy period is to maintain Orion's competitiveness while responding to the challenges of the changing business environment. Of key importance in strategy execution is improving the efficiency of operations. The productivity and competitiveness of the supply chain and R&D activities will be raised to a world-class level.

The challenge for Orion over the next few years is to compensate for the decrease in net sales resulting from the expiry of patent protection for entacapone. It is not possible to replace entacapone with one single product, so Orion is preparing for the expiration in

> Orion is an innovative European R&D-based pharmaceuticals and diagnostics company with an emphasis on developing medicinal treatments and diagnostic tests for global markets.

good time by dividing the focus between Proprietary Products and Specialty Products. The Specialty Products portfolio is growing steadily in Europe, and it is currently being built into an even stronger second pillar.

Orion is also seeking growth in all of its other business divisions. Fermion plays an important role as a manufacturer of the active ingredients for Orion's proprietary products. In the Animal Health business, Orion is making use of research and development of human pharmaceuticals, with the aim of capitalising on this synergy even more. Orion Diagnostica's primary goal is to continue as a leading company in selected areas of point-of-care diagnostics in healthcare.

A further means of ensuring growth is reinforcing Orion's position and expansion in Europe. The aim is to speed up the growth of the Specialty Products and Proprietary Products businesses in particular, and growth is also being sought through product, product portfolio and company acquisitions.

Build European presence

Orion has its own sales organisations in 19 countries, and it is working on entering the Southern European markets and setting up a distribution channel in the area. Decisions about whether to establish a dedicated organisation in a country or use a partner are made on a case-by-case basis.

Orion is the market leader in Finland, and reinforcing this position is a key strategic target. Orion launches several new products every year. The company is building Scandinavia into a second home market by expanding the sales area of its best products to cover the Scandinavian markets.

Orion aims to strengthen its operations in Germany and the UK as well as to invest in growth in Central and Eastern Europe and expansion in Southern Europe. The European strategy also includes stepping up licensing activity. In proprietary products, Orion aims to increase the in-licensing of developmental molecules and networking. Via in-licensing, Orion acquires new products particularly for the Northern, Central and Eastern European markets.

Build European presence

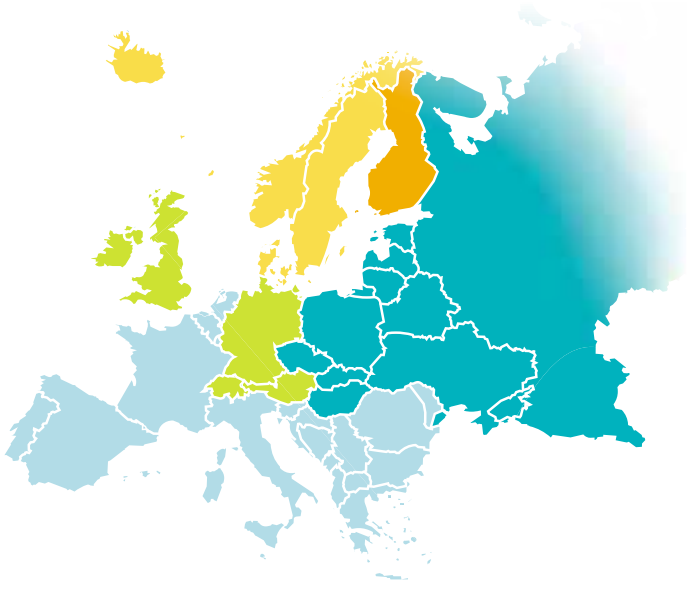
Finland
Market leader

Scandinavia
Home market position

Western & Central Europe
Strong position with Proprietary Products

Eastern Europe
Orion brand with Specialty Products

Southern Europe
Proprietary Products based entry



DID YOU KNOW THAT

64 per cent of Orion's personnel are women.

> Fill the gap.
> Build European presence.
> Act smart.

Act smart

The third main theme of the strategy is acting smart. It refers to continuous development of operations and finding new, innovative solutions.

Smart action also means examining people, management, processes, customers and partnerships as one entity, together with the strategy. Orion has drawn up a Business Excellence framework defining focus areas and areas for development based on management's self-assessment. The framework is used as guidance for Orion's operations: the company is building agile ways of working, putting them into practice as well as measuring and developing them constantly.

Significant examples of smart action include R&D and supply chain development projects aimed at further enhancing productivity and competitiveness.

Partnerships and competitive advantage

Orion wants to be a European partner and a well-known player in the European markets in selected areas of specialty medication and expertise. Partnerships are important for Orion in both research and the commercialisation of products. Orion prefers to share the costs and risks of the most extensive research phase with partners. For risk and financial reasons, partnerships are also formed to bring products to the market. The aim is, however, for Orion to have European-wide control of the marketing authorisations and pricing procedures of the proprietary drugs.

19

Orion has sales organisations in 19 countries. Orion's strategy is to build a more concrete European presence.

Orion trains its partners in the Orion way of working using its own guidelines. Orion also conducts surveys among its partners regarding the company's operations as a partner in order to identify areas for development.

Role of business divisions in the strategy

Orion is looking for synergies between the divisions and across all activities. In proprietary products, Orion wants to be a major, well-known European player that acquires new products for its portfolio through in-licensing, for example. The Proprietary Products portfolio must be developed in order for the company to remain competitive. In addition to new products, Orion is investing in maximising the current portfolio and managing product life cycles, as well as aiming to meet the needs of individual European countries by providing a wide selection of products.

To keep up with the competition, Orion must also introduce new products into the Specialty Products portfolio of generics. With this in mind, the company has been active in licensing generic products in recent years. While in 2005 Orion made less than ten launches, in 2008 the number of launches per year was more than ten times higher. In Specialty Products, it is important to be able to make full use of the synergies offered by Fermion. Fermion also plays a key role as a partner in the development of new drug molecules.

In veterinary medicines, Orion is a major Nordic player, and the aim is to increase awareness of the company in Europe. The Animal Health division is seeking to complement its portfolio with innovative products.

Orion Diagnostica is firmly established in its home markets of Finland and Scandinavia, and it is now tapping into the Eastern European markets to build its European presence. New business opportunities are being sought through value-adding diagnostic products as well as hygiene products.

» Read more about business divisions on pages 22–33.

Financial objectives

- The moderate organic growth of the net sales in the next few years is accelerated via product, portfolio and company acquisitions
- Operating profit will be increased
- Equity ratio is maintained at the level of at least 50%

Actual	2008	2007
Net sales, EUR million	710.7	680.0
Operating profit, EUR million	185.0	192.0
Equity ratio, %	60.2	76.2

Dividend policy

- In the dividend distribution Orion takes into account the distributable funds as well as the medium-long and long-term needs of capital expenditure and other financial needs required for the achievement of the financial objectives.

Actual	2008	2007
Dividend per share, EUR	0.95 *	1.00
Dividend, EUR million	133.9 *	141.3
Payout ratio, %	97.9 *	98.0

* Board's proposal to the Annual General Meeting

70

Orion is a medium-sized company in the European market and approximately the 70th largest pharmaceutical company in the world.

Business environment

Orion's business environment is global. The main market areas are Finland, the Nordic countries and other Europe. Orion has sales organisations in 19 European countries. In the USA, Japan and a number of other countries where the company does not have an organisation of its own, products are marketed through Orion's partners.

Pharmaceutical sales and market situation

In 2007, pharmaceutical sales worldwide were 712 billion US dollars, up by about 6.4 per cent on 2006. In Finland, pharmaceutical sales grew by 6.5 per cent in 2008. Orion is a medium-sized company in the European market and approximately the 70th largest pharmaceutical company in the world.

Orion's business environment is very demanding and characterised by hard competition and slow growth. Orion responds to challenges presented by the global market by working in close and active partnerships with other pharmaceutical companies.

The largest market for pharmaceuticals is North America with a 46 per cent share of pharmaceutical sales worldwide. Europe comes second with about 31 per cent. Japan constitutes about 9 per cent of the world total. In recent years, measures to rein in medicinal costs have distinctly slowed down the growth of sales in all the major markets, even the USA. On the other hand, the emerging markets are rapidly increasing their shares. The fastest market growth is now seen in the new EU member states and China, India and Russia.

As a result of improved standard of life in the emerging regions, people can now afford to buy drugs, which leads to vigorous growth in those markets.

All players in the pharmaceutical market are Orion's competitors. In addition to the traditional established pharmaceutical companies, new challenges are presented by so-called parallel importers and marketers of generics from India and China, among others. In Finland, the leading marketers of pharmaceuticals are Orion, AstraZeneca, GlaxoSmithKline, Pfizer, Novartis and Leiras. The world leaders are Pfizer and GlaxoSmithKline.

Diagnostic products

The global diagnostics market is estimated at about USD 35 billion.

Orion Diagnostica's customers include hospitals, health centres, laboratories, clinics, other pharmaceutical companies and food, process and mechanical engineering industries. Orion also engages in contract manufacturing of diagnostic products for other companies.

In 2008, the field of diagnostics was undergoing major changes worldwide. Many acquisitions were seen, and customers adopted an increasingly professional approach in their purchasing behaviour. Orion Diagnostica's most important goals in 2008 included restructuring the product portfolio and balancing the growth and profitability targets. The goals were achieved: the net sales increased, and the growth came from the most important product categories.

Competing in the global market

Orion's main market areas are Finland, the Nordic countries and other Europe. In the EU countries, the legislation concerning sales, registration and marketing of pharmaceuticals is quite harmonised, while there may be great differences between countries in the reimbursement systems and pricing.

There are many substitutable products available in the generics market, which makes correct pricing an important competitive advantage for a pharmaceutical company. In some market areas, however, the price of a product is less important than branding and properties. In these areas, success is built on

Net sales by market area 2008
%

Orion's business environment is global. The company's main market areas are Finland, the Nordic countries and other Europe.

good understanding of the product and correctly targeted product information to customers and consumers.

Orion's strength in the global market is based on flexibility and agility. Orion's intact value chain from research to marketing allows immediate response to changing situations. Orion's small size compared with its main competitors is an advantage, because it enables flexible decision-making processes.

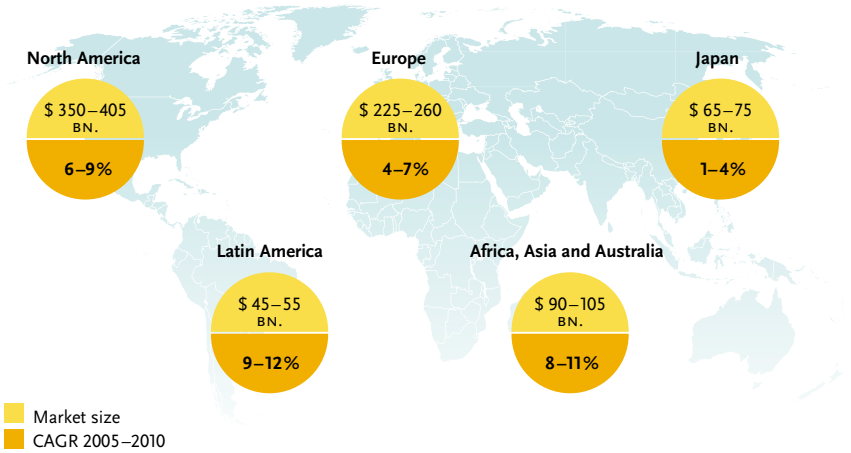
Year 2009

Sweden will abolish its pharmacy monopoly in 2009, which will enable free competition and transform the business environment. In April 2009, Finland will shift to reference pricing as the basis for reimbursement. Launches of new products will support Orion's growth in Finland. On the other hand, the growth will be slowed down by heavy price competition affecting mainly substitutable prescription drugs, which are an important sector for Orion. One of Orion's strengths lies in the way the company balances its business risks among its business areas. The company has many pillars to stand on.

Financial reviews contain the latest information on Orion's business environment. Read more at www.orion.fi.

Total pharmaceutical market forecast

Compound annual growth rate (CAGR) 2005–2010: 5–8%



Source: IMS Health, IMS Market Prognosis International, 2007

Appropriate medication saves money

In Europe, about 8.9 per cent of the annual GNP is going to healthcare, and that percentage is rising. On average, medicines account for 16.6 per cent of total healthcare costs in Europe.

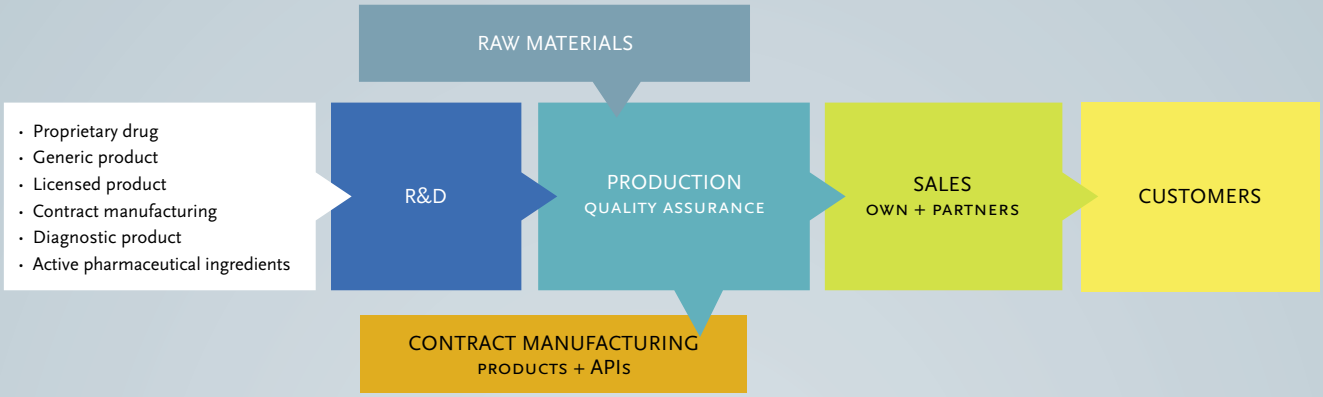
According to EFPIA (European Federation of Pharmaceutical Industries and Associations), investments into medication in the public sector are relatively low compared with the benefits gained. Today, cost pressures arising from the aging of the population, for example, are not sufficiently taken into account in budgets.

Pharmaceutical companies are developing more and more efficient medicines with improved therapeutic results, thus reducing public healthcare costs. Efficient medication shortens the time spent by patients in hospital care, which saves the hospitals' maintenance costs, for example. Thus, inpatient care resources can be allocated to those in need. Efficacious medication also improves productivity at the workplace, in result of reduced disability and absences for illness.

Read more on pages 65–73.

Orion's products are marketed worldwide, in more than a hundred countries. The company's sales organisation covers 19 European countries.

Orion's approach



Orion is an innovative R&D-based pharmaceutical and diagnostic company with an 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 products.

Orion aims to ensure transparency of the supply chain, high quality, safety and good partnership management in all activities to promote the well-being and satisfaction of Orion's customers.

Orion is committed to developing and producing health-promoting pharmaceuticals and diagnostic products for consumers and healthcare professionals. The company also manufactures active pharmaceutical ingredients (APIs). Orion markets its products globally through its sales organisations and partners. Orion always aims for innovation, high quality, cost-efficiency and safety, with a customer oriented approach.

Extensive product range

Orion manufactures pharmaceuticals, diagnostic products and active pharmaceutical ingredients. The pharmaceuticals include proprietary and generic products for humans and animals. In addition, the company manufactures and markets in-licensed products and engages in contract manufacturing for other companies. Orion produces active pharmaceutical ingredients for own use and for other pharmaceutical companies. The range of diagnostic products boasted by the company is extensive.

Strict criteria for raw materials

Orion imports most of its raw materials. The company applies a systematic quality assurance method to its suppliers regardless of their country of residence.

The suppliers of all pharmaceutical ingredients and other raw materials are audited. Orion makes on-site visits to evaluate the quality of the supplier's performance and products. The production procedures of pharmaceutical ingredients are carefully examined to ensure that they meet the official and Orion's own standards. If the quality criteria are met, Orion gives the company a quality classification and it may become Orion's supplier. Orion constantly monitors the quality of the supplier's products and conducts on-site evaluations to ensure that the company continues to meet Orion's criteria.

Supply chain

The supply chain comprises the entire process from purchasing of raw materials to manufacturing, packaging and delivery to customers, wholesalers, subsidiaries or other pharmaceutical companies. Orion wants to build a European-wide presence, which makes reliable deliveries extremely important.

All Orion's production plants are in Finland. Pharmaceuticals are manufactured in Espoo, Turku and Kuopio. The Hanko and Oulu plants engage in the manufacture of active pharmaceutical ingredients. Diagnostic products are made in Espoo and Turku.

300

Orion's manufacturing programme comprises about 300 medicinal products. Orion produces about 60 million product packages per year.

Orion's pharmaceuticals manufacturing programme alone comprises about 300 products. Orion produces about 60 million product packages a year. The Espoo and Turku plants manufacture a total of 2.3 billion tablets a year.

Orion's Supply Chain organisation manufactures, packages and stores products and delivers them to the customers cost-efficiently and reliably at the right time. About 950 people work in the supply chain and related quality assurance. The manufacture of diagnostic products has been partially integrated into the supply chain of pharmaceuticals.

Orion aims to cut the throughput time of products in the supply chain to half. Short throughput times mean fresh products for the customers. It is not rational for Orion to do everything itself. Therefore, the company uses reliable manufacturing subcontractors, when necessary.

Orion also seeks growth through contract manufacturing of pharmaceutical and diagnostic products for other companies. Rational allocation of the capacity improves the cost-efficiency of the supply chain operations, making it a key competitive advantage. Moreover, contract manufacturing helps Orion to expand its co-operation with the other players in the field.

High quality – the cornerstone

High quality lies at the core of Orion's business, and it is one of Orion's values. The aspiration for high quality is always present in Orion's activities, products and services. The employees' competence and their desire to do everything right are the sources of Orion's quality.

Orion evaluates its performance on a regular basis. It uses various indicators and quality standards to measure its progress in relation to other companies. Furthermore, customers and consumers monitor Orion's performance in terms of quality and service. The company regularly surveys the feedback from its stakeholders and responds accordingly. The evaluations and feedback form the basis for continuous improvement at Orion. In addition to internal auditing, Orion's performance is surveyed by several authorities.

The company's image plays an important role in the pharmaceuticals and diagnostics business. Orion emphasises the reliability of its quality and the world-class expertise of its employees. A pharmaceutical company cannot afford to lose its customers' trust. Once lost, trust would be very difficult to regain.

The quality organisation ensures that Orion's products and processes meet the quality criteria. At Orion, quality is everyone's responsibility. Quality management covers all of Orion's operations.

Orion monitors the quality and adverse effects of its products as long as they are available in the market. Good capacity to respond, together with appropriate documentation and full traceability, enable Orion to take quick measures to ensure the safety of the users of a drug, whenever necessary.

Quality management also covers all materials, pharmaceutical products and services purchased from suppliers. The quality of the suppliers' performance is evaluated and monitored throughout the duration of the business relationship.

The evaluation includes written reports on the supplier's performance, on-site audits and monitoring of the delivery accuracy and other results.

Safety above all

Orion has always placed particular focus on ensuring the safety of its products and the patients using them. The purpose of the company's safety policy is to ensure patient safety, disturbance-free continuity of operations, safety of employees and their working conditions, information security, and protection of the company's property and the environment from damage. The safety policy is in line with Orion's strategic goals.

Orion has provided its personnel with detailed operational and safety instructions. The company also employs extensive personnel resources and quality assurance and quality control systems to ensure occupational safety and cleanliness of production processes and laboratories. The work is done in classified clean rooms the conditions of which are under constant control.

The goal is full elimination of accidents. The company's accident rate is about half of the Finnish chemical industry average.

Sales

Orion's products are marketed worldwide, in more than a hundred countries. The company's sales organisation covers 19 European countries. In other countries, products are marketed through Orion's partners. Diagnostic products are also marketed through Orion's extensive network of importers and agents.

The advantages of networking are available to Orion through its marketing partnerships. Orion's most important partners are Novartis, Abbott, Pfizer, Hospira, Nippon Kayaku, GTx and Hexal. The partners market Orion's products in countries where Orion does not have a sales organisation. Partnership agreements and partnerships are initiated by contacting the best players in the field. Orion's sales organisations also market the partners' products.

Large customer base

In human and veterinary drugs, Orion's customers in Finland include doctors, hospitals and clinics, pharmacies and their personnel as well as consumers and their pets. In other countries, Orion's customers often include specialists of narrower medical fields, purchasing organisations of hospitals, and pharmacies. Customer work with doctors is interactive. Orion adheres to the strict ethical guidelines and procedures for marketing and sales in the pharmaceuticals business. The company's customers also include other pharmaceutical companies for which Orion acts as a contract manufacturer or to which it sells pharmaceutical ingredients.

Customers for diagnostic products include hospitals, health centres, laboratories, clinics, other pharmaceutical companies and food, process and mechanical engineering industries. Orion also engages in contract manufacturing of diagnostic products for other companies.

Best selling products based on in-house research

Orion's ten best selling pharmaceutical products in 2008 were the Parkinson's disease drugs Stalevo® and Comtess®/Comtan®, which are based on the entacapone molecule discovery. These products also topped the best selling list in 2007. The animal sedatives Domosedan®, Dexdomitor® and their reversal, Antisedan®, were in third place.

They are proprietary products of the Animal Health division.

In 2008, products originating from Orion's in-house research continued to rank high on the list of the company's best selling pharmaceuticals. This is proof of the profitability of continuous development of proprietary products.

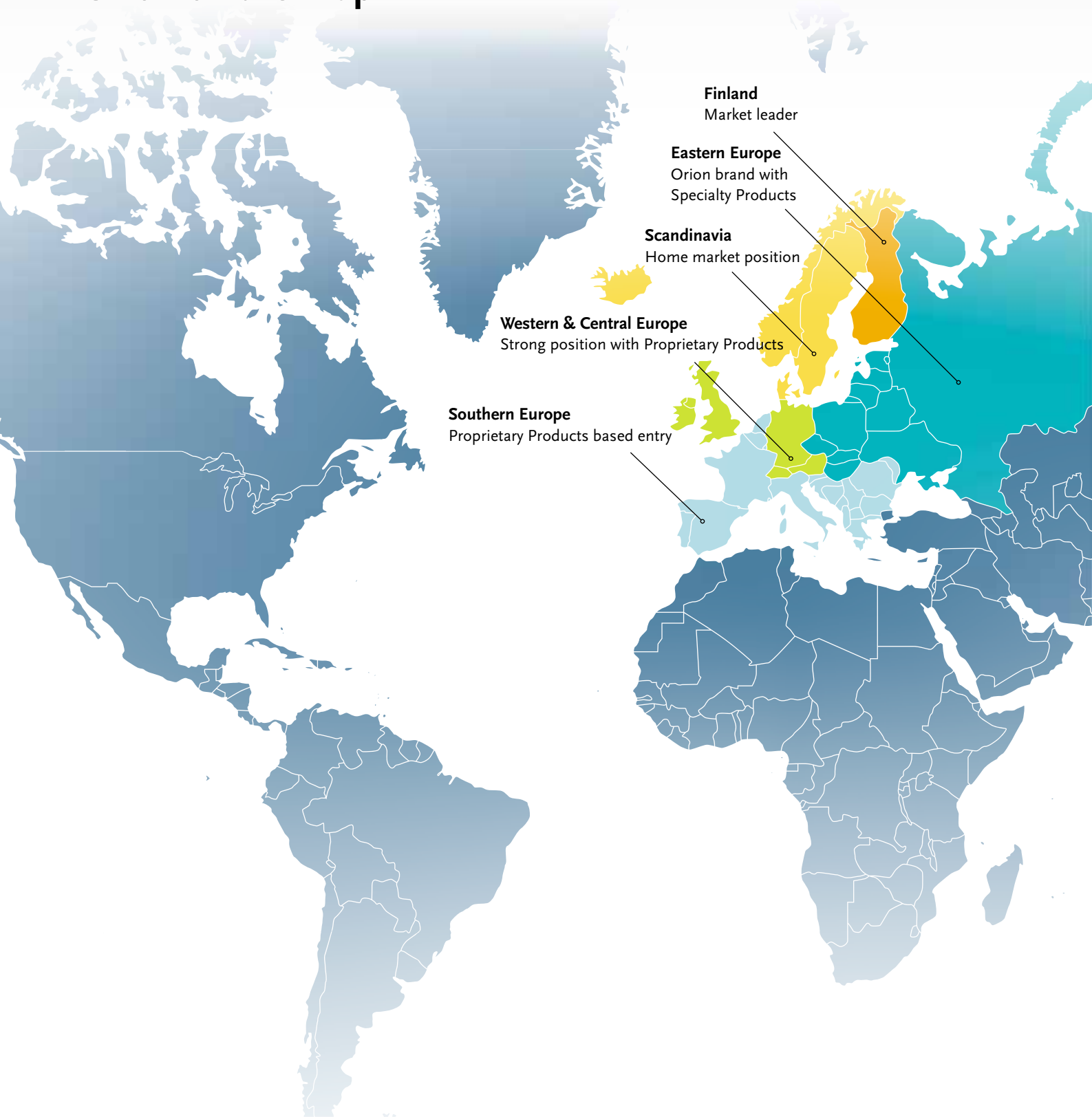
Net sales, EUR million

	2008
Stalevo® (Parkinson's disease)	141.0
Comtess®/Comtan® (Parkinson's disease)	67.4
Dexdomitor®, Domitor®, Domosedan®, Antisedan® (animal sedatives)	24.6
Easyhaler® product family (asthma)	22.2
Burana® (inflammatory pain)	19.4
Simdax® (heart failure)	17.3
Divina® product range (menopausal symptoms)	14.7
Enanton® (prostate cancer)	12.7
Fareston® (breast cancer)	10.5
Marevan® (anticoagulant)	10.1
Total	340.1
% of pharmaceutical net sales	50.9%

A drug based on Orion's proprietary pharmaceutical molecule invention and product development = proprietary drug

Other

Orion on the map



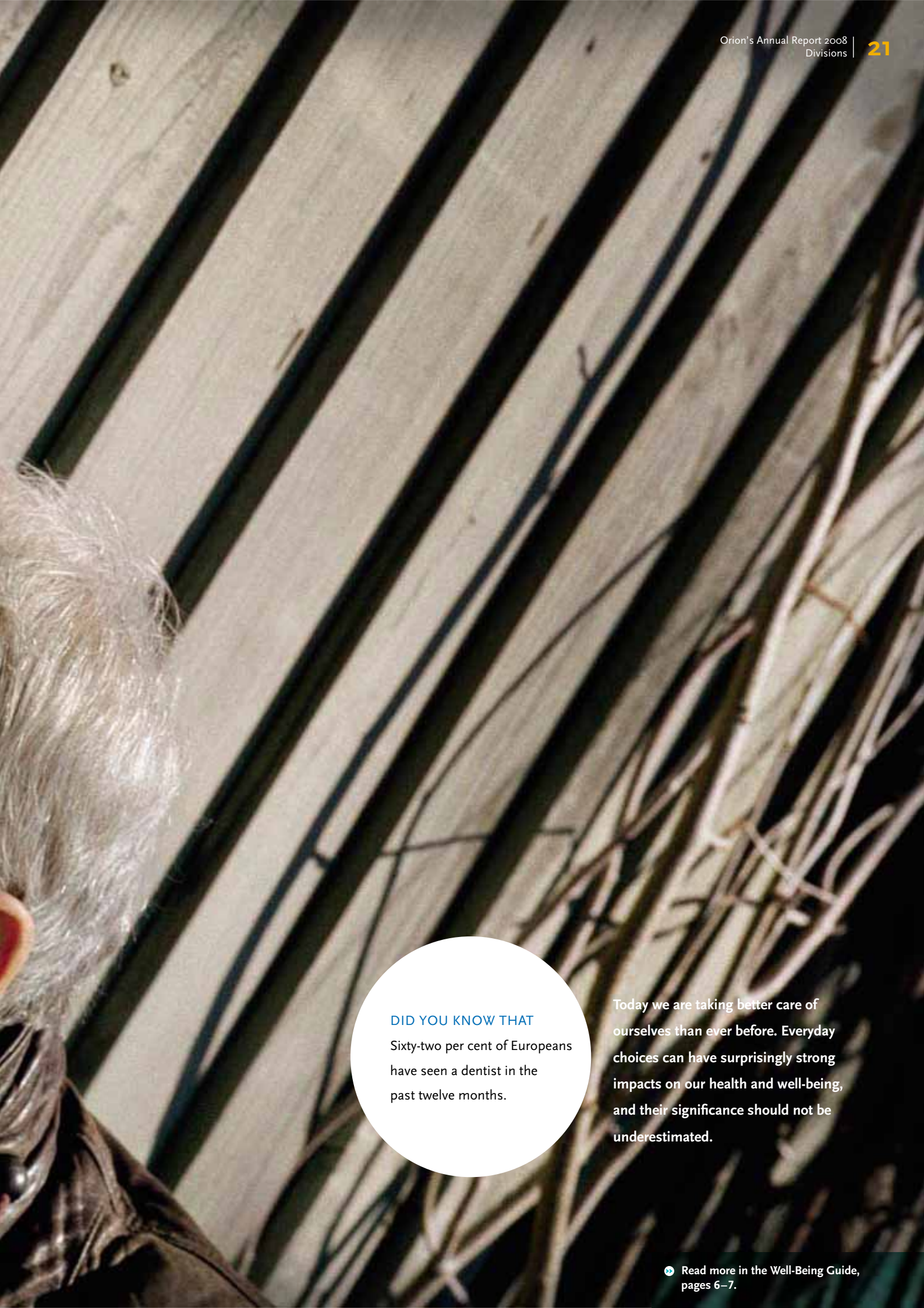
> Orion's strategy is to continue strengthening its position in Europe.

Orion's products are available in more than a hundred countries, and the company has own operations in about 19 European countries. Orion continues strengthening its own market presence in Europe. Orion's products are sold and marketed by partners in countries where Orion does not have an own organisation.

3,100 experts in 19 countries

Finland	• Headquarters • Administration • R&D • Production • Sales and marketing	2,520
Scandinavia	• Sales and marketing	130
Western & Central Europe	• Sales and marketing • UK: R&D	190
Eastern Europe	• Sales and marketing	200
Southern Europe	• Sales and marketing	60
TOTAL		3,100

» Read more about strategy on pages 8–11 and about personnel on pages 46–49.



DID YOU KNOW THAT

Sixty-two per cent of Europeans have seen a dentist in the past twelve months.

Today we are taking better care of ourselves than ever before. Everyday choices can have surprisingly strong impacts on our health and well-being, and their significance should not be underestimated.

» Read more in the Well-Being Guide, pages 6–7.

4+1

Orion's operations consist of four business divisions for pharmaceuticals and one for diagnostics.

Orion's divisions

Divisions of the Pharmaceuticals business

- Research, development, manufacture and marketing of pharmaceuticals and active pharmaceutical ingredients.
- Net sales of the Pharmaceuticals business were EUR 667.6 million and operating profit EUR 188.5 million in 2008.

Division of the Diagnostics business

- Development, manufacture and marketing of diagnostic tests.
- Net sales of the Diagnostics business were EUR 45.0 million and operating profit EUR 6.1 million in 2008.

Division	Specialises in
Proprietary Products Net sales in 2008: EUR 284.7 million	Orion's proprietary drugs for humans.
Specialty Products Net sales in 2008: EUR 254.0 million	Generic, i.e., off-patent prescription drugs and self-care products.
Animal Health Net sales in 2008: EUR 67.2 million	Veterinary products for pets and production animals.
Fermion Net sales in 2008: EUR 36.1 million	Manufacture and development of active pharmaceutical ingredients. Manufactures and sells ingredients also to other pharmaceutical companies.
Orion Diagnostica Net sales in 2008: EUR 45.0 million	Development, manufacture and marketing of diagnostic tests. Contract manufacturing for other diagnostics companies.

Customers	Product examples	Main market areas	Additional information
Specialists, particularly neurologists, urologists, oncologists, cardiologists and critical care specialists.	• Stalevo® and Comtess®/ Comtan® (Parkinson's disease) • Precedex® (sedative for patients in intensive care) • Simdax® (heart failure) • Easyhaler® (asthma) • Vantas® (prostate cancer)	Worldwide	» www.orion.fi
Doctors, general practitioners, pharmacies, hospitals, consumers.	• Burana® (inflammatory pain) • Aqualan® (basic ointment) • Multivita® (multivitamin) • Fareston® (breast cancer)	Finland, the Nordic countries and Eastern Europe including Russia	» www.orion.fi » www.itsehoitoapteekki.fi
Vets, pharmacies, consumers.	• Domosedan®, Dexdomitor® and Domitor® (animal sedatives) • Antisedan® (sedative reversal agent) • Aptus® (well-being range)	The Nordic countries, Poland, the Czech Republic, Slovakia, Hungary	» www.orionvet.fi
Orion, other pharmaceutical companies.	• APIs include Orion's proprietary substances entacapone, levosimendan, toremifene, detomidine, medetomidine, dexmedetomidine and atipamezole, and over 20 other, generic APIs	Worldwide	» www.fermion.fi
Hospitals, health centres, laboratories, clinics, other pharmaceutical and diagnostics companies and food, process and mechanical engineering industries.	• QuikRead® system and tests • Uricult® urinary infection test • Hygicult® test for monitoring of microbial loading and efficiency of cleaning • Easicult® for paper industry, airlines and oil companies • Turbox® analyser for protein determination	Worldwide	» www.oriondiagnostica.com

» Read more about the divisions on pages 24–33.

> We want to be a recognised European company in the chosen specialist therapy areas developing innovations for global market.

Proprietary Products

Orion develops and produces proprietary drugs for both humans and animals. The Proprietary Products division is responsible for Orion's proprietary drugs for humans. Orion had an eventful year in 2008. New marketing agreements boosted the company's business, including licences obtained for the urinary incontinence drug Kentera® and the Vantas® implant for prostate cancer. In addition, Orion initiated the process to extend the indication of the Parkinson's disease drug Stalevo®.

The research and development of proprietary drugs is a long process that can take up to 15 years and involves many risks. To become successful, a new proprietary drug must first prove its clinical superiority in the market. In addition, introduction of new pharmaceutical discoveries requires more and more intense marketing efforts.

Despite the tougher challenges, Orion has launched many successful products. The company has engaged in systematic research since the 1980s and has introduced seven proprietary drugs to the global market. Three of these are for veterinary use. Orion's proprietary product range is composed of Orion's own proprietary drugs and in-licensed products. The Proprietary Products division is composed of three core therapy areas: central nervous system, oncology and critical care, and respiratory products for Orion's proprietary device Easyhaler.

Best sellers boost growth

Proprietary Products is the largest division of Orion's Pharmaceuticals business. Its net sales in 2008 amounted to EUR 284.7 (270.8) million, which is 40 per cent of Orion's total net sales. Compared with 2007, the division's net sales increased by 5.1 per cent.

Orion is best known for its Parkinson's disease drugs, especially Stalevo® (levodopa, carbidopa and entacapone) and Comtess®/Comtan® (entacapone), which are based on the entacapone molecule discovery. Stalevo was Orion's best selling product in 2008, with sales rising to EUR 141 million. As a result of the success of Stalevo and Comtess/Comtan, the treatment of Parkinson's disease has become Orion's strongest area of expertise.

DID YOU KNOW THAT
Internationally, Orion is best known for its Parkinson's disease drugs.

Customers and products

Each of the Proprietary Products business units has its own best selling products. The leaders, Stalevo and Comtess/Comtan, are central nervous system drugs. Important products in the oncology and critical care range include Enanton® (leuproreline acetate), an injection for prostate cancer, and Simdax (levosimendan) for acute decompensated heart failure.

The division's customers include various specialists, such as neurologists, urologists, oncologists, cardiologists and critical care specialists.

At the end of 2008, Orion revised the Specialty Products and Proprietary Products divisions and their product portfolios to prepare for future challenges. The Easyhaler® products for the treatment of asthma and COPD (Chronic Obstructive Pulmonary Disease) were transferred to the Proprietary Products division in January 2009. The Divi product family of hormone replacement therapies and the breast cancer drug Fareston® (toremifene) were transferred to the Specialty Products division.

Partner network is an important resource

Orion markets its proprietary products worldwide. Partnerships and networking are essential for the company to be able to conduct research, develop new products and reach the world markets. Orion's main partners include Novartis, Abbott, Hospira, Takeda, GTx, Indevus and Oasmia. In Europe, however, Orion aims to have the control of the marketing authorisations and pricing procedures of its proprietary drugs.

The Proprietary Products business takes many forms. The number of in-licensed products in the product portfolio is increasing, and new, innovative formulations based on established drug molecules will be launched. The risks associated with the research and development

of new molecules are balanced by efficient management of the life cycles of proprietary products already on the market.

New licences boosted business in 2008

Internationally, Orion is particularly well-known for its neurological expertise. Orion ranks third in the world with its market share of Parkinson's disease drugs. This is of great importance when Orion is looking for new products to be included in its portfolio. Orion has also developed solid expertise in urology and prostate cancer, and the company ranks among the three largest Nordic companies in the treatment of hormone-dependent prostate cancer.

Based on the favourable results of the FIRST-STEP study conducted in patients with early Parkinson's disease, Orion is now seeking an expanded indication for the Parkinson's drug Stalevo® (levodopa, carbidopa and entacapone) in the USA and Europe. Stalevo is currently indicated for the treatment of advanced Parkinson's disease.

In 2008, Orion acquired licences for two new products. One of them is Vantas (histrelin), for prostate cancer. Vantas is an implant placed in the patient's arm for 12 months. The implant offers an alternative for injections administered several times a year, thus making the treatment easier for patients. Orion aims to launch Vantas in Europe in 2009–2010.

The other product in-licensed by Orion in 2008 is Kentera (oxybutynin), for the treatment of urge incontinence and overactive bladder. The marketing rights cover the Nordic countries and Switzerland. Kentera and Vantas are important boosters to Orion's product portfolio for urology and oncology, which previously included Enanton, a leuproreline injection for prostate cancer.

In addition to promoting business, Orion's new licence agreements help to balance risks associated with the development of new products.

In 2008, Orion had to defend its patents. ANDAs were filed in the USA on generic versions of Stalevo and Comtan. Therefore, Orion filed patent infringement lawsuits against the Wockhardt and Sun companies. By virtue of the legal proceedings, the realisation of generic competition regarding these products is neither certain nor imminent.

Preparing for tomorrow today

The Proprietary Products division is seeking growth particularly in new areas in Europe, focusing on neurology, oncology, critical care, asthma and COPD. Proprietary products play an important role in Orion's strategy, especially with regard to building and reinforcing presence in Central and Southern Europe. During the next few years, Orion aims to further expand its product portfolio through in-licensing. This way, Orion is getting prepared for the expiry of the patent for its most successful molecule discovery, entacapone, in the early part of the 2010s.

Relief for Parkinson's Disease

Parkinson's disease is a progressive neurological illness. Its basic symptoms include movement disorders, such as tremor at rest, bradykinesia (slow movement) and rigidity. The risk to develop Parkinson's disease begins to increase after 50 years of age, and about two out of a hundred 70-year-olds are affected.

The disease is incurable and its exact cause is unknown, but the symptoms can be relieved with correct medication and rehabilitation. Regular medication is initiated when the symptoms are causing notable inconvenience for the patient.

Orion is an expert on the medicinal treatment of Parkinson's disease. It has introduced significant new medicines, the most outstanding of which are Stalevo® and Comtess®/Comtan®, based on entacapone. Stalevo contains levodopa as the therapeutic ingredient and two enzyme inhibitors, entacapone and carbidopa, which enhance the effect of levodopa. Stalevo has been established as a standard treatment for advanced Parkinson's disease in its all major markets.

» Information on Parkinson's disease: www.parkinson.fi and www.epda.eu.com

Specialty Products

The Specialty Products division carries a range of 300 generic prescription drugs and self-care products for primary healthcare. The portfolio includes products developed and manufactured by Orion, as well as by Orion's partners. In 2008, Orion made a new record in product launches. The growth of Specialty Products has been in double digits, particularly in Eastern Europe, and the division has become a key pillar for Orion.

Proprietary Products and Specialty Products are the two strategic pillars of Orion's pharmaceutical business. The diverse and competitive Specialty Products portfolio drives steady growth and helps Orion to expand and achieve its growth targets.

Orion has developed most of its prescription drugs and self-care products independently. The company also manufactures the majority of its products. Orion's most familiar products for Finns are Burana®, Finland's best-selling painkiller, Aqualan® creams and Multivita® vitamins. Customers include doctors, pharmacies, hospitals and consumers, and the market area covers the entire Europe. Orion's main market areas are Finland, the Nordic countries and Eastern Europe including Russia.

New product launch record in 2008

In 2008, the Specialty Products division's net sales amounted to EUR 254.0 million (241.5). Compared with 2007, net sales grew by 5.2 per cent. Specialty Products account for 36 per cent of Orion's net sales. Currently, about 70 per cent of the division's net sales come

> The Specialty Products division has become a strong pillar of support for Orion.

from Finland. In Eastern Europe, the Specialty Products division achieved a growth rate of 32 per cent.

The number of new product launches have skyrocketed in a couple of years. In 2005, the number of launches was five and three years later, in 2008, about one hundred.

One of the most noteworthy events in 2008 was the launch of the Easyhaler® asthma medicines in Turkey through the Abdi Ibrahim company. Easyhaler became an immediate success in Turkey. From the beginning of 2009, Easyhaler products are included in the Proprietary Products division.

Understanding rules is essential for growth

Orion's solid market position in Finland is based on an extensive range of basic medicines for almost all of the most common illnesses and ailments.

A significant proportion of Orion's prescription drugs in Finland fall under the scope of generic substitution. The company's goal is to have an affordable, high-quality Orion alternative for a substitutable drug always available at the pharmacy. Orion's market position in Finland is largely based on generic products. As a Finnish player, Orion has a unique competitive advantage: the ability to ensure uninterrupted availability and reliable delivery for its entire product range anywhere in Finland.

In the new EU countries, Orion focuses on branded generics. Orion has worked systematically to acquire an understanding of the different rules applied in each country. Flexibility and quick decision-making help Orion to cater for its customers' different needs in every country.

Dependable suppliers ensure reliability of delivery

The success of the Specialty Products business is based on ensuring uninterrupted availability and reliability of delivery. Orion aims to respond to its customers' needs always, regardless of the situation.

Excellent management of the global supplier network is essential to be able to ensure reliability of delivery for an extensive product range. Dependable suppliers are indispensable for Orion. Replacement of a supplier may require extensive investigations and filing of various applications, which may jeopardise uninterrupted availability of products.

As a result of efficient product development and in-licensing activity, Orion is introducing an expanding range of products for primary healthcare in its European sales territories. Orion is also boosting the sales of its self-care products in the Scandinavian markets.

Part of the Finnish healthcare system

Orion promotes the well-being of Finns by supplying them with affordably priced, quality products for primary healthcare.

Compared with price levels in the other EU countries, Orion's prescription drugs marketed in Finland are not expensive. Based on volume, the market share of Orion's products in Finland is about 28 per cent. However, when measured in euros, Orion's share is 9.2 per cent of the wholesales of pharmaceuticals in Finland. This means that Orion's drugs sell very well, but the revenue is low in proportion to the volumes sold. Orion offers affordably priced high-quality drugs to Finns and the Finnish healthcare system, thus building well-being for all its customers from consumers to doctors, not forgetting the Finnish taxpayers.

Pillar firmly in the ground

The well-being of the patient is at the hub of Orion's vision and strategy. The Specialty Products division wants to be an agile and innovative player, who develops, manufactures and markets reasonably priced high-quality drugs that are of value for the society. The Specialty Products division also aims to maximise Orion's internal synergies, particularly in marketing and the product development of challenging products. Orion's strategy is to efficiently boost the Specialty Products business through these measures. The division is committed to expanding its business in accordance with Orion's overall expansion strategy.

Expansion in Europe and, particularly, the vigorous growth in Eastern Europe have made Specialty Products the second pillar for Orion, parallel to Proprietary Products. Orion expects the favourable trend to continue even after the on-going strategy period.

> Our goal is to become a European player and preferred partner through competitive product portfolios as well as innovative proprietary and generic products developed for the global market.

Animal Health

Orion is one of the best-known players in veterinary medicines in the Nordic countries. The product portfolio marketed by Orion includes both proprietary and generic drugs for production animals and companion animals. The Animal Health division's year was characterised by strong building of operations. As the East European market continued to grow, Orion established country organisations for Animal Health in the Czech Republic, Slovakia, Hungary and Poland to be able to respond to the increasing demand.

In addition Orion markets and sells products of several international manufacturers in the Nordic countries. The market area for veterinary medicines covers the Nordic countries, Poland, the Czech Republic, Slovakia and Hungary. Orion has country organisations for Animal Health in all of these regions. Pfizer, the world's largest company in veterinary medicines, also markets and sells Orion's animal health products outside the Nordic countries.

The most important products for the Animal Health business are Domosedan® (detomidine), Dexdomitor® (dexmedetomidine), Domitor® (medetomidine) and Antisedan® (atipamezole). The first three are sedatives, while Antisedan reverses the sedative effect. The newest sedative product is Dexdomitor for cats and dogs. It has already been launched in all the most important markets. The Animal Health division aims to make use of molecules Orion has developed for humans.

Orion's other veterinary products include cephalexin (an antibiotic for cats and dogs), Comforion (ketoprofen) NSAIDs particularly for cattle, and the non-medicinal Aptus® well-being range. The Aptus family has products that include important vitamins and trace elements and cater for pets' digestion, skin and fur as well as oral hygiene. Orion markets an extensive range of proprietary veterinary medicines in Finland and several in-licensed products in all of its market areas.

DID YOU KNOW THAT

The dog owner's exercise habits also have an effect on the dog's weight.

New country organisations and innovations in 2008

In 2008, Orion's focus in Animal Health was on business development. The net sales of veterinary medicines in 2008 amounted to EUR 67.2 (66.8) million. The Animal Health division accounts for 9 per cent of Orion's net sales. Sales growth remained at a modest level due to increasing generic competition.

In 2008, Orion responded to the growth of the East European market by establishing Animal Health country organisations in the Czech Republic, Slovakia, Hungary and Poland.

In accordance with Orion's strategy, the Animal Health division seeks growth through expansion particularly in Eastern Europe, working in close co-operation with Orion's human pharmaceuticals business to ensure cost-efficiency.

Orion was the first company to launch proprietary drugs specifically for veterinary use, in the 1980s. In recent years, the product offering has increased vigorously, and in 2008, many additional products were launched. One of the most notable launches was the introduction of the new generation sedative Dexdomitor in the USA and Europe. It has been available in Finland since 2005. Dexdomitor places a lower burden on an animal's metabolism compared with the medetomidine-based sedatives of the previous generation. The drug has been received well, and animals recover from sedation quickly.

In late 2007, Orion entered into a licensing agreement with the Swedish company Oasmia Pharmaceutical for Paccal® (paclitaxel), an investigational compound for humans developed by Oasmia for the treatment of human ovarian cancer. In March 2008, a licensing agreement for Paccal extended the co-operation with Oasmia to veterinary medicines. Paccal is a skin cancer drug being developed for dogs. In June, Orion acquired European-wide marketing rights for the product.

Treatment of animal cancers is becoming more and more common. Animal cancers are treated surgically and with applicable human medicines. Paccal will be among the first cancer drugs to be launched for veterinary use, and other customised treatments will be introduced in the next few years. Animal- and user-friendly formulations and administration routes will be introduced as well. Orion has developed

an easy-to-use, orally administered gel formulation of the Domosedan sedative for horses. It received a European-wide marketing authorisation in October. In the USA, a marketing authorisation application is pending. The product will be launched in 2009.

DID YOU KNOW THAT

Regular brushing of teeth promotes the dental health of your cat and dog and helps to prevent dental problems.

In September 2008, Orion received the right to market an extensive portfolio of Pfizer's veterinary medicines in Scandinavia. The portfolio covers various vaccines, a parasite drug for cattle, an NSAID for dogs and an insulin product for the treatment of diabetes in dogs and cats.

Orion's LEVET programme is studying the efficacy of orally administered levosimendan for the treatment of heart diseases in dogs, with the aim of obtaining marketing authorisations in the USA and Europe.

Strategy

Orion wants to become a major European player in veterinary medicines. To achieve this, the company is building a competitive portfolio based on proprietary drugs. In addition, Orion aims to further improve the profitability of its Animal Health business through in-licensed products to provide owners of animals with a full range of products they need.

Orion will focus on better partner management and on being a good and reliable partner to other animal health companies.

Compared with its competitors, Orion's strengths in animal health lie in its history as a major player in the Nordic market, its reliability as a supplier and its direct contact with the company's proprietary drug production and research.

Happy animal = happy owner

Pet owners are taking ever better care of their pets' well-being. In developed countries, sales of medicines for pets are increasing more vigorously than sales of any other veterinary medicines.

Orion promotes the well-being of animals by developing and offering innovative high-quality products. New aspects to treatment of animals are provided, for example, by a cancer drug for dogs (under development) or good-tasting generic drugs. Orion believes that happy animals make their owners happy. Therefore, the goal is to keep all customers happy – animals, their owners and vets alike.

Pets are often family members

The well-being of pets is becoming increasingly important for their owners, and they are ready to invest in it. The possibilities to treat pets have improved as well. In developed countries, the sales of medicines for companion animals are increasing vigorously compared with the sales of other veterinary medicines. Production animals account for about 60 per cent of the consumption of veterinary medicines, while companion animals account for about 40 per cent. The proportion of the latter has increased in recent years, as the owners are increasingly investing in the well-being of their pets. At the same time, the number of pets has continued to grow.

Good availability of information has made pet owners more aware of veterinary services for pets and the possibilities of treatment. This is reflected in the growth of the pet insurance business, for example. However, there are great differences between countries. In the USA, less than 5 per cent of the dogs are insured. In France and Germany for example, one dog in ten is insured, while in Finland an insurance policy is taken out for one dog in three. In Sweden, more than 50 per cent of the dogs are insured.

The demand for veterinary services has also increased strongly, particularly for dogs.

DID YOU KNOW THAT

Protective headwear protects the employee against exposure and ensures good product hygiene.

Fermion engages in the manufacture of active pharmaceutical ingredients (APIs).

Fermion

Fermion manufactures the active ingredients for Orion's proprietary products as well as for some generics. Fermion also manufactures and sells active ingredients to other pharmaceutical companies. As a manufacturer of active pharmaceutical ingredients (APIs), Fermion has an important role in Orion's business, as Orion particularly aims to boost the growth of its Proprietary Products and Specialty Products businesses in Europe.

Fermion has a notable role in Orion's business as a manufacturer of active ingredients for proprietary products. It is important for Orion to have full control of the entire proprietary product supply chain.

Fermion is composed of four business areas. The first of them is the manufacture and development of APIs for Orion's proprietary products. Fermion is the manufacturer of entacapone – Orion's most successful pharmaceutical innovation – for Parkinson's disease, and levosimendan for heart failure, for example. Fermion also manufactures APIs for generic drugs. In addition to supplying Orion with APIs, Fermion manufactures and sells ingredients to the pharmaceutical industry worldwide. It also offers development and manufacturing services to third parties.

Fermion's product development and marketing functions are located in Espoo, and the production plants are in Hanko and Oulu.

Fermion's net sales to other pharmaceutical companies in 2008 were EUR 36.1 (38.1) million, which is 5 per cent of Orion's net sales. External net sales are composed of manufacture and sales of ingredients to other pharmaceutical companies.

Direct contact with product development

Fermion markets its products worldwide. Its key competitive advantages lie in its customer-driven approach, cutting-edge technology based on innovations, reliability of delivery, dependability, high quality and cost-effectiveness.

DID YOU KNOW THAT

For example ibuprofen is an active pharmaceutical ingredient that is used in some painkillers.

Fermion and its customers form a solid network, which is particularly advantageous in international customer relations. Fermion operates in a direct contact with the product development organisations of many pharmaceutical companies.

With its Custom Research and Manufacturing Services (CRAMS) concept, Fermion provides selected customers with the same supply chain services that it offers Orion. The CRAMS business idea is based on long-term manufacturing contracts with third parties for substances based on their proprietary molecules.

Synergies for Orion

Orion particularly aims to speed up the growth of the Specialty Products and Proprietary Products businesses in Europe. As a manufacturer of active ingredients for Orion's proprietary products, Fermion has an important role in reaching this target. Growth is also sought through contract manufacturing of APIs.

Fermion is a strategic partner to Orion's product development organisation from the first stages of the development process. When the R&D organisation starts to study a new potential drug molecule, Fermion takes part in the project as an expert in chemistry. During the development process, manufacturing volumes may increase from milligrams at the early stage to hundred tonnes when the drug is finally launched. Elimination of impurities is essentially important from the very beginning, as well as consideration of environmental and safety issues.

Fermion's ability to manufacture Orion's APIs provides considerable synergies for Orion's business.

> We want to be a fast growing profitable company delivering rapid, cost effective and easy-to-use clinical and hygiene diagnostic solutions to selected Point-of-care and On-site locations.

Orion Diagnostica

Orion Diagnostica manufactures in vitro diagnostic tests and systems. In 2008, Orion Diagnostica continued to pioneer in the diagnostics market by launching the first Strep A test in the world that uses an instrument to interpret the test result. Orion's previous diagnostic pioneer product, the first hygiene test in the world based on printing technology, was launched in 2007. In 2008, Orion's CRP test, used for detecting bacterial infections, for example, beat the world record in measurement speed.

In addition to pharmaceuticals and active pharmaceutical ingredients, Orion also manufactures diagnostic tests. The Orion Diagnostica division specialises in diagnostics. The division manufactures in vitro diagnostic test methods and systems for healthcare service providers and industry. In healthcare, Orion's products are used to diagnose illnesses and monitor the efficacy of treatment. Most of the products are point-of-care tests.

Orion Diagnostica's products are marketed globally. Customers include hospitals, health centres, laboratories, clinics, other pharmaceutical companies and food, process and mechanical engineering industries. Orion also engages in contract manufacturing of diagnostic products for other companies.

Both the patient and the healthcare system benefit from a quick and correct diagnosis. The diagnostic method used by the doctor to evaluate the patient's condition and required treatment also notably affects the overall efficiency and cost of healthcare.

Orion's range of diagnostic products enables faster and more efficient diagnosis. The range comprises dozens of brands. The leading brand is the QuikRead® system, and the CRP test is its most successful application. A blood sample taken from the fingertip is measured for its C-reactive protein (CRP) content, with a raised value often indicating bacterial infection. The test helps the doctor to determine whether the patient is suffering from a viral or bacterial infection and whether a course of antibiotics is required.

DID YOU KNOW THAT

Visual evaluation is part of quality assurance.

Several industrial sectors use Orion's products for monitoring of hygiene. The food and cosmetics industries, for example, use the Hygicult® test for monitoring microbial load and the efficiency of cleaning. The paper industry and airline and oil companies use the Easicult® test to measure microbial load in industrial fluids and liquid fuels in order to optimise use and warehousing times.

Market leader with the fastest tests in the world

Orion Diagnostica's net sales in 2008 amounted to EUR 45.0 (42.0) million, which is 6 per cent of Orion's net sales. The division's net sales increased by 7.1 per cent compared with 2007. In 2008, the division's operating profit amounted to EUR 6.1 (6.3) million.

Orion Diagnostica made a world record in 2008: the QuikRead CRP test now gives the test result in one minute instead of two. Orion also held the previous record, two minutes. Thus, the QuikRead CRP tests, introduced ten years ago, have now beaten the world record twice.

Other achievements in 2008 included the start of launching the new QuikRead Strep A test also in the Scandinavian market. The test was developed to detect Streptococcus A, the causative agent of bacterial tonsillitis, in a pharyngeal sample. What makes Orion's Strep A test unique compared to other Streptococcus A tests is that the test eliminates misinterpretations. Traditionally, diagnostic tests for Streptococcus A are based on colour reactions and visual interpretation. Orion's Strep A test eliminates the wrong or uncertain diagnoses that may result from these various interpretations. Thus it provides the doctor with a more efficient tool for deciding on the necessity of treatment with antibiotics.

In addition to these recent achievements, Orion Diagnostica has maintained its market leader position in the world with the Uricult® dip slide test for diagnosing urinary tract infections. Orion has been a pioneer with the Uricult test since the end of the 1960s.

Major changes and strategy

Orion's primary goal in the diagnostics business is to continue as a leading company in selected areas of point-of-care diagnostic tests in healthcare. Orion Diagnostica's strategy is based on the interaction between and understanding of two different business environments: healthcare and industrial hygiene. Both aim to develop fast, easy-to-use and reliable products and services and to expand the business. The division works in close co-operation with the various parts of the Orion Group but is independently responsible for its customers and customer relations.

DID YOU KNOW THAT

Streptococcal Pharyngitis can be easily diagnosed by the help of the QuikRead Strep A test.

In accordance with Orion's strategy, the division aims for continuous overall improvement based on an innovative approach. Orion Diagnostica implements the strategy primarily through its own quality system. It conforms to the ISO 9001 (quality management) and ISO 13485 (quality management for medical devices) standards and applicable FDA requirements.

In 2008, the entire field of diagnostics was undergoing major changes worldwide. Many cross-industry acquisitions were seen, and customers adopted an increasingly professional approach in their purchasing behaviour. Orion Diagnostica's most important goals in 2008 included restructuring the product portfolio and balancing the growth and profitability targets. The goals were achieved: the division increased its net sales and improved its sales in the most important product categories.

Building well-being in 2009

In the near future, Orion Diagnostica's operations will increasingly be based on an innovative approach and an understanding of customers' needs. The major changes in healthcare services also have an effect on the field of diagnostics. Considerable changes in the business environment are expected in 2009 as well.

Customer-based thinking helps Orion Diagnostica to understand the changing market. In 2009, Orion Diagnostica will focus on the implementation of its ERP system. The division will promote growth by grasping new opportunities both in Finland and in the global market and by paying attention to trends that may affect the business.

QuikRead® CRP test for even faster results and clinical decisions

Diagnostic methods are constantly moving towards easier-to-use, faster and more reliable tests. The importance of rapidly delivered test results is accentuated by the increasingly stringent efficiency requirements imposed on healthcare services.

The leading brand in Orion's diagnostic product range is the QuikRead® system with its application, the CRP test. Since its launch ten years ago, Orion's QuikRead CRP test has ranked as the fastest in the world. The QuikRead test can be used to detect bacterial infections, for example. In 2008, Orion beat its own world record: the QuikRead CRP test now delivers the result in one minute instead of two.

A blood sample taken from the fingertip is measured for its C-reactive protein (CRP) content, with a raised value often indicating bacterial infection. The results of the CRP test, combined with the patient's symptoms, help the physician to decide whether the patient is suffering from a viral or bacterial infection, and whether or not a course of antibiotics is required.

DID YOU KNOW THAT

Studies indicate that owning a pet has a positive effect on children's self-esteem.

Being together and sharing as a family constitute part of our well-being. No matter whether your family is large or small – togetherness in the family can be enhanced through simple acts. For example, sharing everyday family routines can be of great importance.

Read more in the Well-Being Guide, pages 8–9.

> Orion focuses on three core therapy areas: the central nervous system, oncology and critical care, and respiratory products for Orion's proprietary device Easyhaler.

Research and development

Orion's pharmaceutical R&D develops new proprietary, generic and veterinary drugs to improve the well-being of patients.

In 2008, Orion invested about EUR 99 million, or 14 per cent, of its annual net sales in pharmaceutical research and development. Orion has an R&D unit in Espoo, Turku and Kuopio in Finland and in Nottingham, UK, employing a total of 610 people.

DID YOU KNOW THAT

Research and development work is done in laboratories and offices as well as on the computer screen.

On an international scale, Orion's R&D organisation is small, but its operations are fully global. Only an organisation that represents top quality on the world scale can be successful in the global competition. The organisation encourages innovativeness and continuous improvement and engages in international co-operation in projects to achieve its goals.

Balanced product portfolio reduces risks

The core expertise of Orion's R&D is based on selected target protein families that can be affected and used to treat various illnesses. Affecting the target proteins of a pharmaceutical mechanism requires insight and care. The overall effects on the patients – humans or animals – must always be considered. The core expertise is composed of this protein-level and overall understanding of the effects in relation to the desired therapeutic result, and an interdisciplinary R&D organisation with the capacity to process ideas into products.

The focus in the development is on the central nervous system diseases, oncology and critical care, and respiratory products for Orion's proprietary device Easyhaler. In addition, Orion engages in independent and collaborative development of generics and veterinary drugs.

Building a balanced portfolio is challenging: the development of a proprietary drug may result in great success but involves considerable risks, which is why Orion also develops lower-risk products, such as generics, veterinary medicines and improvements to existing products.

A new proprietary drug is a scientific victory

Drugs based on new chemical entities are always marketed globally. The development of a completely new drug is a long process. A successful result has great significance for individual patients, Orion and the society.

Typically, the majority of the investigated and developed product candidates never make it to the market. Orion aims to bring new proprietary drugs to the market faster than its competitors, with a lower loss rate. Orion allocates its resources so that an increasing share of the candidates can be developed into an efficient drug.

DID YOU KNOW THAT

In 2008, the Orion-Farmos Research Foundation awarded a total of EUR 521,000 in grants for medicinal research.

A long, phased process

The emphasis in Orion's pharmaceutical R&D is on early research, i. e., preclinical research and clinical Phases I and II. Preclinical studies involve extensive testing of the absorption, effects, metabolism and excretion of a molecule using various cell culture and animal models. The results of these tests form the foundation for structure-effect planning, which in turn is the basis for synthesising new compounds to be tested. A formulation, or dosage form, is developed for each new drug candidate, to be able to administer the drug in the clinical phases. Usually the formulation is a tablet or a capsule (investigational preparation). The safety of the active ingredient must be confirmed before clinical studies, i.e. studies in human subjects, can begin. Preclinical research usually takes 5–6 years and continues parallelly with the clinical trials.

Studies in humans may take up to ten years and typically comprise four phases. In Phase I, the drug is tested in healthy voluntary subjects. The main purpose is to determine the safe dose of the active ingredient in humans.

In Phase II, the drug is studied in a small group of patients. The purpose is to investigate the efficacy and safety of the active ingredient and to determine the optimal dosage. Phase II studies are usually double-blind studies. This means that some of the subjects receive the investigational preparation and others receive placebo and neither the patient nor the investigator knows who is getting which.

Phase III involves studies in up to thousands of patients to ensure the efficacy of the drug. The effects of the preparation are compared with the effects of placebo or an existing drug that is already in the market. Phase IV refers to studies relating to the safety, feasibility or use of a drug that is already in the market.

The results of each phase are documented. More than 100,000 pages of documentation may be produced before a drug receives a marketing authorisation and becomes commercially available. To receive a marketing authorisation for a drug, the evidence of its efficacy and safety must be convincing. The development of a proprietary drug may take as many as 12–15 years.

Cost-efficient generics

Generic drugs are based on substances of off-patent drugs. A new chemical entity is protected by the matter-of-substance patent for about 20 years.

Ongoing studies:

(THE SITUATION IN JANUARY 2009)

Orion focuses on the central nervous system, oncology and critical care, and respiratory products for Orion's proprietary device Easyhaler. In addition, Orion's R&D engages in independent and collaborative development of generics and veterinary medicines.

- Based on the favourable results of the FIRST-STEP study in patients with early Parkinson's disease, Orion is now seeking an expanded indication for the Parkinson's drug Stalevo® (levodopa, carbidopa and entacapone) in the USA and Europe. Another Phase III clinical trial aiming at an expanded indication, STRIDE-PD, progressed to an analysis phase of the results at the end of 2008. Marketing approvals would enable the use of Stalevo also for the treatment of early Parkinson's disease. Stalevo is now indicated for advanced Parkinson's disease.
- Two Phase III clinical studies are under way with dexmedetomidine, a sedative for intensive care patients administered as an infusion for more than 24 hours. These studies compare dexmedetomidine with midazolam and propofol. For both studies, 500 patients are planned to be recruited. The studies were launched in summer 2007, and results are expected in summer 2010.
- The LEVET programme is studying the efficacy of levosimendan in the treatment of heart diseases in dogs. Levosimendan is already the active ingredient in Simdax®, used for acute decompensated heart failure in humans.
- The Easyhaler® product family will grow with the development of a new product combining budesonide and formoterol for the treatment of asthma and COPD.
- An alpha 2_c adrenergic receptor antagonist is being studied in clinical Phase I. The possible indications of the antagonist include the treatment of schizophrenia and Alzheimer's disease.
- The potential use of oral levosimendan in the treatment of stroke in humans is being investigated in a preliminary clinical study.
- Several early phase studies are under way, investigating selective androgen receptor modulators (SARM), prostate cancer, neuropathic pain, Parkinson's disease, and various possible indications within intensive care, among others.

After its expiry, other pharmaceutical companies may start to manufacture and market so-called generic versions of the original preparation.

The main purpose of the patent is to secure innovations and the related investments, while the expiry of the patent helps to contain the costs to the patients and society. The development of generics focuses on confirming that the generic drug behaves like the original one. To obtain a marketing authorisation for a generic drug, its absorption and other pharmacokinetic profile must be similar to those of the proprietary drug.

DID YOU KNOW THAT
Expired drugs should be taken to the pharmacy for disposal.

There are no shortcuts in the manufacturing of generic products: the appropriate active ingredient must be acquired and the composition and production process of the drug must be established. Nevertheless, the development of generics is easier and less expensive compared with new chemical entities, as the active ingredient and its effects are already familiar. It takes about 2–3 years to develop a generic drug.

Veterinary medicines are based on human pharmaceuticals

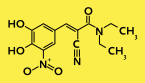
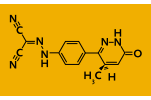
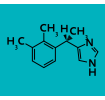
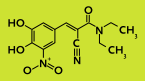
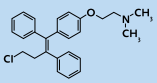
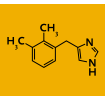
Ideas for new drugs for animals frequently arise during the research and development of human pharmaceuticals. The results of early studies with animal and laboratory models often suggest that the drug could also work in animals.

The efficacy and safety of veterinary medicines is ensured in the same manner as the efficacy and safety of human drugs. For example, Orion now has clinical studies under way investigating levosimendan as a cardiac drug for dogs. Levosimendan is the active ingredient in Simdax®, Orion's proprietary drug for heart failure in humans.

Experts at work

The development of new drugs for unmet needs is very rewarding: the researchers know that their work has significance for mankind. Well-being is also promoted within the organisation: Orion wants to offer its experts a stimulating and inspiring work environment.

Orion's Proprietary Products

	Indication	Active ingredient	Launched in	
Stalevo®	Parkinson's Disease	Entacapone	2003	
Simdax®	Acute decompensated heart failure	Levosimendan	2000	
Precedex®	Sedative for patients in intensive care	Dexmedetomidine	1999	
Comtan® & Comtess®	Parkinson's Disease	Entacapone	1998	
Antisedan®	Sedative-reversing drug for animals	Atipamezole	1989	
Fareston®	Breast cancer	Toremifene	1988	
Domitor®	Animal sedative	Medetomidine	1987	
Domosedan®	Animal sedative	Detomidine	1983	

Orion's R&D organisation allows space for innovation. We encourage cross-organisational co-operation and interaction between research phases and projects.

Efficient networking and partnering

In recent years, the pharmaceutical industry has strived to enhance co-operation between companies. Today, co-operation is a must: the business is diverse and it is increasingly demanding to develop new innovations. Orion's R&D organisation is relatively small on a global scale, which is why co-operation is its lifeblood.

We engage in partnerships particularly in the early stages of research projects and the large-scale clinical studies in Phase III. The co-operation in Phase III also is a way of opening markets for the product in the partner's home market.

Orion participates in the Innovative Medicines Initiative (IMI) between the European Commission and European pharmaceutical industries. IMI's overall goal is to make Europe again the world leader in pharmaceutical research. Pharmaceutical companies collaborate to overcome problems like the prediction of the safety and efficacy of drugs.

Traditionally, the major competitors of European pharmaceutical companies have come from the USA. In recent years, however, the pharmaceutical industries of Asia, particularly China, have grown vigorously. Orion also engages in continuous co-operation with other companies as well as universities. We have hundreds of collaborative projects under way. Orion's newest partners include the India-based Aurigene and the Finnish company Medeia.

Research and development terminology

Proprietary product — A pharmaceutical preparation or drug based on a proprietary pharmaceutical molecule invention, a new chemical or biological entity. After the expiry of the matter-of-substance patent (normally 20 years), other pharmaceutical companies may produce and market a generic version of the product.

Phase — A step in a clinical study. Clinical studies involve multiple stages referred to as phases.

Clinical study — A study conducted in human subjects to investigate the effects (efficacy and safety) of a drug in humans and/or the absorption, distribution, metabolism and excretion of the drug in the human body. The testing in humans may take up to ten years and usually comprises four phases. In Phase I, the drug is tested in healthy volunteers. The main purpose is to establish a safe dose of the active ingredient that can be administered to humans. In Phase II, the drug is tested in a small group of patients. The purpose is to assess the efficacy and safety of the drug and to determine the optimal dose. In Phase III, the efficacy of the drug is determined in blind studies in up to thousands of subjects. Some of them receive placebo or an established drug that is already in the market. Phase IV refers to studies on the safety, efficacy or use of a product that is already in the market.

Active pharmaceutical ingredient (API) — Active ingredient (AI) — A substance that has been described in detail and is active in the body, used in the manufacture of a pharmaceutical product or independently as a drug.

Molecule — The smallest (free) particle of a substance (element or compound) that retains the chemical properties of the substance and is composed of two or more atoms.

Preclinical study — An early, non-clinical study; study conducted prior to the clinical phases in human subjects. Preclinical tests involve the development of new molecules and investigations on their absorption, distribution, metabolism and excretion using various cell culture and animal models. The safety of the chosen molecule must be confirmed before clinical studies (studies in human subjects) can begin. The preclinical phase takes 5–6 years.

Generic drug — A drug that has the same active ingredient, strength and dosage form as the original preparation it is based on.

In-licensed drug — A drug for which a company has acquired the marketing or development rights, or both.

Drug discovery and development

It takes years of research, a countless number of tests and more than 100,000 pages of documentation to bring a new drug to the market.

The development of a new proprietary drug consists of three stages: early research, early development (Phases I and II) and late development (Phase III). The drug has to pass strict tests to progress from one stage to another. A marketing authorisation can only be granted if the studies and their results confirm a positive benefit/risk ratio of the product in the studied patient population.

The focus in Orion's pharmaceutical research is on early research and early development (Phases I and II). The comprehensive Phase III studies in patients are usually conducted together with partners selected for the further development and marketing of the drug.

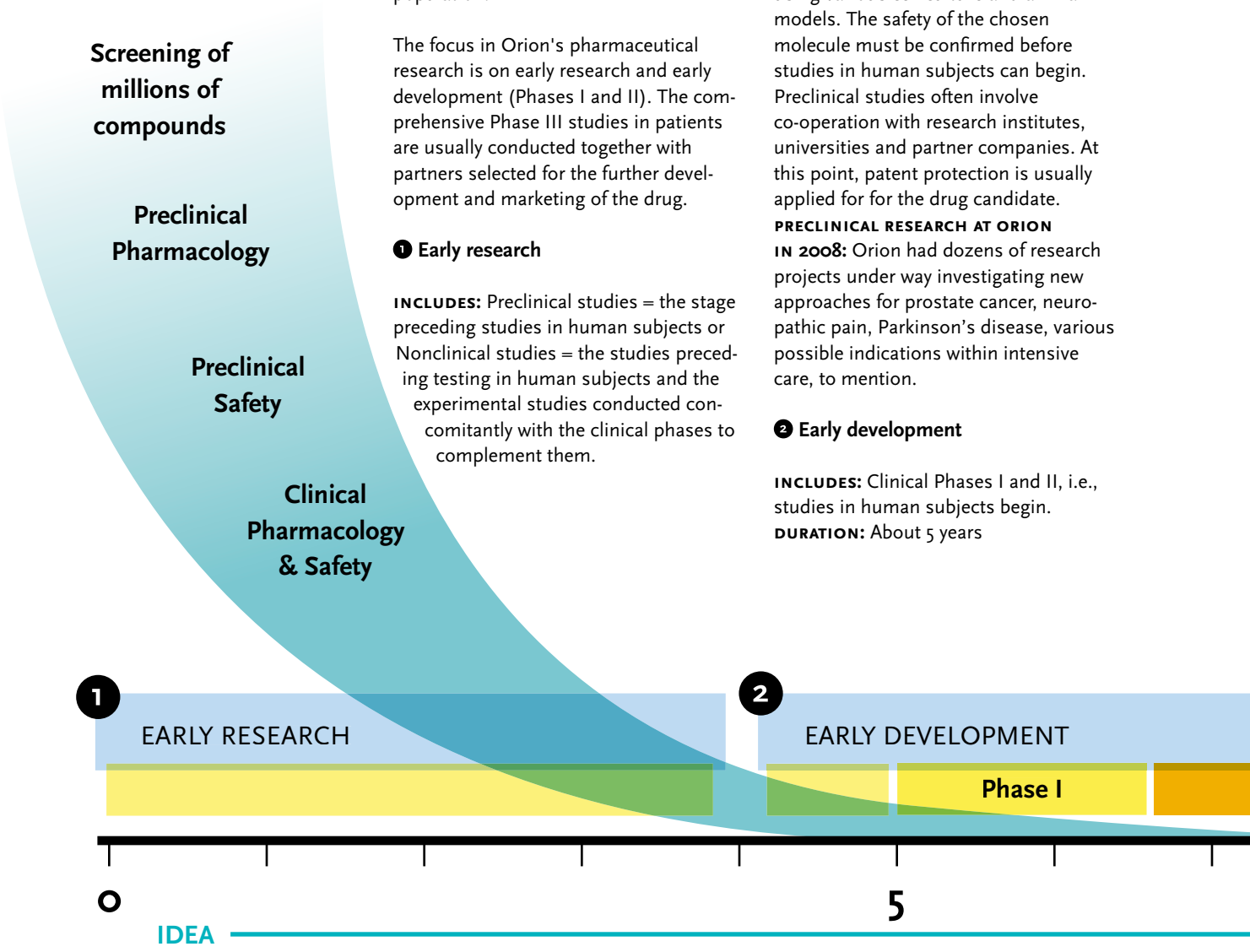
❶ Early research

INCLUDES: Preclinical studies = the stage preceding studies in human subjects or Nonclinical studies = the studies preceding testing in human subjects and the experimental studies conducted concomitantly with the clinical phases to complement them.

DURATION: Preclinical studies: 5–6 years. Nonclinical studies: 5–6 years and 7 years' development stage.
NUMBER OF MOLECULES INVESTIGATED: From about 10,000 molecules at the early stage down to 10 at the final stage
WHAT IS DONE: Preclinical tests involve the development of new molecules and investigations on their absorption, distribution, metabolism and excretion using various cell culture and animal models. The safety of the chosen molecule must be confirmed before studies in human subjects can begin. Preclinical studies often involve co-operation with research institutes, universities and partner companies. At this point, patent protection is usually applied for for the drug candidate.
PRECLINICAL RESEARCH AT ORION IN 2008: Orion had dozens of research projects under way investigating new approaches for prostate cancer, neuropathic pain, Parkinson's disease, various possible indications within intensive care, to mention.

❷ Early development

INCLUDES: Clinical Phases I and II, i.e., studies in human subjects begin.
DURATION: About 5 years



> It can take more than 15 years of meticulous research to develop a completely new drug.

NUMBER OF MOLECULES INVESTIGATED: One molecule at a time.
WHAT IS DONE: The purpose is to investigate the drug candidate's efficacy and safety in humans. The studies consist of phases.
EARLY CLINICAL DEVELOPMENT PROJECTS AT ORION IN 2008: The drug candidate chosen for an alpha 2_c receptor project proceeded to Phase I. Studies with a COMT inhibitor candidate was discontinued in Phase I. The potential use of oral levosimendan in the treatment of stroke in humans is being investigated in preliminary Phase I clinical studies.

PHASE I: The main purpose is to determine the safe dose of the active ingredient in humans. The studies are conducted in a small group of healthy subjects. In controlled conditions, the active ingredient is administered to them at escalating doses, starting with extremely low amounts. If no adverse effects are observed, the studies move on to the Phase II. Phase I type studies are continued during the later clinical phases to study various interactions between substances, for example.

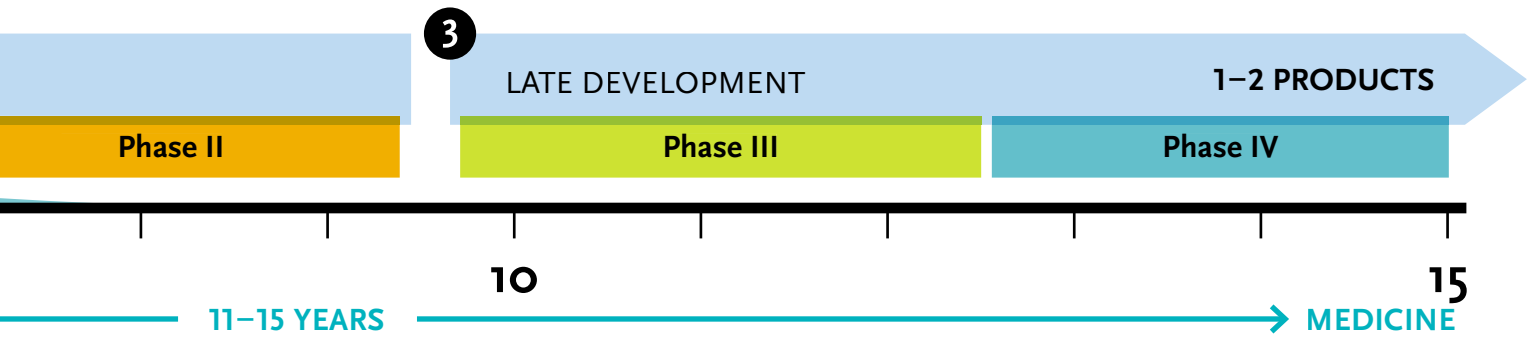
PHASE II: Phase II is the so-called proof of concept stage, where the drug's efficacy and mechanism of action are investigated in studies conducted in a small group of patients. The purpose of this phase is to obtain dosage information and to find out how well tolerated the drug candidate is. The objective is to establish the target indication and to determine the optimal dosage in respect of the efficacy/safety ratio.

❸ Late development

INCLUDES: Clinical Phase III, the most extensive stage conducted in human subjects.
DURATION: 3–5 years
WHAT IS DONE: The purpose is to confirm the drug's efficacy and safety in humans.
LATE DEVELOPMENT PROJECTS AT ORION IN 2008: Phase III studies with dexmedetomidine continued. Phase III of the STRIDE-PD study, aiming to expand the indication of Stalevo, was completed at the end of the year, and the data analysis began. A combination of budesonide and formoterol is being developed to the Easyhaler® product family. The efficacy of levosimendan is being investigated in the treatment of heart diseases in dogs.

PHASE III: Phase III is the most critical stage in drug development. The efficacy of the drug candidate is confirmed in clinics in different countries, involving up to thousands of patients. The studies are double-blind, which means that the patients, doctors and sponsors do not know who is receiving the investigational drug and who is receiving placebo or a standard drug already used for the target indication. This is the most expensive stage of drug development, accounting for two thirds of the total costs of developing a new proprietary drug. The phase involves extensive co-operation with partners to share the costs and risks.

FURTHER DEVELOPMENT OF ESTABLISHED PRODUCTS
PHASE IV: Phase IV of the clinical studies: follow-up and further studies of drugs that are already in the market.
NUMBER OF MOLECULES INVESTIGATED: One
DURATION: Varies
WHAT IS DONE: New indications are sought for the drug, or its safety in patients is studied.
PHASE IV DEVELOPMENT AT ORION IN 2008: Orion studied Stalevo in a multinational Phase IV study.



DID YOU KNOW THAT

European employees have about seven weeks of paid holiday per year.

As a counterbalance to work, Europeans are paying more and more attention to their leisure time. While efficient use of leisure time is a topic of much discussion, many people have found that just taking it easy can be the best way to relax after a hectic day at work. The right balance between work and leisure is different for each person, and we should find the kind of balance that is right for us.

» Read more in the Well-Being Guide, pages 10–11.

9%

Orion has joined the energy efficiency programme for Finnish industries aiming to cut energy consumption by nine per cent by 2016 compared with the 2005 level.

Orion is committed to responsibility

Orion strives for innovative, reliable, safe and high-quality performance. Therefore, responsibility is equally important in everyday work and in decisions that affect the future.

DID YOU KNOW THAT
Orion ensures its operating capability in all situations and keeps a reserve inventory of the most important ingredients.

In 2008, Orion committed to two important voluntary environmental initiatives: the Energy Efficiency agreement of the Confederation of Finnish Industries EK, and the chemical industry's global Responsible Care programme. This way, Orion contributes to the efforts to fight climate change and aims for an even more responsible corporate citizenship.

Towards better energy efficiency

By signing the Energy Efficiency agreement, Orion undertakes to cut its energy consumption by nine per cent by 2016, compared with the 2005 level. This includes the consumption of electricity, heat and fuels. The calculations are adjusted to the changes in production volumes.

The nine per cent goal is challenging but worth the effort. Higher energy prices have made energy conservation a considerable competitive advantage in the increasingly tough global market, and its importance will continue to grow. The content of the agreement also supports the goals undertaken by Finland and the EU.

Energy conservation cannot be based on lower production or less convenient working conditions. Orion is now investigating its options for energy conservation and developing an energy efficiency plan. Energy consumption by energy type will be examined and target values determined at each site. In addition to technical expertise, this will require innovativeness and adaptability.

Responsible Care – responsibility for tomorrow

The Responsible Care initiative is the chemical industry's voluntary global programme on health, safety and environmental issues. Under the programme, companies work to continuously improve their performance. As a member of the programme, Orion has undertaken to improve its performance in the management of environmental, health and safety issues. Transparency and active communication between stakeholders are the cornerstones of the programme.

The participating companies monitor their progress using various environmental and safety indicators. Performance is monitored at both company and national level. Responsible Care is globally the most extensive voluntary responsibility programme for industries, involving 52 countries around the world. The programme has achieved international acclaim as an example of successful voluntary co-operation and a significant contribution to sustainable development.

> It is important for Orion to have good relations with all of its stakeholders.

Stakeholder communication

	Forms of dialogue	
Customers	• Personal selling • Product support • Customer magazines • Customer events • Product brochures • Product launches	• Fairs and other events • Extranet sites, product websites • OrioNetshop • Multi-level co-operation with distributors and customers
Partners and subcontractors	• Interaction between the purchasing department and suppliers • Supplier evaluation	• Trade fairs and exhibitions • Website
Investors and shareholders	• Annual General Meeting • Annual Report and Financial reviews • Stock exchange releases and press releases • Capital Markets Days • Meetings with investors	• Replying to investor enquiries • Investor fairs and other events • Investors section on Orion's website
Media	• Annual Report and Financial reviews • Stock exchange releases and press releases • Articles • Meetings with the media	• Replying to media enquiries • Website
Society Authorities / Neighbours / Organisations	• Co-operating with and reporting to the authorities • Annual Report • Environmental Report	• Participation in activities of interest groups • Website
Personnel	• Performance reviews • Work climate surveys • Employer-employee co-operation • Training	• Initiatives and innovation scheme • Intranet • Personnel magazine • Website
Educational institutes	• Research and development projects • Practical training and thesis projects • Recruitment fairs • Guest lectures	• On-site visits for students • Website

Orion engages in active and regular dialogue with its interest groups. Appropriately targeted information and use of several communications channels are essential for keeping them up to date on Orion's performance. In return, stakeholders give valuable feedback that helps Orion to improve its performance.

Personnel

Orion is Finland's largest pharmaceutical employer and an international work environment for multi-talented people. Orion is known as an attractive employer. The company's investments in well-being and training have resulted in a lower than average employee turnaround rate. Working atmosphere surveys indicate that the quality of management at Orion is clearly above the Finnish average.

Orion has about 3,100 employees. More than 2,500 of them work at Orion's Finnish locations. Today, Orion is present in 19 countries.

The pharmaceutical industry offers an opportunity to work in an international environment and a variety of challenging career opportunities for experts in different fields. The jobs of multi-talented Orion employees range from research and manufacturing to sales and marketing. Orion itself trains its sales representatives and employees for some jobs in production.

Sixty-four per cent of Orion's employees are women. The percentages of permanently employed and fixed-term employees are 84 and 10, respectively. The largest age group is 40–49-year-olds, constituting nearly a third of all Orion employees. The proportion of 30–39-year-olds is almost as high.

Building employee well-being

The purpose of the HR management is to help Orion achieve its strategic goals. The strategy is supported by ensuring the availability of the necessary competences by means of, for example, training courses for superiors and experts as well

> Orion's goal for occupational safety is to achieve a zero accident rate.

as for managing change. The HR management contributes to Orion's geographic expansion by assisting in the recruitment of staff to new offices. Competent employees are the key for Orion's success, and the successfulness is dependent on the company's ability to recruit, develop, train and motivate professionally skilled personnel.

Orion copes with the challenges of ageing employees by investing in high-quality occupational health services and human resources management processes, which pay back in the form of low personnel turnover. Mentoring is one of the excellent means of transferring skills and competence.

Values unite

Orion's values are mutual trust and respect, innovation, customer focus, achievement and quality, reliability and safety. Everyday work at Orion is guided by these values. Well-implemented values unite Orion's employees. When the values were updated in 2007, more than 80 per cent of the personnel participated in the value discussions. In addition to joint values, Orion employees are united through the industry, which strives to promote well-being.

Well-being at work

Orion conducts an annual working atmosphere survey to gauge well-being at work. Its results are discussed on the Orion Executive Management Board and in each department. Based on the results, work teams decide on measures to improve working atmosphere and well-being at work. The established, systematic process and commitment to tackling the problems identified in the surveys have resulted in high response rates (more than 80 per cent in 2008). Efficient handling of matters has had a positive effect on working atmosphere survey results, which have improved each year. Orion's occupational safety and well-being activities focus on prevention, and risk assessments are carried out on a regular basis.

Orion supports its employees' well-being and leasure activities by offering a variety of opportunities for recreation and physical exercise.

The employees are also members in various incentive schemes. Some employees are included in a performance-based bonus system, and Orion also applies an "instant bonus" system that can reward anyone for good performance.

Implementation of strategy through training

Orion's extensive range of training programmes aims for efficient implementation of the company strategy. On average, each Orion employee has 5.5 days of training per year.

Orion has a special training programme for the management and tailored programmes for experts. A mandatory training course and other additional courses are offered for supervisors on various topics, such as managing change and problematic situations.

Orion's extensive range of training programmes includes project and team training, courses in interaction and languages, IT training, sales training and other courses to improve professional skills. In future, Orion aims to place more focus on training programmes for experts. The quality of training is monitored closely, and Orion controls the quality of external training service providers as well.

Occupational safety and accident rate

At Orion, safety issues are supervised by a safety management team. It is responsible for the overall development of safety, and it sets goals for safety. The company's Safety Guide is for the entire personnel. It contains basic safety instructions and explains how to act in exceptional situations. The Safety Guide underlines the fact that it is everyone's duty to care for safety at work and never to consciously violate safety instructions, jeopardise anyone's safety or cause damage to property.

Orion aims to achieve a zero accident rate. At annual level, most accidents at Orion have been minor, and no major accidents have occurred. Orion's accident rate in 2008 was 7.3 (7.9 in 2007). The average accident rate in Finnish chemical industry companies in 2007 was 13.5.

There were fewer days of absence and accidents were generally less serious than in 2007. The average absence caused by an occupational accident was 9.0 days in 2008 and 5.5 days in 2007. The most common accidents were getting hurt by objects, falling, stumbling and slipping and being subject to sudden physical strain.

Orion has not had any cases of occupational diseases caused by chemicals.

Orion's values

Orion values communicate our common goals and help us in orienteering in 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.

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 professionals from various fields and to bring our own expertise into our joint projects.

Achievement

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

Quality, reliability and safety

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

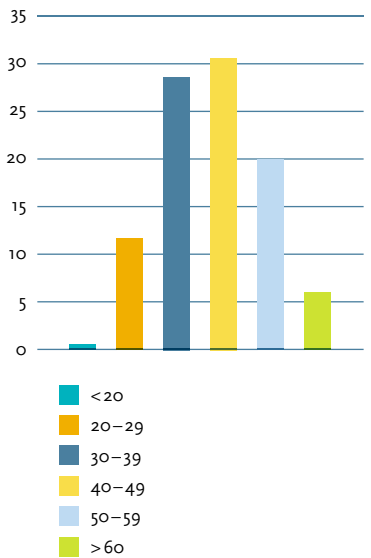
Equality and occupational health

Orion respects human rights. A person may never be discriminated against on the basis of his or her age, gender, religion or ethnic background at any time while being employed at Orion.

Occupational healthcare aims for a healthy and safe working environment, well-functioning work community, prevention of work-related illnesses and accidents, as well as maintenance and promotion of the employee's working capacity throughout his or her career. The means to achieve this include, for example, appropriate occupational health services, industrial safety activities, intoxicant services, smoking cessation groups, investigations of working conditions, follow-up of coping at work, enhancement of working capacity, first aid preparedness and promotion of mental well-being.

Age structure 2008

%



3,100

Orion has about 3,100 multi-skilled employees. Their jobs range from research and manufacturing to sales and marketing.

Main events in 2008

Central themes in 2008 included enhancement of competence management and international presence. During the year, Orion harmonised its competence management processes and extended its management training programmes to Russia. Modernisation of the appraisal discussion process was initiated and more emphasis was placed on job rotation and career planning.

Orion's efforts to continuously improve the work climate were recognised in the Great Place to Work contest, in which Orion's Finnish pharmaceutical sales and marketing organisation was awarded as the second best place to work in Finland and the eighth best one in Europe in the category of small and medium-sized companies.

Regular dialogue between the management and personnel continued in 2008. Orion's European Works Council convenes every year. Moreover, management and employee representatives meet at national and local councils many times during the year. A representative of the employees is a member of the Executive Management Board of the Orion Group.

Top quality management

Orion strives to establish and maintain a good employer image. The company engages in continuous co-operation with students, educational institutions and other stakeholders.

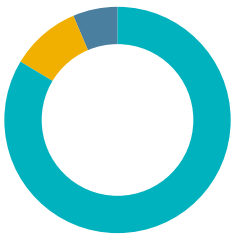
Throughout the 2000s, Orion has placed special focus on HR management and supervisory work, which can be seen in the results of working atmosphere surveys conducted with the Finnish Institute of Occupational Health. The values of Orion's management indicators are clearly above the Finnish average, and the results show that Orion is one of Finland's top companies with regard to good management.

Orion's employee turnaround rate is low. The average rate in Finland is about eight per cent, while Orion's rates are about five per cent for exempts and white collars and three per cent for blue collars.

What will happen in 2009

The central themes in 2008 included enhancement of competence management and international presence. This will continue in 2009. Moreover, Human Resources will support the implementation of Orion's strategy in many ways, including internationalisation of the personnel. To achieve its goals, Orion promotes international job rotation, for example.

Personnel by employment type 2008
%

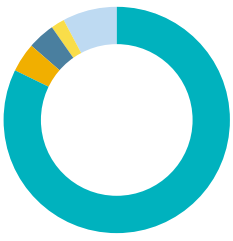


- Permanent, 84%
- Fixed-term, 10%
- Other, 6%

Personnel by gender 2008
%

- Women, 64%
- Men, 36%

Personnel by area 2008
%



- Finland, 82%
- Scandinavia, 4%
- Germany, 4%
- UK and Ireland, 2%
- Other, 8%

> Orion's environmental goals include low production of landfill waste and efficient use of hazardous waste in energy production.

Environment

Caring for the environment has an essential role in Orion's operations. It also is an important element of the high quality level that is self-evidently associated with the manufacture of pharmaceuticals and diagnostic tests. In 2008, Orion's environmental investments totalled EUR 1.3 million. After the record-high EUR 5.3 million investments in 2007, Orion now focuses on reduction of the amount of landfill waste and use of hazardous waste in energy production.

Orion's environmental activities consist of air protection, waste water management and soil protection. In addition, general waste management is included in the environmental activities. Orion takes environmental impacts into consideration in every stage of product development and manufacture. Also contract manufacturers, vendors and other partners are requested to comply with the same high environmental management standards as Orion itself. The compliance and appropriateness of partners' operations are ensured by means of quality agreements, audits and other procedures.

Orion's safety policy also obligates to identify the environmental impacts of the decisions and solutions, to develop operations to preserve the diversity of nature, and to establish procedures in case of accidents. The employees also are required to comply with Orion's environmental values.

Environmental regulations associated with emission permits are location-specific. Orion's API plant in Hanko has a waste water treatment plant and the Oulu plant has equalising tanks. Solvents, for example, contribute to the environmental load of waste waters coming from these chemical plants. Waste water emissions from other plants are mainly waters that have been used for washing manufacturing equipment. Therefore, there is no need for a treatment plant or equalising tanks.

All Orion's production plants are in Finland. Pharmaceuticals are manufactured in Espoo, Turku and Kuopio. Active pharmaceutical ingredients are produced in Hanko and Oulu. Diagnostic products are manufactured in Espoo and Turku.

From hazardous waste to thermal energy

Orion monitors the environmental impacts of its operations by measuring emissions and keeping track of waste amounts and the volumes of substances and energy consumed. Despite increased production volumes, the company has kept its environmental management up to standard: emissions of methylene chloride, the most hazardous solvent, have ceased altogether, recycling of waste has increased and energy consumption has decreased in proportion to production volumes. Even hazardous waste is converted to energy.

Manufacturing of pharmaceuticals often produces hazardous waste. Orion's hazardous waste comes mainly from Fermion's plant in Hanko. Active pharmaceutical ingredients are manufactured there through chemical synthesis. The plant's new combustion system, delivered and owned by Ekokem Oy, can handle some of the solvent waste that used to be sent to Ekokem's plant in Riihimäki for disposal. The combustion system was fully implemented in 2008 to produce energy for the Hanko plant.

As little as 0.5 per cent of the solvents used in the processes now evaporate into the air, while the permit allows five per cent.

Treatment of other hazardous waste is arranged in co-operation with Ekokem. Most of Orion's hazardous waste is sent to Riihimäki and burned. Ekokem uses Orion's hazardous waste to produce a considerable amount of heat energy for the city of Riihimäki, for example.

Orion's most important individual recycling procedure is distilling. Each API plant has a distillery. The Hanko plant recovers more than seven thousand tonnes of solvents by distilling each year, and the Oulu plant recovers about eight hundred tonnes. Most of the distillation product is recycled to the processes of the plants.

Reduction in landfill waste

Orion aims in general to reduce the total amount of waste and especially to cut the amount of landfill waste. The plans include recycling ordinary landfill waste as efficiently as possible. The waste would be burned to release energy, which would then be recovered. This would reduce the amount of waste and methane emissions.

Year 2008

In 2008, Orion focused on developing and supporting the big investments made in 2007. The combustion systems built at Fermion's Hanko and Oulu plants in 2007 were fully implemented during the year.

Orion took measures to reduce soil contamination risks at the Oulu plant. In 2008, the company modernised pipes at

the plants for easier detection and repair of leaks.

The Oulu plant uses a combustion plant that reduces solvent emissions into the air considerably. Cooling capacity was also improved, resulting in lower amounts of evaporated solvents. In 2008, management of waste waters was improved in Oulu by integrating the waste water management system into the process management system.

At the Turku plant, Orion invested in new scrubber equipment. Evaporated solvents from manufacturing processes mix with the plant's outlet air. More than 90 per cent of them are now removed from the air by scrubbers.

Environmental hazards under strict control

Orion takes notice of any detected exceptions with regard to safety and environmental goals. For example, if a small amount of solvent is spilled, it is immediately reported in accordance with an internal notification system. The purpose of the reporting is to prevent further damage and improve prevention of hazards. No major environmental hazards have occurred at Orion in recent years.

Reduction of waste water emissions

Orion works systematically to decrease emissions from pharmaceuticals manufacturing. It aims for continuous reduction of waste water emissions, particularly by more efficient pre-cleaning of equipment. The goals include cleaner equipment and more efficient recovery of substances. Another goal is recycling of the cardboard drums used in product transport, within the frame defined by Good Manufacturing Practices (GMP).

Financial benefit from future emission goals

The environmental impacts of chemicals have become an increasingly important issue. Currently there are two European projects under way that address research of the environmental impacts of chemicals and distribution of available information. These are the REACH legislation and the GHS (Global Harmonisation System), also known as CLP (Controlling, Labelling and Packaging). At Orion, these projects have an effect on research, safety markings and communications.

The amount of hazardous waste sent to Ekokem's plant in Riihimäki will continue to decrease in 2009, mainly because of the combustion system implemented in Hanko. The plant recovers energy and produces steam for the manufacturing processes. Another environmental advantage is the reduction in truck traffic from Hanko to Riihimäki, as hazardous waste is no longer transported away from Hanko.

In May 2008, Orion joined the Energy Efficiency programme of the Confederation of Finnish Industries EK. Under the agreement Orion aims to cut its energy consumption by nine per cent by 2016, compared with the 2005 level.

In 2008, Orion also became a member of the chemical industry's global Responsible Care programme.

Towards better energy efficiency

By signing the Energy Efficiency agreement, Orion undertakes to cut its energy consumption by nine per cent by 2016, compared with the 2005 level. This includes the consumption of power, heat and fuels. The calculations are adjusted to the changes in production volumes.

The nine per cent goal is challenging but worth the effort. Higher energy prices have made energy conservation a considerable competitive advantage in the increasingly tough global market, and its importance will continue to grow. The content of the agreement also supports the energy conservation goals undertaken by Finland and the EU.

Energy conservation cannot be based on lower production or less convenient working conditions. Orion is now investigating its energy conservation options and developing an energy efficiency plan. Energy consumption by energy type will be examined and target values determined at each site. In addition to technical expertise, this will require innovativeness and adaptability.

DID YOU KNOW THAT

On average, 70 per cent of single parents in the OECD countries have a job.

Work provides the framework for European everyday life. Our working hours are shorter than before, but it is not always easy to cope at work. In the middle of a busy workday it is good to take a quick break to relax. It gives energy to get through the rest of the day.

Read more in the Well-Being Guide, pages 4–5.

Board of Directors

1 Matti Kavetvuo

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

Chairman

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

Primary career

2000–2001 President and CEO of Pohjola Insurance Group, retired 2001 · **1992–1999** President and CEO of Valio Ltd · **1985–1991** President and CEO of Orion Corporation · **1979–1984** President of Instrumentarium Corporation

Other current and former key positions of trust

- Chairman of the Board of Directors: Metso Corporation 2003–, Marimekko Corporation 2007–2008 (Member of the Board of Directors 1997–2008), Suominen Corporation 2002–2006 (Member of the Board of Directors 2001–2006)
- Vice Chairman of the Board of Directors: Alma Media Corporation 2005– (Member of the Board of Directors 2000–), Kesko Corporation 2003–2006
- Member of the Board of Directors: Konecranes Plc 2001–, Lassila & Tikanoja Plc 2008–, 1998–2001, 1984–1988, Perlos Corporation 2003–2006, Lännen Tehtaat Plc 2003–2004, Finnlines Plc 2000–2002, UPM-Kymmene Corporation 2000–2001

2 Jukka Ylppö

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

Vice Chairman

- Member of the Board of Directors of Orion Corporation since 2 April 2007
- Member of the Audit Committee, member of the Nomination Committee

Primary career

Jukka Ylppö graduated from the Helsinki University of Technology in 1981. In 1990 he took the degree of M.Sc. (Econ.) at the Helsinki School of Economics. Jukka Ylppö has done his career in product development tasks at ABB Corporation since 1981. Presently he works as Senior Advisor in the development of control systems for industrial electric drives. His career has progressed through the following phases: **1999–2007** Senior Advisor in the development of control systems for industrial electric drives · **1996–1998** Head of the development of a control system for a new thyristor supply unit · **1993–1995** Development of new controls for direct-current drives · **1991–1992** Automation system development engineer, Västerås, Sweden · **1988–1990** Sales engineer of ship automation systems · **1986–1987** Project manager of the development of analysers for paper making processes · **1984–1985** Head of the development of control systems for direct-current drives · **1982–1983** Product development engineer / power electronics

3 Eero Karvonen

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

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

Primary career

1986– EVK-Capital Oy, Owner and Managing Director · **1980–1986** Rintekno Oy, Process Engineer, Division Manager and Technology Manager for biochemical and pharmaceutical process engineering · **1975–1980** VTT Technical Research Centre of Finland, biotechnical laboratory, Researcher **1974–1975** Helsinki University of Technology, Senior Assistant in industrial microbiology

Other current key positions of trust

- Member of the Board of Directors of Rocla Oyj

Other former key positions of trust

- Member of the Board of Directors: Orion Corporation 1997–2002
- Member of the Supervisory Board: Orion Corporation 1988–1997, Instrumentarium Corporation 1996–1999

4 Leena Palotie

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

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

Primary career

2007– Professor, Head of Human Genetics, Wellcome Trust Sanger Institute, Hinxton, Cambridge, UK · **2007–** Research director, Institute for Molecular Medicine Finland FIMM, University of Helsinki and National Public Health Institute, (as from 1 January 2009 National Institute for Health and Welfare), Helsinki, Finland · **2006–** Member of the USA National Academies of Sciences, Institute of Medicine · **2005–** Visiting professor, Broad Institute of MIT and Harvard, USA · **2005–** Member of the scientific council of the European Research Council (ERC) · **2005–2007** President of the Human Genome Organisation (HUGO) · **2003–2007** Academy Professor, Director of the Centre of Excellence in Disease Genetics of the Academy of Finland · **1998–2002** Chairman of the Department of Human Genetics, University of California, Los Angeles, USA · **1991–1998, 2002–** Professor of Medical Genetics and Molecular Medicine, University of Helsinki and National Public Health Institute, Finland · **1995–1997** Chairman of the Medical Research Council of the Academy of Finland · **1996–1998** Chairman of the European Medical Research Council · **1987–1991** Director of the Research Program of Molecular Medicine, National Public Health Institute, Finland

- Professor Palotie has published more than 490 scientific articles and 73 review articles.
- Palotie has been named Woman of the Year and she has received several international scientific awards, e.g. the Medical Journalists' Award in Finland, the Matti Äyräpää Award of the Finnish Medical Association, the Anders Jahre Award, the Fernström Prize and the van Gysel Prize for Biomedical Research.
- Professor Palotie is an honorary doctor of the University of Uppsala, Sweden, and the University of Joensuu, Finland.

5 Vesa Puttonen

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

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

Primary career

2001– Helsinki School of Economics, Professor in Finance · **1999–2001** Conventum Fund Management, Managing Director · **1998–1999** HEX Helsinki Exchanges, Senior Vice President **1996–1998** Helsinki School of Economics, Professor in Finance · **1993–1996** Helsinki School of Economics, Assistant Professor in Accounting and Finance · **1992–1993** Turku School of Economics and Business Administration, Associate Professor in Accounting and Finance · **1990–1992** The Academy of Finland, Project Researcher · **1989–1990** University of Vaasa, Assistant in Accounting and Finance

Other current key positions of trust

- Chairman of the Board of Directors of Arvo Value Asset Management Ltd and Rocla Oyj
- Member of the Board of Directors of Oras Invest Ltd and HSE Executive Education Ltd
- Member of the investment committee, State Pension Fund – Finnish State and The Finnish National Fund for Research and Development (Sitra)
- Member of the research council, The Research Institute of the Finnish Economy (ETLA)

Other former key positions of trust

- Chairman of the Board of Directors: Pohjola Fund Management Ltd 2001–2005
- Member of the Board of Directors: Suomi Mutual 2004–2005, D.Carnegie & Co Ab 2004–2005

6 Hannu Syrjänen

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

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

Primary career

2001– President and CEO and Chairman of the Executive Management Group of Sanoma Corporation (former SanomaWSOY Corporation) · **1999–2001** Member of the Executive Management Group of SanomaWSOY **1989–2001** President and CEO, Vice President, and Executive Vice President and Deputy CEO of Rautakirja Corporation · Previously served as Vice President at the TS Group, Vice President at Wihuri Oy, and Managing Director of Finnish Lawyers, Publishing Oy

Other current key positions of trust

- Chairman of the Board of Directors of Ilmarinen Mutual Pension Insurance Company
- Member of the Board of Directors: Sanoma Corporation, East Office of Finnish Industries
- Chairman in subsidiaries of SanomaWSOY: Rautakirja Corporation, Sanoma Corporation, Sanoma Magazines B.V. (Executive Board), SWelcom Oy and WSOY
- Member of the Elections Committee, Confederation of Finnish Industries EK

Other former key positions of trust

- Chairman of the Board of Directors: Federation of the Finnish Media Industry 2002–2006
- Member of the Board of Directors: Confederation of Finnish Industries EK 2005–2006, Employers Confederation of Service Industries 1999–2001

» Read more at www.orion.fi/investors

Executive Management Board

1 Timo Lappalainen

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

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

Timo Lappalainen began his career with Arthur Andersen & Co. in Chicago in 1987. He worked as a Consultant in healthcare and finance sectors until 1989 before returning to Finland. During the years of 1989–1993 Timo Lappalainen worked in Finvest Ltd. being responsible for Business Development. He also held the position of General Manager of a German unit of Finvest Ltd. From 1994 to 1999 he served with Leiras Oy (subsidiary of Schering AG) having the responsibility of several functions, international marketing and business development among others. Timo Lappalainen joined Orion in 1999 as Senior Vice President, Business Development of Orion Pharma, being also in charge of the business unit's finance, licensing and IT. In 2003, he was appointed Executive Vice President of Orion Pharma with responsibility of the human pharmaceuticals business. In 2004, Animal Health business was added into his responsibilities. During the years of 2005–2007 he was responsible for Orion's Proprietary Products and Animal Health businesses. Timo Lappalainen has been Chairman of the Board of Finnzymes Oy since 2007. He was elected as a member of the Board of Directors of the Finnish Chemical Industry Federation and a deputy member of the General Assembly of the Confederation of Finnish Industries, EK as of the beginning of 2008. He was also elected as a member of the Council of the Helsinki Region Chamber of Commerce as of year 2008 and as a member of the Council of the Finnish Section of the International Chamber of Commerce (ICC Finland).

2 Satu Ahomäki

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

Senior Vice President, Animal Health, since 1 January 2008

Satu Ahomäki joined Orion in 1992, after graduation and serving in accounting related tasks in different companies. In 1992–1999 she worked in Orion's clinical research as Research Manager of hormonal therapies. In 2000 she moved to the Project Management organisation, first as a Project Manager and later as a Program Leader of hormonal and urological therapies. In 2004 she shifted to the Business Development organisation, where she served as head of the unit in 2006–2007 taking charge of product acquisitions for the Proprietary Products, Specialty Products and Animal Health business divisions.

3 Markku Huhta-Koivisto

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

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

Markku Huhta-Koivisto's career began as a development engineer with Oy Santasalo-Sohlberg Ab in 1981. Since joining in Farmos in 1982 Markku Huhta-Koivisto has held several management positions in different functions in Orion. 1982–1983 Huhta-Koivisto acted as Production Planning Manager, 1984–1987 as Plant Manager, 1987–1990 as Materials Manager and 1991–1998 as Director and Vice President, Materials Management. Since 1996 he has been a member of Orion Pharma's Management Board. 1998–2000 Huhta-Koivisto worked as Vice President in the international sales organisation of Orion Pharma and 2000–2002 Vice President, Programme Director in project for the implementation of new business processes together with SAP-based business information systems. He acted as Senior Vice President, Supply Chain 2002– November 2006. Huhta-Koivisto has also acted as President Fermion Oy 2004–2005 and since 2005 as Chairman of the Board Fermion Oy.

4 Olli Huotari

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

Senior Vice President, Corporate Functions (i.a. 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

In 1992–1995 Olli Huotari served as Legal Counsel in the law firm Asianajotoimisto Jouko Penttilä Oy, and in 1995–1996 he completed the degree of Master of Laws in International Commercial Law at the University of Kent at Canterbury, UK. Olli Huotari joined the Orion Group in 1996 as Legal Counsel in Corporate Administration. Since October 2002, he held the position of General Counsel of the Orion Group until he assumed the task of Senior Vice President, Corporate Functions in July 2006. He has also been Secretary to the Board of Directors of Orion Corporation since October 2002. As an auxiliary responsibility, Mr Huotari attended in 2005–2006 to the responsibilities of Vice President, Human Resources of Orion Pharma, and Corporate Vice President, HR development of the Orion Group.

5 Liisa Hurme

b. 1967, Ph.D. (Biochemistry)

Senior Vice President, Proprietary Products, since 1 January 2008

She started her working career in the Diagnostics Unit of Pharmacia & Upjohn in Sweden in 1995, serving as a researcher in different product development projects of the company in Germany and France, in 1995–1999. In 1999, she joined Orion's clinical research organisation for hormonal therapies as a researcher and later as a Project Manager. In 2001 she took over as Project Manager in Project Management organisation, from where she moved to the position of Portfolio Manager into the Portfolio Management organisation in 2002. In 2004 she was appointed Program Leader of the pharmaceutical development projects for the Hormonal and Urological therapies. In 2005–2007 she headed the Urology and Oncology business of Orion. Liisa Hurme completed her doctoral thesis at the University of Helsinki in 1996.

6 Pekka Kaivola
b. 1950, Lic.Phil.

Senior Vice President, Global Sales, since 1 February 2004

Pekka Kaivola joined Orion as a pharmaceutical sales representative in 1979 and after that he has worked in various positions in sales and marketing in Finland. In 2002–2003 Kaivola was the Managing Director of Orion's marketing subsidiary in New Jersey, USA. After his return to Finland, he headed the marketing of the core therapy areas of Orion in 2003–2004. Pekka Kaivola is a member of the Trade Policy Committee of the Finnish Chemical Industry Federation and a member of the Confederation of Finnish Industries EK. He is a member of the Board of Pharma Industry, holding the position of Vice Chairman.

7 Jari Karlson
b. 1961, M.Sc. (Econ.)

Chief Financial Officer (CFO), since 1 August 2002

Jari Karlson began his career with Cultor Oy in 1986. In 1988–1989 Mr Karlson worked as a financial controller for the Biochem division of the company. In 1990–1999 he held the positions of Controller, Director of planning for the Europe and Asia region and Director, Finance, Europe, in Genencor International Inc. In 1999–2001 he worked as Corporate Controller, responsible for financial and management accounting, in the Kuusakoski Group. Jari Karlson joined Orion Group in August 2001 as Vice President, Finance for Orion Pharma.

8 Pekka Konsi
b. 1948, M.Sc. (Eng.)

Senior Vice President, Supply Chain, since 1 November 2006

After working as an Assistant at the Helsinki University of Technology and part-time at an engineering office, Pekka Konsi joined Orion in 1977. Initially he worked as a Technical Planning Manager and, as his areas of responsibility gradually grew, he was appointed Planning Director in 1988. Since 1994 Pekka Konsi has worked in Orion's pharmaceuticals production as Plant Manager of the Espoo and Kuopio plants.

9 Reijo Salonen
b. 1956, Docent, MD, Ph.D

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

Dr. Salonen began his career at university hospitals in Finland, where he practised and taught Neurology from 1989–1995. In 1995 he joined GlaxoWellcome Finland as the Country Medical Director. In 1997 he was appointed Senior Medical Strategy Head, Neurology at GlaxoWellcome in the United States and in 1998 became Principal Medical Strategy Head in Neurology and Psychiatry. In 1999–2001 Dr. Salonen acted as Director, Medical Strategy and Communications in the Neurosciences Therapy Group. In 2001 he was appointed Vice President, Clinical Development, Neurology and GI at GlaxoSmithKline and his responsibilities expanded in 2002 when he was named Vice President, Clinical Development and Medical Affairs, Neurosciences at GlaxoSmithKline. In 2004, Dr. Salonen joined Pfizer's Worldwide Development in the United States as Vice President, Neurology, Psychiatry and Ophthalmology. Later that year he was appointed Vice President and Worldwide Therapeutic Area Head Neurosciences where he was responsible for the global medical and development programmes for all of Neurosciences at Pfizer. He joined Orion Pharma as Senior Vice President and Chief Medical Officer for the company in the fall of 2006. Reijo Salonen received both his MD degree and PhD (in Neuroimmunology) from the University of Turku in 1983. He is Specialist in Neurology and has been Docent at the University of Turku since 1989. Dr. Salonen is a Member of the Board of European Brain Council and of the American Society of Experimental Neurotherapeutics.

10 Riitta Vartiainen
b. 1951, M.Sc. (Biochemistry)

Senior Vice President, Business Development and Support, since 1 November 2006

Riitta Vartiainen's career began in 1976 as a Product Expert of diagnostics with Tam Drug/Tamro Oy. She joined Orion as an Export Manager in 1980. In 1982–1988 she worked with Oy Alko Ab as a Product and Sales Manager of biotechnology products, responsible for domestic sales and exports. In 1988 Riitta Vartiainen returned to Orion as a Marketing Manager of DNA diagnostics. In 1992 she was appointed as a Product Manager in charge of antimicrobials. Between 1995 and 2000 she worked as a Research Manager in the Levosimendan Project. From 2000 onwards Riitta Vartiainen worked as a Project Leader on Easyhaler projects, and from 2002 in projects of Specialty Products. From 2004–2006 she was in charge of Orion's Specialty Products business. Business Development and Support line function consists of Global Business Development & Alliance Management, Business Intelligence, Medical Affairs, Project Management and Mergers & Acquisitions organisations.

11 Liisa Remes
Research Assistant

Employee representative in the Executive Management Board

Read more at www.orion.fi/investors

DID YOU KNOW THAT

A good laugh relaxes and improves our resistance to illness.

Taking pleasure in the small delights of everyday life contributes greatly to our well-being. Work, health, family and leisure form the framework for each individual's personal well-being, particularly when these components are in harmonious balance.

» Read more in the Well-Being Guide, pages 2–3.

Financial Statements 2008

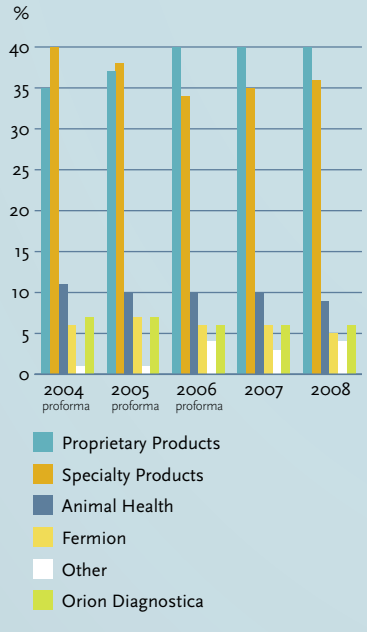
Financial Development 2004–2008

Orion's performance indicators [1] 2004–2008

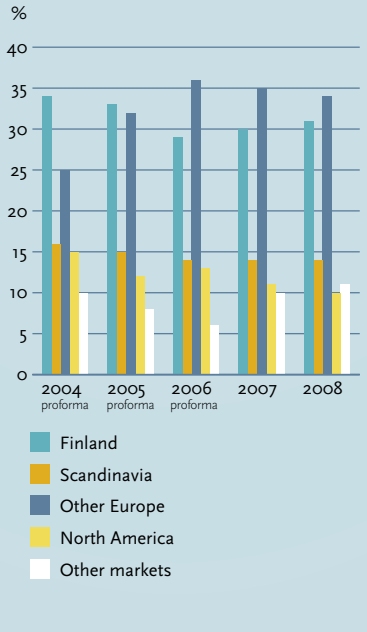
	2004 proforma	2005 proforma	2006 proforma	7–12/2006	2007	2008	Change %
Net sales, EUR million	553.0	585.6	641.1	311.2	680.0	710.7	4.5%
International operations, EUR million	364.1	393.3	456.6	217.0	479.0	493.6	3.0%
% of net sales	65.8%	67.2%	71.2%	69.7%	70.4%	69.4%	
Operating profit, EUR million	102.9	153.4	192.7	88.4	192.0	185.0	-3.6%
% of net sales	18.6%	26.2%	30.1%	28.4%	28.2%	26.0%	
Profit before taxes, EUR million	101.7	152.5	193.3	88.9	193.4	184.2	-4.8%
% of net sales	18.4%	26.0%	30.2%	28.6%	28.4%	25.9%	
Income tax expense, EUR million	30.2	39.9	51.2	24.2	49.5	47.8	-3.4%
R&D expenses, EUR million	79.4	80.7	85.7	44.0	98.5	103.4	5.0%
% of net sales	14.4%	13.8%	13.4%	14.1%	14.5%	14.5%	
Capital expenditure, EUR million	22.5	23.7	25.5	13.4	35.3	56.8	61.2%
% of net sales	4.1%	4.0%	4.0%	4.3%	5.2%	8.0%	
Balance Sheet total, EUR million	537.3	589.2	568.3	568.3	565.7	695.5	22.9%
Equity ratio, %	53.6%	65.3%	75.5%	75.5%	76.2%	60.2%	
Gearing, %	2.3%	-29.6%	-23.4%	-23.4%	-20.0%	-7.1%	
Interest-bearing liabilities, EUR million	75.0	10.5	9.8	9.8	4.0	146.3	
Non-interest-bearing liabilities, EUR million	176.3	193.7	129.6	129.6	130.5	130.6	0.1%
Cash and cash equivalents, EUR million	68.4	124.5	110.0	110.0	90.4	176.1	94.7%
ROCE, %	25.8%	41.4%	47.1%	43.7%	44.8%	38.5%	
ROE (after taxes), %	19.7%	33.5%	34.9%	32.1%	33.5%	32.1%	
Personnel at the end of the period	2,997	3,003	3,061	3,061	3,176	3,309	4.2%
Salaries and other personnel expenses, EUR million	144.5	141.9	149.7	75.8	156.3	170.9	9.4%

[1] Proforma figures before 1 July 2006 are based on figures carved out from the financial statements of the demerged Orion.

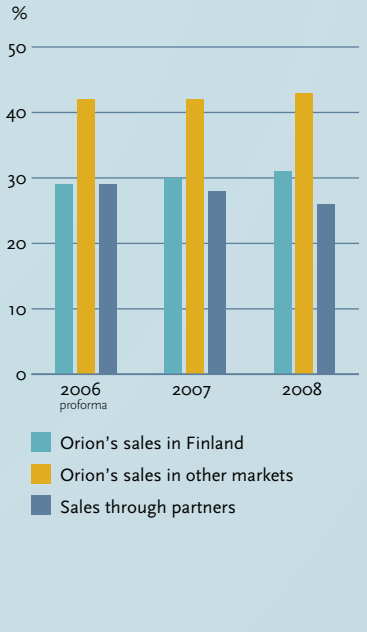
Distribution of net sales by business area



Distribution of net sales by market area



Distribution of net sales by sales network



Orion's share-related ratios [1] 2006–2008

	7–12/2006	2007	2008	Change %
Earnings per share [2], EUR	0.46	1.02	0.97	-5.1%
Cash flow per share before financing, EUR	0.58	0.92	0.66	-28.3%
Equity per share, EUR	3.04	3.05	2.97	-2.7%
Total dividend, EUR million	141.3	141.3	133.9 [3]	
Payout ratio, %	217.4%	98.0%	97.9% [3]	
Dividend per share, EUR	1.00	1.00	0.95 [3]	
A-share				
Number of shares on 31 Dec	55,554,240	52,558,688	51,440,668	
Effective dividend yield, %	6.1%	6.2%	7.9% [3]	
Price/Earnings ratio (P/E)	35.70	15.78	12.37	
Closing share price on 31 Dec, EUR	16.42	16.10	12.00	
Lowest share price during the period, EUR	11.45	15.07	10.50	
Average share price during the period, EUR	14.87	16.57	12.98	
Highest share price during the period, EUR	16.44	20.49	16.40	
Number of shares traded, 1,000 shares	1,651	3,866	2,508	
% of the total number of shares	2.9%	7.2%	4.8%	
B-share				
Number of shares on 31 Dec	85,703,588	88,699,140	89,817,160	
Effective dividend yield, %	6.1%	6.2%	7.9% [3]	
Price/Earnings ratio (P/E)	35.76	15.72	12.44	
Closing share price on 31 Dec, EUR	16.45	16.03	12.07	
Lowest share price during the period, EUR	11.51	15.22	10.30	
Average share price during the period, EUR	14.61	16.12	12.85	
Highest share price during the period, EUR	16.53	20.53	16.44	
Number of shares traded, 1,000 shares	37,250	96,266	73,719	
% of the total number of shares	43.8%	110.5%	82.6%	
Total number of shares on 31 Dec	141,257,828	141,257,828	141,257,828	
Average number of shares during the period excluding treasury shares	141,257,828	141,257,828	141,002,720	
Total trading of shares, % of all shares	27.5%	70.9%	54.1%	
Market capitalisation of the share stock on 31 Dec, excluding treasury shares, EUR million	2,322.0	2,268.0	1,697.5	

[1] Figures on shares and dividend are available from the demerger date 1 July 2006.
[2] The company has no items that could dilute the earnings per share.
[3] The dividend figures for 2008 are based on the Board of Directors' proposal to the AGM.

Net sales by business area

EUR million	2004 proforma	2005 proforma	2006 proforma	7–12/2006	2007	2008	Change %
Pharmaceuticals	515.5	547.0	601.4	292.0	639.7	667.6	4.4%
Proprietary Products	196.5	214.9	256.6	123.9	270.8	284.7	5.1%
Specialty Products	218.9	224.3	218.7	107.9	241.5	254.0	5.2%
Animal Health	58.6	59.5	63.3	31.2	66.8	67.2	0.5%
Fermion	34.1	38.4	38.5	16.4	38.1	36.1	-5.2%
Other	7.4	9.9	24.2	12.6	22.5	25.6	13.9%
Diagnostics	39.4	40.8	41.5	19.9	42.0	45.0	7.1%
Group items	-1.9	-2.1	-1.8	-0.7	-1.7	-1.9	8.6%
Group total	553.0	585.6	641.1	311.2	680.0	710.7	4.5%

Operating profit by business segment

EUR million	2004 proforma	2005 proforma	2006 proforma	7–12/2006	2007	2008	Change %
Pharmaceuticals	106.3	153.3	186.2	82.2	197.1	188.5	-4.4%
Diagnostics	5.6	5.9	6.4	2.0	6.3	6.1	-2.8%
Group items	-9.0	-5.7	0.2	4.2	-11.4	-9.6	3.5%
Group total	102.9	153.4	192.7	88.4	192.0	185.0	-3.6%

Key figures for Pharmaceuticals business

EUR million	2004 proforma	2005 proforma	2006 proforma	7–12/2006	2007	2008	Change %
Net sales	515.5	547.0	601.4	292.0	639.7	667.6	4.4%
Operating profit	106.3	153.3	186.2	82.2	197.1	188.5	-4.4%
% of net sales	20.6%	28.0%	31.0%	28.2%	30.8%	28.2%	
Capital expenditure	20.1	21.1	23.1	11.8	32.5	53.3	63.9%
Sales revenue from proprietary products	194.1	227.2	275.2	131.2	292.3	307.5	5.2%
R&D expenses	76.0	77.0	81.2	41.5	94.2	98.8	4.9%
Personnel at the end of the period	2,645	2,665	2,742	2,742	2,864	2,995	4.6%

Net sales of Orion's top 10 pharmaceutical products

EUR million		2007	2008	Change %
Stalevo®	Parkinson's disease	126.9	141.0	11.2%
Comtess®/Comtan®	Parkinson's disease	73.3	67.4	-8.0%
Dexdomitor®, Domitor®, Domosedan® and Antisedan®	animal sedatives	27.5	24.6	-10.5%
Easyhaler® product family	asthma	17.3	22.2	28.3%
Burana®	inflammatory pain	15.6	19.4	24.6%
Simdax®	heart failure	15.1	17.3	15.0%
Divina® product range	menopausal symptoms	15.9	14.7	-7.0%
Enanton®	prostate cancer	12.9	12.7	-1.3%
Fareston®	breast cancer	8.2	10.5	27.7%
Marevan®	anticoagulant	8.3	10.1	21.4%
Total		320.9	340.1	6.0%
Share of pharmaceutical net sales, %		50.2%	50.9%	

Key figures for Diagnostics business

EUR million	2004 proforma	2005 proforma	2006 proforma	7–12/2006	2007	2008	Change %
Net sales	39.4	40.8	41.5	19.9	42.0	45.0	7.1%
Operating profit	5.6	5.9	6.4	2.0	6.3	6.1	-2.8%
% of net sales	14.3%	14.3%	15.3%	9.9%	15.0%	13.6%	
Capital expenditure	1.4	1.8	1.4	0.8	1.6	2.8	78.9%
Personnel at the end of the period	318	304	289	289	283	287	1.6%

Breakdown of net sales by annual quarters

EUR million	Q1/06 pro-forma	Q2/06 pro-forma	Q3/06	Q4/06	2006 pro-forma	Q1/07	Q2/07	Q3/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	Q4/08	2008
Pharmaceuticals	162.9	146.4	139.9	152.1	601.4	167.2	156.4	153.4	162.7	639.7	168.5	168.5	161.0	169.6	667.6
Diagnostics	11.2	10.4	9.5	10.4	41.5	11.8	10.3	9.4	10.5	42.0	12.2	12.6	9.5	10.7	45.0
Group items	-0.5	-0.5	-0.4	-0.4	-1.8	-0.5	-0.5	-0.3	-0.4	-1.7	-0.5	-0.5	-0.4	-0.5	-1.9
Group total	173.5	156.3	149.0	162.2	641.1	178.5	166.3	162.5	172.8	680.0	180.2	180.5	170.1	179.9	710.7

Breakdown of operating profit by annual quarters

EUR million	Q1/06 pro-forma	Q2/06 pro-forma	Q3/06	Q4/06	2006 pro-forma	Q1/07	Q2/07	Q3/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	Q4/08	2008
Pharmaceuticals	61.3	42.6	43.4	38.8	186.2	60.2	45.1	50.1	41.7	197.1	63.1	45.7	44.3	35.3	188.5
Diagnostics	2.8	1.6	1.4	0.6	6.4	3.2	1.8	1.2	0.1	6.3	2.3	2.5	1.0	0.2	6.1
Group items	-1.9	-2.1	7.7	-3.5	0.2	-2.9	-3.2	-2.2	-3.1	-11.4	-2.1	-3.1	-1.8	-2.7	-9.6
Group total	62.1	42.2	52.6	35.8	192.7	60.6	43.7	49.1	38.6	192.0	63.4	45.2	43.6	32.8	185.0

Geographical breakdown of net sales by annual quarters

EUR million	Q1/06 pro-forma	Q2/06 pro-forma	Q3/06	Q4/06	2006 pro-forma	Q1/07	Q2/07	Q3/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	Q4/08	2008
Finland	44.8	45.4	45.2	49.0	184.4	50.1	48.6	48.6	53.7	201.0	55.7	53.5	52.8	55.2	217.2
Scandinavia	22.5	24.2	21.2	23.4	91.5	24.1	25.3	23.8	24.3	97.4	28.1	26.1	23.3	23.7	101.2
Other Europe	69.6	52.7	52.8	58.4	233.5	63.7	57.5	56.0	57.5	234.8	64.4	61.4	56.2	62.0	244.0
North America	20.4	20.5	20.1	22.0	83.0	23.5	19.8	19.1	15.4	77.7	14.4	18.5	21.7	19.2	73.8
Other markets	16.2	13.4	9.7	9.4	48.6	17.1	15.1	15.0	21.9	69.0	17.6	21.1	16.1	19.8	74.6
Group total	173.5	156.3	149.0	162.2	641.1	178.5	166.3	162.5	172.8	680.0	180.2	180.5	170.1	179.9	710.7

Report by the Board of Directors

Events in 2008

In March, Orion's co-operation with the Swedish company Oasmia Pharmaceutical AB was extended to veterinary medicines through a licensing agreement concerning marketing of the Paccal® (former Paclical® Vet) skin cancer drug for dogs. A new licensing agreement, signed in June, extended Orion's marketing rights to cover all European countries.

In April, Orion applied for an expanded indication for the Stalevo® drug in the USA and Europe. The application processes are based on the FIRST-STEP study conducted by Novartis. The study showed that even in the early stage of Parkinson's disease, Stalevo therapy results in an improved symptomatic response compared with traditional levodopa/carbidopa therapy.

In April, Orion entered into an in-licensing agreement with the American company Indevus Pharmaceuticals, Inc. and acquired European-wide marketing rights for the Vantas® (histrelin) implant for the treatment of advanced prostate cancer.

In May, Orion acquired from the Italy-based company Recordati S.p.A the rights to market Kentera® (oxybutynin) for the treatment of urge incontinence and overactive bladder in the territory covering the Nordic countries and Switzerland.

In May, Orion announced that it will discontinue the development of the new COMT enzyme inhibitor, which was then in Clinical Phase I.

In July, Orion took out a loan of EUR 40 million from the European Investment Bank. The loan will be repaid during seven years in accordance with an equal repayment plan, and the interest rate is tied to the 6-month euribor.

In September, the rights to develop and commercialise non-intravenously administered dosage forms of dexmedetomidine in the United States, for example, were out-licensed to the American Rëcro Pharma company.

In September, Orion announced that the studies currently underway with dexmedetomidine (a sedative for patients in intensive care) administered as a long-term infusion will take longer to complete than projected earlier, and preliminary results are expected to be available in the summer of 2010.

In September, Orion and Pfizer signed an agreement giving Orion the exclusive right to market an extensive portfolio of veterinary medicines in Scandinavia.

In November, Orion initiated statutory negotiations with the personnel representatives to restructure its pharmaceutical R&D operating model and structure. The planned changes were estimated to result in staff reductions of up to 300 people.

In December, GTx Inc. submitted a New Drug Application in the United States for toremifene 80 mg. The drug is developed for the treatment of adverse effects, such as osteoporosis, caused by treatment of advanced prostate cancer. The active ingredient, toremifene, is Orion's proprietary drug.

In December, Orion took out a pension loan of EUR 25 million granted by Tapiola Mutual Pension Insurance Company. The loan will be repaid during five years in accordance with an equal repayment plan. In addition, Orion took out loans amounting to EUR 60 million from the European Investment Bank. Their interest rates are tied to the 6-month euribor. The loans granted by the European Investment Bank will be repaid in accordance with equal repayment plans, the EUR 10 million loan during seven years and the EUR 50 million loan during 12 years.

In 2008, Orion filed patent infringement lawsuits in the United States against the Wockhardt companies and the Sun companies. These companies seek to launch generic versions of Orion's Comtan and Stalevo drugs in the United States.

Events after the financial year

On 15 January 2009, Orion filed a patent infringement lawsuit in the United States against the companies belonging to the Wockhardt Group. These companies seek to launch generic drugs in the United States that contain the active ingredients in the same proportions as Orion's proprietary drug Stalevo.

In early January, Orion completed the statutory negotiations initiated in November to restructure its pharmaceutical R&D operating model and structure. As a result of the negotiations, Orion decided on staff reductions of about 205 people in Finland. About 175 people will be given notice, and about 30 jobs will be reduced through various pension and other arrangements.

On 23 January, Orion took out a fixed-rate pension loan of EUR 22.8 million from Ilmarinen Mutual Pension Insurance Company. The loan will be repaid in accordance with an equal repayment plan during five years.

In January, based on new safety information a restriction was added to the European Summary of Product Characteristics for the breast cancer drug Fareston® (toremifene). The drug should not be used in patients suffering from or with an increased risk of arrhythmia.

Financial review

Net sales

The Orion Group's net sales in 2008 were EUR 710.7 million (EUR 680.0 million in 2007), an increase of 4.5% on the previous year. The net impact of foreign exchange rates on net sales in 2008 was EUR 13.8 million negative, of which the US dollar accounted for EUR -9.8 million. The rest of the impact was mainly due to the weakening of the British pound sterling and the Swedish krona.

The Pharmaceuticals business had net sales of EUR 667.6 (639.7) million, up by 4.4% on the previous year. Products based on in-house R&D accounted for EUR 307.5 (292.3) million, or 46% (46%) of net sales. Net sales from the Parkinson's disease drugs Stalevo® and Comtess®/Comtan® totalled EUR 208.5 (200.1) million, or about 31% (31%) of the net sales of the Pharmaceuticals business.

Orion Diagnostica's net sales were EUR 45.0 (42.0) million, up by 7.1% on the previous year. The sales of the QuikRead® infection tests continued

to grow, but declined sales of the older product portfolio slowed down overall growth.

Financial performance
The Orion Group's operating profit in 2008 was EUR 185.0 (192.0) million, down by 3.6% on the comparative year.

The Pharmaceuticals business had an operating profit of EUR 188.5 (197.1) million, down by 4.4% on the previous year. Gross profit in relation to sales was at the previous year's level. The gross profit was up by EUR 18.7 million on the comparative period. Investments in research rose slightly, as planned. The operating profit was further depressed by the costs of EUR 6.7 million relating to the ongoing patent infringement lawsuits in the USA, as well as a provision of EUR 3.9 million for costs of staff reductions. The operating profit for the comparative year was improved by the EUR 5.8 million income relating to the expiry of the Calcimagon licensing agreement. There were no similar non-recurring earnings items in 2008.

The Diagnostics business had an operating profit of EUR 6.1 (6.3) million.

The Group's selling and marketing expenses were EUR 143.9 (143.4) million, at the level of the previous year. R&D expenses amounted to EUR 103.4 (98.5) million, up by 5.0% on the previous year and accounting for 14.5% (14.5%) of the consolidated net sales. **Pharmaceutical R&D** accounted for EUR 98.8 (94.2) million of the total. **Administrative expenses** were EUR 51.5 (38.8) million. In addition to the provision of EUR 3.9 million for costs relating to staff reductions, administrative expenses were increased by the EUR 6.7 million costs of the patent litigations.

Because of changed accounting principles, **Other operating income** also includes EUR 8.9 (6.5) million of income from currency rate hedging, and **Other operating expenses** include EUR 8.7 (2.8) million of expenses from currency rate hedging. In previous years and in the Interim Reports for 2008 these items were reported as net amounts included in net sales.

Group profit before taxes was EUR 184.2 (193.4) million. Earnings per share were EUR 0.97 (1.02). Cash flow per share before financing was EUR 0.66 (0.92). Equity per share was EUR 2.97 (3.05). The return on capital employed before taxes (ROCE) was 38.5% (44.8%) and the return on equity after taxes (ROE) was 32.1% (33.5%).

Balance Sheet and financial position
The Group's gearing was 7.1% negative (20.0% negative) and the equity ratio was 60.2% (76.2%).

Liabilities in the Balance Sheet at 31 December 2008 totalled EUR 276.9 (134.5) million. At the end of 2008, interest-bearing liabilities amounted to EUR 146.3 (4.0) million, of which EUR 109.1 million were long-term loans. Loans have been taken out to ensure the Group's solvency in situations where a financial crisis makes it difficult to predict the availability of short-term financing. The increase of liabilities had a negative effect on the equity ratio. The loans increased the Group's cash and cash equivalents at year-end, amounting to EUR 176.1 (90.4) million. These items that increased the Balance Sheet total were also the most important reason for the lower ROCE.

The Group's cash and cash equivalents were invested in short-term interest-bearing instruments issued by financially solid financial institutions and corporations. Gearing was still on a good level, but it weakened slightly because of increased working capital and higher investments compared with the previous years.

Cash flows
Cash flows from operating activities totalled EUR 144.4 (154.7) million, slightly down on the previous year. The operating profit decreased on the comparative period. Furthermore, it included slightly less non-cash expenses. EUR 15.0 (14.7) million were tied to the working capital.

Cash flows from investing activities were EUR 51.8 (25.3) million negative. Capital expenditure in 2008 was clearly higher than in 2007. In 2007, cash flows were additionally improved by higher income from sales of fixed assets.

Cash flows from financing activities were EUR 4.8 (148.5) million negative. Dividends remained at the previous year's level, but the cash flows were improved by a EUR 141.1 million increase in loans. In March 2008, EUR 4.8 million were spent on the repurchase of own shares.

Capital expenditure
The Group's capital expenditure totalled EUR 56.8 (35.3) million. The increase was mainly due to purchases of intangible assets amounting to EUR 24.0 (7.6) million. The main items were the acquisitions of marketing rights for Vantas® (histrelin), Kentera® (oxybutynin) and Paccal® (paclitaxel, former Paclical® Vet), acquisition of new marketing areas for the Precedex® sedative (dexmedetomidine) and acquisition of product rights for the Favora® self-care product line.

Outlook for 2009

Net sales will grow slightly from 2008. Sales of pharmaceuticals through Orion's own sales network will continue to increase both in Finland and other European countries. Total in-market sales of Orion's Parkinson's drugs will show further growth, but at a slower rate than before. Deliveries of Parkinson's drugs to Novartis are expected to increase slightly.

Marketing expenditure will increase moderately, mainly owing to product launches. Research expenditure will remain at the level of 2008. Internal, fixed R&D expenses will decrease as a result of the restructuring, but ongoing clinical studies and studies that are about to start will increase external costs. The ongoing patent litigations in the United States will continue. Their costs are estimated to be slightly higher than in 2008.

Operating profit is estimated to increase slightly from 2008. The economic crisis is not expected to have a material effect on the result, but the crisis increases uncertainty relating to profitability estimates.

R&D expenses will be about EUR 100 million.

Capital expenditure will be about EUR 45 million, not including substantial company or product acquisitions.

Preamble
The reference price system that will be implemented in Finland in April 2009 is not expected to have a material impact on Orion's business. The new system will increase price competition in some product categories. On the other hand, however, it will offer new business opportunities for Orion. As a result of the change, general market growth is expected to slow down in Finland compared with

2008. Launches of new products will support Orion's growth in Finland. On the other hand, the growth will be retarded by heavy price competition affecting substitutable prescription drugs in particular, which are important for Orion.

As expected, the growth of in-market sales of the Parkinson's drugs Stalevo and Comtess/Comtan in 2008 was slightly more than 10%, which is lower than in previous years. Slight further slowdown of growth is expected in 2009. Orion's own sales, as well as deliveries to Orion's marketing partner Novartis, are expected to develop in line with the overall market for Parkinson's drugs. On the basis of current information, Novartis will not continue to reduce its stock levels in 2009.

Because the registrations and launches of new products are projects that take more than a year, the resources and other material inputs required for them in 2009 have been planned mostly in the previous year.

Research and development costs can be forecast fairly well. Part of the expenses are caused by fixed internal items, such as salaries and maintenance of the operating infrastructure, while part of them result from long clinical trials. They are typically performed in clinics located in several countries. The most important clinical studies scheduled for 2009 either were already underway in 2008 or are at an advanced stage of planning, which is why their costs can be forecast with high accuracy.

The estimated costs of the patent litigations having started in the United States are based on planned timetables and work estimates. The costs resulting from the litigations will depend on a number of factors, which are difficult to forecast.

Near-term risks and factors of uncertainty relating to the outlook estimates
The company is not aware of any significant risk factors relating to the earnings outlook for 2009.

The economic crisis is not expected to have a material impact on the short-term development of the pharmaceuticals market, but increased uncertainty makes it difficult to forecast future development. For example, risks of payment defaults and credit losses relating to individual countries and customers may increase slightly, and forecasting of currency rate development will be more challenging, particularly in Eastern Europe.

The sales of individual products and, on the other hand, Orion's sales in individual markets may vary slightly depending on the extent to which Orion's products are specifically affected by the ever-tougher price competition and other competition that has prevailed in the pharmaceutical markets in recent years. Deliveries to Novartis are based on timetables that are jointly agreed in advance. Nevertheless, these can change, for example, as a consequence of decisions by Novartis concerning adjustments of stock levels during the year. The litigations having started are not assumed to affect the sales of the Comtan or Stalevo drugs in the United States in 2009.

Most of the exchange rate risk is related to the US dollar. Typically, less than 15% of Orion's sales come from North America. As regards other important currencies, such as the British pound sterling and the Swedish krona, the overall impact will be abated by the fact that Orion has organisations of its own in Great Britain and Sweden, which means that in addition to sales there will also be costs in these currencies.

Research projects always involve factors of uncertainty 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 estimated to have a material impact on the 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. Therefore, they typically do not lead to unexpected essential changes in the estimated cost structure.

Financial objectives and dividend policy

The financial objectives of the Group remained unchanged:
- The moderate organic growth of the net sales within the next few years is accelerated via product, product portfolio and company acquisitions.
- Operating profit will be increased.
- Equity ratio is maintained at the level of 50% at least.

In dividend distribution, Orion takes into account the distributable funds as well as the medium-long- and long-term needs of capital expenditure and other financial needs required for the achievement of the financial objectives.

Proposal for distribution of profit by the Board of Directors

The parent company's distributable funds are EUR 185,822,357.00, of which profit for the financial year made up EUR 143,522,078.18.

The Board of Directors proposes that a dividend of EUR 0.95 per share be paid from the parent company's distributable funds. No dividend shall be paid for treasury shares held by the company on the record date for dividend payment. On the day of the profit distribution proposal, shares entitling to receive dividend totalled 140.9 million. Thus, the dividend would total EUR 133.9 million. The Group's payout ratio for 2008 would be 97.9% (98.0%). The dividend payment date would be 2 April 2009 and the dividend would be payable to shareholders who are listed in the Company's shareholder register on 26 March 2009 would.

The Board of Directors further proposes that EUR 140,000.00 be donated to medical research and other purposes of public interest and that EUR 51,796,014.60 would remain in the retained earnings account.

Reviews of the business segments

Pharmaceuticals

Market review on human pharmaceuticals
Finland is Orion's most important single market area. According to statistics collected by Finnish Pharmaceutical Data Ltd, Finnish wholesales of human pharmaceuticals in 2008 totalled EUR 1,945.2 million, up by 6.5% on the previous year. Total pharmacy sales grew by 6.9% and hospital sales by 5.5% compared with the previous year. The wholesales of prescription drugs rose by 6.8%, while the wholesales of self-care products grew by 4.2%.

Orion is still strongly positioned as the leading marketer of pharmaceuticals in Finland. According to statistics collected by Finnish Pharmaceutical Data Ltd, Orion's wholesales of human pharmaceuticals in Finland in 2008 totalled EUR 179.6 million, up by 10.4% on the previous year. The development of Orion's sales was clearly more vigorous than the overall market growth in the segments of self-care products and prescription drugs. The main reason for Orion's strong performance is the continuously renewed product portfolio. Orion's market share was 9.2% (9.0%), and 1.5 percentage units higher than that of the second largest marketer.

According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in September 2008 the sales of Parkinson's disease drugs in the USA totalled USD 1,286 (1,190) million, up by 8.1% on the previous 12-month period. A year earlier, the corresponding growth rate was still about 25%. The distinct slowdown in market growth was caused by the expiry of the patent for the leading product, a dopamine agonist, and the consequent generic competition.

The five largest European markets for Parkinson's disease drugs were Germany, the UK, France, Spain and Italy. Total sales of Parkinson's drugs in these countries in the same 12-month period totalled EUR 894 (820) million, with an average market growth of about 9.0% on the comparative period in the previous year.

Net sales and operating profit of the Pharmaceuticals business

The net sales of the Pharmaceuticals business in 2008 amounted to EUR 667.6 (639.7) million, up by 4.4% on the previous year. Operating profit was EUR 188.5 (197.1) million, down by 4.4% on the previous year. The EBIT margin of the Pharmaceuticals business was 28.2% (30.8%) of the segment's net sales.

Proprietary Products

The net sales of Proprietary Products in 2008 amounted to EUR 284.7 (270.8) million, up by 5.1% on the previous year.

The combined net sales of the Parkinson's disease drugs, Stalevo and Comtess/Comtan, totalled EUR 208.5 (200.1) million in 2008. The net sales were up by 4.2% on the previous year and accounted for 31% (31%) of the Pharmaceuticals business segment's net sales. The net sales from Stalevo and Comtan deliveries to Novartis totalled EUR 118.1 (116.2) million, up by 1.6%. The net sales generated by Stalevo and Comtess in Orion's own sales organisation totalled EUR 90.4 (83.9) million, up by 7.7% on the previous year. Stalevo sales through Orion's own sales network grew by 22.2%.

The total euro-denominated value of the Stalevo and Comtess/Comtan in-market sales grew by more than 10%, despite the weakened rate of the US dollar, the British pound sterling and the Swedish krona. The favourable development of Comtan sales in Japan was a factor that contributed to the growth. Deliveries from Orion to Novartis remained at the previous year's level in 2008, even though the company's in-market sales in local currencies were up by 15% on 2007.

Orion has patent litigations underway in the United States against the Wockhardt companies and the Sun companies. These companies aim to launch generic versions of Orion's Comtan and Stalevo drugs in the United States.

In 2008, the new dosage strengths of Stalevo gave additional flexibility to treatment of Parkinson's disease patients taking Stalevo. In April, Stalevo 200 mg received a marketing authorisation in the EU, and it was launched in June. Stalevo 200 mg had already been launched in the United States in autumn 2007. Moreover, the 75 and 125 mg tablet strengths received a marketing approval in the United States in August and were launched in October.

In April, Orion acquired European-wide marketing rights for Vantas® (histrelin) for the treatment of advanced prostate cancer. Vantas is an implant that releases the active ingredient, histrelin, during a 12-month period. This means that the patient no longer needs to take injections several times a year. The product is already available in the United States, for example. Vantas has also received marketing authorisations in Denmark, Germany, Ireland, UK and Spain, and product launches will begin in 2009.

In May, Orion acquired the rights to market Kentera® (oxybutynin) for the treatment of urge incontinence and overactive bladder in the territory covering the Nordic countries and Switzerland. Kentera is a plaster that contains oxybutynin, which is released into blood circulation when in use. The product was approved in the USA in 2003 and in Europe in 2004. Kentera was launched in the Nordic countries in June and in Switzerland in October 2008.

Both, Vantas and Kentera are important new products in Orion's Urology and Oncology product portfolio.

In December, GTx Inc. submitted a New Drug Application in the United States for toremifene 80 mg. The drug is developed for the treatment of adverse effects, such as osteoporosis, caused by treatment of advanced prostate cancer. The active ingredient, toremifene, is Orion's proprietary drug.

The Precedex® (dexmedetomidine) sedative marketed by Hospira was particularly successful in the United States and Japan. Furthermore, in October the FDA approved an extended indication for the Precedex sedative for patients treated with non-invasive ventilation in connection with surgery or other interventions.

In September, the rights to develop and commercialise non-intravenously administered dosage forms of dexmedetomidine in the United States, for example, were out-licensed to the American company Rëcro Pharma. In Europe, Orion has the rights to all dosage forms and indications of dexmedetomidine. Hospira has the rights to intravenously administered dexmedetomidine in the United States, for example.

Specialty Products

The net sales of the Specialty Products business division in 2008 totalled EUR 254.0 (241.5) million, up by 5.2% on the previous year. The product range comprises generic, or off-patent, prescription medicines and self-care products. The total development was hampered by the termination of the license agreement for the Calcimagon osteoporosis drug in late 2007. As a consequence of the termination, the annual net sales of the German sales organisation were reduced by approximately EUR 12 million.

In the segments of Orion's self-care products and generic medicines, the sales in Finland have grown much more rapidly than the market as a whole. The favourable development was promoted by the continuously renewed prescription

and self-care product portfolios. Among Orion's prescription drugs, the fastest growth in Finland was seen in the sales of the anti-psychotic drug Ketipinor® (quetiapine), which was launched in late 2007. The launching of larger self-care packages of Burana® (ibuprofen), a pain killer, in spring has further boosted the sales of the product. In May, Orion purchased, among others, the product rights for the Favora self-care product line.

Net sales of Orion's human pharmaceuticals in Eastern Europe in 2008 amounted to EUR 38.0 (28.9) million, up by 32% on the previous year. Specialty Products accounted for the majority of the sales in the region. The growth was fastest in Russia, Ukraine and Poland and it was based on numerous product launches, which doubled in 2008 compared with the previous year. Particularly successful among the new products were the anti-psychotic drug Ketipinor® (quetiapine) and the entire psychiatric product portfolio. In addition, Orion's older product portfolio is growing successfully in the Eastern European markets.

The net sales of Easyhaler® medicines, used for the treatment of asthma and Chronic Obstructive Pulmonary Disease (COPD), totalled EUR 22.2 (17.3) million, up by 28.3% on the previous year. The reimbursement decisions on Budesonide Easyhaler and Formoterol Easyhaler in early 2008 enabled full product launches in Turkey. Sales also developed favourably in Poland.

Orion has discontinued the process to expand the marketing area of Salbutamol Easyhaler® (salbutamol inhalation powder 100 and 200 µg/dose) in Europe. The marketing of Salbutamol Easyhaler continues in several European countries under national marketing authorisations.

Animal Health
The Animal Health division's net sales in 2008 amounted to EUR 67.2 (66.8) million. Thanks to launches of numerous drugs and other therapeutic products as well as the contribution of the product portfolio received from Pfizer, the division's net sales remained unchanged compared with 2007, despite increasing generic competition. The division also focused on research and development more intensely than before.

EUR 24.6 (27.5) million, or about 37% (41%) of the division's net sales derived from the animal sedatives Dexdomitor® (dexmedetomidine), Domitor® (medetomidine), Domosedan® (detomidine) and Antisedan® (atipamezole), with sales dreasing by 10.5% on the previous year. The sales of animal sedatives have been slackened particularly by generic competition in Europe, due to expiry of patents, and by the weak US dollar. The sales of the latest member in the product family, Dexdomitor, have developed favourably.

The Finnish veterinary medicines market grew by almost 8% in 2008. The growth rate of Orion's net sales was slightly higher than the overall market growth rate.

In spring, Orion's marketing rights for Paccal® (paclitaxel, former Paclical® Vet) were expanded to cover all of Europe, as Orion entered into a new agreement with the Swedish company Oasmia Pharmaceutical AB. Paccal is a skin cancer drug for dogs that is being developed for the treatment of mastocytoma.

In September, Orion and Pfizer signed a contract giving Orion the exclusive right to market an extensive portfolio of veterinary medicines in Scandinavia.

Fermion
Fermion manufactures active pharmaceutical ingredients (APIs). Its net sales in 2008 amounted to EUR 36.1 (38.1) million, down by 5.2% on the previous year. The weak US dollar rate has influenced Fermion more negatively than the other business divisions in the Group. Price competition in generic active ingredients has also hampered the development of sales. The impact of intra-Group transactions, that is, deliveries of active ingredients for Orion's own use, has been eliminated from the net sales. These deliveries remained strong throughout 2008.

The ten best-selling pharmaceutical products
The net sales of the top ten pharmaceuticals in 2008 amounted to EUR 340.1 (320.9) million, up by 6.0% on the previous year. Their proportion of the total net sales of pharmaceuticals was about 51% (50%). The net sales of Stalevo were up by 11.2% on the comparative year, amounting to 21% (20%) of the total net sales in the Pharmaceuticals business segment. Deliveries of Stalevo to Novartis increased by 3.0%, while deliveries of Comtan decreased by nearly one per cent. The fastest growth rates were achieved with the Easyhaler franchise, the breast cancer drug Fareston® (toremifene), the painkiller Burana®, the anticoagulant Marevan® (warfarin) and the heart failure drug Simdax® (levosimendan).

Products from in-house research
Net sales of products from in-house research in 2008 amounted to EUR 307.5 (292.3) million, up by 5.2% on the previous year. These products made up about 46% (46%) of the net sales generated by the Pharmaceuticals business.

Research and development
The Group's R&D expenses totalled EUR 103.4 (98.5) million, of which the Pharmaceuticals business made up EUR 98.8 (94.2) million. The R&D expenses were 14.5% (14.5%) of the Group net sales.

The focus of the R&D operations continues to be on early research, and partnerships are usually established for the Clinical Phase III at the latest, especially when the aim is to obtain marketing authorisations in countries outside Europe. Orion's pharmaceutical R&D focuses on three core therapy areas: the central nervous system, critical care and oncology. In addition to in-house activities, Orion engages in several research collaboration partnerships with other pharmaceutical companies and numerous academic communities. The licensing agreements with these partners provide Orion with rights for further development and marketing of the candidate compounds possibly resulting from the research efforts.

The renewed operating model for pharmaceutical R&D enables more flexible operation and cost structures, necessary for Orion to ensure its future operating conditions and competitiveness. The company is increasingly focusing on early stage R&D co-operation with universities and other pharmaceutical companies. It will also seek to share costs of the clinical stages with other players in the field. This way, Orion can ensure an increasing number of new research projects and reinforce its strategic capacity to continue operating as a company that provides new drugs and engages in pharmaceutical R&D.

Orion is applying for an expanded indication for the Stalevo drug in the USA and Europe, for the treatment of early-stage Parkinson's disease. The process

is based on the results from the **FIRST-STEP study**, conducted by Orion's marketing partner Novartis in eight countries in North America and Europe.

The FIRST-STEP study is complemented by the **STRIDE-PD** study, conducted by Orion together with Novartis. This study is to determine whether Stalevo can delay the onset of involuntary movements, that is, dyskinesias, in Parkinson's patients. The study has been carried out in 14 countries in 747 Parkinson patients. Results are expected during the first quarter of 2009.

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

Clinical Phase III studies are under way with dexmedetomidine in patients in intensive care as an infusion administered for over 24 hours. The programme aims to have the product registered in the EU. The efficacy and safety of **dexmedetomidine** is compared with midazolam in the MIDEX study and with propofol in the PRODEX-study. Both studies are planned to involve 500 patients. Preliminary results from the programme, initiated in 2007, are expected in summer 2010. Dexmedetomidine is already available, for example, in the USA and Japan as a sedative for patients in intensive care, administrable as an infusion for a maximum of 24 hours.

The **LEVET** programme is studying the efficacy of orally administered levosimendan in the treatment of heart diseases in dogs, with the aim of obtaining marketing authorisations in the USA and the EU.

For the **Easyhaler** product family, a new formulation is being developed **combining budesonide** as an anti-inflammatory agent **and formoterol** as a long-acting bronchodilator.

An alpha 2_C receptor antagonist is being studied in Clinical Phase I. The preclinical profile of this compound fits for the treatment of the symptoms of schizophrenia, for example. Other possible indications include Alzheimer's disease.

The potential use of **levosimendan** for the treatment of stroke in humans is being investigated by Orion in preliminary Phase I clinical studies.

Orion has several projects in **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

Net sales generated by Orion's Diagnostics business in 2008 amounted to EUR 45.0 (42.0) million, up by 7.1% on the previous year. A substantial increase was seen in the sales through Orion's own sales network that covers Scandinavia, as well as in exports to the Czech Republic and China.

Operating profit was EUR 6.1 (6.3) million, down by 2.8% on the previous year. Despite the good development in sales, the operating profit declined because of planned investments in marketing and product development.

The QuikRead® tests maintained their position as the main products. Their reagent and equipment sales continued to grow vigorously. The tests are used, for example, in detecting infection on the basis of the CRP concentration in a blood sample. During the spring, the launch of the newest member in the product family, the QuikRead® Strep A test, began also in the Nordic countries. The new test is used to detect streptococcus A, the causative agent of bacterial tonsillitis, from the pharyngeal sample. The increasing selection of QuikRead products in doctors' offices and clinical laboratories creates a solid basis for future demand for reagents.

The sales of dip slide tests remained unchanged compared with 2007. The Hygicult® On test was included in Orion's hygiene product portfolio in late 2007, and its launch continued in 2008. The test was developed for microbial determinations and monitoring of cleaning, particularly in industrial kitchens and food and cosmetics industries.

Shares and shareholders

On 31 December 2008, Orion Corporation had a total of 141,257,828 shares and the company's share capital was EUR 92,238,541.46. A-shares totalled 51,440,668 and B-shares 89,817,160. At the end of 2008, altogether 324,836 B-shares were in the company's possession (treasury shares). On 31 December 2008, the aggregate number of votes conferred by both share classes was 1,118,305,684 excluding treasury shares.

Both shares, A and B, provide equal rights to the company assets and dividends.

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

Authorisations of the Board of Directors
Orion Corporation's Board of Directors has an authorisation granted by the Annual General Meeting on 25 March 2008 to repurchase and transfer the company's own shares (treasury shares). By the end of 2008, the Board of Directors had not exercised this authorisation which is in force up to the close of the 2009 Annual General Meeting.

The Board of Directors does not have an authorisation to increase the share capital or to issue bonds with warrants or convertible bonds or stock options.

In March 2008, Orion's Board of Directors exercised the authorisation granted by the AGM on 2 April 2007 to repurchase a total of 350,000 B-shares. The shares were acquired in public trade from NASDAQ OMX Helsinki during 17–20 March 2008.

By the decision of the Board of Directors, altogether 25,164 B-shares held by the company were conveyed on 20 March 2008 as a share-based bonus for 2007 to persons employed by the company and included in the Share-based Incentive Plan of the Orion Group. The transfer price of the shares conveyed was EUR 14.09 per share, which was the weighted average price of the B-share on 20 March 2008. The total transfer price of the B-shares conveyed was EUR 354,482.75.

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

At the end of 2008, Orion had a total of 43,119 registered shareholders, of whom 94.1% were private individuals. They held 48.3% of the entire shares outstanding

and 59.2% of the total votes. There were 34.7 million nominee-registered shares, representing 24.5% of all shares and 6.1% of the votes.

Orion held 324,836 B-shares as treasury shares at the end of 2008. They represented 0.2% of the company's shares outstanding and 0.03% of the total votes.

On 21 November 2007, Capital Research and Management Company notified, in accordance with Chapter 2, Section 9 of the Security Markets Act, that it has under management 7,281,692 Orion Corporation B-shares. The said shares represent 5.15% of Orion's share stock and 0.63% of the total votes. According to the notification, Capital Research and Management Company is Orion's largest shareholder.

No new transactions exceeding the flagging limits set in the Finnish Securities Markets Act have been brought to the attention of the company during the financial year.

Conversion of shares
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.

On the basis of the Articles of Association, a shareholder can demand conversion of his or her A-shares into B-shares, if the conversion can take place within the maximum number of shares in the share classes. In 2008, a total of 1,118,020 shares were converted.

Trading in Orion's shares
Orion's A- and B-shares are quoted on NASDAQ OMX Helsinki in the Large Cap group under the Healthcare sector heading. Trading in both of the company's share classes commenced on 3 July 2006 under the trading codes ORNAV and ORNBV. Information on trading in the company's shares has been available since this date. On 31 December 2008, the market capitalisation of the company's shares excluding treasury shares was EUR 1,697.5 million.

In 2008, a total of 2,508,220 A-shares and 73,719,186 B-shares were traded on NASDAQ OMX Helsinki. The total value of traded shares was EUR 980.0 million. During the year, 4.8% of A-shares and 82.6% of B-shares were traded. The average trading in Orion's shares was 54.1%.

Management's shareholdings
At the end of 2008, the members of the Board of Directors owned a total of 2,311,259 Orion Corporation shares, of which 1,903,932 were A-shares and 407,327 B-shares. The CEO owned 7,550 Orion Corporation B-shares at the end of 2008. The members of the Executive Management Board (excluding the CEO) owned a total of 47,318 Orion Corporation shares, of which 1,228 were A-shares and 46,090 were B-shares. Thus, Orion's executive management held 1.68% of all shares, representing 3.45% of the total votes. The figures also include the holdings of under-aged children and controlled entities.

The company does not have stock option programmes.

Corporate Governance

The parent company of the Group is Orion Corporation, whose shareholders exercise their decision-making power at the General Meeting of the Shareholders in accordance with the Companies Act and the Articles of Association. The General Meeting of Shareholders elects the Board of Directors and decides on changes to the Articles of Association, issuing of shares as well and repurchase of treasury shares, etc.

The Board of Directors of the parent company shall consists of no less than five and no more than eight members elected by the General Meeting of the Shareholders. The term of the members of the Board of Directors ends at the end of the Annual General Meeting of the Shareholders following the election. The General Meeting of the 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 member of the Board of Directors.

The Board of Directors appoints the President and CEO of the parent company and decides on termination of the President and CEO's service contract. If the service contract of the President and CEO is terminated at the company's initiative, the period of notice is 6 months. If the service contract is terminated at the President and CEO's own initiative, the period of notice is 6 months, unless otherwise agreed. The service ends at the end of the period of notice. If the service contract is terminated either by the company or the President and CEO because of a breach of contract by the company, the President and CEO will be compensated with a sum equalling the monetary salaries for 18 months, unless otherwise agreed by the parties. No such separate compensation will be paid if the President and CEO resigns at own request for other reasons than a breach of contract by the company.

Annual General Meeting on 25 March 2008
The Annual General Meeting of Orion Corporation was held on 25 March 2008 at the Helsinki Fair Centre. In addition to matters in accordance with section 10 of the Articles of Association and Section 3 of Chapter 5 of the Companies Act, the meeting dealt with the proposals concerning authorisations to the Board of Directors to acquire and convey the company's own shares and the election and remuneration of the Board of Directors and the auditors.

A dividend of EUR 1.00 per share was approved for 2007, in accordance with the Board's proposal.

PricewaterhouseCoopers Ltd, Authorised Public Accountants, was elected as the company's auditor for the next financial year.

Annual General Meeting on 23 March 2009
The Annual General Meeting of the Shareholders of Orion Corporation will be held on Monday, 23 March 2009 at 4:00 p.m. at the Helsinki Fair Centre. In addition to matters in accordance with section 10 of the Articles of Association and Section 3 of Chapter 5 of the Companies Act, the Annual General Meeting will address the proposals concerning changes to the Articles of Association, authorisation to the Board of Directors to convey the company's own shares (treasury shares) and the election and remuneration of the Board of Directors and the auditor.

Management

Jukka Viinanen, Orion's former President and CEO, retired on 29 February 2008, serving as a Senior Advisor to the company's Board of Directors as of 1 January until his retirement. His successor as the new President and CEO and the Chairman of the Executive Management Board of Orion Corporation is Timo Lappalainen, as of 1 January 2008. Before his current position, Mr Lappalainen was the Senior Vice President responsible for Orion's Proprietary Products and Animal Health business divisions.

Liisa Hurme was appointed to take over Timo Lappalainen's former duty as Senior Vice President of the Proprietary Products business division and Satu Ahomäki as Senior Vice President of the Animal Health business division as of 1 January 2008. Both Liisa Hurme and Satu Ahomäki are members of the Executive Management Board as of the same date.

Personnel

The average number of employees in the Group during 2008 was 3,270 (3,160). At the end of 2008, the Group had a total of 3,309 (3,176) employees, of whom 2,729 (2,678) worked in Finland and 580 (498) outside Finland. The increase of personnel outside Finland is mainly due to reinforcement of the sales organisation in Eastern Europe.

Salaries and other personnel expenses for the financial year totalled EUR 170.9 (156.3) million. The figure for 2008 includes a provision of EUR 3.9 million for staff reduction costs.

In early January 2009, Orion completed the statutory negotiations initiated in November focusing on restructuring of Orion's pharmaceutical R&D operating model and structure. As a result of the negotiations, Orion decided on a staff reduction of 205 people in Finland. About 175 people were given notice, and about 30 jobs will be reduced through various pension and other arrangements. Notice was given to about 105 people in Espoo, about 55 people in Turku and about 15 people in Kuopio. The reductions will mainly take place in the first half of 2009.

In addition to this, 25 people were reduced from the German sales organisation at the end of 2008 because of remarkable changes in the market structure.

Environmental issues

All Orion's production units are in Finland. The operation of the plants is regulated by the environmental permits. Orion has manufacturing plants at five locations: Espoo, Hanko, Kuopio, Turku and Oulu.

The environmental impacts of Orion's operations are monitored, for example, by measuring emissions into the air and water, measuring energy efficiency and keeping track of waste (hazardous waste in particular) and the volumes of materials consumed. The level of environmental protection is controlled by internal audits.

In 2008, Orion's environmental investments totalled EUR 1.3 million. The largest investments in 2008 were made in the improvement of Fermion's waste water treatment plant in Oulu and installation of a scrubber for the coating drum in Espoo.

Significant risks and uncertainties

Risk management constitutes a significant element of Orion's corporate governance and is an integral and organic part of the company's responsibility structure and operative control principles.

Orion aims to identify, measure and manage the risks that may possibly threaten the company's operations and the achievement of the objectives set for the company. Overall risk management processes, practical actions as well as 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, damage, safety and the environment
- financial risks.

Agreements referred to in the 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.

Legal proceedings

Legal proceedings against the Wockhardt companies

Orion Corporation has on 13 September 2007, 8 December 2008 and 15 January 2009 filed patent infringement lawsuits in the United States to enforce U.S. Patents No. 5,446,194; 5,135,950 and 6,500,867 against companies belonging to the Wockhardt Group that engage in generic drug business.

The Wockhardt companies seek to market a generic version of entacapone (200 mg tablet) in the United States with the same dosage strength as Orion's proprietary drug Comtan. Moreover, these companies seek to market generic tablets (12.5/200/50; 25/200/100; 37.5/200/150 and 50/200/200 mg strengths of carbidopa, entacapone and levodopa) in the United States. The strengths are the same as those of Orion's proprietary drug Stalevo. The first hearing days of the trials have been set to begin on 16 November 2009.

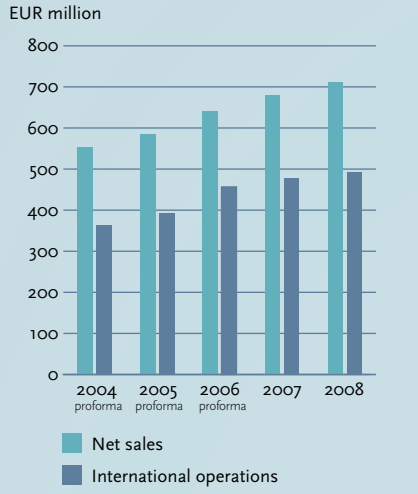
Legal proceedings against the Sun companies

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

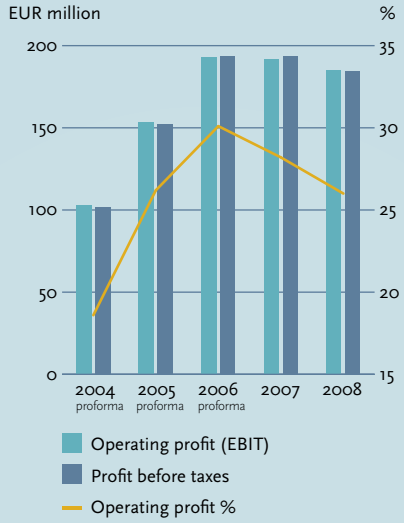
Sun Pharmaceutical Industries Limited seeks to market generic versions of Orion's Stalevo drug (25/100/200 and 37.5/150/200 mg strengths of carbidopa, levodopa and entacapone) in the United States. Sun Pharma Global, Inc. seeks to market a generic version of Orion's proprietary drug Comtan in the United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

The abovementioned pharmaceuticals are marketed in the United States by Orion's exclusive licensee, Novartis, for the treatment of Parkinson's disease. Orion and Novartis will vigorously defend the intellectual property rights covering Stalevo and Comtan. By virtue of the legal proceedings, the realisation of generic competition regarding the said pharmaceuticals is neither certain nor imminent.

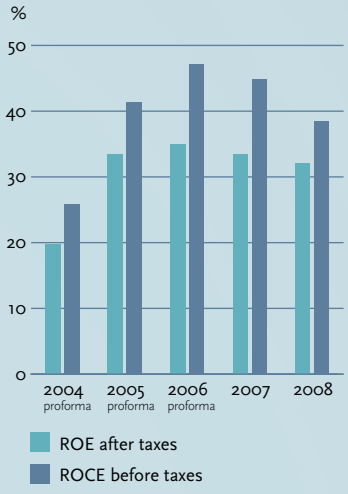
Net sales



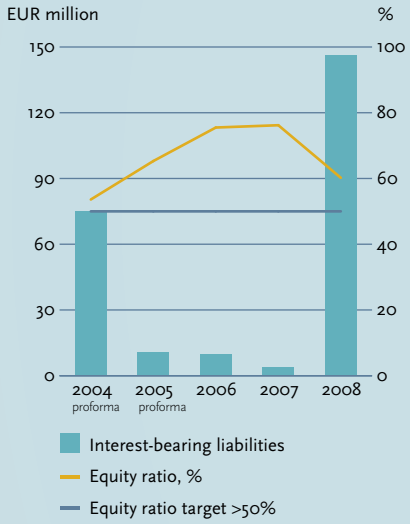
Operating profit and profit before taxes



Return on Assets (ROA)



Equity ratio and liabilities



R&D expenses

Capital expenditure

Earnings per share and dividend

1) The company has no items that could dilute the earnings per share.
2) Dividend for 2008 is the Board of Directors' proposal to the AGM.

Cash flow per share

Equity per share

Financial Statements 2008

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

Consolidated Financial Statements (IFRS)

Consolidated Income Statement

EUR million	Note	2008	2007
Net sales	1	710.7	680.0
Cost of goods sold		-230.0	-219.3
Gross profit		480.8	460.7
Other operating income	2	12.1	15.5
Selling and marketing expenses	3, 4	-143.9	-143.4
Research and development expenses	3, 4	-103.4	-98.5
Administrative expenses	3, 4	-51.5	-38.8
Other operating expenses	3, 4	-9.1	-3.5
Operating profit		185.0	192.0
Financial income	5	7.6	3.9
Financial expenses	5	-8.5	-2.5
Profit before taxes		184.2	193.4
Income tax expense	6	-47.8	-49.5
Profit for the period		136.3	143.9
of which attributable to:			
Parent company shareholders		136.3	143.9
Minority interests		0.0	0.0
Earnings per share calculated from the profit attributable to the parent company shareholders [1], EUR	7	0.97	1.02

[1] The company has no items that could dilute the earnings per share.

Notes are a material part of the Financial Statements.

Consolidated Balance Sheet

Assets

EUR million, 31 Dec	Note	2008	2007
Property, plant and equipment	8	192.4	186.6
Goodwill	9	13.5	13.5
Intangible rights	9	37.5	21.1
Other intangible assets	9	2.9	1.9
Investments in associates	10	0.1	0.1
Available-for-sale investments	11	0.9	0.9
Pension asset	12	29.3	26.8
Deferred tax assets	13	4.2	3.9
Other non-current assets	14	1.5	2.1
Non-current assets total		282.3	256.8
Inventories	15	131.7	121.1
Trade receivables	16	83.1	82.9
Other receivables	16	22.3	14.4
Cash and cash equivalents	17	176.1	90.4
Current assets total		413.1	308.9
Assets total		695.5	565.7

Equity and liabilities

EUR million, 31 Dec	Note	2008	2007
Share capital		92.2	92.2
Share premium		17.8	17.8
Expendable fund		23.0	23.0
Other reserves		-0.9	0.5
Retained earnings		286.3	297.6
Equity of the parent company shareholders		418.5	431.1
Minority interest		0.0	0.0
Equity total	18	418.6	431.2
Deferred tax liabilities	13	42.0	41.9
Pension liability	12	0.8	1.0
Provisions	19	0.4	0.2
Interest-bearing non-current liabilities	20	109.9	1.2
Other non-current liabilities	21	0.9	0.2
Non-current liabilities total		153.9	44.4
Trade payables	22	30.2	34.3
Current tax liabilities		2.4	3.4
Other current liabilities	22	54.0	49.5
Provisions	19		0.0
Interest-bearing current liabilities	20	36.4	2.9
Current liabilities total		123.0	90.1
Liabilities total		276.9	134.5
Equity and liabilities total		695.5	565.7

Notes are a material part of the Financial Statements.

Consolidated Statement of Changes in Equity

		Equity of the parent company shareholders							
EUR million	Note	Share capital	Share premium	Expendable fund	Other reserves	Translation differences	Retained earnings	Minority interest	Equity total
Equity on 31 Dec 2006 before change in accounting policy		**92.2**	**17.8**	**23.0**	**0.5**	**-3.4**	**313.3**	**0.0**	**443.5**
Change in accounting policy							-14.6		-14.6
Equity on 31 Dec 2006		**92.2**	**17.8**	**23.0**	**0.5**	**-3.4**	**298.7**	**0.0**	**428.8**
Available-for-sale investments and cash flow hedges					0.0				0.0
Translation differences						-0.7			-0.7
Net unrealised gains recognised directly in equity					0.0	-0.7			-0.7
Change in accounting policy							-1.5		-1.5
Profit for the period							145.4		145.4
Recognised income and expenses total					**0.0**	**-0.7**	**143.9**		**143.2**
Dividend	18						-141.3		-141.3
Share-based incentive plan	4						0.4		0.4
Other changes					-0.0		-0.1	0.0	-0.1
Equity on 31 Dec 2007 before change in accounting policy		**92.2**	**17.8**	**23.0**	**0.5**	**-4.1**	**317.9**	**0.0**	**447.3**
Change in accounting policy							-16.2		-16.2
Equity on 31 Dec 2007		**92.2**	**17.8**	**23.0**	**0.5**	**-4.1**	**301.7**	**0.0**	**431.2**
Cash flow hedges	24								
Gains and losses recognised in equity					-1.4				-1.4
Translation differences						-2.8			-2.8
Tax on items recognised in equity					0.4				0.4
Net unrealised gains recognised directly in equity					-1.0	-2.8			-3.9
Profit for the period							136.3		136.3
Recognised income and expenses total					**-1.0**	**-2.8**	**136.3**		**132.5**
Dividend	18						-140.9		-140.9
Repurchase of own shares	18						-4.8		-4.8
Share-based incentive plan	4						0.6		0.6
Other changes					-0.3		0.4		0.1
Equity on 31 Dec 2008		**92.2**	**17.8**	**23.0**	**-0.9**	**-6.9**	**293.3**	**0.0**	**418.6**

Notes are a material part of the Financial Statements.

Consolidated Cash Flow Statement

EUR million	Note	2008	2007
Operating profit		185.0	192.0
Depreciation	3	31.6	31.6
Gain/loss on sale of property, plant and equipment and disposal of property, plant and equipment		0.1	-5.6
Unrealised foreign exchange gains and losses		-1.3	-0.0
Change in pension asset and pension obligation	12	-2.6	6.2
Change in provisions	19	0.2	-0.7
Other adjustments		0.7	-0.2
Adjustments to operating profit, total		28.7	31.2
Change in trade and other receivables		-2.1	-9.6
Change in inventories		-10.7	-13.9
Changes in trade and other payables		-2.2	8.8
Changes in working capital, total		-15.0	-14.7
Interest paid		-7.0	-2.1
Interest received		7.5	3.8
Income taxes paid	6	-54.9	-55.5
Total net cash from operating activities		144.4	154.7
Investments in property, plant, equipment	8	-30.8	-26.9
Investments in intangible assets	9	-23.0	-7.7
Acquisition of subsidiary, net of cash		-0.0	
Proceeds from sale of property, plant, equipment and available-for-sale investments	8	1.5	2.9
Sales of intangible assets	9	0.5	6.3
Total net cash used in investing activities		-51.8	-25.3
Withdrawals of short-term loans	20	121.7	46.1
Repayments of short-term loans	20	-104.2	-46.9
Withdrawals of long-term loans	20	125.0	
Repayments of long-term loans	20	-1.4	-6.4
Repurchase of own shares		-4.8	
Dividends paid and other distribution of profits	18	-141.1	-141.3
Total net cash used in financing activities		-4.8	-148.5
Net change in cash and cash equivalents		87.7	-19.1
Cash and cash equivalents on 1 Jan	17	90.4	110.0
Foreign exchange differences		-2.1	-0.5
Net change in cash and cash equivalents		87.7	-19.1
Cash and cash equivalents on 31 Dec	17	176.1	90.4

Notes are a material part of the Financial Statements.

Notes to the Consolidated Financial Statements

Company 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 1 July 2006.

At its meeting on 6 February 2009, 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 for the Consolidated Financial Statements

The Orion Group Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) applying IAS and IFRS standards as well as SIC and IFRIC interpretations effective as of 31 December 2008. 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 Finnish accounting legislation and the statutes enacted under it. The Notes to the Consolidated Financial Statements have also been prepared in accordance with the Finnish accounting legislation and community law that complement the IFRS regulations.

The information in the Consolidated Financial Statements is based on historical costs convention, except for the financial assets recorded at their fair value in the Income Statement, the available-for-sale investments, derivatives as well as share-based payments recorded at fair value.

Monetary figures in the Financial Statements are provided in million euros, unless otherwise indicated.

Change in accounting policy of the defined benefit pension obligation
For the defined benefit pension plans arranged through the Orion Pension Fund, the Orion Group applies, as of 1 January 2008, the accounting policy according to IAS 19, *Employee benefits*, according to which a liability for the disability pension obligation is recorded to cover future events.

Before the financial year 2008, the item was treated according to Paragraph 130 of IAS 19 so that the cost of the disability benefit obligation was recognised when an event causing the disability had occurred.

The change in the accounting policy has been applied retrospectively, as provided in Paragraph 19(b) and 22 of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Thus, the comparative information for each prior period has been adjusted in accordance with the new accounting policy.

Change in accounting policy of the fair value recognition of currency derivatives
As of 1 January, changes in fair values of derivatives hedging currency fluctuations of the trade receivables are recognised in "Other operating income and expenses". Before the changes were recognised in "Differences of rate exchange" of the trade receivables. The figures for the year 2007 have been adjusted respectively.

Adoption of new standards and interpretations
The following standards, interpretations and amendments that became effective in 2008 and are relevant to the Group were applied during the financial year. However, application of these standards and interpretations had no impact on the Consolidated Financial Statements:

- Amendments to IAS 39 and IFRS 7 standards on reclassification of financial assets
- IFRIC 14, IAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

The following standards, interpretations and amendments have been issued, but the Group has not early adopted them before they are effective.

In 2009, the Group will adopt the following standards and their interpretations or amendments:

- IFRS 8, *Operating Segments.* The standard will not have material effects on Consolidated Financial Statements. The Group's current business segments, the Pharmaceuticals and Diagnostics businesses, will be presented as the Group's operating segments.
- Amendment to IAS 1, *Presentation of Financial Statements.* [1)] The amendment affects the way in which the Consolidated Income Statement and the Statement of Changes in Equity are presented.
- Amendment to IAS 23, *Borrowing Costs.* The amendment requires that borrowing costs relating to assets that meet the criteria must be capitalised as part of the cost of the assets. Currently such borrowing costs are recognised as an expense. The amendment is not expected to have a substantial impact on future Consolidated Financial Statements.
- Amendment to IFRS 2, *Share-Based Payment.* The change to this standard is not expected to have a substantial impact on future Consolidated Financial Statements.
- IFRIC 11, IFRS 2, *Group and treasury share transactions.* The change to this standard is not expected to have a substantial impact on future Consolidated Financial Statements.

The following new standards and interpretations that are effective 2009 will not have any impact on Consolidated Financial Statements:

- Amendments to IAS 32, *Financial Instruments: Presentation and* IAS1, *Presentation of Financial Statements* [1)]
- Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards, and* IAS 27, *Consolidated and separate financial statements* [2)]

- IFRIC 12, *Service concession arrangements*
- IFRIC 13, *Customer loyalty programmes*
- IFRIC 15, *Agreements for the construction of real estate* [1)]
- IFRIC 16, *Hedges of a net investment in a foreign operation.* [1)]

In addition, in May 2008 the IASB issued minor annual amendments to various standards that are effective in 2009, but they will not have a substantial impact on future Consolidated Financial Statements.

In 2010, the Group will adopt the following standards and interpretations:

- IFRS 3 (Revised), *Business combinations,* and IAS 27 (Revised), *Consolidated and separate financial statements.* [1)] The standards include significant changes that will have an impact on the accounting treatment of business combinations. The changes will be applied to business combinations completed after 1 January 2010.
- Amendment to IFRS 5, *Non-current assets held for sale and discontinued operations*. The change is not expected to have an impact on future Consolidated Financial Statements.
- Amendment to IAS 39, *Financial instruments: recognition and measurement.* [1)] The change is not expected to have an impact on future Consolidated Financial Statements.
- IFRIC 17, *Distributions of Non-cash Assets to Owners.* [1)] The change is not expected to have an impact on future Consolidated Financial Statements.

[1)] The changed standard/interpretation has not yet been approved to be applied in the EU.

Principles of consolidation

The Consolidated Financial Statements include Orion Corporation and all companies directly or indirectly owned by it and controlled by the Group. Control originates when the Group owns more than 50% of the company's voting rights or has the right to set the principles guiding the company's finance and business operations in order to gain benefits from its operations. Internal shareholding has been eliminated using the purchase method of accounting. Subsidiaries are fully consolidated from the date of the acquisition, being the date when the Group obtained factual control, whereas the divested subsidiaries are consolidated in the Financial Statements up to the date when such control expires. All inter-company transactions, receivables and liabilities, distribution of profit and unrealised internal profits are eliminated at the date of compilation of the Consolidated Financial Statements. The consolidated profit for the financial year is divided into portions allocated to the parent company shareholders and minority. Minority interest is included in Group equity and is specified in the Statement of Changes in Equity.

Associates in which the Group generally controls 20–50% of the voting rights or in which the Group exercises considerable control, are consolidated in the Financial Statements using the equity method. If the Group's share of the losses of an associate exceeds the carrying amount, they are not consolidated unless the Group has made a commitment to fulfil the liabilities of the associate in question.

Foreign currency transactions

The items included in the Financial Statements of Group companies are measured in the currency of each company's main operating environment (functional currency). The Consolidated Financial Statements are in euros, which is the functional and presentation currency of the Group parent company.

Items in foreign currencies are translated into the functional currency using the exchange rate on the date of the transaction. Outstanding monetary Balance Sheet items in foreign currencies are measured using the exchange rates quoted at the Balance Sheet date. The translation gains and losses related to items in foreign currencies are recognised in the Income Statement. Exchange rate gains and losses related to business operations are included in the corresponding items above the operating profit line. Exchange rate gains and losses related to financial liabilities and receivables in foreign currencies are included in financial income and expenses. Non-monetary Balance Sheet items in foreign currencies, which are not measured at fair value, are measured using the exchange rate on the date of the transaction.

The Income Statements of Group companies domiciled outside the EMU area are translated into euros using the average exchange rate during the reporting period whereas the Balance Sheets are translated using the exchange rate quoted at the Balance Sheet date. Using different exchange rates in the Income Statement and Balance Sheet for the translation of the financial result for the financial year results in a translation difference, which is recorded under translation differences in equity. Exchange differences resulting from translation of net investments in foreign entities are recorded under translation differences in equity. The accumulated translation differences related to divested Group companies, which are recorded in equity, are recorded as gains or losses on transfers in the Income Statement on the date of their disposal.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Property, plant and equipment

Tangible assets are measured at their historical cost, less accumulated depreciation and impairment. The assets are depreciated over their useful life using the straight-line depreciation method. The residual value and useful life of assets are reviewed at the year end and when necessary, adjusting them to correspond to eventual changes in the expected economic use. The estimated useful lives are as follows:

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

Land areas are not subject to depreciation. Repair and maintenance costs are recognised as expenses for the period. Improvement investments are capitalised if they are expected to generate future economic benefits. Capital gains and losses resulting from the transfer of tangible assets are recognised in the Income Statement. Other tangible assets include improvement of rented premises, asphalting, environmental improvements and works of art.

Intangible assets

RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed in the Income Statement as incurred, because related future revenues will be evident at such a late stage that the proportion to be capitalised is not material, and thus the costs are not capitalised. Intangible assets originating through R&D are recognised in the Balance Sheet only if the corresponding requirements of IAS 38, *Intangible assets*, are met. Due to approvals by the authorities required for pharmaceutical development projects and to other similar R&D-related uncertainties, the Group has not capitalised its internal R&D expenses.

GOODWILL

Goodwill represents that part of the acquisition cost that exceeds the Group's share of the fair value, at the date of purchase, of the net asset value of an acquired compa-

ny. Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to the cash generating units or unit groups in accordance with the business segments. The goodwill in the Consolidated Balance Sheet has arisen 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.

OTHER INTANGIBLE ASSETS

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

Impairment of property, plant, equipment and intangible assets

At each Balance Sheet date, the Group assesses whether there is an indication that an asset may be impaired. Should there be such indication, the respective recoverable amount will be assessed. The recoverable amount is the higher of an asset's fair value less selling costs and its value in use, which is obtained by discounting the present value of the future cash flows from that asset item. 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 item under review.

An impairment loss is recognised in the Income Statement if the carrying amount of the asset exceeds the recoverable amount. An impairment loss is reversed if there is a change in the circumstances and the sum of cash that can be generated with the asset item exceeds its carrying amount. An impairment loss is not reversed beyond the value that the carrying amount of the asset would have been, had there been no impairment loss.

Impairment testing of goodwill is performed on an annual basis, or more frequently if there is indication of impairment. Impairment of goodwill is tested at the level of cash generating unit groups formed by the business segments. Proprietary Products, Specialty Products, Animal Health and Fermion form the Pharmaceuticals business segment, and Orion Diagnostica forms the Diagnostics business segment. Impairment is recognised in the Income Statement under Other operating expenses which include expenses not allocable to specific operations. An impairment loss on goodwill is not reversible.

Government grants

Government grants related to research activities are recognised as decreases in research expenses, matching them to the financial years in which the corresponding expenses have been incurred. If the authorities decide to convert an R&D loan into a subsidy, it is recognised in the Income Statement under Other operating income. Government grants related to the acquisition of tangible or intangible assets are recognised as decreases in their acquisition costs. In this case, the grants are recognised as income in the form of smaller depreciation during the useful life of the asset.

Leases

A lease agreement on the basis of which the Group has substantially all the risks and rewards incident to ownership of the assets, is classified as a finance lease. Finance leases are recorded in the Balance Sheet under assets and liabilities when the lease period starts, either at the fair value of the asset or the lower present value of the minimum lease payments.

Assets acquired through 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. Finance lease liabilities are recorded under the non-current and current interest-bearing liabilities in the Balance Sheet.

If the lessor retains the risks and rewards of ownership, the lease is treated as an operating lease, and the lease payments are recognised as an expense that is allocated on a straight-line basis the entire lease term.

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

Employee benefits

PENSION OBLIGATIONS

For the defined-benefit pension plans arranged through the Orion Pension Fund, the Orion Group applies, as of 1 January 2008, the accounting treatment according to IAS 19, *Employee benefits,* according to which a liability for the disability pension obligation is recorded to cover future events. Before the financial year 2008, the item was treated according to IAS 19, *Employee Benefits* so that the cost of the disability benefit obligation was recognised when an event causing the disability had occurred.

The Group's pension arrangements are in line with each country's local regulations and practices. The pension arrangements of Group companies comprise both defined-contribution plans and defined-benefit plans. Under defined-contribution arrangements, the Group pays fixed premiums to separate units. The Group does not have legal or constructive obligations to pay supplementary premiums if the entity or fund receiving the premiums is not capable of paying for the employee benefits. All other plans that do not fulfil the abovementioned conditions are defined-benefit plans. The payments to the contribution plans are recognised as expenses in the Income Statement, allocating them to the financial year in question.

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. These include one plan outside Finland, the plan of the Norwegian subsidiary Orion Diagnostica as. However, this plan is not substantial. Moreover, the Group management has defined-benefit type pension plans that are taken out with life insurance companies. The obligations under defined-benefit pension plans have been calculated separately for each plan.

The pension expenses related to defined-benefits have been calculated using the projected unit credit method. Pension expenses are recognised as expenses by distributing them over the whole estimated period of service of the person concerned. 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 is the interest rate applied to low-risk financial instruments with a maturity that corresponds to that of the pension liability as closely as possible.

When the transition to IFRS was made, all actuarial gains and losses were recognised in the equity stated in the opening Balance Sheet in accordance with the exemption under IFRS 1. After this, any actuarial gains and losses, to the extent that they exceed the variation defined in IAS 19, will be recognised in the Income Statement and allocated over the average re-

maining term of service of the personnel. The variation is the larger of the following: 10% of the present value of the defined-benefit obligation, or 10% of the present value of the plan assets.

SHARE-BASED PAYMENTS

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

Inventories

Inventories are presented in the Balance Sheet as the value of the expenses caused by purchase or production, or the lower net realisable value. The net realisable value is the estimated selling price obtainable through normal business, less the estimated expenses incurred for finalising the product and selling it. The cost is based on the weighted average price method.

The cost of inventories includes the cost of raw materials and consumables and the costs of conversion, which comprise the expenses directly associated with production as well as a systematically allocated share of fixed and variable production overheads.

Financial assets and liabilities

The financial assets and liabilities of the Orion Group are classified in accordance with IAS 39, *Financial instruments: recognition and measurement* as follows:

- financial assets and liabilities at fair value through profit and loss
- loans and other receivables
- available-for-sale financial assets
- financial liabilities measured at amortised cost.

The classification is based on the acquisition purpose of the financial asset or liability and they are classified on initial recognition. Financial instruments are recognised in the Balance Sheet on the trade date.

Financial assets and liabilities are initially measured at fair value including transaction costs, for assets and liabilities not measured at fair value through profit and loss. Subsequently they are measured at amortised cost.

The available-for-sale financial assets included in non-current assets in the Balance Sheet comprise unlisted shares and holdings that are measured at fair value. The measurement result of the fair value is recognised in equity. If fair values of unlisted shares cannot be determined reliably, they are measured at cost, less any impairment.

Other non-current receivables include loans given to associated or other companies. They are measured at amortised cost.

Other (current) receivables include derivative contracts entered into for trading purposes, which are described in detail in the section Derivative financial instruments and hedge accounting.

An impairment of trade receivables is recognised when there is justified evidence that the receivable cannot be collected in full. Such evidence includes the debtor's considerable financial problems, high probability of bankruptcy, neglected payments or more than 90 days overdue payment.

Cash and cash equivalents include liquid debt instruments, bank deposits and the assets in bank accounts. Debt instruments are characterised by low risk and a maturity that is less than three months. Of cash and cash equivalents, bank deposits and the assets in bank accounts are classified under loans and receivables. Liquid debt instruments, which as a rule are short-term certificates of deposit and commercial papers issued by banks and corporates, are classified as available-for-sale financial assets. Financial assets are measured at amortised cost. Accumulated fair value adjustments recorded in equity are included in the Income Statement when an investment is sold or it is impaired so that an impairment loss should be recorded. At each Balance Sheet date it is assessed whether there is any evidence that an item of Group cash and cash equivalents could be impaired.

Non-current interest-bearing liabilities include loans raised by the Group, product development loans as well as liabilities for assets leased under finance lease agreements over 12 months. The credit lines of the banking accounts in use as well as debt certificates issued by the company are included in interest-bearing current liabilities. Transaction charges are included in the original carrying amount of financial liabilities. Subsequently, all financial liabilities are valued at amortised cost using the effective interest method.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at their fair value and recognised under other receivables and liabilities in the Balance Sheet.

The Group does not apply IFRS hedge accounting to derivatives hedging Balance Sheet items in currencies other than the euro or forecasted cash flows, although they have been acquired for hedging purposes in accordance with the Group's financial policy. These derivative contracts are classified as Financial assets held for trading, and the change in their fair value is recognised in the Income Statement either under other income and expenses or financial income and expenses, depending on whether, from the operational perspective, sales revenue or financial liabilities have been hedged.

The Group applies hedge accounting in accordance with IFRS to the electricity derivatives contracts entered into during the financial year 2008, hedging highly probable forecast cash flows associated with electricity purchases. The change in the fair value of the effective portion of qualifying derivative instruments hedging a cash flow is recognised against the hedging reserve included in the equity. The valuation gains and losses recorded in equity are transferred to the Income Statement in the financial period during which the hedged electricity purchases are recorded in the Income Statement. The ineffective portion of the hedging relationship is recognised in the Income Statement under Other operating income and expenses.

Provisions

A provision is recognised in the Balance Sheet when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

A restructuring provision is made when the Group has compiled a detailed restructuring plan, launched its implementation or has 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 that is not under the Group's control. Contingent liabilities include obligations that will most likely not lead to payment or the size of which cannot be reliably determined. Contingent liabilities are included in the Notes.

Income taxes
The income tax expense in the Consolidated Income Statement includes taxes based on the Group companies' operating profit for the financial year, tax adjustments for previous financial years as well as 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 on confirmed tax losses of Group companies are imputed only to the extent that they can be exploited in the future. The largest temporary differences arise from the depreciation of property, plant and equipment and defined-benefit pension plans. Deferred taxes are determined using the tax rates defined by the authorities by the Balance Sheet date.

Revenue recognition
SALE OF GOODS AND SERVICES
Consolidated net sales include income from the sale of goods and services, with adjustments for indirect taxes, discounts and translation differences resulting from sales in foreign currencies. Net sales also include milestone payments based on contracts with marketing partners, which are paid by the partner as a contribution to cover the R&D expenses of a product under development and are tied to certain milestones in the research projects. Moreover, net sales also include royalties from the products licensed out by the Group.

Income from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been assumed by the buyer. Income from services is recognised when the service has been performed. Milestone payments are recognised when the R&D project has progressed to a phase, in accordance with an advance agreement with the partner, triggering the partner's obligation to pay their 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 Income Statement
COST OF GOODS SOLD
The cost of goods sold includes 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, the 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, material, procurement of external services as well as other costs related to research and development.

ADMINISTRATIVE EXPENSES
Administrative expenses include general administrative expenses and costs related to corporate administration and Group management. The functions also bear the depreciation and amortisation 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, which have an impact on the items included in the Financial Statements. The actual values may deviate from these estimates. The estimates are mainly related to impairment testing of asset items, the determination of receivables and liabilities related to defined-benefit pension plans, the recognition of provisions as well as the determination of provisions and income taxes. Moreover, the application of accounting policies calls for the exercise of judgement.

Within the Group, the principal assumptions concerning the future and the main factors of uncertainty relating to estimates at the Balance Sheet date and which constitute a significant risk of causing a material change in the carrying values of assets and liabilities with in 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 recording to impairment losses.

EMPLOYEE BENEFITS
The Group has various pension plans to provide for the retirement of its employees or to provide for the end of an employment relationship. In calculating the expenses and liabilities of employee benefits, various statistical and other actuarial assumptions are applied, 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 applied. The factors applied in making the forecasts can differ from the actual figures, and this can lead to expense entries for tax assets in the Income Statement.

1. Segment information

The Group's primary Segment Reporting format corresponds to its business segments. The business segments are based on the Group's internal organisational structure and intra-Group financial reporting. The business segments are Pharmaceuticals business and Diagnostics business. The Pharmaceuticals business develops, manufactures and markets pharmaceuticals. The Diagnostics business develops, manufactures and markets diagnostic tests.

The segment assets and liabilities include items directly attributable to a segment and items which can be allocated on a reasonable basis. Group items include tax and financial items, items related to corporate functions and the eliminations of transfers between the segments. Capital expenditure consists of increases in property, plant and equipment and intangible assets.

The pricing between the segments is based on market prices.

The geographical segments correspond to the Group's main markets. Net sales are presented in accordance with the countries where the clients are located. Assets and liabilities are presented in accordance with the country in which they are located.

Business segments

	Pharmaceuticals business		Diagnostics business		Group items		Group total	
EUR million	2008	2007	2008	2007	2008	2007	2008	2007
Sale of goods	648.9	620.7	44.1	42.0			693.0	662.7
Rendering of services	3.5	5.8	0.9	0.0			4.4	5.8
Royalties and milestones	13.3	11.5	0.0	0.0			13.3	11.5
Sales to external customers	665.7	638.0	45.0	42.0			710.7	680.0
Sales to other segments	1.9	1.7	0.0	0.0	-1.9	-1.7		
Net sales	667.6	639.7	45.0	42.0	-1.9	-1.7	710.7	680.0
Operating profit	188.5	197.1	6.1	6.3	-9.6	-11.4	185.0	192.0
Assets	466.8	428.1	28.2	27.8	200.4	109.8	695.5	565.7
Liabilities	77.0	76.9	8.0	6.1	192.0	51.5	276.9	134.5
Capital expenditure	53.3	32.5	2.8	1.6	0.7	1.2	56.8	35.3
Depreciation and amortisation	29.1	29.1	1.8	1.9	0.7	0.6	31.6	31.6
Cash flow from operating activities	198.7	210.6	9.9	9.5	-64.3	-65.4	144.4	154.7
Cash flow from investing activities	-48.7	-23.5	-2.6	-1.0	-0.5	-0.9	-51.8	-25.3
Cash flow from financing activities							-4.8	-148.5
Average number of personnel	2,954	2,841	288	288	28	31	3,270	3,160

The Group items include the following group eliminations: net sales EUR 1.9 (2007: 1.7) million, operating profit EUR 0.3 (2007: 2.9) million, assets EUR 18.5 (2007: 20.1) million and liabilities EUR 18.5 (2007: 20.1) million. Other Group items are related to Group administration and financial and other items not allocated to segments.

Geographical segments

	Finland		Scandinavia		Other Europe		North America		Other markets		Group total	
EUR million	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sales to external customers	217.2	201.0	101.2	97.4	244.0	234.8	73.8	77.7	74.6	69.0	710.7	680.0
Assets	664.6	525.2	16.4	19.0	14.5	21.5	0.0	0.0			695.5	565.7
Capital expenditure	56.2	34.9	0.2	0.2	0.4	0.2					56.8	35.3

2. Other operating income

EUR million	2008	2007
Gains on sales of property, plant and equipment and intangible assets	0.4	6.2
Rental income	1.0	1.0
Exchange rate gains	8.9	6.5
Other operating income	1.8	1.7
Total	12.1	15.5

3. Depreciation, amortisation and impairment

Depreciation and amortisation by function

EUR million	2008	2007
Cost of goods sold	13.9	14.6
Selling and marketing	3.9	3.3
Research and development	7.8	7.6
Administration	6.0	6.2
Total	31.6	31.6

Depreciation and amortisation by type of asset

EUR million	2008	2007
Buildings and constructions	6.8	6.6
Machinery and equipment	18.0	18.2
Other tangible assets	0.2	0.2
Property, plant and equipment total	25.1	25.0
Intangible rights	5.4	4.7
Other intangible assets	1.2	1.9
Intangible assets total	6.6	6.6

During the financial years, there was no need to recognise impairment of property, plant and equipment or intangible assets. Depreciation and amortisation methods applied are described in the Accounting policies.

4. Employee benefits and auditor's remuneration

EUR million	2008	2007
Wages and salaries	141.4	130.5
Pension costs		
Defined-contribution plans	17.3	14.5
Defined-benefit plans	-2.0	-2.1
Share-based incentive plan		
Equity-settled	0.7	0.5
Cash-settled	0.6	0.7
Other social security expenses	12.9	12.3
Total	170.9	156.3
Average number of personnel	3,270	3,160

The number of personnel by segment is presented in Note 1, Segment information. Management's employee benefits are presented in Note 28, Related party transactions.

Share-Based Payments

In 2007, Orion Corporation's Board of Directors decided on a new share-based incentive plan for about 30 key persons in the Orion Group. The plan is for 2007–2009, and the incentives are granted separately for each year. The incentive for 2008 is determined on the basis of the growth of Orion's operating profit and specifically agreed personal performance objectives. The incentive is paid in the form of the company's B-shares or cash, or both. The number of shares included in the plan shall not exceed 350,000, corresponding to about 0.25% of Orion Corporation's total number of shares. Except for certain special circumstances, the recipient may not transfer the bonus shares during the first two years after the date of receipt.

During the financial year, 25,164 (2007: 0) B-shares were granted. The transfer price was EUR 14.09 per share (the weighted average price of the B-share on the day of transfer). The fair value of shares granted during the financial year was EUR 15.44 per share.

Auditor's remuneration

EUR million	2008	2007
Auditing	0.2	0.3
Advice on taxation	0.0	
Other services	0.1	0.1
Total	0.3	0.4

5. Financial income and expenses

EUR million	2008	2007
Interest income on held-for-trading	0.6	0.2
Interest income on cash and cash equivalents	3.3	2.6
Dividend income on available-for-sale financial assets		0.0
Exchange rate gains on held-for-trading financial assets and liabilities	3.6	1.0
Other financial income	0.1	
Financial income total	7.6	3.9
Interest expenses on held-for-trading	0.6	0.6
Interest expenses on financial liabilities measured at amortised cost	3.6	0.5
Exchange rate losses on held-for-trading financial assets and liabilities	4.0	1.3
Other financial expenses	0.3	0.1
Financial expenses total	8.5	2.5
Financial income and expenses total	-0.9	1.4

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

EUR million	2008	2007
In net sales	-0.6	-1.2
In other income	8.8	6.5
In purchases	0.2	0.1
In other expenses	-8.6	-2.7

6. Income tax expense

EUR million	2008	2007
Current taxes	47.5	56.5
Adjustments for current taxes of previous financial years	0.1	-0.1
Deferred taxes	0.2	-6.9
Total	47.8	49.5

Income tax reconciliation

EUR million	2008	2007
Profit before taxes	184.2	193.4
Consolidated income taxes at Finnish tax rate	47.9	50.3
Use of previously unrecognised tax losses carried forward at foreign subsidiaries	-0.8	-0.6
Change in estimate of previously unrecognised tax losses		-1.8
Impact of different tax rates of foreign subsidiaries	0.4	1.3
Tax exempt income	-0.1	-0.3
Non-deductible expenses	0.7	0.7
Adjustments for current taxes of previous financial years	0.1	-0.1
Other items	-0.4	-0.0
Income taxes total	47.8	49.5
Effective tax rate, %	26.0%	25.6%

7. Earnings and dividend per share

Earnings per share

	2008	2007
Profit for the financial year attributable to parent company shareholders, EUR million	136.3	143.9
Weighted average number of shares during the financial year (1,000)	141,003	141,258
Earnings per share, EUR	0.97	1.02

Earnings per share is calculated by dividing the profit for the financial year attributable to shareholders by the weighted average number of shares outstanding during the financial year. The average number of shares has been adjusted with the number of treasury shares held by the company during the financial year 2008. The company has no items that could dilute the earnings per share.

Dividend per share

	2008	2007
Dividend paid during the financial year, EUR million	140.9	141.3
Number of shares (1,000)	140,933	141,258
Dividend per share, paid during the financial year, EUR	1.00	1.00

A dividend of EUR 0.95 per share, amounting to a total EUR 133.9 million, is proposed to the Annual General Meeting on 23 March 2009. These Financial Statements do not reflect this dividend.

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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Historical cost on 1 Jan	6.2	6.5	221.1	224.1	271.2	257.2	3.6	3.7	7.5	3.4	509.7	494.9
Additions	0.2	0.0	7.1	3.6	18.4	17.3	0.2	0.1	6.9	6.7	32.8	27.7
Disposals		-0.2		-6.6	-11.9	-5.7		-0.1		-0.0	-11.9	-12.7
Transfers between Balance Sheet items			2.2	0.0	4.1	2.6	0.0		-6.3	-2.6		
Translation differences					-0.5	-0.1	-0.1	-0.1	-0.0		-0.7	-0.2
Historical cost on 31 Dec	6.5	6.2	230.5	221.1	281.2	271.2	3.6	3.6	8.1	7.5	529.9	509.7
Accumulated depreciation on 1 Jan			-128.7	-127.2	-192.0	-178.4	-2.4	-2.2			-323.1	-307.8
Accumulated depreciation related to transfers and disposals				5.1	10.2	4.5		0.0			10.2	9.6
Depreciation for the financial period			-6.8	-6.6	-18.0	-18.2	-0.2	-0.2			-25.1	-25.0
Translation differences					0.4	0.1	0.1	0.0			0.5	0.1
Accumulated depreciation on 31 Dec			-135.6	-128.7	-199.4	-192.0	-2.5	-2.4			-337.5	-323.1
Carrying amount on 1 Jan	6.2	6.5	92.4	96.9	79.2	78.8	1.2	1.5	7.5	3.4	186.6	187.1
Carrying amount on 31 Dec	6.5	6.2	94.9	92.4	81.9	79.2	1.1	1.2	8.1	7.5	192.4	186.6

Assets leased through finance lease agreements

Machinery and equipment include assets leased through finance lease agreements

EUR million, 31 Dec	2008	2007
Historical cost	7.9	7.0
Accumulated depreciation	-6.0	-5.3
Carrying amount	1.8	1.7

The addition of the historical cost of machinery and equipment includes EUR 1.1 (2007: 1.4) million in assets leased through finance lease agreements.

9. Intangible assets

EUR million	Goodwill		Intangible rights[1)]		Other intangible assets[2)]		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Historical cost on 1 Jan	13.5	13.5	61.0	55.3	46.2	45.8	120.6	114.6
Additions			21.8	7.3	2.2	0.3	24.0	7.6
Disposals			-2.0	-1.5	-0.0		-2.0	-1.5
Transfers between Balance Sheet items				-0.1		0.1		
Translation differences			-0.0	0.0	-0.0		-0.0	0.0
Historical cost on 31 Dec	13.5	13.5	80.7	61.0	48.4	46.2	142.6	120.6
Accumulated amortisation on 1 Jan			-39.8	-36.7	-44.3	-42.5	-84.1	-79.2
Accumulated amortisation related to transfers and disposals			2.0	1.5		0.1	2.0	1.6
Amortisation for the financial year			-5.4	-4.7	-1.2	-1.9	-6.6	-6.6
Translation differences			0.0	0.0			0.0	0.0
Accumulated amortisation on 31 Dec			-43.2	-39.8	-45.5	-44.3	-88.7	-84.1
Carrying amount on 1 Jan	13.5	13.5	21.1	18.6	1.9	3.3	36.5	35.4
Carrying amount on 31 Dec	13.5	13.5	37.5	21.1	2.9	1.9	53.9	36.5

[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 lives. The Group has no internally produced intangible assets. All intangible assets have been obtained through acquisition.

Impairment testing of goodwill and other assets

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 groups formed by cash generating units.

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 calculations are based on the detailed 5-year-plans adopted by the Management. The cash flows beyond the forecast period, adopted by the Management, have been calculated cautiously assuming that no growth can be expected. The Management's forecasts are based on the growth of the pharmaceutical markets, the market shares in the pharmaceutical sales, as well as the expected trends in the markets and sales of pharmaceuticals and diagnostic products. 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 for the financial year is 10.5% (2007: 12.1%).

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

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.

10. Investments in associates

EUR million	2008	2007
Carrying amount on 1 Jan	0.1	0.1
Carrying amount on 31 Dec	0.1	0.1

Associated companies and affiliates of the Orion Group

Holding on 31 Dec, %	Domicile	2008	2007
Hangon Puhdistamo Oy	Hanko	50.0%	50.0%
Regattalämpö Oy	Hanko	42.6%	42.6%

Hangon Puhdistamo Oy engages in wastewater treatment for its shareholder companies. Regattalämpö Oy provides real estate services for the apartment houses owned by its shareholder companies.

The companies operate at cost, by covering their own expenses and without making any profit. Therefore, they have a minimal impact on the Consolidated Income Statement and the Balance Sheet.

11. Available-for-sale investments

Available-for-sale investments, with the asset value of EUR 0.9 million as per 31 December 2008 (2007: EUR 0.9 million) include shares and participations in unlisted companies. The shares and participations are stated at cost, because their fair value cannot be determined reliably.

12. Pension asset and pension liability

The funded status and amounts recognised in the Balance Sheet for the defined-benefit plans

EUR million, 31 Dec	Pension fund 2008	Other 2008	Pension fund 2007	Other 2007
Present value of unfunded obligations		0.6		0.5
Present value of funded obligations	149.6	4.4	161.8	3.9
Fair value of plan assets	-182.0	-3.7	-220.5	-2.9
Surplus/Deficit	-32.3	1.3	-58.8	1.5
Unrecognised net actuarial gains (+) and losses (-)	3.1	-0.5	32.0	-0.5
Net asset (-) / liability (+) recognised in the Balance Sheet	-29.3	0.8	-26.8	1.0

Amounts in the Balance Sheet

EUR million, 31 Dec	Pension fund 2008	Other 2008	Pension fund 2007	Other 2007
Liabilities		0.8		1.0
Asset	-29.3	-0.0	-26.8	
Net asset (-) / liability (+) recognised in the Balance Sheet	-29.3	0.8	-26.8	1.0

The benefit expense recognised in the Income Statement for the defined-benefit plans

EUR million	Pension fund 2008	Other 2008	Pension fund 2007	Other 2007
Current service cost	6.4	0.6	4.6	0.6
Interest cost on benefit obligation	8.6	0.2	6.9	0.2
Expected return on plan assets	-14.3	-0.2	-11.1	-0.1
Actuarial gains (-) or losses (+)	-3.3	-0.0	-3.2	0.0
Net expense (+) / income (-)	-2.7	0.6	-2.8	0.7

The actual return on plan assets was EUR 33.9 million negative in 2008 (2007: EUR 8.5 million).

Benefit expense by function

EUR million	Pension fund 2008	Other 2008	Pension fund 2007	Other 2007
Cost of goods sold	-0.7		-0.7	
Selling and marketing	-0.5	0.2	-0.5	0.1
Research and development	-1.1		-1.1	
Administration	-0.4	0.5	-0.5	0.6
Net expense (+) / income (-)	-2.7	0.6	-2.8	0.7

The changes in the present value of defined-benefit obligation

EUR million	Pension fund 2008	Other 2008	Pension fund 2007	Other 2007
Defined-benefit obligation on 1 Jan	161.8	4.4	149.9	3.7
Current service cost	4.9	0.6	4.6	0.6
Interest cost	8.6	0.2	6.9	0.2
Actuarial gains (-) or losses (+)	-22.9	0.2	4.0	-0.1
Exchange rate difference		-0.4		0.0
Benefits paid	-4.1	-0.1	-3.6	-0.0
Other	1.4			
Defined-benefit obligation on 31 Dec	149.6	5.0	161.8	4.4

The changes in the fair value of plan assets

EUR million	Pension fund 2008	Other 2008	Pension fund 2007	Other 2007
Fair value of plan assets on 1 Jan	220.5	2.9	224.0	2.2
Expected return	12.8	0.2	11.1	0.1
Actuarial gains (+) / losses (-)	-48.5	0.1	-2.1	-0.0
Contributions by employer	-0.2	0.8	-9.0	0.6
Exchange rate difference		-0.2		0.0
Benefits paid	-4.1	-0.1	-3.6	-0.0
Other	1.4	-0.0		
Fair value of plan assets on 31 Dec	182.0	3.7	220.5	2.9

The fair values of the assets of the benefit plan arranged through the Orion Pension Fund by asset category

%	2008	2007
Loans and deposit insurances		2%
Equity	30%	47%
Bonds	42%	29%
Commercial papers and certificates of deposits	23%	21%
Cash and cash equivalents	5%	1%
Total	100%	100%

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

In 2008, the plan assets include shares issued by the parent company Orion Corporation with a fair value of EUR 25.8 million, representing 13% of the plan assets (2007: EUR 57.0 million, representing 24% of the plan assets). The plan assets have been invested mainly within the EMU area, with minor amounts being invested in developing countries.

Principal actuarial assumptions used in Orion Pension Fund:

%	2008	2007
Discount rate	6.0%	5.2%
Expected return on plan assets	5–8%	5–8%
Future salary increase	3.5%	3.5%

The successfulness of the investment activity has been assessed from the perspective of the total assets of the Orion Pension Fund, primary from a long-term perspective. Earnings targets have been set for both short and long term. The target for the return on the invested asset is 5–8%.

Amounts for the current and two previous financial years

EUR million, 31 Dec	Pension fund 2008	Other 2008	Pension fund 2007	Other 2007	Pension fund 2006	Other 2006
Present value of the defined-benefit obligation	149.6	5.0	161.8	4.4	149.9	3.6
Fair value of plan assets	-182.0	-3.7	-220.5	-2.9	-224.0	-2.1
Surplus (-) / Deficit (+)	-32.3	1.3	-58.8	1.5	-74.1	1,5
Experience adjustments on plan liabilities, gains (-) or losses (+)	5.5	0.5	1.1	0.0	1.2	0.1
Experience adjustments on plan assets, gains (+) or losses (-)	-48.5	0.2	-0.4	0.0	12.8	-0.0

The Group expects to contribute EUR 5.0 million to its defined-benefit pension plans in 2009.

13. Deferred tax assets and liabilities

Deferred tax assets

EUR million, 31 Dec	2008	2007
Pension liability	0.1	0.2
Internal inventory margin	1.7	1.7
Tax losses	1.8	1.8
Other deductible temporary differences	0.6	0.2
Total	4.2	3.9

Deferred tax liabilities

EUR million, 31 Dec	2008	2007
Depreciation difference and provisions	27.0	27.6
Pension asset	7.6	7.0
Effects of consolidation and elimination	0.6	0.7
Capitalised cost of inventory	5.8	5.4
Other taxable temporary differences	1.0	1.2
Total	42.0	41.9

Change in deferred tax arises from

EUR million	2008	2007
Pension asset / obligation	-0.7	1.1
Internal inventory margin	0.1	0.8
Change in estimate of previously unrecognised tax losses		1.8
Depreciation difference and provisions	0.6	2.2
Consolidation measures	0.1	0.1
Capitalised cost of inventory	-0.4	0.6
Tax losses carried forward and other timing differences	0.6	-0.1
Total	0.3	6.4

On 31 December 2008, the Group had a total of EUR 25.7 (2007: 28.7) million in temporary taxes with no ensuing deferred tax asset recording in the Balance Sheet. These unrecognised deferred tax assets relate to tax losses from foreign subsidiaries that will not expire, but realisation of the tax benefit included in them is not probable.

During the financial year, EUR 0.4 (2007: 0.0) million of income taxes were recognised directly in equity.

14. Other non-current receivables

EUR million, 31 Dec	2008	2007
Loan receivables due from associates	0.1	0.1
Other loan receivables	0.6	0.7
Other non-current receivables	0.8	1.3
Total	1.5	2.1

Loan receivables from associated companies are non-interest-bearing. Other loan receivables include floating-rate market-interest receivables, including some with a conditional interest payment obligation, as well as non-interest-bearing receivables. The carrying amounts do not differ substantially from the fair value.

15. Inventories

EUR million, 31 Dec	2008	2007
Raw materials and consumables	32.6	28.8
Work in progress	38.1	40.0
Finished products/goods	60.9	52.4
Total	131.7	121.1

A total of EUR 2.0 (2007: 1.9) million in impairment of inventories has been recorded as an expense for the financial year.

16. Trade and other receivables

EUR million, 31 Dec	Carrying amount 2008	Fair value 2008	Carrying amount 2007	Fair value 2007
Trade receivables	83.1	83.1	82.9	82.9
Receivables due from associates	0.1	0.1	0.1	0.1
Prepaid expenses and accrued income	15.7	15.7	9.1	9.1
Derivative assets	3.0	3.0	0.6	0.6
Other receivables	3.5	3.5	4.7	4.7
Total	105.4	105.4	97.3	97.3

Ageing of trade receivables

EUR million, 31 Dec	Carrying amount 2008	Fair value 2008	Carrying amount 2007	Fair value 2007
Not yet due	70.7	70.7	69.6	69.6
Past due 0–30 days	10.4	10.4	10.5	10.5
Past due 31–90 days	1.6	1.6	2.3	2.3
Past due more than 90 days	0.3	0.3	0.5	0.5
Total	83.1	83.1	82.9	82.9

The Balance Sheet value of trade receivables and other current receivables is a reasonable estimate on their fair value. Impairment losses recognised on trade receivables and other receivables in the financial year totalled EUR 0.0 (2007: 0.0) million.

Material items included in prepaid expenses and accrued income

EUR million, 31 Dec	2008	2007
Income tax receivable	6.7	0.8
Pending R&D contributions	1.8	1.6
Pending compensations	0.4	0.4
Receivables from services	0.2	0.8
Receivables from royalty income	2.3	2.3
Price differential payments	1.1	0.1
Advances paid on IT services	0.9	1.0
Interests	0.3	0.3
Other prepaid expenses and accrued income	2.0	1.9
Total	15.7	9.1

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

17. Cash and cash equivalents

EUR million, 31 Dec	2008	2007
Cash at bank and in hand	37.0	23.2
Bank deposits		26.7
Interest-bearing short-term investments	139.1	40.5
Total	176.1	90.4

Cash and cash equivalents include liquid debt instruments, bank deposits and the assets in bank accounts. Of cash and cash equivalents, bank deposits and the assets in bank accounts are classified under loans and receivables, and they are measured at amortised cost. Debt instruments, which as a rule are certificates of deposit and commercial papers of less than 3 months issued by banks and corporates, are measured at amortised cost.

18. Equity

Changes in share capital

	A-shares	B-shares	Total number of shares	Share capital, EUR million
Total number of shares on 1 Jan 2007	55,554,240	85,703,588	141,257,828	92.2
Conversions of A-shares to B-shares in 1 Jan–31 Dec 2007	-2,995,552	+2,995,552		
Total number of shares on 31 Dec 2007	52,558,688	88,699,140	141,257,828	92.2
Conversions of A-shares to B-shares in 1 Jan–31 Dec 2008	-1,118,020	+1,118,020		
Total number of shares on 31 Dec 2008	51,440,668	89,817,160	141,257,828	92.2
Number of treasury shares on 31 Dec 2008		324,836	324,836	
Number of shares on 31 Dec 2008 excluding treasury shares	51,440,668	89,492,324	140,932,992	
Number of votes on 31 Dec 2008 excluding treasury shares	1,028,813,360	89,492,324	1,118,305,684	

The minimum total number of all shares in the Company is one (1) and the maximum total number is 1,000,000,000 shares. The maximum number of A-shares is 500,000,000 and the maximum number of B-shares is 1,000,000,000 shares. The shares have no nominal value. The counter book value of both share classes is EUR 0.65 per share.

Each A-share entitles its holder to twenty (20) votes at Annual General Meetings, whereas each B-share carries one (1) vote. Both shares, A and B, provide equal rights to the company assets and dividends. A shareholder cannot vote with more than 1/20 of the aggregate number of votes from the different share classes represented at the General Meeting of the Shareholders.

At 31 December 2008, Orion Corporation's share capital was EUR 92.2 (2007: 92.2) million. The total number of shares was 141,257,828, of which 51,440,668 were A-shares and 89,817,160 were B-shares. Altogether 324,836 B-shares were in the possession of Orion Corporation (treasury shares). All issued shares have been fully paid.

According to Section 3 of the company's Articles of Association, a shareholder can require the conversion of his or her A-shares to B-shares. In 1 January–31 December 2008, a total of 1,118,020 A-shares were converted to B-shares.

Orion Corporation's Board of Directors has an authorisation granted by the Annual General Meeting on 25 March 2008 to repurchase and transfer the company's own shares (treasury shares). By the end of 2008, the Board had not exercised this right. The Board of Directors does not have an authorisation to increase the share capital or to issue bonds with warrants or convertible bonds or stock options.

In March 2008, the Board of Directors of Orion Corporation exercised the authorisation granted by the AGM on 2 April 2007 to repurchase a total of 350,000 B-shares. By the decision of the Board of Directors, altogether 25,164 B-shares held by the company were conveyed on 20 March 2008 as a share bonus for 2007 to persons employed by the company and belonging to the Share-based Incentive Plan of the Orion Group.

After the closing of the books, the Board of Directors has proposed a dividend of EUR 0.95 per share to be distributed.

Share premium

EUR million	2008	2007
Share premium on 1 Jan	17.8	17.8
Share premium on 31 Dec	17.8	17.8

Expendable fund

EUR million	2008	2007
Expendable fund on 1 Jan	23.0	23.0
Expendable fund on 31 Dec	23.0	23.0

The expendable fund is part of the distributable funds according to the Finnish Companies Act.

Other reserves

Other reserves include the reserve fund EUR 0.1 (2007: 0.4) million and fair value reserve. The fair value reserve includes the hedging reserve EUR -1.0 (2007: 0.0) million, for fair value changes of derivative instruments hedging cash flow.

Translation differences

The translation differences include those arisen through the translation of the financial statements of foreign business units.

Dividends paid and other distribution of profits

A dividend of EUR 1.00 per share (2007: EUR 1.00 per share) was paid in 2008. In addition, EUR 0.1 (2007: 0.1) million of funds were paid as donations.

19. Provisions

EUR million	Pension provisions	Restruc-turing provisions	Total
1 Jan 2008	0.2	0.0	0.2
Utilised during the year	-0.1	-0.0	-0.1
Additions to provisions	0.3		0.3
31 Dec 2008	0.4		0.4

EUR million, 31 Dec	2008	2007
Non-current provisions	0.4	0.2
Current provisions		0.0
Total	0.4	0.2

Pension provision

The pension provision includes provisions made for unemployment pension expenses for persons made redundant in 2003–2005 and 2009 who have not yet found work or may possibly not find work or have not received a decision on their unemployment pension. The provision is expected to materialise within the next 1–4 years.

20. Interest-bearing liabilities

Group loans and issued debt certificates are measured at amortised cost. The carrying value of liabilities has been calculated using the effective interest method, and fair value has been determined using the discounted cash flow method, discounting at the market rate of the Balance Sheet date.

EUR million, 31 Dec	Carrying amount 2008	Fair value 2008	Carrying amount 2007	Fair value 2007
Loans from financial institutions	88.7	90.7		
Loans from pension insurance companies	20.0	19.9		
Finance lease liabilities	0.8	0.8	0.9	0.9
Other interest-bearing liabilities	0.4	0.4	0.3	0.3
Non-current liabilities total	109.9	111.8	1.2	1.2

Non-current interest-bearing liabilities include loans taken out by the Group as well as liabilities for assets leased under finance lease agreements. The duration of the loans raised from the European Investment Bank is 4.8 years, and interest rates are tied to the 6-month euribor interest rate. The duration of loans raised from a pension insurance company is 2.6 years and the interest rate is fixed.

EUR million, 31 Dec	Carrying amount 2008	Fair value 2008	Carrying amount 2007	Fair value 2007
Repayment of long-term loans	16.3	16.6		
Finance lease liabilities	1.1	1.1	0.9	0.9
Issued debt certificates	17.9	18.4		
Other interest-bearing liabilities	1.1	1.1	2.0	2.0
Current liabilities total	36.4	37.2	2.9	2.9

Interest-bearing current liabilities include the credit lines of the bank accounts in use as well as issued debt certificates and finance lease liabilities under 12 months.

All other interest-bearing liabilities are product development loans from the Finnish Funding Agency for Technology and Innovation, with an interest rate lower than the market interest rate (1%).

Maturity of minimum lease liabilities

Minimum lease payments

EUR million, 31 Dec	2008	2007
Within 1 year	1.1	0.9
Between 1 to 5 years	0.8	0.9
In more than 5 years		0.0
Total	1.9	1.8

Present value of minimum lease payments

EUR million, 31 Dec	2008	2007
Within 1 year	1.1	0.9
Between 1 to 5 years	0.8	0.8
In more than 5 years		0.0
Present value of minimum lease payments	1.9	1.7
Future finance charges	0.1	0.1
Finance lease liabilities total	1.9	1.8

21. Other non-current liabilities

EUR million, 31 Dec	2008	2007
Hedging derivative contracts	0.8	
Other non-current liabilities	0.1	0.2
Total	0.9	0.2

22. Trade payables and other current liabilities

EUR million, 31 Dec	2008	2007
Trade payables	30.2	34.3
Other current liabilities to associates	0.2	0.3
Accrued liabilities and deferred income	47.1	42.7
Other current liabilities	9.1	10.0
Total	86.6	87.2

Material items included in accrued liabilities and deferred income

EUR million, 31 Dec	2008	2007
Liabilities from share-based incentive plan	1.2	0.7
Derivative liability	1.7	0.2
R&D operating model restructuring expenses	3.6	
Other accrued wage, salary and social security payments	28.1	27.0
Income tax liability	2.4	3.4
Accrued royalties	2.1	2.5
Accrued compensations	0.4	3.3
Accrued R&D expenses	2.7	0.3
Accrued interests	1.5	0.3
Other accrued liabilities and deferred income	3.4	4.9
Total	47.1	42.7

Due to the short-term character of the liabilities, the carrying amounts do not differ substantially from the corresponding fair values.

23. Financial instruments by category

EUR million, 31 Dec	2008	2007
Hedging derivative contracts		0.0
Financial assets at fair value through profit and loss		
Held-for-trading financial assets		
Derivatives	3.0	0.6
Loans and other receivables		
Other non-current assets	1.5	2.1
Trade receivables	83.1	82.9
Other receivables	4.6	4.9
Available-for-sale financial assets		
Available-for-sale investments	0.9	0.9
Cash and cash equivalents	176.1	90.4
Financial assets total	269.2	181.8
Hedging derivative contracts		
Long-term	0.8	
Short-term	0.7	
Financial liabilities at fair value through profit and loss		
Held-for-trading financial liabilities		
Derivatives	1.0	0.2
Financial liabilities measured at amortised cost		
Interest-bearing non-current liabilities	109.9	1.2
Other non-current liabilities	0.1	0.2
Trade payables	30.2	34.3
Other current liabilities		
Interest-bearing current liabilities	36.4	2.9
Financial liabilities total	183.0	45.1

Derivative contracts are included in other receivables and other liabilities in the Balance Sheet.

24. Financial risk management

The objectives of the Group's financial risk management are to minimise the negative impacts of changes in financial markets on the Group's earnings and to ensure sufficient liquidity. Financial risks consist of market, counterparty and liquidity risks. The Group's most important financial risks are foreign exchange risk and counterparty risk.

The main financial risk management principles are described in the Group Treasury Policy, approved by the company's Board of Directors.

24.1. Market risk

Market risk includes foreign exchange risk, interest rate risk and electricity price risk. Currently the Group does not have investments in equities or equity funds.

24.1.1. FOREIGN EXCHANGE RISK

Orion Corporation's international operations account for a major part of the Group's foreign exchange risk. Especially the continuous growth of the proportion of trade with the United States has increased the significance of the fluctuations in the foreign exchange rate between the US dollar and the euro. Sales invoiced in US dollars are clearly greater than purchases paid in US dollars.

The foreign exchange position is monitored mainly for the next twelve months. In accordance with the foreign exchange hedging principles, the Group seeks to hedge trade receivables and trade payables in full and forecasted currency flows are hedged in the range of 0–50%. The hedging is based on the Group's net currency position. Currency forward contracts with maturities up to 12 months are used as hedging instruments, and they are treated as cash flow hedges. IAS 39 compliant hedge accounting is not in use. The fair value changes of the derivative instruments hedging financial items are recorded through the Income Statement either as Other operating income and expenses or Financial income and expenses, depending on whether, from the operational perspective, sales revenue or financial liabilities have been hedged.

The Group does not have interest-bearing liabilities denominated in foreign currencies. The Group's internal loans and deposits are denominated in the local currencies of the subsidiaries, and their foreign exchange risk is hedged fully with currency forward contracts. IAS 39 compliant hedge accounting is not in use. The fair value changes of the derivative instruments hedging financial items are recorded under financial assets at fair value through the Income Statement.

Transaction risk

Transaction risk is monitored and hedged actively. The operational foreign exchange risk consists of Balance Sheet items. In addition, forecasted cash flows are also hedged. Sales invoiced in US dollars involve the most significant foreign exchange risk. As regards other currencies, no single currency has a significant impact on the Group's overall exposure.

	USD		Other	
EUR million, 31 Dec	2008	2007	2008	2007
Net balance sheet risk	8.2	10.5	12.9	12.6
Forecasted net risk (12 months)	60.1	57.3	44.6	40.9
Net risk total	68.4	67.8	57.4	53.5
Hedges	-27.8	-23.6	-24.1	-22.6
Unhedged net risk total	40.6	44.2	33.4	30.9

Translation risk

Translation risk (the translation of country-specific profits and losses into the Group's domestic currency) is not hedged. On 31 December 2008, the Group had a total of EUR 18.8 (2007: 21.4) million as equity in subsidiaries located in non-euro countries.

Sensitivity analysis

The sensitivity analysis required under IFRS 7 has been carried out for changes in the EUR/USD exchange rate. The assumption used in the analysis is a +/- 10% change in the foreign exchange rate, whereas other factors remain unchanged.

	Impact on Income Statement		Impact on Balance Sheet	
EUR million	2008	2007	2008	2007
USD +/- 10%	+/- 2.0	+/- 1.3	+/- 2.0	+/- 1.3

The sensitivity analysis includes only Financial assets and liabilities in the Balance Sheet, i.e., Cash and cash equivalents, Trade receivables and payables and Currency derivatives contracts. The sensitivity analysis does not give a presentable picture of the exposure to foreign exchange risk because, according to the foreign exchange hedging policy, the forecasted 12 months foreign currency cash flow is hedged in the range of 0–50%, and the forecasted transactions are not included in the analysis in accordance with IFRS 7.

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 varies greatly due to factors such as weather conditions, rainfall and hydrology and emissions trading. The Orion Group obtains its electricity through deliveries that are tied to the spot price in price area Finland, and is therefore exposed to price fluctuations.

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

Hedge accounting under IAS 39 is applied to electricity price risk hedges. In applying hedge accounting to the cash flow, the amount recorded for the hedging instrument in the hedging fund 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 recorded through the Income Statement.

During the 2008 financial year, a fair value valuation of EUR -1.0 (2007: 0.0) million was recorded in equity. The nominal values of the derivatives totalled EUR 5.7 (2007: 0.6) million. No gain or loss was recognised from equity to the Income Statement during the financial year, because the entered hedging contracts relate to the 2009–2011 financial years, during which they are estimated to have an impact on the profit for the period.

24.1.3. INTEREST RATE RISK

On 31 December 2008, the Group's interest-bearing liabilities totalled EUR 146.3 (2007: 4.0) million. The Group is exposed to interest rate risk associated with long-term loans raised from the European Investment Bank. The capital of these loans totalled EUR 100 million on 31 December 2008, and their interest rates are tied to the 6-month euribor. The Group's exposure to risks related to changes in market rates is, however, reduced by the fact that the Group's fixed-income investments, which totalled EUR 139.1 million on 31 December 2008, that are also in short-term instruments.

24.2. Counterparty risk

The Group Treasury Policy defines the requirements for the creditworthiness of the counterparties for financial investments and derivatives contracts. Limits have been set for investments and counterparties for derivatives contracts, and they are regularly updated and monitored. Investments are made in interest-bearing instruments, which are available for sale and for up to three months.

The Group Customer Credit Policy defines the requirements for the creditworthiness of the customers. In the pharmaceutical industry, trade receivables are typically generated by distributors representing different geographical areas. The Group's 25 largest customers generated 74% of the trade receivables. The most significant single customers are Novartis, a marketing partner in pharmaceutical sales, and Oriola-KD Corporation, a pharmaceuticals distributor. The trade receivables do not involve significant risk, but the risk level of trade receivables generated by some individual smaller customers has risen slightly. Credit losses recorded through the Income Statement during the financial year have not been significant.

The maximum credit risk exposure at 31 December 2008 is the total amount of receivables in the Balance Sheet and the net fair values of derivatives, totalling EUR 280.6 (2007: 192.4) million.

24.3. Liquidity risk

The Group seeks to maintain a good liquidity position in all situations by having sufficient overdrafts and credit limits and liquid assets. The Group had no interest-bearing net debt. On 31 December 2008, the Group's interest-bearing liabilities totalled EUR 146.3 (2007: 4.0) million, and the Group's cash and cash equivalents totalled EUR 176.1 (2007: 90.4) million. The Group's available cash and cash equivalents are sufficient to cover the Group's short-term financial needs.

To ensure the Group's liquidity, financial investments are made mainly in short-term available-for-sale euro-denominated interest-bearing instruments with good creditworthiness. Liquidity is also ensured by bank account credit limits and Orion Corporation's commercial paper programme of EUR 100 million.

Cash flows from repayment of interest-bearing loans and financial expenses based on loan contracts on 31 Dec 2008

EUR million	2009	2010	2011	2012	2013–	Total
Loans from financial institutions	15.3	14.6	14.1	13.7	62.0	119.7
Financial expenses	-4.0	-3.3	-2.8	-2.4	-7.2	-19.7
Repayment of loans	11.3	11.3	11.3	11.3	54.8	100.0
Loans from pension insurance companies	5.6	5.5	5.4	5.2	5.1	26.9
Financial expenses	-0.6	-0.5	-0.4	-0.2	-0.1	-1.9
Repayment of loans	5.0	5.0	5.0	5.0	5.0	25.0
Issued debt certificates	18.9					18.9
Financial expenses	-1.0					-1.0
Maturing of commercial papers	17.9					17.9
Finance lease loans	1.1	0.2	0.2	0.2	0.2	1.9
Financial expenses	-0.1	-0.0	-0.0	-0.0	-0.0	-0.1
Repayment of finance lease loans	1.1	0.2	0.2	0.2	0.2	1.9
Other liabilities	1.2	0.3	0.1			1.5
Financial expenses	-0.1	-0.0	-0.0			-0.1
Repayment of other liabilities	1.1	0.3	0.1			1.5

24.4. Management of the capital structure

The Group's objective is to maintain the equity ratio, i.e., the Group's equity as a ratio of total assets, at a level of at least 50%. This equity ratio does not represent the company's view of the optimal capital structure, but is part of an overall policy defining the objectives for operational growth and profitability as well as the company's dividend policy.

The company has given the following covenants:
- Proportion of equity of all assets >35%
- Group interest-bearing liabilities / Group EBITDA <1.5:1
- Group EBITDA / net interest > 10:1

The Group's equity ratio

31 Dec	2008	2007
Equity, EUR million	418.6	431.2
Equity and liabilities excluding advances received, EUR million	695.4	565.7
Equity ratio, %	60.2%	76.2%

Group interest-bearing liabilities / Group EBITDA

31 Dec	2008	2007
Interest-bearing liabilities, EUR million	146.3	4.0
EBITDA, EUR million	216.6	223.6
Interest-bearing liabilities / EBITDA	0.68	0.02

Group EBITDA / net interest

31 Dec	2008	2007
EBITDA, EUR million	216.6	223.6
Net interest, income (-) / expense (+), EUR million	0.2	-1.7
EBITDA / net interest	948	-128

25. Contingent liabilities

Commitments and contingencies

EUR million, 31 Dec	2008	2007
Contingent for own liabilities		
Mortgages on land and buildings	19.0	25.5
of which those to Orion Pension Fund	9.0	9.0
Guarantees	1.0	1.4
Other	0.3	0.3

Legal proceedings

LEGAL PROCEEDINGS AGAINST THE WOCKHARDT COMPANIES

Orion Corporation has on 13 September 2007, 8 December 2008 and 15 January 2009 filed patent infringement lawsuits in the United States to enforce U.S. Patents No. 5,446,194; 5,135,950 and 6,500,867 against companies belonging to the Wockhardt Group that engage in generic drug business.

The Wockhardt companies seek to market a generic version of entacapone (200 mg tablet) in the United States with the same dosage strength as Orion's proprietary drug Comtan. Moreover, these companies seek to market generic tablets (12.5/200/50; 25/200/100; 37.5/200/150 and 50/200/200 mg strengths of carbidopa, entacapone and levodopa) in the United States. The strengths are the same as those of Orion's proprietary drug Stalevo. The first hearing days of the trials have been set to begin on 16 November 2009.

LEGAL PROCEEDINGS AGAINST THE SUN COMPANIES

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

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

The abovementioned pharmaceuticals are marketed in the United States by Orion's exclusive licensee, Novartis, for the treatment of Parkinson's disease. Orion and Novartis will vigorously defend the intellectual property rights covering Stalevo and Comtan. By virtue of the legal proceedings, the realisation of generic competition regarding the said pharmaceuticals is neither certain nor imminent.

26. Derivatives

Nominal values of derivatives

		Maturity			
EUR million	Nominal value 31 Dec 2008	2009	2010	2011–	Nominal value 31 Dec 2007
Non-hedging					
Forward exchange contracts	64.6	64.6			66.7
Hedging					
Electricity forward contracts	5.7	5.7			0.6

Nominal values of derivative contracts

	Positive		Negative		Net	
EUR million	2008	2007	2008	2007	2008	2007
Non-hedging						
Forward exchange contracts	3.0	0.6	-1.0	-0.2	2.0	0.3
Hedging						
Electricity forward contracts		0.0	-1.0		-1.0	0.0

The fair value of foreign currency derivatives is based on market quotations on the Balance Sheet date.

27. Operating leases

Group as lessee

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

EUR million, 31 Dec	2008	2007
Within 1 year	1.7	1.7
Between 1 to 5 years	2.1	2.3
In more than 5 years	0.2	0.5
Total	4.0	4.5
Rents paid on the basis of operating leases during the financial year	2.0	1.9

Other lease expenses mainly include expenses for business premises rented abroad.

Group as lessor

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

28. Related party transactions

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

Group companies

	Group		Parent company	
31 Dec 2008	Owner-ship, %	Share of votes, %	Owner-ship, %	Share of votes, %
Pharmaceuticals				
Parent company Orion Corporation				
Fermion Oy, Espoo	100.00	100.00	100.00	100.00
Orion Pharma (Ireland) Ltd.	100.00	100.00	100.00	100.00
Orion Pharma (UK) Ltd.	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 AB, Switzerland	100.00	100.00	100.00	100.00
Orion Pharma AS, Norway	100.00	100.00	100.00	100.00
Orion Pharma GmbH, Germany	100.00	100.00	100.00	100.00
Orion Pharma Kft., Hungary	100.00	100.00	100.00	100.00
Orion Pharma SA, France [1)]	100.00	100.00	100.00	100.00
Orion Pharma, Inc., USA [1)]	100.00	100.00	100.00	100.00
Orion Pharma S.L., Spain [1)]	100.00	100.00	100.00	100.00
Orion Pharma S.r.l., Italy [1)]	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
OOO Orion Pharma, Russia	100.00	100.00		
OÜ Orion Pharma Eesti, Estonia	100.00	100.00	100.00	100.00
UAB Orion Pharma, Lithuania	100.00	100.00	100.00	100.00
Orion Export Oy, Espoo [1)]	100.00	100.00	100.00	100.00
Oy Lyocentre-Nordic Ab, Helsinki [1)]	100.00	100.00	100.00	100.00
Saiph Therapeutics Oy, Espoo [1)]	100.00	100.00	100.00	100.00
Kiinteistö Oy Harmaaparta, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Kalkkipellontie 2, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Kapseli, Hanko	100.00	100.00		
Kiinteistö Oy Nilsiänkatu 10, Helsinki	100.00	100.00	100.00	100.00
Kiinteistö Oy Pilleri, Hanko	70.39	70.39		
Kiinteistö Oy Tonttuvainio, Espoo	100.00	100.00	100.00	100.00
Diagnostics				
Orion Diagnostica Oy, Espoo	100.00	100.00	100.00	100.00
Orion Diagnostica AB, Sweden	100.00	100.00		
Orion Diagnostica as, Norway	100.00	100.00		
Orion Diagnostica Danmark A/S, Denmark	100.00	100.00		

[1)] Not engaged in any business activities

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

Transactions with the related parties

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

Management's employment benefits

EUR million	2008	2007
Salaries and other short-term employee benefits	2.7	2.5
Post-employment benefits	0.5	0.6

Salaries and remuneration

EUR million	2008	2007
President and CEO	0.5	0.7
Matti Kavetvuo, Chairman	0.1	0.1
Jukka Ylppö, Vice Chairman	0.1	0.1
Eero Karvonen	0.1	0.0
Leena Palotie	0.0	0.0
Vesa Puttonen	0.1	0.1
Hannu Syrjänen	0.0	0.0
Heikki Vapaatalo		0.0
Board of Directors total	0.4	0.4

The agreed retirement age of the parent company's President and CEO is 60 years, with the pension amounting to 60% of the pension salary. Moreover, executives of certain Group companies have the option to retire at 60–63 years of age with the pension level at 60% of their pension salary.

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

Orion Corporation has issued EUR 9.0 million worth of real estate mortgages to the Orion Pension Fund to cover the pension liability if necessary.

The Group has an interest-free loan receivables of EUR 0.1 million from Hangon Puhdistamo Oy.

29. Events after the Balance Sheet date

On 15 January 2009, Orion filed a patent infringement lawsuit in the United States against the companies belonging to the Wockhardt Group. These companies seek to launch generic drugs in the United States that contain the active ingredients in the same proportions as Orion's proprietary drug Stalevo.

In early January, Orion completed the statutory negotiations initiated in November to restructure its pharmaceutical R&D operating model and structure. As a result of the negotiations, Orion decided on staff reductions of about 205 people in Finland. About 175 people will be given notice, and about 30 jobs will be reduced through various pension and other arrangements.

On 23 January, Orion took out a fixed-rate pension loan of EUR 22.8 million from Ilmarinen Mutual Pension Insurance Company. The loan will be repaid in accordance with an equal repayment plan during five years.

In January, based on new safety information a restriction was added to the European Summary of Product Characteristics for Fareston® breast cancer drug (toremifene). The drug should not be used in patients suffering from or with an increased risk of arrhythmia.

Parent Company Orion Corporation's Financial Statements (FAS)

Income Statement

EUR million	Note	2008	2007
Net sales	1	586.9	554.0
Other operating income	2	15.1	12.4
Operating expenses	3, 4	-426.1	-378.1
Amortisation on goodwill	4	-3.4	-3.4
Depreciation and amortisation	4	-21.5	-21.2
Operating profit		151.0	163.8
Financial income and expenses	5	22.9	21.6
Profit before appropriations and taxes		173.9	185.4
Extraordinary items	6	13.3	
Appropriations	7	-0.4	5.0
Income taxes	8	-43.3	-44.8
Profit for the financial year		143.5	145.6

Balance Sheet

Assets

EUR million, 31 Dec	Note	2008	2007
Intangible rights		34.5	17.5
Goodwill		3.4	6.8
Other long-term expenditure		2.8	1.8
Intangible assets total	9	40.8	26.1
Land		3.7	3.5
Buildings and constructions		76.2	74.1
Machinery and equipment		54.6	51.3
Other tangible assets		0.8	0.7
Advance payments and construction in progress		4.6	5.0
Tangible assets total	10	139.9	134.5
Shares and equity interest in Group companies		84.9	86.1
Other investments		1.3	1.3
Investments total	11	86.2	87.4
Non-current assets total		266.9	248.1
Inventories	12	92.9	83.5
Non-current receivables	13	0.5	0.5
Trade receivables	14	72.1	66.6
Other current receivables	14	27.3	10.7
Investments	15	139.1	67.2
Cash and bank		22.6	5.2
Current assets total		354.5	233.8
Assets total		621.4	481.8

Liabilities

EUR million, 31 Dec	Note	2008	2007
Share capital		92.2	92.2
Share premium		17.8	17.8
Hedging fund		-1.4	
Expendable fund		23.0	23.0
Retained earnings		19.3	19.0
Profit for the period		143.5	145.6
Shareholders' equity	16	294.5	297.7
Appropriations	17	73.2	72.8
Provisions	18	0.9	0.6
Loans from financial institutions		88.7	
Loans from pension insurance companies		20.0	
Other non-current liabilities		1.2	0.2
Non-current liabilities total	19	109.8	0.2
Trade payables		30.9	37.8
Other current liabilities		112.0	72.8
Current liabilities total	20	142.9	110.6
Liabilities total		621.4	481.8

Cash Flow Statement

EUR million	2008	2007
Operating profit	151.0	163.8
Depreciation and amortisation	24.9	24.6
Other adjustments	0.1	-0.6
Adjustments to operating profit, total	25.0	24.0
Change in non-interest-bearing current receivables	-5.3	-5.2
Change in inventories	-9.4	-16.1
Change in non-interest-bearing current liabilities	-1.0	13.3
Change in working capital, total [1)]	-15.7	-8.1
Interest paid	-9.2	-3.7
Dividends received [2)]	11.2	7.3
Interest received [2)]	7.0	3.2
Income tax paid	-45.4	-46.0
Cash flow from operating activities, total	124.0	140.5
Investments in tangible assets	-22.0	-19.5
Investments in intangible assets	-22.7	-7.3
Proceeds from sale of tangible assets	1.2	2.3
Investments in subsidiary shares	-0.0	-0.0
Proceeds from sale of other shares		0.1
Loans granted (-) / repayment of loan receivables (+)	-0.7	-0.1
Cash flow used in investing activities, total	-44.1	-24.4
Short-term loans raised	134.8	51.6
Proceeds from short-term loans	-104.2	-45.9
Long-term loans raised	125.0	
Proceeds from long-term loans	-0.3	-6.3
Repurchase of own shares	-4.8	
Dividends paid and other distribution of profits	-141.1	-141.3
Cash flow from financing activities, total	9.4	-142.0
Net change in cash and cash equivalents	89.3	-25.9
Cash and cash equivalents on 1 Jan [3)]	72.4	98.3
Net change in cash and cash equivalents	89.3	-25.9
Cash and cash equivalents on 31 Dec [3)]	161.7	72.4

[1)] The changes in 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 and included in the cash flow from operating activities of the parent company.
[3)] Besides cash and bank, the cash equivalents include marketable securities with a very low risk of change in value.

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 FI19992126).

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. Orion Corporation was listed on the Helsinki Stock Exchange on 1 July 2006.

Accounting policies for the Financial Statements of the Parent Company

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

Inventories

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

Goodwill

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

Pension arrangements

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

Leases

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

Proposal by the Board of Directors for the distribution of profits

The parent company's distributable funds are EUR 185,822,357.00, of which profit for the financial year made up EUR 143,522,078.18.

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

• A dividend of EUR 0.95 per share be distributed. No dividend shall be paid for treasury shares held by the company on the record day for dividend payment. On the day of the profit distribution proposal, shares entitling their holder to receive dividend totalled 140,932,992. Thus, the dividend would total	EUR	133,886,342.40
• Donations to medical research and other non-profit purposes, according to a decision by the Board of Directors	EUR	140,000.00
• To be retained on the profit and loss account	EUR	51,796,014.60
	EUR	185,822,357.00

No essential changes have taken place in the financial position of the company after the end of the financial period. The liquidity of the company is good and, according to the Board of Directors, the solvency of the company is not compromised due to the proposed dividends.

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

Espoo, 6 February 2009

Matti Kavetvuo
Chairman

Jukka Ylppö
Vice Chairman

Eero Karvonen

Leena Palotie

Vesa Puttonen

Hannu Syrjänen

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 on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

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

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

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

Opinion on the Consolidated Financial Statements

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

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

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

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

Espoo, 6 February 2009

PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
APA

Corporate Governance Statement of the Orion Group

1. General governance principles

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

In its governance, Orion Corporation follows the Finnish Corporate Governance Code 2008 for companies listed on NASDAQ OMX Helsinki. Orion Corporation deviates from the Code's recommendation Nr. 22 concerning the election of members to the Nomination Committee, which can include also other persons than members of the Board. The company considers the exception justified in view of the company's ownership structure and the possibility for flexibility when preparing for the election of the Board members.

2. Corporate Governance

The management system of the Orion Group consists of the Group level functions and Businesses. 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 Governance Statement is provided at www.orion.fi/investors.

The management of the Group takes place at the Group level. The following are examples of areas belonging to the Group level:

- determination and follow-up of the Group strategy
- the basic organisation and the steering and supervision of the operations of the Businesses
- 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 Businesses. The different Group-level functions provide services to the Businesses, 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 the General Meeting of the Shareholders in accordance with the Companies Act and the Articles of Association.

BOARD OF DIRECTORS

The Board of Directors of the parent company comprises at least five and at most eight members elected by the General Meeting of the Shareholders. The term of the members of the Board of Directors ends at the end of the Annual General Meeting of the Shareholders following the election. The General Meeting of the 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 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 of the parent company. The Board also makes sure that good corporate governance practices are followed in the Orion Group.

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

In addition to the committees composed of Board members, the company has a **Nomination Committee** which can be composed of also other persons 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 Companies Act, the President 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 Businesses. Accordingly, the executives responsible for the Businesses 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 as members. The Executive Management Board handles all important issues relating to the whole Group and its units, including all the matters of the Businesses of line functions that are to be handled by the Board of Directors. The President and CEO can, if considered appropriate, however, de-

cide not to take a matter to the Executive Management Board.

STAFF FUNCTIONS

The Group level staff functions participate in the steering and supervision of the operations of the units belonging to the Group as part of the management and control system. In this task they assist the President and CEO in the management of the Group. The staff functions are in charge of, among other things, the following Group level functions: finance, treasury, investor relations, human resources, legal affairs and intellectual property rights, communications, internal audit, and insider affairs.

Businesses and line functions

BUSINESSES

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

LINE FUNCTIONS

The line functions provide function-specific support and services to all Businesses within the Group. The line functions are responsible for areas such as sales and marketing, supply chain, research and development, and business support.

Administration of legal entities

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

Control systems

The steering and supervision of the business operations and administration of the Group primarily take place by means of the management system described above.

For financial reporting the Group has a reporting system with the aim of providing the management of the Group and the units with sufficient and timely information to plan and manage the operations.

For the purpose of the supervision and steering of operations, the Group further has 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.

The external audit of the Group companies is carried out in accordance with the laws and Articles of Association in question. 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.

Risk management constitutes a significant element of Orion's corporate governance and is an integral and organic part of the company's responsibility structure and operative control principles.

The purpose of risk management in Orion is to identify, measure and manage the risks that may possibly threaten the company's operations and the achievement of the objectives set for the company. The definition of overall risk management processes, practical actions as well as responsibilities are developed by means of regular risk identification approaches covering the following areas:

- Strategic risks, including research and product development risks
- Operational risks, including sales and business risks, as well as those related to production, damages, safety and the environment
- Financial risks.

The risk management is dealt with on pages 109–111 of this Annual Report.

Insiders in the Orion Group

The Orion Group follows the insider guidelines issued by NASDAQ OMX Helsinki, and the company's Guidelines for Insiders are based on these guidelines. 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, the deputy auditor, and the members of the Executive Management Board. The permanent company-specific insiders comprise the persons designated by the company. The company maintains its insider register in the SIRE system of Finnish Central Securities Depository Ltd. The key practices applied by the company to the administration of insider affairs are the same as provided by the insider guidelines of NASDAQ OMX Helsinki.

Independence of the Board members

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

Charter of the Board of Directors

The Board of Directors has adopted a written charter containing the rules of getting organised, meeting arrangements, protocols of the meetings, confidentiality obligations and possible incompetence situations, the most important matters to be handled by the Board, communication of the matters handled by the Board, as well as self-evaluation of the Board's performance and working methods.

Charters of the committees

The role of the committees 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

The Audit Committee comprises 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 have at least four meetings 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, among others, to monitor the reporting process of the financial statements, to supervise the financial reporting process, to monitor the efficiency of the company's internal control, internal audit, and risk management systems, to monitor the audit of the financial statements, to evaluate the independence of the auditor, particularly the provision of related services to the company, to proposal for resolution on the election of the auditor, to monitor the financial position of the company and to evaluate the compliance with laws and regulations.

CHARTER OF THE REMUNERATION COMMITTEE

The Remuneration Committee comprises 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 Group, as well as the nominations of executives subject to decision by the Board.

CHARTER OF THE R&D COMMITTEE

The R&D Committee comprises 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 questions concerning the research and development activity within the Orion Group, and make proposals 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 comprise also other persons than members of the Board. The company considers the exception motivated in view of the company's ownership structure and the possibility for flexibility when preparing for the election of the Board members. The members of the Committee are appointed by the Board annually for a term ending at the closing of the Annual General Meeting of the shareholders following the appointment. For the appointments, the Board shall hear 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 largest registered shareholders by the number of votes are convened. Shareholders not entitled to participate in the General Meetings on the basis of their shareholdings are, however, excluded from the hearing. The Committee shall meet when necessary. The purpose of the Committee is to prepare and present a recommendation to the Board of Directors for the proposal to the Annual General Meeting concerning the composition and compensation of the Board. The recommendation prepared by the Nomination Committee shall not be regarded as a proposal by a shareholder to the Annual General Meeting. Nor shall the recommendation have any impact on the Board's independent decision making powers or its right to make proposals to the General Meetings of the shareholders.

Board of Directors, President and CEO and Executive Management Board

Composition of the Board of Directors of Orion Corporation as of 25 March 2008

- Matti Kavetvuo, Chairman
- Jukka Ylppö, Vice Chairman
- Eero Karvonen
- Leena Palotie
- Vesa Puttonen
- Hannu Syrjänen

All the members of the Board of Directors are independent of the Company in the manner provided in the Governance Code.

The members of the Board are introduced in this Annual Report on pages 54–55, and at www.orion.fi/investors.

Composition of the Audit Committee

- Vesa Puttonen (Chairman)
- Eero Karvonen
- Jukka Ylppö

Composition of the Remuneration Committee

- Matti Kavetvuo (Chairman)
- Vesa Puttonen
- Hannu Syrjänen

Composition of the R&D Committee

- Leena Palotie (Chairman)
- Eero Karvonen
- Matti Kavetvuo

Composition of the Nomination Committee

- Timo Maasilta (Chairman)
- Kari Jussi Aho
- Matti Kavetvuo
- Timo Ritakallio
- Jukka Ylppö

In 2008, altogether 15 Board meetings were held, of which 2 were teleconferences. The average attendance of the members was 94.4%. Committee meetings were held in 2008 as follows, with average attendance in the parentheses:

- Audit Committee 6 meetings (100%)
- Remuneration Committee 4 meetings (100%)
- R&D Committee 4 meetings (91.7%)
- Nomination Committee, appointed on 29 Oct. 2008, 2 meetings (100%).

The Board of Directors conducted a self-evaluation in the autumn of 2008.

Remuneration and benefits of the members of the Board of Directors

According to the decision by the AGM held on 25 March 2008 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 members shall receive EUR 600 each.

Remunerations paid to the members of the Board of Directors in 2008

	Total remuneration 2008, EUR	Proportion paid in B-shares, No. of shares
Matti Kavetvuo, Chairman	100,080	2,095
Jukka Ylppö, Vice Chairman	65,500	1,426
Eero Karvonen	51,000	1,047
Leena Palotie	47,400	1,047
Vesa Puttonen	53,400	1,047
Hannu Syrjänen	46,800	1,047
Board of Directors total	**367,180**	**7,709**

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

Shareholdings in Orion Corporation of the members of the Board of Directors on 31 December 2008

	A-shares	Change since 1 Jan 2008	B-shares	Change since 1 Jan 2008	Total number of shares	% of shares	% of votes
Matti Kavetvuo, Chairman	110,596	0	85,184	2,095	195,780	0.14	0.21
Jukka Ylppö, Vice Chairman	1,247,136	-110,320	289,514	1,426	1,536,650	1.09	2.26
Eero Karvonen	546,200	0	20,263	1,047	566,463	0.40	0.98
Leena Palotie	0	0	4,263	1,047	4,263	0.00	0.00
Vesa Puttonen	0	0	6,263	1,047	6,263	0.00	0.00
Hannu Syrjänen	0	0	1,840	1,047	1,840	0.00	0.00
Board of Directors total	**1,903,932**	**-110,320**	**407,327**	**7,709**	**2,311,259**	**1.64**	**3.44**

Shareholdings of under-aged children and organisations or foundations controlled by the person are also included.
The change in the A-share holdings of Jukka Ylppö is due to the fact that the number of shares in the 'Change' column belong to his child who came to age in 2008.
The increased holdings of B-shares in 2008 have been received by the Board members as a proportion of their annual fees for the term of office in the Board.
Up-to-date information on the holdings of the Board members in Orion Corporation is provided on Orion's homepage www.orion.fi/investors as well as in the insider register SIRE maintained by Finnish Central Securities Depository Ltd.

Shareholdings in Orion Corporation of the Executive Management Board on 31 December 2008

	A-shares	Change since 1 Jan 2008	B-shares	Change since 1 Jan 2008	Total number of shares	% of shares	% of votes
Timo Lappalainen	0	0	7,550	2,150	7,550	0.01	0.00
Satu Ahomäki	0	0	713	713	713	0.00	0.00
Markku Huhta-Koivisto	0	0	20,250	2,450	20,250	0.01	0.00
Olli Huotari	0	0	1,200	1,200	1,200	0.00	0.00
Liisa Hurme	0	0	525	525	525	0.00	0.00
Pekka Kaivola	764	0	8,675	2,015	9,439	0.01	0.00
Jari Karlson	0	0	5,900	1,900	5,900	0.00	0.00
Pekka Konsi	428	0	3,264	480	3,692	0.00	0.00
Reijo Salonen	0	0	1,700	1,700	1,700	0.00	0.00
Riitta Vartiainen	36	0	3,863	863	3,899	0.00	0.00
Executive Management Board total	**1,228**	**0**	**53,640**	**13,996**	**54,868**	**0.03**	**0.01**

Shareholdings of under-aged children and organisations or foundations controlled by the person are also included.
Up-to-date information on the holdings of the Executive Management Board members in Orion Corporation is provided on Orion's homepage www.orion.fi/investors as well as in the insider register SIRE maintained by Finnish Central Securities Depository Ltd. Liisa Remes, the employee representative in the Executive Management Board, does not belong to the public insider register or Orion Corporation.

In accordance with previously adopted practice, the Chairman shall have a telephone as a fringe benefit, and the travel expenses of all Board members shall be paid in accordance with the travel policy of the company. The afore-mentioned fees shall also be paid to the Chairmen and to the members of the committees established by the Board, for each committee meeting attended.

Of the annual fee, 60% is paid in cash and 40% in Orion Corporation B-shares, which were acquired to the members on 4 April 2008 from the 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 members. The part of the annual fee paid in cash corresponds to the approximate sum necessary for the payment of the income taxes on the fees was paid on 25 April 2008. The annual fees encompass the full term of office of the Board of Directors.

Auditors in 2008

The auditor of Orion Corporation is PricewaterhouseCoopers Oy, Authorised Public Accountant Firm, the designated auditor being Janne Rajalahti, Authorised Public Accountant. The Deputy Auditor is Kati Malmivuori, Authorised Public Accountant.

The remunerations to the auditors are paid against accepted invoicing. The remunerations paid in 2008 are specified in » Note 4 to the Financial Statements, on page 85 and www.orion.fi/investors.

Executive management of the Orion Group

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

SERVICE CONTRACT OF THE PRESIDENT AND CEO

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

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

REMUNERATION OF THE PRESIDENT AND CEO

The compensation of the President and CEO is subject to the decision by the Board of Directors of Orion. The salaries, remuneration and bonuses paid the President and CEO in 2008 totalled EUR 501,039, consisting of EUR 390,839 in salary and benefits and EUR 110,200 in bonuses.

Composition of the Executive Management Board as of 1 January 2008

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

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

The members of the Executive Management Board are introduced on pages 56–57 of this Annual Report, as well as on » www.orion.fi/investors.

COMPENSATION SYSTEM OF THE MEMBERS OF THE EXECUTIVE MANAGEMENT BOARD

The compensation of the other members of the Executive Management Board is subject to a decision by the Board of Directors or its Chairman. The compensation system for these persons consists of a monthly salary and a performance-based bonus. The bonuses are based on pre-defined profit targets as well as personal goals.

The salaries, remunerations, benefits and bonuses paid to the President and CEO and the other members of the Executive Management Board for 2008 totalled EUR 2,689,051, of which the salaries and benefits accounted for EUR 1,958,658 and the bonuses for EUR 730,393.

SHARE-BASED INCENTIVE PLAN

In January 2007, the Board of Directors of Orion Corporation decided on a new share-based incentive plan for ca. 30 key persons in the Orion Group. The aim of the plan is to encourage them to sustained efforts to increase shareholder value and to strengthen their commitment to the development of the company's operations. The possible incentive is determined on the basis of the growth of Orion's operating profit in the years 2007–2009 and separately agreed personal performance objectives. The incentive is granted in the form of the company's B-shares or cash, or both. The number of shares included in the plan shall not exceed 350,000, corresponding to about 0.25% of the total share stock of Orion Corporation. The recipient may not transfer the bonus shares during the first two years after the date of receipt, except for certain special circumstances.

MANAGEMENT REMUNERATIONS TOTAL

The salaries, remunerations, benefits and bonuses paid the members of the Board of Directors, the President and CEO and the other members of the Executive Management Board for 2008 totalled EUR 3,056,231 (EUR 2,877,690 in 2007).

Risk management

Risk management constitutes a significant element of Orion's corporate governance and is an integral and organic part of the company's responsibility structure and operative control principles.

Orion aims to identify, measure and manage the risks that may possibly threaten the company's operations and the achievement of the objectives set for the company. Overall risk management processes, practical actions as well as 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, damage, safety and the environment
- financial risks.

Strategic risks

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

- The Group structure also includes business units that focus on other areas than the development of proprietary products. Such other units that balance the Group's operations include generic drugs, veterinary medicines and diagnostic tests.
- The pharmaceutical product range is kept sufficiently extensive.
- The 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 new proprietary drugs in markets worldwide. However, the Group cannot guarantee that new products can be introduced in the market in accordance with expectations. Furthermore, changes can occur in the co-operation with partners, owing to industry consolidation, for example.

The scope of strategic risks also includes issues such as the sustainability of the company's governance and reporting principles. In line with the Finnish Corporate Governance Code 2008, Orion Group's unambiguous corporate governance model inspires public trust in the Orion Group and its management. The trust is based on transparently published elementary 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 inspires and enhances the trust shown by its stakeholders, such as the surrounding society, the equity markets and shareholders by providing open, truthful and consistent information about the company's events, operations and financial status in a timely manner.

Research and development risks
The development of proprietary drugs is associated with many factors of uncertainty. Typically, only about one out of ten investigational compounds that have progressed to the clinical phase enters the market. The major reasons to discontinue a development project are those related to the efficacy and safety of the drug candidate. This is why the pharmacological properties and the efficacy and safety of an investigational compound are studied in research projects that progress phase by phase, and clinical trials with humans can only be conducted with the permission of regulatory drug authorities. The pharmacology and safety of a drug candidate are studied on a broad scale using preclinical laboratory models and by monitoring tolerability and adverse effects throughout the clinical phases.

In major research projects, Orion's Board of Directors makes the decision to progress from one research phase to the next. In minor research projects the decision is made by the executive management. The decisions are always based on a comprehensive analysis of the accumulated research results, and also considering the prevailing 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. Based on statutory requirements, the adverse effects of a drug continue to be followed even after the product has been launched.

The financial risks grow as the research project progresses towards clinical trials in humans. The most expensive phase is Phase III that involves hundreds or thousands of patients in multinational studies. Double-blind studies are used to collect as reliable evidence on the efficacy and safety of the drug as possible. This is why Orion shares the high financial risks of Phase III trials by conducting them together with another pharmaceutical company which will also be a marketing partner for the drug.

Risks relating to competing generic drugs
A characteristic feature of the pharmaceutical industry is that manufacturers of generic drugs seek to bring their own medicines, which are generally cheaper than the original manufacturer's products, to market at the earliest possible stage. This can be done, for example, by trying to use the courts to circumvent the original manufacturer'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 and may lead to significant losses in sales.

In developing its products Orion endeavours to protect them efficiently and over a wide area, whilst defending the rights of its products diligently both by itself and together with its marketing partners.

Downward pressure on the prices of pharmaceuticals
Downward pressure on the prices of pharmaceuticals is caused not only by normal price competition but by a num-

ber of factors that are as a rule brought about by national governments and decisions of the authorities as each nation seeks to curb mounting drug costs. Among these factors are generic substitution and reimbursement systems based on reference prices and changes in rules concerning them. The factors also include cuts in drug prices and reimbursement. Parallel imports in the EU area are another element that is depressing prices.

Orion seeks to respond to these challenges by maintaining a sufficiently diverse product range, continuously boosting cost-effectiveness and correctly channelling its development and sales resources.

Operational risks

SALES AND BUSINESS RISKS

The sales and marketing of pharmaceuticals generally calls for a fairly extensive network of sales representatives, and maintaining the sales force requires substantial fixed costs. Orion's business operations are built on the dual pillars of its own sales network in Europe and sales through partners in other parts of the world. This structure aims at a balance between available resources and risk-bearing capacity, as well as the marketing investment required by the new products developed in-house.

In areas where Orion has operations of its own, the sales must constantly be at a sufficiently high level in order to maintain profitability. This generally calls for a fairly extensive product portfolio.

Bringing a new proprietary product out on the market is particularly expensive for a relatively small company like Orion, 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 the highest quality standards. Because of these statutory requirements alone, close attention must be paid in the production to various safety and quality risks.

The appropriate quality of pharmaceuticals is ensured through systematic overall management of operations, covering all factors with direct or indirect impact on the quality. The operations are steered with comprehensive instructions and sufficient control of materials and preparations before, during and after production.

Legal, intellectual property rights and regulatory risks

Healthcare is a sector closely under regulatory control by authorities. The manufacture and distribution as well as research of pharmaceuticals require licences issued by the authorities. The industry is also overseen by the competition authorities. Orion has clear operative rules and principles to ensure that all regulations are complied with.

It is characteristic of the pharmaceutical industry that intellectual property rights are of pivotal importance. To ensure Orion's position, the patent situation of both products that are available for sale and those in the pipeline is monitored continuously worldwide. This is done to ensure that the rights to products developed by Orion are not infringed and to avoid situations in which Orion itself would infringe the patents or other intellectual property rights of others.

Patent protection is nevertheless of limited duration, and the expiry of an important product's patent protection can have a negative impact on the Orion Group's operations, financial position or operational 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 was observed above in the description of research and development risks, the launch of a new drug on the market calls for extensive phase-by-phase trials that delineate the drug's pharmacological properties, such as efficacy and safety. Starting the sales and marketing of a drug requires a marketing authorisation issued by the relevant drug authorities.

The adverse effects of a drug are subject to monitoring stipulated by the authorities even after the launch of the product. By means of the above-described trials and pharmaceutical production methods, Orion seeks to ensure in advance that its products do not involve any such adverse effects as might lead to a liability to pay compensation for claims against the products or that a major product might have to be withdrawn from the market.

To provide for the financial impacts of product liability risk, the Orion Group's products and operations are insured with an operational and product liability insurance that also covers clinical studies, except for clinical studies carried out in the United States or Canada. The purpose of the insurance is to provide cover for any liability for damages on the part of the policyholder. The above-mentioned protection is limited, as is customary, in cash amount, for example. Certain products and active pharmaceutical ingredients are also excluded, some of which belong to Orion's sphere of operations. Nevertheless, these are not estimated to increase Orion's product liability risk materially.

Risks of damage

In addition to normal statutory insurance, Orion has property, business interruption and third party 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 instructions concerning corporate safety. The objective of Orion's corporate security policy is to ensure the uninterrupted continuation of operations, the safety of people, the protection of property and environment against damage as well as the sufficiency of the measures relating to information securi-

ty. The Guidelines set out the principles applied in corporate security activities, also incorporating crisis management. Orion's information security objectives, as well as the most essential codes of conduct and responsibilities are defined in a specific information security policy.

Environmental risks
The guidelines concerning environmental safety contain detailed information about the procedures and responsibilities. Dedicated persons have been appointed for development and monitoring of environmental management issues within the Group. Environmental impacts are monitored, for example, through emission measurement, waste quantity control and statistics on the consumption of various substances. The implementation of environmental protection is monitored through internal audits performed annually. The company has the environmental permits required for its operations.

Product procurement and company acquisition risks
Orion endeavours to expand its operations by purchasing or in-licensing products that are under development or already available on the market, or, possibly, by acquiring other pharmaceutical and biotechnology companies. In carrying out such projects, Orion seeks 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 functions within the overall business.

Product acquisitions and possible company acquisitions can involve customary 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 aims for the promotion of well-being at work and continuous improvement of competence and the work community. Orion's success also depends on the company's ability to hire, develop, train, motivate and retain professionally skilled personnel.

Financing risks

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

The main principles of financing risk management are described in the Group's treasury policy approved by Orion's Board of Directors. The treasury operations are centrally managed and administered by the Group's Treasury department.

A more detailed description of Orion's financial assets and liabilities as well as financial risk management is available in » the Notes 23 and 24 to Orion's Financial Statements found on pages 94–97 in this Annual Report.

Shares and shareholder structure

On 31 December 2008, Orion Corporation had a total of 141,257,828 shares and the company's share capital was EUR 92,238,541.46. A-shares totalled 51,440,668 and B-shares 89,817,160. At the end of 2008, altogether 324,836 B-shares were in the company's possession (treasury shares). On 31 December 2008, the aggregate number of votes conferred by both share classes was 1,118,305,684 excluding treasury shares.

Both shares, A and B, provide equal rights to the company assets and dividends.

The shares have no nominal value, but their counter-book value 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, whereas each B-share carries one (1) vote.

However, at a General Meeting a shareholder cannot vote with more than 1/20 of the aggregate number of votes from the different share classes represented at the General Meeting. In addition, Orion Corporation and Orion Pension Fund do not have the right to vote at Orion Corporation's General Meetings.

Conversion of shares

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.

On the basis of the Articles of Association, a shareholder can demand conversion of his or her A-shares into B-shares, if the conversion can take place within the maximum number of shares in the share classes. In 2008, a total of 1,118,020 shares were converted.

Authorisations of the Board of Directors

Orion Corporation's Board of Directors has an authorisation granted by the Annual General Meeting on 25 March 2008 to repurchase and transfer the company's own shares (treasury shares). By the end of 2008, the Board of Directors had not exercised this authorisation which is in force up to the closing of the 2009 Annual General Meeting.

The Board of Directors does not have an authorisation to increase the share capital or to issue bonds with warrants or convertible bonds or stock options.

In March 2008, Orion's Board of Directors exercised the authorisation granted by the AGM on 2 April 2007 to repurchase a total of 350,000 B-shares. The shares were acquired in public trade from NASDAQ OMX Helsinki during 17–20 March 2008.

By the decision of the Board of Directors, altogether 25,164 B-shares held by the company were conveyed on 20 March 2008 as a share bonus for 2007 to persons employed by the company and included in the Share-Based Incentive Plan of the Orion Group. The transfer price of the shares conveyed was EUR 14.09 per share, which was the weighted average price of the B-share on 20 March 2008. The total transfer price of the B-shares conveyed was EUR 354,482.75.

Trading in Orion's shares

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

On 31 December 2008, the market capitalisation of the company's shares excluding treasury shares stood at EUR 1,697.5 million.

In 2008, a total of 2,508,220 A-shares and 73,719,186 B-shares were traded on NASDAQ OMX Helsinki. The total value of traded shares was EUR 980.0 million. During the year, 4.8% of A-shares and 82.6% of B-shares were traded. The average trading in Orion's shares was 54.1%.

The price of Orion's A-share fell by 25.5% and the price of the B-share fell by 24.7% in 2008. During the same period, the NASDAQ OMX Helsinki index fell by 53.4%. The closing quotation for the A-share on 31 December 2008 was EUR 12.00 and the closing quotation for the B-share on 31 December 2008 was EUR 12.07. The highest quotation for Orion's A-share in 2008 was EUR 16.40, and the lowest quotation was EUR 10.50. The highest quotation for the B-share in 2008 was EUR 16.44, and the lowest quotation was EUR 10.30.

Registration and shareholder structure

Orion's shares are in the book-entry system maintained by Finnish Central Securities Depository (Euroclear Finland Ltd).

At the end of 2008, Orion had a total of 43,119 registered shareholders, of whom 94.1% were private individuals. They held 48.3% of the entire shares outstanding and 59.2% of the total votes. There were 34.7 million nominee-registered shares, representing 24.5% of all shares and 6.1% of the votes.

Orion held 324,836 B-shares as treasury shares at the end of 2008. They represented 0.2% of the company's shares outstanding and 0.03% of the total votes.

Flagging notifications

No such new parties whose ownership of the company's share capital or the represented number of votes exceeds the flagging limits set in the Finnish Securities Markets Act have been brought to the attention of the company during the financial year.

Management's shareholdings

At the end of 2008, the members of the Board of Directors owned a total of 2,311,259 Orion Corporation shares, of which 1,903,932 were A-shares and 407,327 B-shares. The CEO owned 7,550 Orion Corporation B-shares at the end of 2008. The members of the Executive Management Board (excluding the CEO) owned a total of 47,318 Orion Corporation shares, of which 1,228 were A-shares and 46,090 were B-shares. Thus, Orion's executive management held 1.68% of all shares, representing 3.46% of the total votes. The figures also include the holdings of under-aged children and controlled entities.

The company does not have stock option programmes.

Information on Orion's shares and their prices is available on » www.orion.fi/investors. The website also provides information on Orion's shareholder structure (updated on a monthly basis), a list of the largest shareholders and updated information on the shareholdings of the Orion Group's insiders with a duty to declare.

Details on management's shareholdings are also available » on page 107 in the Annual Report.

Basic information on Orion's shares on 31 December 2008

	A-share	B-share	Total
ISIN code	FI0009014369	FI0009014377	-
Trading code on NASDAQ OMX Helsinki	ORNAV	ORNBV	-
Reuters code	ORNAV.HE	ORNBV.HE	-
Bloomberg code	ORNAV.FH	ORNBV.FH	-
Share capital, EUR million	33.6	58.6	92.2
Counter book value of the share, EUR	0.65	0.65	-
Total number of shares	51,440,668	89,817,160	141,257,828
% of total share stock	36%	64%	100%
Number of treasury shares	-	324,836	324,836
Total number of shares excluding treasury shares	51,440,668	89,492,324	140,932,992
Minimum number of shares	-	-	1
Maximum number of shares	500,000,000	1,000,000,000	1,000,000,000
Votes per share	20	1	-
Number of votes excluding treasury shares	1,028,813,360	89,492,324	1,118,305,684
% of total votes	92%	8%	100%
Total number of shareholders	14,363	34,891	43,119

Changes in share capital 1 July 2006–31 December 2008

	A-shares	B-shares	Total number of shares	Total number of votes	Share capital EUR million
1 July 2006	56,397,540	84,860,288	141,257,828		92.2
Conversions of shares 1 July–31 Dec 2006	-843,300	843,300			
31 December 2006	55,554,240	85,703,588	141,257,828	1,196,788,388	92.2
Conversions of shares 1 January–31 Dec 2007	-2,995,552	2,995,552			
31 December 2007	52,558,688	88,699,140	141,257,828	1,139,872,900	92.2
Conversions of shares 1 January–31 Dec 2008	-1,118,020	1,118,020			
Repurchase of own shares	-	350,000			
Own shares conveyed	-	-25,164			
31 Dec 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

Ownership base by type of shareholder on 31 December 2008

Type of shareholder	Number of share-holders	%	A-shares	%	B-shares	%	Total number of shares	%	Total number of votes	%
Households	40,552	94.05	31,270,563	60.79	36,879,696	41.06	68,150,259	48.25	662,290,956	59.21
Nominee registered and foreign shareholders	181	0.40	1,748,552	3.40	32,905,292	36.64	34,653,844	24.53	67,802,658	6.06
Public sector entities	44	0.10	6,385,504	12.41	5,889,664	6.56	12,275,168	8.69	133,599,744	11.94
Non-financial corporations and housing corporations	1,650	3.83	7,352,336	14.29	4,388,215	4.89	11,740,551	8.31	151,434,935	13.54
Non-profit organisations	605	1.40	4,246,490	8.26	4,967,114	5.53	9,213,604	6.52	89,896,914	8.04
Banks and insurance companies	86	0.22	370,305	0.72	4,397,863	4.90	4,768,168	3.38	11,877,637	1.06
Other	0	0.00	66,918	0.13	64,480	0.07	131,398	0.09	1,402,840	0.13
Number of treasury shares	1	0.00	0	0.00	324,836	0.36	324,836	0.23	324,836	0.03
Total	43,119	100.00	51,440,668	100.00	89,817,160	100.00	141,257,828	100.00	1,118,630,520	100.00

Ownership base by number of shares held on 31 December 2008

Number of shares	Number of share-holders	%	A-shares	%	B-shares	%	Total number of shares	%	Total number of votes	%
1–100	7,876	18.27	167,329	0.33	432,904	0.48	537,992	0.38	3,154,064	0.28
101–1,000	23,851	55.31	3,106,307	6.04	9,178,227	10.22	10,666,263	7.55	54,742,368	4.89
1,001–10,000	10,221	23.70	11,630,961	22.61	21,274,993	23.69	29,901,787	21.17	223,182,897	19.95
10,001–100,000	1,069	2.48	11,149,630	21.68	13,017,690	14.49	26,694,614	18.90	264,011,853	23.60
100,001–1,000,000	87	0.20	10,516,342	20.44	10,557,084	11.75	21,199,515	15.01	235,907,818	21.09
1,000,001–	14	0.03	14,803,181	28.78	34,966,946	38.93	51,801,423	36.67	335,903,844	30.03
On joint account	0	0.00	66,918	0.13	64,480	0.07	131,398	0.09	1,402,840	0.13
Total	43,118	100.00	51,440,668	100.00	89,492,324	99.64	140,932,992	99.77	1,118,305,684	99.97
of which nominee registered	15	0.03	1,596,155	3.10	32,260,204	35.92	33,856,359	23.97	64,182,304	5.74
Number of treasury shares	1	0.00	0	0.00	324,836	0.36	324,836	0.23	324,836	0.03
Total number of shares	43,119	100.00	51,440,668	100.00	89,817,160	100.00	141,257,828	100.00	1,118,630,520	100.00

Largest shareholders [1] on 31 December 2008

	Order by number of shares held	A-shares	B-shares	Total number of shares	% of shares	Total number of votes	% of votes	Order by number of votes
1.	Capital Research and Management Company [2]	0	7,281,692	7,281,692	5.15%	7,281,692	0.65%	
2.	Varma Mutual Pension Insurance Company	2,130,000	683,100	2,813,100	1.99%	43,283,100	3.87%	2.
3.	Brade Jouko and companies	2,051,531	574,376	2,625,907	1.86%	41,604,996	3.72%	4.
	Brade Jouko	255,800	29,600			5,145,600		
	Brade Oy	251,970	16,200			5,055,600		
	Medical Investment Trust Oy	1,300,000	324,955			26,324,955		
	Lamy Oy	2,152	187,521			230,561		
	Helsinki Investment Trust Oy	200,000	5,000			4,005,000		
	Helsinki Securities Oy	41,609	11,000			843,180		
	Töölö Trading Oy	0	100			100		
4.	Etola Erkki and companies	2,429,948	3,526	2,433,474	1.72%	48,602,486	4.34%	1.
	Etola Erkki	100,228	3,526			2,008,086		
	Etra Trading Oy	2,329,720	0			46,594,400		
5.	Orion Pension Fund [3]	1,765,624	378,699	2,144,323	1.52%	(35,691,179)	(3.19%)	
6.	Land and Water Technology Foundation and companies	2,083,360	0	2,083,360	1.47%	41,667,200	3.72%	3.
	Land and Water Technology Foundation	1,034,860	0			20,697,200		
	Tukinvest Oy	1,048,500	0			20,970,000		
7.	Ilmarinen Mutual Pension Insurance Company	1,577,440	205,450	1,782,890	1.26%	31,754,250	2.84%	5.
8.	The Social Insurance Institution of Finland, KELA	0	1,658,368	1,658,368	1.17%	1,658,368	0.15%	
9.	Ylppö Jukka	1,247,136	289,514	1,536,650	1.09%	25,232,234	2.26%	6.
10.	The State Pension Fund	0	1,300,000	1,300,000	0.92%	1,300,000	0.12%	
11.	Saastamoinen Foundation	1,189,996	0	1,189,996	0.84%	23,799,920	2.13%	7.
12.	Aho Group Oy and controlling votes	1,067,836	3,157	1,070,993	0.76%	21,359,877	1.91%	8.
	Helsingin Lääkärikeskus Oy	658,230	4			13,164,604		
	Kliinisen Kemian Tutkimussäätiö	92,472	0			1,849,440		
	Aho Juhani	276,029	0			5,520,580		
	Aho Kari Jussi	21,215	426			424,726		
	Porkkala Miia	5,115	426			102,726		
	Lappalainen Annakaija	4,944	0			98,880		
	Aho Antti	5,916	1,876			120,196		
	Aho Ville	3,915	425			78,725		
13.	Ylppö Into and controlling votes	776,736	240,200	1,016,936	0.72%	15,774,920	1.41%	9.
	Ylppö Into	577,936	240,200			11,798,920	1.05%	
	Ylppö Eeva	106,400	0			2,128,000		
	Ylppö Aurora	92,400	0			1,848,000		
14.	OP-Delta Fund	0	945,900	945,900	0.67%	945,900	0.08%	
15.	The Finnish Cultural Foundation	321,946	554,620	876,566	0.62%	6,993,540	0.63%	
16.	Danske Invest Finnish Institutional Equity Fund	0	577,738	577,738	0.41%	577,738	0.05%	
17.	Karvonen Eero and companies	546,200	20,263	566,463	0.40%	10,944,263	0.98%	10.
	Karvonen Eero	73,170	3,592			1,466,992		
	EVK-Capital Oy	473,030	16,671			9,477,271		
18.	Salonen Maritza and controlling votes	545,126	0	545,126	0.39%	10,902,520	0.97%	
	Salonen Maritza	445,046	0			8,900,920	0.80%	
	Salonen Reino, Kuolinpesä	30,980	0			619,600	0.06%	
	Maritza ja Reino Salosen säätiö	69,100	0			1,382,000	0.12%	
19.	Mutual Insurance Company Pension-Fennia	292,800	193,250	486,050	0.34%	6,049,250	0.54%	
20.	Relander Gustaf	460,000	0	460,000	0.33%	9,200,000	0.82%	
20 largest shareholders, total		18,485,679	14,909,853	33,395,532	23.4%	384,623,433	33.8%	
Nominee registered holdings (excl. Capital Research and Management Company)		1,596,155	24,978,512	26,574,667	18.8%	56,901,612	5.1%	
Others		31,358,834	49,603,959	80,962,793	57.3%	676,780,639	60.5%	
Orion's treasury shares		0	324,836	324,836	0.2%	324,836	0.0%	
Total		51,440,668	89,817,160	141,257,828	99.8%	1,118,630,520	99.4%	

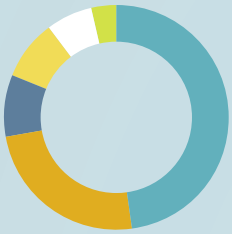
1) The list includes the direct holdings and votes of the company's major shareholders, corresponding holdings of organisations or foundations controlled by a shareholder insofar as they are known to the issuer, holdings of a pension foundation or pension fund of a shareholder or an organisation controlled 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) The information is based on Capital Research and Management Company's notification on 21 November 2007 in accordance with the section 9 of chapter 2 in the Finnish Securities Market Act.

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

Shares by type of shareholder on 31 December 2008

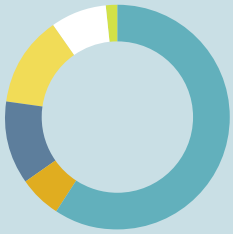
%



- Households 48%
- Nominee registered and foreign shareholders 25%
- Public sector entities 9%
- Non-financial corporations and housing corporations 9%
- Non-profit organisations 7%
- Banks and insurance companies 3%

Votes by type of shareholder on 31 December 2008

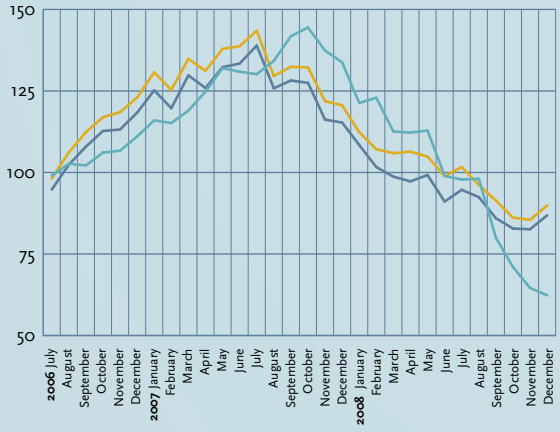
%



- Households 59%
- Nominee registered and foreign shareholders 6%
- Public sector entities 12%
- Non-financial corporations and housing corporations 14 %
- Non-profit organisations 8%
- Banks and insurance companies 1%

Share price development

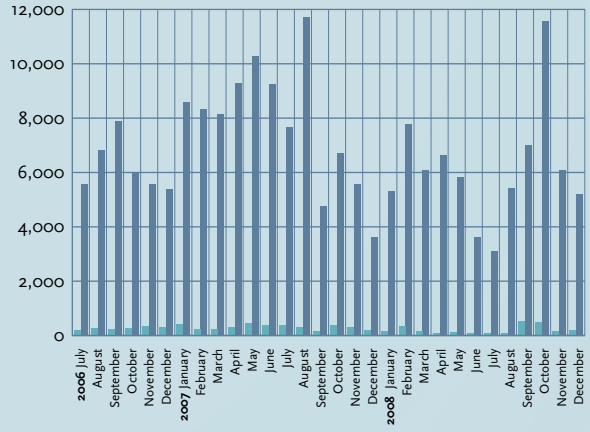
3 July 2006 = 100



- OMXH index
- A-share
- B-share

Trading volume

Monthly trading volume, 1,000 shares



- A-share
- B-share

Stock Exchange Releases in 2008

Date of publication	Stock Exchange Releases
02.01.2008	Orion comments on new challenge by Sun Pharmaceutical Industries Ltd., India, of Orion's U.S. Patent No. 5,446,194 covering its proprietary drug Stalevo® in the United States
24.01.2008	Positive primary endpoint from FIRST-STEP study with Stalevo® in early Parkinson's Disease
30.01.2008	Recommendation by the Nomination Committee concerning Board of Directors to be elected by the AGM of Orion Corporation
07.02.2008	Orion Group Financial Review of 2007
07.02.2008	Matters to be handled at Orion's AGM on 25 March 2008
07.02.2008	Orion: Annual Summary of Stock Exchange Releases and Announcements published in 2007
07.02.2008	Orion sues Sun Pharmaceuticals in the U.S. to enforce Orion's U.S. Patent No. 5,446,194 covering its proprietary drug Stalevo®
25.02.2008	Orion Oyj: GTx announced Phase III clinical data for toremifene citrate 80 mg
28.02.2008	Orion Group Annual Report 2007 published
25.03.2008	Orion Corporation: Decisions by the AGM on 25 March 2008
25.03.2008	Orion Corporation: Jukka Ylppö Vice Chairman of the Board of Directors. Compositions of Board committees
15.04.2008	Orion seeking broader indication for Stalevo®
25.04.2008	Orion Group Interim Report 1–3/2008
09.05.2008	Orion has decided not to continue the development of a new COMT inhibitor candidate
05.08.2008	Orion Group Interim Report 1–6/2008
12.09.2008	Orion updates progress with dexmedetomidine trials
07.10.2008	Orion comments on new ANDA by Sun Pharma Global, Inc. for generic entacapone (Orion's proprietary drug Comtan®) in the United States
28.10.2008	Orion Group Interim Report 1–9/2008
28.10.2008	Orion Corporation's publication schedules for financial reporting in 2009
29.10.2008	Composition of the Nomination Committee of Orion Corporation
03.11.2008	Orion comments on ANDA filed by Wockhardt Limited for a generic version of Orion's proprietary drug Stalevo® in the United States
12.11.2008	Orion sues Sun Pharma Global, Inc. in the U.S. to enforce Orion's U.S. Patent No. 5,446,194 covering its proprietary drug Comtan®
19.11.2008	Orion to renew operational model of pharmaceutical R&D. Negotiation proposal on reduction of up to 300 employees in Finland
08.12.2008	Orion sues Wockhardt USA, Inc. and Wockhardt Limited in the U.S. to enforce Orion's U.S. Patents covering its proprietary drug Stalevo®
11.12.2008	Orion comments on ANDA filed by Wockhardt Limited for a generic version of Orion's proprietary drug Stalevo® (25/200/100; 37.5/200/150 and 50/200/200 mg strengths) in the United States

Date of publication	Stock Exchange Announcements
16.01.2008	Orion Corporation publishes 2007 Financial Statement release on 7 Feb 2008 at 8.30 EET
28.01.2008	98,020 Orion A-shares converted into B-shares
18.03.2008	Orion Corporation acquisition of own shares 17.3.2008
19.03.2008	Orion Corporation acquisition of own shares 18.3.2008
20.03.2008	Orion Corporation acquisition of own shares 19.3.2008
20.03.2008	Orion Corporation: Transfer of own shares
17.04.2008	Orion Corporation publishes Interim Report Q1/2008 on 25 April 2008
16.06.2008	520,000 Orion A-shares converted into B-shares
23.07.2008	Orion Corporation publishes Interim Report Q1–Q2/2008 on 5 August 2008
28.07.2008	500,000 Orion A-shares converted into B-shares
17.10.2008	Orion publishes Interim Report Q1–Q3/2008 on 28 Oct 2008

Information to shareholders

Annual General Meeting

The Annual General Meeting of the Shareholders of Orion Corporation will be held on Monday, 23 March 2009 at 4:00 p.m. Finnish time at the Helsinki Fair Centre, address: Messuaukio 1. Shareholders intending to attend the Annual General Meeting must be listed as shareholders on 13 March 2009 in the company's shareholder register maintained by the Finnish Central Securities Depository (Euroclear Finland Ltd.). The General Meeting will be held in Finnish.

Invitation and material
An invitation to the Annual General Meeting was published in the Helsingin Sanomat newspaper on 7 February 2009. Information on the AGM and the materials for the meeting are available on Orion's website at » www.orion.fi/investors.

Registration to the AGM
Registration to the AGM begins on 6 February 2009. Shareholders intending to attend the meeting are requested to register at the latest on 13 March 2009 by 4:00 p.m. Finnish time. Shareholders can register

- via the Internet at » www.orion.fi (follow the instructions)
- by telephone to +358 10 426 5252
- by telefax to + 358 10 426 2323
- in writing to
  Orion Corporation, Shareholder affairs
  P.O. Box 65
  FI-02101 Espoo, Finland

Registrations via the Internet or by telefax or letter must arrive in Orion Corporation no later than the aforementioned deadline.

Possible proxies should be submitted by the deadline.

Nominee-registered shareholders intending to attend the AGM and to exercise their right to vote must be listed on Orion Corporation's temporary shareholder register on 13 March 2009.

Payment of dividend

The Board of Directors of Orion Corporation proposes to the Annual General Meeting on 23 March 2008 that a dividend per share of 0.95 euros be paid for the financial year that ended on 31 December 2008. The dividend payout ratio is 98%. If the AGM approves the proposal, dividend shall be paid to those Orion Corporation shareholders who are entered in the shareholder register maintained by the Finnish Central Securities Depository on 26 March 2009, the record date for dividend payment. According to the proposal by the Board of Directors, the dividend payment date is 2 April 2009.

Shareholders having not registered their shares in the book-entry securities system by the record date for dividend payment shall receive the dividend payment only after registration of their shares in the system.

Orion's publications and their distribution

Orion's publications are published in Finnish and English and they are available on the company's homepage at » www.orion.fi/investors

Shareholders and non-shareholders may subscribe to Orion's publications by filling out a subscription form at » www.orion.fi/investors » Publications » Subscribe, or by sending an e-mail to corpcom@orion.fi, which is the e-mail address to Orion's Communications office.

The Annual Report 2008 is mailed to all registered shareholders except those who have requested the Finnish Central Securities Depositary to set a mail preference for them in the shareholder register. The Annual Report 2009, which is published in the spring 2010, will no longer be mailed automatically to all shareholders. Nevertheless, copies will be sent upon a request.

If you would like to receive copies of the future Annual Reports of Orion, you can order them in either of the following ways:

- via » www.orion.fi/investors » Publications » Subscribe
- via e-mail: corpcom@orion.fi
- by phone: +358 10 426 3504, Minna Lyhykäinen

Mandatory documents will be mailed to all shareholders to the mailing address entered into the register maintained by the Finnish Central Securities Depository. Such documents are, for example, invitations to General Meetings that must be mailed to the shareholders according to the Companies Act.

Changes of address

The shareholders are advised to inform about changes in their contact details to all those banks and asset management companies where they have book-entry accounts.

Orion is not entitled to make any changes to contact details in the book-entry securities system on behalf of a shareholder.

Orion's calendar for 2009

Financial Statements review for 2008	6 February 2009
First registration date for Annual General Meeting	6 February 2009
Publishing of Orion's Annual Report 2008	the week beginning on 2 March
Last registration date for AGM	13 March 2009 at 4:00 p.m.
Annual General Meeting	23 March 2009 at 4:00 p.m.
Record date for dividend payment	26 March 2009
Dividend payment date	2 April 2009
Interim report January–March 2009	27 April 2009
Interim report January–June 2009	7 August 2009
Interim report January–September 2009	26 October 2009

Silent period
Orion observes a silent period of three weeks prior to announcing its financial results. During this period, representatives of the company will not meet analysts or investors and will not attend any events relating to the capital markets. During the silent period the company does not comment on the future outlook of the company or financial performance for the current or non-disclosed period.

Investor contacts

For information on Orion, please contact the following persons:

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CFO
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firstname.lastname@orion.fi

Contacts for company analyses on Orion

Company analyses on Orion should be available from the following banks and brokerage firms. The list is not necessarily comprehensive. These banks and brokerage firms analyse Orion at their own initiative, and Orion takes no responsibility for the analysts' opinions.

ABG Sundal Collier
www.abgsc.se

Credit Suisse
www.credit-suisse.com

Danske Bank
www.danskebank.com

Dresdner Kleinwort
www.drkw.com

eQ Bank
www.eqonline.fi

Evli Bank
www.evli.com

FIM
www.fim.com

Goldman Sachs
www.gs.com

Handelsbanken
www.handelsbanken.se

Nordea Bank
www.nordea.com

Pohjola Bank
www.pohjola.com

SEB Enskilda
www.sebgroup.com

Standard & Poor´s
www.standardandpoors.com

Öhman
www.ohman.se

Analyst contacts are updated on
www.orion.fi/investors

Calculation of the key figures

Return on capital employed (ROCE), %	=	$\frac{\text{Profit before taxes + Interest and other financial expenses}}{\text{Total assets - Non-interest-bearing liabilities (average during the period)}}$	x 100
Return on equity (ROE), %	=	$\frac{\text{Profit for the period}}{\text{Equity total (average during the period)}}$	x 100
Equity ratio, %	=	$\frac{\text{Equity}}{\text{Total assets - Advances received}}$	x 100
Gearing, %	=	$\frac{\text{Interest-bearing liabilities - Cash and cash equivalents}}{\text{Equity}}$	x 100
Earnings per share (EPS), EUR	=	$\frac{\text{Profit available for the parent company shareholders}}{\text{Average number of shares during the period, excluding treasury shares}}$	
Cash flow per share before financing, 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	=	$\frac{\text{Equity of the parent company shareholders}}{\text{Number of shares at the end of the period, excluding treasury shares}}$	
Dividend per share, EUR	=	$\frac{\text{Dividend for the financial period}}{\text{Number of shares at the end of the period, excluding treasury shares}}$	
Payout ratio, %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$	x 100
Effective dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Closing share price of the period}}$	x 100
Price/Earnings ratio (P/E)	=	$\frac{\text{Closing share price of the period}}{\text{Earnings per share}}$	
Average price of share, EUR	=	$\frac{\text{Total value of shares traded in euros}}{\text{Average number of shares traded during the period}}$	
Market capitalisation, EUR million	=	Number of shares at the end of the period x Closing share price of the period	

This publication contains forward-looking statements which involve risks and factors of uncertainty. These forward-looking statements are not based on historical facts but relate to the company's future activities and performance. They include statements about future strategies and profit expectations of these strategies, and they are subject to risks and uncertainties. Actual results may differ substantially from those stated in any forward-looking statement. This is due to a number of factors, including the possibility that Orion may decide not to implement these strategies or that the expectations of the strategies are not achieved. Orion assumes no obligation to update or revise any information included in this publication.

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

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