



ORION CORPORATION FINANCIAL STATEMENT RELEASE 2010 9 FEBRUARY 2011 at 12:00 EET

Orion Group Financial Statement Release for 2010

Orion's net sales in 2010 totalled EUR 850 million (EUR 772 million in 2009), up by 10% on the previous year.

- Operating profit was EUR 254 (207) million.
- Profit before taxes was EUR 253 (204) million.
- Equity ratio was 63% (61%).
- ROCE before taxes was 45% (37%).
- ROE after taxes was 41% (35%).
- Earnings per share were EUR 1.31 (1.07).
- Cash flow per share before financial items was EUR 1.26 (1.03).
- Board's proposal for dividend is EUR 1.20 (1.00) per share.
- Proposal by the Board that EUR 0.06 (0.10) per share be distributed from the expendable fund in the distributable equity as a repayment of capital.
- Orion estimates that net sales and operating profit excluding non-recurring items will be slightly higher in 2011 than in 2010.

ORION'S KEY FIGURES FOR THE REVIEW PERIOD

	Q4/10	Q4/09	Change %	2010	2009	Change %
Net sales, EUR million	214.9	193.3	+11.2%	849.9	771.5	+10.2%
International operations, EUR million	153.9	134.1	+14.8%	620.7	548.2	+13.2%
% of net sales	71.6%	69.4%		73.0%	71.1%	
Operating profit, EUR million	52.6	43.9	+19.8%	254.2	207.0	+22.8%
% of net sales	24.5%	22.7%		29.9%	26.8%	
Profit before taxes, EUR million	52.4	43.1	+21.4%	252.6	203.7	+24.0%
% of net sales	24.4%	22.3%		29.7%	26.4%	
Income tax expense, EUR million	15.7	10.1	+55.6%	67.9	52.3	+29.9%
R&D expenses, EUR million	26.6	25.6	+3.9%	85.5	95.2	-10.2%
% of net sales	12.4%	13.2%		10.1%	12.3%	
Capital expenditure, EUR million	11.3	9.1	+23.2%	39.2	60.4	-35.1%
% of net sales	5.2%	4.7%		4.6%	7.8%	
Assets total, EUR million				745.8	727.1	+2.6%
Equity ratio, %				62.7%	60.6%	
Gearing, %				-12.2%	-8.9%	
Interest-bearing liabilities, EUR million				110.0	131.5	-16.3%
Non-interest-bearing liabilities, EUR million				168.4	156.5	+7.6%
Cash and money market investments, EUR million				167.2	170.5	-1.9%
ROCE (before taxes), %				45.0%	37.4%	
ROE (after taxes), %				40.7%	35.3%	
Basic earnings per share, EUR	0.26	0.23	+11.2%	1.31	1.07	+22.0%
Diluted earnings per share, EUR	0.26	0.23	+11.2%	1.31	1.07	+22.0%
Cash flow per share before financial items, EUR	0.45	0.34	+31.3%	1.26	1.03	+22.8%
Equity per share, EUR				3.32	3.11	+6.6%
Proposed dividend per share, EUR ¹⁾				1.20	1.00	+20.0%
Personnel at the end of the period				3,131	3,147	-0.5%
Average personnel during the period				3,137	3,192	-1.7%
Personnel expenses, EUR million				170.3	171.4	-0.7%

¹⁾ In addition, the Board of Directors proposes to the Annual General Meeting that EUR 0.06 (0.10) per share be distributed from the expendable fund in the distributable equity as a repayment of capital.



President and CEO Timo Lappalainen's review

“Good progress continued throughout the year”

“Orion's net sales improved throughout 2010, growing by about 10% on the previous year.”

“There was growth in sales of key products based on Orion's own research – Stalevo Parkinson's drug, Simdax heart failure drug, Easyhaler pulmonary drugs and Precedex intensive care sedative. Notably, Precedex and Simdax showed strong growth. Precedex became one of our best-selling products during the year as its sales clearly increased.”

“It was also a successful year for generic drugs and self-care products. We achieved good growth in Scandinavia and Eastern Europe, and succeeded in increasing sales and market share in Finland, where market conditions remained very challenging – the Finnish market as a whole has contracted in the past two years.”

“Our operating profit was clearly higher than last year due to the good sales. Strengthening of our market position in Europe and higher distribution costs due to growth in the volume of business operations increased fixed costs. On the other hand, research and development expenses were lower than in the previous year, because of the timing of our research projects, and administrative expenses were lower as patent litigation costs in the United States decreased.”

“We made significant progress in research during the year. The most important individual achievement was submitting the application for marketing authorisation for the intensive care sedative dexmedetomidine to the European Medicines Agency in October. Several early-phase projects, such as alpha 2_c receptor antagonist and androgen receptor antagonist research, progressed according to plan, as did the ongoing development of combined formulations to expand the Easyhaler product family. Orion is also developing a new more effective levodopa product. In line with our strategy, collaboration with research partners again reached a new phase when in early 2011 we entered into a comprehensive agreement with the US company Endo Pharmaceuticals for the discovery, development and commercialisation of assets in oncology.”

“We believe this good progress will continue in the current year, and we estimate that our net sales and operating profit excluding non-recurring items will be slightly higher than in 2010. The outlook forecast and basis for it can be found on pages 6–7 of this report.”



Events in 2010

On 1 April Orion commented on the US Food and Drug Administration's release published on 31 March 2010 concerning the ongoing review of the safety of Orion's drug Stalevo.

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

On 22 June Orion Corporation agreed a settlement with companies belonging to the Sun Group to a dispute in which in order to defend its patents, Orion had filed a lawsuit in the United States against Sun regarding Sun's submissions of abbreviated new drug applications ("ANDAs") for generic versions of Orion's Comtan[®] and Stalevo[®] drugs.

On 20 October Orion announced that the European Medicines Agency had initiated the review of Orion's dexmedetomidine marketing authorisation application.

On 26 November the Association of Finnish Pharmacies and Orion Corporation announced Orion's purchase of a 49% stake in Pharmaservice Oy, which provides dispensing support services for pharmacies.

On 15 December Orion announced that it had been informed that Mylan Pharmaceuticals Inc. had submitted an application to the US Food and Drug Administration for authorisation to produce and market a generic version of entacapone as 200 mg dosage tablets.

Events after the period

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

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

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

News conference and teleconference

A news conference and teleconference on the published results will be held today, Wednesday 9 February 2011, at 13:30 EET in Hotel Kämp, address: Pohjoisesplanadi 29, Helsinki. President and CEO Timo Lappalainen will give a brief presentation in English on the financial review.

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

The teleconference code is **884 964** and to participate in the teleconference, please call:
from United States: +1 334 323 6203



from other countries: +44 (0)20 7162 0125

News conference recordings

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

Financial report material

Financial reviews and related presentation material are available on the website www.orion.fi/en/ promptly after publication. The website also has a form for subscribing to Orion's releases.

Dates in Orion Calendar 2011

Annual Report 2010 published on the Company's website	In week beginning 7 March 2011
Deadline for registering for Annual General Meeting	28 March 2011 at 10:00 EET
Annual General Meeting	31 March 2011 at 14:00 EET in Helsinki
Record date for dividend distribution	5 April 2011
Dividend payment date	12 April 2011
Interim Report January–March 2011	27 April 2011
Interim Report January–June 2011	2 August 2011
Interim Report January–September 2011	25 October 2011

A separate release will be published today on the matters to be handled at the Annual General Meeting.

For additional information about the financial review:

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



Financial review 2010

Net sales

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

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

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

Operating profit

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

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

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

Operating expenses

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

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

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

Other operating income and expenses increased profit by EUR 1 (6) million. This includes EUR 4 million profit on the sale of a real estate limited company in the second half of the year and currency hedge items. The comparative period includes a one-off payment of EUR 4 million from Pfizer related to an agreement under which animal sedative distribution rights in Europe reverted to Orion.

Profit before taxes

Group profit before taxes totalled EUR 253 (204) million. Basic earnings per share were EUR 1.31 (1.07) and diluted earnings per share were EUR 1.31 (1.07). Equity per share was EUR 3.32 (3.11). The return on capital employed before taxes (ROCE) was 45% (37%) and the return on equity after taxes (ROE) 41% (35%).



Financial position

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

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

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

Cash flow

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

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

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

Capital expenditure

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

Outlook for 2011

Net sales will be slightly higher than in 2010.

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

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

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

Basis for outlook

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

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

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



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

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

Near-term risks and uncertainties relating to the outlook

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

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

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

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

Financial objectives

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

The principal means of achieving these objectives are:

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

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

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



Dividend policy

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

Proposal by the Board of Directors for distribution of profit: dividend per share EUR 1.20

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

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

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

Proposal by the Board of Directors for distribution of equity: EUR 0.06 per share

The Board of Directors proposes to the Annual General Meeting of Orion Corporation to be held on 31 March 2011 that EUR 0.06 per share be distributed from the expendable fund in the distributable equity as a repayment of capital. The repayment of distributable equity would be paid to the shareholders registered in the Company's shareholder register maintained by Euroclear Finland on 5 April 2011, the record date for dividend distribution. The payment date would be 12 April 2011.

Shares and shareholders

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

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

Voting rights conferred by shares

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

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



Conversion of shares

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

Trading in Orion's shares

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

On 31 December 2010 the market capitalisation of the Company's shares excluding treasury shares was EUR 2,305 million.

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

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

Authorisations of the Board of Directors

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

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

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

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



paid for shares in the Company conveyed shall be recorded in a distributable equity fund. The Board of Directors shall decide on other matters related to the conveyance of shares held by the Company.

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

Share-based Incentive Plan

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

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

Share ownership

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

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

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

Notification threshold

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

Management's shareholdings

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

The Company does not have stock option programmes.



Corporate Governance

Changes in Executive Management Board

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

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

Corporate Governance Statement

Orion's Corporate Governance Statement for year 2010 is published on company's website as a separate report.

Personnel

The average number of employees in the Group in 2010 was 3,137 (3,192). At the end of 2010, the Group had a total of 3,131 (3,147) employees, of whom 2,475 (2,523) worked in Finland and 656 (624) outside Finland.

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

Significant legal proceedings

Legal proceedings against Sun companies ended in settlement

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

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

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

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



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

Legal proceedings against the Sandoz companies

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

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

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

Legal proceedings against Caraco Pharmaceutical Laboratories, Ltd.

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

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

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

Events after the period

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

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

Business Reviews

Pharmaceuticals

Review of human pharmaceuticals market

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

Finland is the most important individual market for Orion, its share of total net sales declined a little but was still about a quarter of the total net sales. Despite a decline in the market as a whole, Orion was able to increase sales in all areas and strengthen its position as leader in marketing pharmaceuticals in Finland. According to statistics collected by Finnish Pharmaceutical Data, **Orion's wholesale of pharmaceuticals in Finland** in 2010 amounted to EUR 192 (186) million, up by 3% compared with the previous year. Orion's



market share was 10% (10%), which was over three percentage points higher than the second-largest company's market share.

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

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

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

Net sales and operating profit of the Pharmaceuticals business

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

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

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



Proprietary Products

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

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

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

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

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

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

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

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

Specialty Products

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

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



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

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

Animal Health

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

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

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

Fermion

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



Research and development

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

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

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

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

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

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

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

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

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



Diagnostics

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

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

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

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

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

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

Espoo, 9 February 2011

Board of Directors of Orion Corporation

Orion Corporation

Timo Lappalainen
President and CEO

Jari Karlson
CFO



Tables

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Q4/10	Q4/09	Change %	2010	2009	Change %
Net sales	214.9	193.3	+11.2%	849.9	771.5	+10.2%
Cost of goods sold	-73.7	-69.0	+6.8%	-283.2	-265.2	+6.8%
Gross profit	141.2	124.3	+13.6%	566.8	506.3	+11.9%
Other operating income and expenses	4.0	3.8	+6.4%	1.2	6.0	-80.7%
Selling and marketing expenses	-55.0	-46.5	+18.2%	-188.9	-160.0	+18.1%
R&D expenses	-26.6	-25.6	+3.9%	-85.5	-95.2	-10.2%
Administrative expenses	-11.0	-12.0	-8.2%	-39.3	-50.2	-21.7%
Operating profit	52.6	43.9	+19.8%	254.2	207.0	+22.8%
Finance income	0.9	0.8	+6.3%	4.2	5.1	-16.9%
Finance expenses	-1.1	-1.6	-30.9%	-5.9	-8.4	-29.9%
Profit before taxes	52.4	43.1	+21.4%	252.6	203.7	+24.0%
Income tax expense	-15.7	-10.1	+55.6%	-67.9	-52.3	+29.9%
Profit for the period	36.7	33.0	+11.0%	184.7	151.4	+22.0%
OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS						
Translation differences	0.2	0.3	-54.4%	1.3	1.3	+6.3%
Cash flow hedges	1.2	0.8	+53.7%	1.6	0.9	+81.8%
Other comprehensive income net of tax	1.4	1.1	+21.9%	2.9	2.1	+37.1%
Comprehensive income for the period including tax effects	38.0	34.2	+11.3%	187.6	153.5	+22.2%
PROFIT ATTRIBUTABLE TO						
Owners of the parent company	36.7	33.0	+11.0%	184.7	151.4	+22.0%
Non-controlling interests	0.0	0.0		0.0	0.0	
COMPREHENSIVE INCOME ATTRIBUTABLE TO						
Owners of the parent company	38.0	34.2	+11.3%	187.6	153.5	+22.2%
Non-controlling interests	0.0	0.0		0.0	0.0	
Basic earnings per share, EUR ¹⁾	0.26	0.23	+11.2%	1.31	1.07	+22.0%
Diluted earnings per share, EUR ¹⁾	0.26	0.23	+11.2%	1.31	1.07	+22.0%
Depreciation, amortisation and impairment	9.7	9.2	+5.5%	38.9	34.4	+12.9%
Personnel expenses	47.0	47.5	-1.2%	170.3	171.4	-0.7%

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


CONSOLIDATED STATEMENT OF FINANCIAL POSITION
ASSETS

EUR million	2010	2009	Change %
Property, plant and equipment	187.1	192.0	-2.6%
Goodwill	13.5	13.5	
Intangible rights	65.3	63.4	+3.0%
Other intangible assets	4.2	3.7	+13.4%
Investments in associates	1.3	0.1	
Available-for-sale investments	1.0	1.0	-0.2%
Pension asset	31.6	29.8	+6.3%
Deferred tax assets	2.9	5.5	-47.6%
Other non-current assets	2.4	0.9	+162.2%
Non-current assets total	309.3	309.9	-0.2%
Inventories	131.1	122.7	+6.8%
Trade receivables	118.3	102.6	+15.3%
Other receivables	20.0	21.4	-6.6%
Money market investments	77.7		
Cash and cash equivalents	89.5	170.5	-47.5%
Current assets total	436.5	417.2	+4.6%
Assets total	745.8	727.1	+2.6%

EQUITY AND LIABILITIES

EUR million	2010	2009	Change %
Share capital	92.2	92.2	
Share premium	17.8	17.8	
Expendable fund	8.9	23.0	-61.2%
Other reserves	1.6	0.0	
Retained earnings	346.8	306.0	+13.3%
Equity attributable to owners of the parent company	467.4	439.1	+6.4%
Non-controlling interests	0.0	0.0	+6.5%
Equity total	467.4	439.1	+6.4%
Deferred tax liabilities	44.8	43.0	+4.2%
Pension liability	0.7	0.8	-7.8%
Provisions	0.4	0.5	-8.7%
Interest-bearing non-current liabilities	87.5	108.7	-19.5%
Other non-current liabilities	0.1	0.1	-6.2%
Non-current liabilities total	133.6	153.1	-12.8%
Trade payables	49.0	42.3	+15.7%
Income tax liabilities	12.7	3.0	+328.3%
Other current liabilities	60.6	66.8	-9.2%
Provisions		0.0	
Interest-bearing current liabilities	22.5	22.7	-0.9%
Current liabilities total	144.8	134.8	+7.4%
Liabilities total	278.4	287.9	-3.3%
Equity and liabilities total	745.8	727.1	+2.6%


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

EUR million	<u>Equity attributable to owners of the parent company</u>							g.	h.
	a.	b.	c.	d.	e.	f.			
Equity at 1 January 2009	92.2	17.8	23.0	-0.9	-6.9	293.3	0.0	418.6	
Profit for the period						151.4	-0.0	151.4	
Other comprehensive income:									
Cash flow hedges				0.9				0.9	
Translation differences					1.3			1.3	
Transactions with owners and non-controlling interests:									
Dividend						-133.9		-133.9	
Share-based incentive plan						0.9		0.9	
Other changes				0.0		0.1		0.1	
Equity at 31 December 2009	92.2	17.8	23.0	0.0	-5.7	311.7	0.0	439.1	
Profit for the period						184.7	0.0	184.7	
Other comprehensive income:									
Cash flow hedges				1.6				1.6	
Translation differences					1.3			1.3	
Transactions with owners and non-controlling interests:									
Dividend			-14.1			-141.0		-155.1	
Treasury shares						-4.6		-4.6	
Share-based incentive plan						0.5		0.5	
Other changes				-0.0		-0.1		-0.1	
Equity at 31 December 2010	92.2	17.8	8.9	1.6	-4.4	351.2	0.0	467.4	


CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	2010	2009
Operating profit	254.2	207.0
Adjustments	33.7	37.7
Change in working capital	-27.6	15.3
Interest paid	-5.7	-9.7
Interest received	4.3	4.9
Income taxes paid	-49.9	-50.6
Total net cash flow from operating activities	209.1	204.6
Investments in property, plant and equipment	-22.1	-24.6
Investments in intangible assets	-13.3	-36.1
Acquisition of an associate	-1.3	
Sale of a subsidiary less cash and cash equivalents at sale date	4.5	
Sales of property, plant and equipment and available-for-sale investments	1.2	0.8
Sales of intangible assets	0.2	0.5
Total net cash flow from investing activities	-30.8	-59.5
Short-term loans raised	0.6	0.7
Repayments of short-term loans	-2.0	-19.8
Long-term loans raised		22.8
Repayments of long-term loans	-21.0	-21.3
Repurchase of own shares	-4.6	
Dividends paid and other distribution of profits	-155.3	-134.4
Total net cash flow from financing activities	-182.2	-152.1
Net change in cash, cash equivalents and money market investments	-4.0	-7.0
Cash, cash equivalents and money market investments at the beginning of the period	170.5	176.1
Foreign exchange differences	0.7	1.4
Net change in cash, cash equivalents and money market investments	-4.0	-7.0
Cash, cash equivalents and money market investments at the end of the period	167.2	170.5
Reconciliation of cash and cash equivalents in Statement of Financial Position		
Cash and cash equivalents at 31 December in Statement of Financial Position	89.5	170.5
Money market investments at 31 December	77.7	
Cash and cash equivalents in Statement of Cash Flows	167.2	170.5



CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	2010	2009
Carrying amount at the beginning of the period	192.0	192.4
Adjustments to previous period carrying amount		2.4
Additions	23.3	25.1
Sale of real estate limited company	-0.5	
Other disposals	-1.1	-1.7
Depreciation	-26.6	-26.1
Carrying amount at the end of the period	187.1	192.0

CHANGES IN INTANGIBLE ASSETS (EXCLUDING GOODWILL)

EUR million	2010	2009
Carrying amount at the beginning of the period	67.0	40.4
Additions	14.6	35.2
Disposals	-0.0	-0.3
Depreciation and impairments	-12.3	-8.3
Carrying amount at the end of the period	69.5	67.0

COMMITMENTS AND CONTINGENCIES

EUR million	2010	2009
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CONTINGENCIES FOR OWN LIABILITIES

Mortgages on land and buildings	41.0	41.0
of which those to Orion Pension Fund	9.0	9.0
Guarantees	1.3	1.1

OTHER LIABILITIES

Leasing liabilities (excluding finance lease contracts)	4.1	4.3
Other liabilities	0.3	0.3

DERIVATIVES

EUR million	2010	2009
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FORWARD EXCHANGE CONTRACTS AND CURRENCY SWAPS

Fair value, EUR million	-0.8	-0.3
Nominal value, EUR million	56.1	86.4

CURRENCY OPTIONS

Fair value, EUR million	-0.0	
Nominal value, EUR million	33.4	

ELECTRICITY FORWARD CONTRACTS

Fair value, EUR million	1.9	-0.2
Nominal value, GWh	171	160

RELATED PARTY TRANSACTIONS

EUR million	2010	2009
Management's employment benefits	4.4	3.5



Operating segment performance

NET SALES BY BUSINESS AREA

EUR million	Q4/10	Q4/09	Change %	2010	2009	Change %
Pharmaceuticals	203.7	181.9	+12.0%	806.2	728.5	+10.7%
Proprietary Products	89.9	77.3	+16.3%	370.9	324.0	+14.5%
Specialty Products	77.1	73.0	+5.7%	298.6	274.8	+8.7%
Animal Health	18.5	16.1	+14.7%	67.5	62.1	+8.8%
Fermion	10.8	9.0	+19.3%	44.9	41.4	+8.5%
Contract manufacturing and others	7.5	6.6	+14.7%	24.4	26.2	-7.0%
Diagnostics	11.8	12.0	-2.0%	46.1	45.2	+2.0%
Group items	-0.6	-0.6	-5.2%	-2.4	-2.2	+9.2%
Group total	214.9	193.3	+11.2%	849.9	771.5	+10.2%

OPERATING PROFIT BY BUSINESS AREA

EUR million	Q4/10	Q4/09	Change %	2010	2009	Change %
Pharmaceuticals	49.9	45.5	+9.6%	252.2	210.6	+19.8%
Diagnostics	1.0	1.2	-18.0%	6.1	5.6	+10.5%
Group items	1.7	-2.8	+161.2%	-4.1	-9.2	-55.2%
Group total	52.6	43.9	+19.8%	254.2	207.0	+22.8%

NET SALES BY ANNUAL QUARTERS

EUR million	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Pharmaceuticals	203.7	203.2	196.0	203.3	181.9	181.8	185.9	178.9
Diagnostics	11.8	10.5	12.1	11.7	12.0	10.5	11.0	11.7
Group items	-0.6	-0.5	-0.7	-0.6	-0.6	-0.5	-0.5	-0.5
Group total	214.9	213.2	207.4	214.5	193.3	191.8	196.4	190.1

OPERATING PROFIT BY ANNUAL QUARTERS

EUR million	2010				2009			
	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3
Pharmaceuticals	49.9	71.5	60.4	70.5	45.5	56.6	51.6	56.9
Diagnostics	1.0	1.0	1.9	2.2	1.2	1.0	1.1	2.2
Group items	1.7	-1.8	-2.3	-1.7	-2.8	-1.9	-2.3	-2.2
Group total	52.6	70.6	60.0	71.0	43.9	55.7	50.4	56.9

GEOGRAPHICAL BREAKDOWN OF NET SALES BY ANNUAL QUARTERS

EUR million	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Finland	61.0	57.6	53.7	56.9	59.2	55.6	55.0	53.5
Scandinavia	28.6	28.4	28.1	29.0	25.9	24.5	25.8	25.4
Other Europe	77.4	70.0	72.7	72.1	72.8	68.9	71.8	61.2
North America	22.1	31.1	26.3	30.3	12.1	18.1	18.2	22.6
Other markets	25.8	26.0	26.7	26.1	23.4	24.7	25.6	27.4
Group total	214.9	213.2	207.4	214.5	193.3	191.8	196.4	190.1



Business reviews

KEY FIGURES FOR PHARMACEUTICALS BUSINESS

EUR million	Q4/10	Q4/09	Change %	2010	2009	Change %
Net sales	203.7	181.9	+12.0%	806.2	728.5	+10.7%
Operating profit	49.9	45.5	+9.6%	252.2	210.6	+19.8%
% of net sales	24.5%	25.0%		31.3%	28.9%	
R&D expenses	25.0	24.0	+4.0%	79.5	89.4	-11.1%
% of net sales	12.3%	13.2%		9.9%	12.3%	
Capital expenditure	10.3	8.4	+22.0%	36.2	57.6	-37.2%
% of net sales	5.0%	4.6%		4.5%	7.9%	
Sales revenue from proprietary products	97.6	83.3	+17.1%	397.1	346.5	+14.6%
Personnel at the end of the period				2,803	2,829	-0.9%

NET SALES OF ORION'S TOP 10 PHARMACEUTICAL PRODUCTS

EUR million	Q4/10	Q4/09	Change %	2010	2009	Change %
Stalevo®, Comtess® and Comtan® (Parkinson's disease)	59.4	52.7	+12.6%	252.7	234.9	+7.6%
Simdax® (acute decompensated heart failure)	10.0	9.1	+10.4%	39.9	29.4	+35.5%
Easyhaler® product family (asthma, COPD)	7.3	6.4	+13.6%	28.1	24.9	+12.8%
Precedex® (intensive care sedative)	7.2	4.5	+62.2%	27.2	14.6	+86.7%
Dexdomitor®, Domitor®, Domosedan® and Antisedan® (animal sedatives)	8.0	5.8	+36.9%	24.2	19.3	+25.0%
Burana® (inflammatory pain)	5.7	5.7	+0.1%	21.5	19.9	+8.2%
Divina® range (menopausal symptoms)	3.4	3.1	+11.6%	13.3	13.2	+1.0%
Marevan® (anticoagulant)	3.4	3.1	+9.5%	13.1	11.2	+16.7%
Enanton® (prostate cancer)	3.4	3.0	+12.7%	13.0	11.9	+9.1%
Fareston® (breast cancer)	2.2	1.7	+26.3%	11.7	10.2	+14.6%
Total	110.1	95.1	+15.7%	444.6	389.5	+14.1%
Share of pharmaceutical net sales	54%	52%		55%	53%	

KEY FIGURES FOR DIAGNOSTICS BUSINESS

EUR million	Q4/10	Q4/09	Change %	2010	2009	Change %
Net sales	11.8	12.0	-2.0%	46.1	45.2	+2.0%
Operating profit	1.0	1.2	-18.0%	6.1	5.6	+10.5%
% of net sales	8.6%	10.3%		13.3%	12.3%	
R&D expenses	1.6	1.6	+1.3%	6.0	5.9	+2.9%
% of net sales	13.5%	13.0%		13.1%	13.0%	
Capital expenditure	0.7	0.6	+8.8%	2.5	2.5	-0.2%
% of net sales	5.9%	5.3%		5.5%	5.6%	
Personnel at the end of the period				301	291	+3.3%



Information on Orion's shares

BASIC SHARE INFORMATION

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

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

INFORMATION ON TRADING

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

PERFORMANCE PER SHARE

	Q4/10	Q4/09	Change %	2010	2009	Change %
Basic earnings per share, EUR	0.26	0.23	+11.2%	1.31	1.07	+22.0%
Diluted earnings per share, EUR	0.26	0.23	+11.2%	1.31	1.07	+22.0%
Cash flow per share before financial items, EUR	0.45	0.34	+31.3%	1.26	1.03	+22.8%
Equity per share, EUR				3.32	3.11	+6.6%
Proposed dividend per share, EUR ¹⁾				1.20	1.00	+20.0%
Proposed payout ratio, %				91.6%	93.5%	
Total proposed dividend, EUR million				168.9	141.0	+19.8%
Effective dividend yield according to proposal, %						
A share				7.3%	6.6%	
B share				7.3%	6.6%	
Price/earnings ratio (P/E)						
A share				12.52	14.07	
B share				12.50	14.07	
Average number of shares excluding treasury shares, 1,000 shares	140,741	140,978		140,917	140,970	

¹⁾ In addition, the Board of Directors proposes to the Annual General Meeting that EUR 0.06 (0.10) per share be distributed from the expendable fund in the distributable equity as a repayment of capital.



Appendices

Reporting

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

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

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

Accounting policies

The Consolidated Financial Statements of the Orion Group have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU, applying IAS and IFRS standards as well as SIC and IFRIC interpretations effective as of 1 January 2010.

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

IFRS 3 (Revised) Business Combinations

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

The following new standards, interpretations and amendments to existing standards approved by the EU have been adopted as of 1 January 2010. However, they do not have material effects on the Consolidated Financial Statements:

IAS 27 (Revised), Consolidated and Separate Financial Statements

IFRIC 12, Service Concession Arrangements

IFRIC 15, Agreements for Construction of Real Estate

IFRIC 16, Hedges of a Net Investment in a Foreign Operation

IFRIC 17, Distributions of Non-cash Assets to Owners

IFRIC 18, Transfers of Assets from Customers

IFRIC 9 and IAS 39 (Amendment), Reassessment of Embedded Derivatives on Reclassification

IAS 39 (Amendment), Eligible Hedged Items

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

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



IFRS 2 (Amendment), *IFRS – scope*
IFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations*
The amendment clarifies the disclosure of information relating to assets held for sale required by IFRS 5.
IFRS 8 (Amendment), *Operating Segments*
IAS 1 (Amendment), *Presentation of Financial Statements*
IAS 7 (Amendment), *Statement of Cash Flows*
IAS 17 (Amendment), *Leases*
IAS 18 (Amendment), *Revenue*
IAS 36 (Amendment), *Impairment of Assets*
IAS 38 (Amendments), *Intangible Assets*
IAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*
IFRIC 9 (Amendment), *Reassessment of Embedded Derivatives*
IFRIC 16 (Amendment), *Hedges of a Net Investment in a Foreign Operation*

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

Other matters

The data in this financial review are audited.

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


CALCULATION OF THE KEY FIGURES

Return on capital employed (ROCE), %	=	$\frac{\text{Profit before taxes} + \text{Interest and other finance expenses}}{\text{Total assets} - \text{Non-interest-bearing liabilities (average during the period)}} \times 100$
Return on equity (ROE), %	=	$\frac{\text{Profit for the period}}{\text{Total equity (average during the period)}} \times 100$
Equity ratio, %	=	$\frac{\text{Equity}}{\text{Total assets} - \text{Advances received}} \times 100$
Gearing, %	=	$\frac{\text{Interest-bearing liabilities} - \text{Cash and cash equivalents} - \text{Money market investments}}{\text{Equity}} \times 100$
Earnings per share, EUR	=	$\frac{\text{Profit available for the owners of the parent company}}{\text{Average number of shares during the period, excluding treasury shares}}$
Cash flow per share before financial items, EUR	=	$\frac{\text{Cash flow from operating activities} + \text{Cash flow from investing activities}}{\text{Average number of shares during the period, excluding treasury shares}}$
Equity per share, EUR	=	$\frac{\text{Equity of the owners of the parent company}}{\text{Number of shares at the end of the period, excluding treasury shares}}$
Dividend per share, EUR	=	$\frac{\text{Dividend to be distributed for the period}}{\text{Number of shares at the end of the period, excluding treasury shares}}$
Payout ratio, %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Effective dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Closing quotation of the period}} \times 100$
Price/earnings ratio (P/E)	=	$\frac{\text{Closing quotation of the period}}{\text{Earnings per share}}$
Average share price, EUR	=	$\frac{\text{Total EUR value of shares traded}}{\text{Average number of traded shares during the period}}$
Market capitalisation, EUR million	=	Number of shares at the end of the period x Closing quotation of the period

Publisher:

 Orion Corporation
www.orion.fi/en/

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

The Group's net sales in 2010 amounted to EUR 850 million. The Company invested EUR 86 million in research and development. At the end of 2010, the Group had about 3,100 employees, of whom 2,500 worked in Finland and the rest in other European countries. Orion's A and B shares are listed on NASDAQ OMX Helsinki.