

ORION

CLOSE TO YOU





Publication schedule for the financial reviews by Orion Corporation in 2005

Interim Report 1-3/2005	Wednesday	11 May 2005 at 8.30 am
Interim Report 1-6/2005	Tuesday	9 August 2005 at 8.30 am
Interim Report 1-9/2005	Tuesday	8 November 2005 at 8.30 am

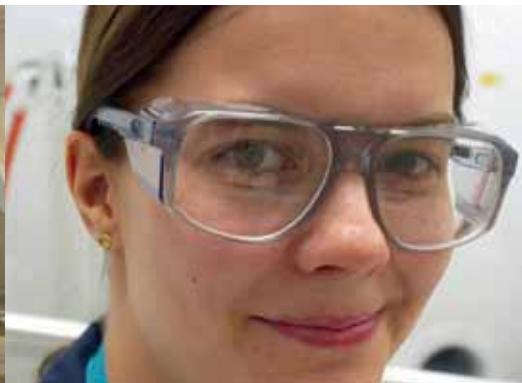
The company announcements and financial reviews are also available on the Orion Group homepage, www.orion.fi.

Others than registered shareholders are advised to subscribe for the publications via the ordering facility on the homepage www.orion.fi or by contacting the Corporate Communications of the Orion Group by phone, telefax or e-mail:

Phone +358 10 429 3504/Minna Lyhykäinen

Fax +358 10 429 4435

E-mail corpcom@orion.fi



Contents

5	Review by the CEO
6	Orion Group
8	Milestones of Orion's history
10	Personnel
16	Environment
20	Orion highlights in 2004
23	Orion Group Financial Development 2000–2004
24	Pharmaceutical markets
26	Orion Pharma
32	Orion Diagnostica
34	Wholesale and Distribution
39	Major shareholders
40	Orion Group management team
42	Board of Directors of Orion Corporation
44	Contacts

Financial Statements: A separate report



Kristiina Kallio (left), Anita Ojala and Tuula Marttila are preparing for a new shift at the Orion Pharma Turku plant.

Review by the CEO

Lately, the pharmaceutical industry has been exposed to criticism which has occasionally been quite sharp. The companies in this sector have been accused of many improprieties ranging from excessive profit-making pursuits to unsound marketing, from hiding of their research data to developing pharmaceuticals that nobody needs.

Naturally, the pharmaceutical companies must continuously look in the mirror and assess their own operation with a critical eye but the criticism must not blur the fact that medicines save people's lives, improve the quality of their lives and keep them home from hospitals.

Three decades ago, the average patient spent 26 days in hospital, but today only six days in Finland. Medicines have played a decisive role for the favourable development, and their share of the overall healthcare expenditure is modest.

All Orion units serve healthcare professionals, and the entire Orion personnel works for the customers and their clients – the patients. Orion's product selection includes not only new efficient preparations developed in-house for the global markets but also proven high-quality medicines at competitive prices for the domestic market. In fact, one in three pharmaceutical packages sold in Finland comes from Orion.

Orion got a good start for the year 2004. After the favourable launch of the Parkinson's drug Stalevo in the US in late 2003, the product entered the European market with equal success in early 2004. Thanks to the cost-saving measures started two years ago, the cost structure of the entire Group, and Orion Pharma in particular, was in good shape.

Last spring Orion Pharma sharpened its strategic focus. In its development work, Orion Pharma now concentrates increasingly on the early research phases, sharing both the risks of Phase III clinical trials and the subsequent commercial risks with its partners.

Orion Pharma's active research operations bore another fruit as the new schizophrenia drug candidate entered the Phase I clinical trials last autumn. A good example of Orion's partner operations is the licensing agreement concluded between Orion Pharma and the US-based Abbott Laboratories. Abbott will complete the Phase III clinical trials with Simdax, the drug for severe heart failure, conducting the extensive trials at its own risk. Abbott will also market Simdax on the major markets, such as the US and the large countries in Western Europe while Orion will focus on Finland and the neighbouring markets.

Orion Pharma also reshuffled its organisation. Moving decision-making closer to the operations intensified corporate management and steering.

The market shares and client structures of the Wholesale and Distribution Division, constituted by Oriola and the Swedish Kronans Droghandel, KD, remained stable. Towards the end of the year, Oriola successfully introduced an order and delivery process control system. In the equipment and supplies sector, Oriola is now expanding its operations to the Scandinavian countries.

With a track record of 30 years of successful operations, Orion Diagnostica's net sales grew by over ten percent thanks to its renewed product range. The unit's profitability remained good and showed favourable progress.

All in all, 2004 was a positive year for Orion both operationally and financially. Our expectations were fulfilled. In this work, it is of decisive importance that the personnel can walk that extra mile and always outperform themselves. I am very grateful for their contribution.

JUKKA VIINANEN
President and CEO
Orion Corporation





The impact of a pharmaceutical substance on the ion channels of individual cells is studied with the help of electrophysiological measurement equipment. The desired gene can be transferred into a cell.

Orion Group

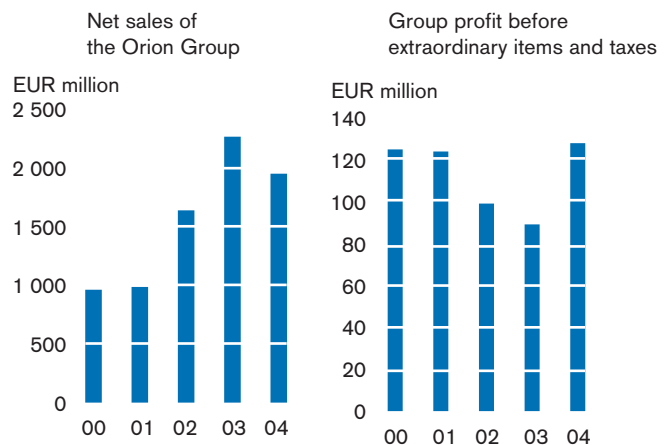
- **Orion Group** specialises in products for the healthcare sector. Group units, Orion Pharma, Wholesale and Distribution and Orion Diagnostica, have a common clientele consisting of healthcare professionals. Orion focuses on services for physicians, pharmacies, hospitals, clinics and their customers as well as other healthcare professionals. Orion's businesses are customer-driven, efficient and profitable.

- **Orion Pharma** is a North European R&D-based, business-driven pharmaceuticals company with special emphasis on developing innovative treatments for global markets. Operationally its businesses comprise Proprietary Products, Speciality Products, Animal Health and Fermion.

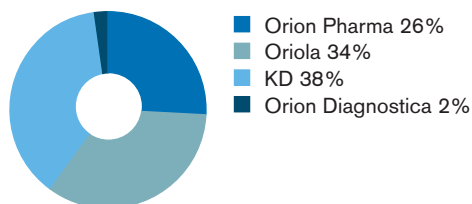
The R&D and product strategies are focused on central nervous system disorders, cardiovascular diseases and intensive care, and hormone therapies and urology. Partnerships and networking are increasingly important throughout the value chain, both in research and development and in reaching the global markets.

- **Oriola** and **Kronans Droghandel (KD)**, which constitute the Wholesale and Distribution division of the Orion Group, are service providers linking the pharmaceutical and healthcare equipment manufacturers with the pharmacies and healthcare professionals in the Nordic and Baltic countries. Oriola and KD provide high quality services with reliable and profitable operations, promoting the benefits and interests of their clients and principals.

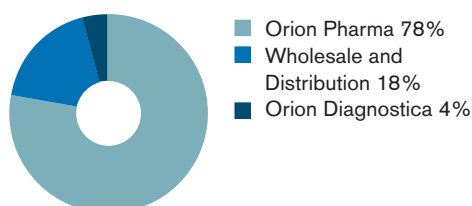
- **Orion Diagnostica** aims to become a leading company in selected areas of point-of-care diagnostics. It combines its analyte know-how with the changing market needs and offers novel, cost-efficient, easy-to-use and reliable clinical diagnostic and hygiene test systems.



Group net sales by Business Division 2004



Group operating profit by Business Division 2004





The microbiological department produced e.g. freeze-dried blood plasma in Orion's Helsinki factory in the 1950s.

Milestones of Orion's history

- Today's Orion dates back to Osakeyhtiö Orion founded in 1917 by Onni Turpeinen, PhD, together with Emil Tuurala, a pharmacist, and Wikki Walkama who also had a degree in Pharmacy. The business idea of their company was to "manufacture, sell and trade in chemicals as well as in substances needed for medication and hygienic purposes". During the early years, the company operated in modest premises of less than 180 square meters in the former Mortensen vegetal butter factory in Mariankatu 24 in Kruununhaka, Helsinki.
- In the beginning, the company product range comprised surrogate sugar, Lysol and ammonia and the Bellistol rifle oil. In the early 1920s the product range was extended to pharmaceuticals proper, such as Orion's iodine preparation Jodlysin, Aspirin, cod-liver oil and eye ointments, camphor drops and morphine.
- The building of the Nilsiantie plant in Vallila, Helsinki started in 1934, with the last extension completed in 1945.
- Involved in the Orion operations from the very beginning, Professor Gustaf Komppa was a renown chemist not only in Finland but also internationally owing to his camphor synthesis invention. The famous paediatric, Professor Arvo Ylppö became an Orion Board Member in 1925, and he remained involved in the company operations until the year 1971.
- For a number of years, Orion operations were barely profitable; the company annals include a note according to which "Orion's propaganda pursuits certainly require intensification". After World War I, it became easier for the public to access foreign pharmaceuticals, and this factor jeopardised the entire operations of the Finland-based Orion. The Orion staff delivered orders to pharmacies on their way home from work, while heavier deliveries were made by bicycle or with a horse-cart borrowed from the stable next door.
- The year 1933 was a turning point as the new Managing Director, Professor Erkki Leikola took over and remained in charge until 1951. He also had the necessary energy to manage the company through the difficult war years.
- In 1935, the company changed its Finnish name to Lääketehtäas Orion Oy. Operations continued under this name until the year 1970 when several merger and corporate arrangements gave birth to Orion-Yhtymä Oy, Orion Corporation. From December 1997 to March 2004, the company's

Finnish corporate name was Orion-yhtymä Oy, and on 1 April 2004 it was changed to Orion Oy.

- Apteekkitavarakauppa Oriola Oy was incorporated in late 1948. The cosmetics, cleaning and hygiene product company Noiro Oy was constituted in 1948 and merged into Orion in 1970, to be finally divested in late 2003.
- In 1956 Orion established a committee for scientific research.
- The first phase of the new Orion pharmaceuticals plant construction project in Mankkaa, Espoo was completed in the summer of 1962, and gradually, all operations transferred from Vallila to Mankkaa.
- Orion and Kemira Oy established the pharmaceutical substance manufacturer Fermion in 1970, and in 1981 the company merged with Orion.
- The 1980s saw the first original preparations based on proprietary molecule inventions. The animal sedatives Domosedan® (1983), Domitor® (1987) and Antisedan® (1989, antagonist for Domitor) obtained the first marketing authorisation for Finland. By the year 1991, all three were sold extensively in various parts of the world. In human pharmaceuticals, the antiestrogen toremifen was one of the first proprietary drugs developed by Orion, and the respective marketing authorisation was obtained in 1988 for Finland, in 1996 for the EU and Japan and in 1997 for the US. Toremifen is the active ingredient in Fareston®, marketed worldwide as the medication for advanced hormonal breast cancer. Orion's in-house research has resulted in as many as seven proprietary pharmaceuticals.
- In the late 1980s Orion acquired the majority holding of Farnos Corporation which was eventually merged with Orion Corporation in 1990.
- Orion Diagnostica was founded in 1974, and Farnos Diagnostica was merged with it in 1992.
- May 1995 saw the first public listing of Orion Corporation in the Helsinki Stock Exchange.
- In July 2002 Orion acquired the majority share in Kronans Droghandel (KD), the Swedish pharmaceuticals distributor. Now Oriola and KD constitute the Orion Wholesale and Distribution division. As a result of the acquisition, Orion Group became the leading pharmaceuticals wholesaler both in Finland and in Sweden.



System analysts Anne Strömberg (left) and Klas Axelsson are in charge of the information systems at the Kronans Droghandel Mölnlycke site.

Personnel

Mental and physical wellbeing of the personnel, competence development and precise resource planning are HR management objectives at Orion.

All our operations are firmly anchored in our corporate values.

Working community development in collaboration with the personnel is an ongoing daily task of superiors and management. Orion has a consistent and comprehensive Group-level development and training programme for superiors.

The working climate surveys made in early 2004 showed that the Orion management training programmes have paid off. Orion has developed the management and superior skills in a systematic manner, focusing on a uniform management and leadership model and culture. The working climate survey also showed that our corporate values are stronger than ever in steering our operations.

Although the organisational development work takes place throughout the Group, the focus in 2004 was on supporting the process of change involving Orion Pharma. Almost 2,000 Orion Pharma employees participated in HR development sessions arranged to give the personnel the opportunity to proactively influence the change already in the planning stage and to make their voices heard.

The development session also addressed Orion Pharma's ongoing strategy revision process launched in 2003 and continued throughout the year 2004. The process has made the staff committed to the new objectives, turning the superiors into genuine change managers. Separate subprojects have served to support the overall strategic change.

Work satisfaction

The interaction between the management and the personnel has improved. Another challenge is to improve the exchange of information between different units. At year's end, Orion

established the European Work Council, EWC, which is a forum for personnel representatives from all countries with Orion operations. The EWC is a platform for regular Group-level cooperation across national borders.

Equal opportunities plan

The focus of Orion's equal opportunities plan has been sharpened in Finland while an overall equal opportunities policy has also been outlined at corporate level. According to the working climate surveys, job satisfaction has improved, and there are virtually no gender differences in this respect. More precise surveys on the materialisation of equality within the Orion organisation will be conducted in 2005.

Maintaining working capacity

Maintaining the working capacity – wellbeing – is a long-term component of HR development at Orion. The Orion age programme aims at providing support for people in various age and life situations, a tool for building and maintaining a good and positive working community spirit. Using different tools, such as flexible working hours, the age programme is destined to support people so that they cope with their work and are motivated to work efficiently throughout their career. There are also so-called resource groups operating at Orion, with the purpose of supporting the superiors with the means of exchanging ideas and experiences.

Orion has an extensive and versatile repertoire of operations focusing on job satisfaction enhancement covering diverse areas such as work safety, occupational health, supported

ORION VALUES

Mutual trust and respect

- We want the people in our working community to trust and respect each other. We need to accept diversity, be open to new ways of thinking and be prepared to help one another. The joy of success is shared with others.

Customer focus

- We want to understand, anticipate and meet our customers' present and future needs. Close co-operation with customers will ensure their needs and problems steer both our immediate and long-term actions.

Innovation

- We want to develop innovative solutions and ways of working. To succeed we need to embrace new challenges in a flexible and creative way. As a prerequisite to success this demands continuous learning and personal development.

Achievement

- We want to be the best in our field, developing products, services and solutions that promote wellbeing and health. To achieve, this every one of us needs to strive for the best in all we do.

Quality, reliability and safety

- We want high quality, reliability and safety to underline our actions. Accuracy is essential in all.

leisure activities and gym vouchers. Orion encourages its personnel to take good care of themselves.

Ensuring competence

Competence enhancement focused on measures to deepen and maintain expertise as well as on quality (GXP, good practices) and safety issues. Orion Pharma launched a mentor programme. The objective is that the current top experts pass over their knowledge and expertise, the so-called silent knowledge, to the younger colleagues.

The training of superiors comprises an extensive selection of methods to develop overall competence. The objective here is to enhance their understanding of financial steering, and to develop the customer-oriented approach in their own operations.

An integral part of Orion's corporate culture, competence development is a long process requiring persistent commitment. Competence is not enhanced overnight, and the environment and the surrounding world keep changing rapidly. The results, however, start to show and they are monitored on a yearly basis through regular working climate surveys and leadership measurements.

Happy@Work

To maintain a good and healthy working environment, it is important for us that people enjoy working with Orion and that they stay with us. We value individuals. The objective is to have the right people at the right jobs, doing things that match their competencies. The resource need budgets are derived from business objectives, assessing what are indispensable in-house competencies or work phases, and which are such services as can flexibly be obtained from external service providers. Well-targeted resource planning makes it possible to utilise the competence comprehensively throughout the entire organisation. The resource plan is made for three years at a time, with focus on the first year of the planning period. The plans constitute the basis for competence need budgets which allow us to define the focal areas in recruitment.

Laboratory technician Maarit Nyman processing biomolecules required in bone diagnostics in the laboratory of Orion Diagnostica R&D in Oulu.



Resource planning also comprises successor plans, identification of future leaders and top researchers and their mentoring, as well as competence development and internal work rotation.

Orion and the society

To ensure qualified and competent workforce in the future, Orion has a long history of active cooperation with institutions of learning and other communities. Not only high-school and university students, but also different professional associations have been welcome to visit the company. Orion personnel members have been elected to the governing bodies of various associations and corporations operating in this particular sector, thereby contributing to pursuits to enhance the professional competence in our field of expertise.

Orion has been a loyal sponsor of various good causes, donating funds to veteran and voluntary healthcare organisations, cultural, educational as well as child and youth welfare NGOs, such as the antidrug bus operations.

Orion Corporation also donates every year about EUR 100,000 to medical research, allocating the available funds to two separate foundations, the Orion Corporation Research Foundation and the Farnos Science and Research Foundation.

In 2004 the two foundations distributed a total of EUR 358 thousand in grants to over 100 your medicine and science researchers.

Founded in 1957, the Orion Corporation Research Foundation has been distributing grants from the very beginning of its operation. The mission of the Foundation is to promote and support the Finnish scientific research in medicine, chemistry, physics, pharmacy and nutritional physiology.

The Farnos Science and Research Foundation was established in 1973 to promote and support the research in medicine, veterinary medicine, animal science and medicine-related sciences, as well as pharmacy, chemistry and physics, with special focus on the chemical, biochemical and physical processes related to medicine.

Personnel of the Orion Group by countries on 31 December 2004

	Orion			Orion	Corporate	Total
	Pharma	Oriola	KD	Diagnostica	Administration	
Helsinki region	1 259	646		197	34	2 136
Hanko	157					157
Turku region	580	9		35		624
Kuopio	81	60				141
Oulu	93	58		45		196
Other localities	3	66				69
Finland total	2 173	839		277	34	3 323
Sweden	69	42	465	16		592
Denmark	35	14		7		56
Norway	17			12		29
Germany	125					125
UK and Ireland	77					77
France	14					14
Baltic countries	11	194				205
Other countries	122			6		128
Foreign countries total	470	250	465	41		1 226
Group total	2 643	1 089	465	318	34	4 549



Ulrika Björkegren (left), Nina Ek-Olsen and Malin Axtelius are holding a meeting at Kronans Droghandel, Mölnlycke site.



To save pure drinking water, the cooling system of the Fermion plant in Hanko operates on recycled seawater.

Environment

Concern for the environment is Orion's mode of operation. Quality, reliability, drug safety and sustainable growth are the company's leading principles.

Orion will bear its responsibility for the safety and wellbeing of the environment, the working community, its co-operation partners and clients. The objective is to achieve continually improving results both in business and the high-quality product range, environmental protection and as a member of the society. Our objective is to develop, manufacture and market high-quality medicines which are efficient and safe for our clients. In pharmaceutical manufacturing our goal is to use methods with minimal environmental burdens.

The objective of Orion's corporate security is to ensure drug safety, the uninterrupted continuation of the Group's operations, the safety of people, information security as well as the protection of the company's assets and the environment against damage.

Actively following legislative developments, Orion shows autonomous initiative and openness vis-à-vis the authorities.

Safeguarding biodiversity

However, the laws, bills and regulations define only the minimum level of environmental management. Environmental management operations are continuously developed, with the objective of minimising the environmental impacts. In order to intensify the recycling of packaging materials, all Orion Divisions have joined the Environmental Register of Packaging PYR Ltd.

Each Division follows the environmental management system that best suits their functions to identify their own environmental impacts and to further increase the safety of the operations.

The production facilities and the cleanliness at a pharmaceutical plant must comply with the strictest standards. In order to ensure the physical and microbiological purity of a pharmaceutical preparation, the manufacturing process must be as closed as possible. Both the input air and the outlet air pass through many multi-stage filters, and the air in the pro-

duction rooms is compensated tens of times every hour. The dust content in the outlet air is minimal. In the chemical processes the emissions are controlled by means of condensers and washers. Continuous development of the production processes has resulted in a decrease in solvent emissions.

Environmental activity in 2004

Under the revised Environmental Protection Law enacted in 2002, the pharmaceutical plants had to renew their environmental permits by the end of 2004. The Fermion Hanko plant now has a new environmental permit in place while the applications for the other plants were submitted towards the end of 2004. The major issue in the legislative change were the new stricter limits imposed on emissions to air. Among other documentation, the applications included reports on the best feasible technology and energy use.

The manufacturing processes of the pharmaceutical plans will be developed and further modified to decrease the use of volatile solvents. The objective is to fully abstain from the use of the most hazardous substance methylene chloride.

Pharmaceutical development, research and production takes place according to the so-called Good Practices, GxP. The quality management system applied at the Orion Pharma pharmaceutical plant is based on the so-called GMP regulations (Good Manufacturing Practices), which are also referred to in the Medicines Act. Most countries also apply specific GMP regulations on pharmaceutical imports, with minimum requirements defined for pharmaceutical manufacturing. The regulatory authorities of certain countries, such as the FDA (Food and Drug Administration) in the US, require that the marketing authorisation applications for new products also include documentation on the environmental impacts of the manufacturing and utilisation of the preparation in question.

Each Orion Pharma plant has a person appointed for environmental management issues, with the task of developing

and keeping track of these issues. The implementation of environmental protection is monitored through internal audits performed annually. Environmental impacts are followed through emission measurements, waste quantity controls and statistics on the use of various substances.

Safety operations in line with the Group's strategic objectives

The Safety Policy document and the more detailed instructions called Principles of Safety Operations require that the Divisions identify their environmental impacts, develop their operations paying attention to environmental issues, and plan procedures in view of accidents.

The Orion Group-level environmental and safety issues are directed by a specific safety steering group, which compiles the Group-level instructions and orders, further cascaded down to daily practices by the safety boards set up at each Division.

Among the Orion Divisions, Orion Pharma and Orion Diagnostica have shared environmental management objectives, while Oriola and Kronans Droghandel have defined the objectives to suit their particular operations.

Each Division follows the environmental management system that best suits their own operations. Orion Pharma adopted its environmental management principles in 1998. Kronans Droghandel has an environmental management system with complies and is certified according to the ISO 14000 standard.

Drug safety

Starting from the product development phase, the primary goals of Orion Pharma and Orion Diagnostica include high drug quality, safety and efficacy as well as testing system reliability. The development of a new drug is a multi-phase project. From the onset of the development work, it will mostly take several years until the first trial batch is produced and the marketing authorisation is eventually obtained. The documentation accompanying the marketing authorisation application submitted to the regulatory drug authorities is extremely comprehensive. The regulatory drug authorities grant the marketing authorisation only if there is sufficient proof of the product quality, safety and efficacy.

Drug safety is monitored also after the granting of the marketing authorisation for a specific medicine. A lot of safety-related information is accumulated already during the development stage, but it is very important to gather the information on normal use, especially after a new pharmaceutical

substance is introduced to the markets. Orion Pharma gathers safety information about its proprietary medicines on a global scale from all the countries where its preparations are marketed. We also follow medical literature and other sources of information on a constant basis and perform drug trials also after the marketing authorisation has been granted. Orion Pharma aims at maintaining a maximally comprehensive data base on the safety of its proprietary pharmaceuticals, ensuring their safe use through preventive measures. Orion Pharma collaborates with its cooperation partners and the authorities in the pursuit of these objectives.

Consumer information

The pharmaceuticals industry is not only a research-intensive but also a marketing-intensive sector. The information disseminated by a pharmaceuticals company means divulging research-based scientific information to doctors. New drugs are state-of-the-art products, and therefore the information is far more complicated than the information given on common consumer goods. At Orion Pharma, the dissemination of correct pharmaceutical information always aims at ensuring patient safety. Unlike in the US, the EU heavily restricts the communication on prescription drugs to consumers.

The summary of product characteristics (SPC) in the package contains all major details about the drug, and the patient's own doctor is the natural source for further information. It is important to follow the dosage instructions and to store the drug as instructed in the SPC slip. Every drug package also contains the best-before date of the drug.

Products with any defects must always be returned to the pharmacy in Finland which will forward it through the distribution chain to the pharmaceuticals company. The consumers can contribute to the environmental protection efforts by returning their lapsed medicines to the pharmacy which will send them to the hazardous waste treatment plant for appropriate disposal. In other countries the national instructions should be followed.

More information on Orion's environmental management is available at the website www.orion.fi



Foreman Risto Luosujärvi is carrying a raw material sample to analysis at the Fermion plant in Hanko.



In their work at the Medicinal chemistry department at the Turku research centre, research assistant Marja Motti and researcher Terhi Heikkinen also focus on alfa 2-receptors.



Gel packaging operators Kerttu Luomanen and Taru Laukkanen monitor the progress of production at the hormone preparation packaging unit at Orion Pharma's Turku plant.

Orion highlights in 2004

New corporate name in Finnish is Orion Oyj, backed by a new corporate image

The company's existing Finnish business name Orion-yhtymä Oyj was changed into Orion Oyj. The English version of the name remained unaltered, Orion Corporation. The change of the business name was accompanied by a corporate image renewal at Orion and Orion Pharma.

Jukka Viinanen is the new President of Orion Pharma

Orion's corporate governance model was changed so that the CEO of the Orion Group, President Jukka Viinanen also acts as the President of Orion Pharma as of 1 April 2004.

Orion and Abbot in closer collaboration regarding Simdax® for acute heart failure

Orion Corporation and the US-based pharmaceuticals company Abbott Laboratories expanded their licensing agreement on the injectable formulation of Simdax (levosimendan) for severe heart failure. According to the new cooperation model, the Abbott marketing area now also includes Germany, France and England, formerly covered by Orion, as well as certain other countries. Abbott will be responsible for the ongoing clinical trials on Simdax, also covering the respective costs in the

future. Orion will take care of the marketing in Finland, Sweden, Norway and Denmark.

Orion launches extensive trials on dogs with heart diseases

In October 2004 Orion Pharma Animal Health launched extensive clinical field studies on dogs with heart diseases. The aim of the project is to develop the treatment for dogs with heart problems. This is a unique research project in Finland, involving 150 dogs from the south of Finland. The objective is to study the efficacy of levosimendan, a new pharmaceutical substance so far in hospital use only to humans, for the treatment of heart diseases in dogs.

STRIDE-PD research programme on Stalevo®

Orion Pharma and Novartis have launched an extensive international patient study to explore whether Orion Pharma's new proprietary drug, the optimised levodopa preparation Stalevo can be used to delay the onset of motor complications associated with Parkinson's, such as dyskinesias, starting from the beginning of the medication in stead of the traditional levodopa medication. The STRIDE-PD (STalevo Reduction In Dyskinesia Evaluation-PD) study compares the patients on Stalevo with



One of the packaging units at Orion Pharma's Turku plant.



The injectable formulation of Simdax® (levosimendan) for severe heart failure has the marketing authorisation for over 30 countries.

those administered the traditional levodopa/carbidopa combination. Stalevo contains the first-line Parkinson's disease drug levodopa, as well as carbidopa and entacapone which prolong its effect and prevents end-of-dose wearing off. STRIDE-PD is a double-blind study made in 70 centres in 14 countries over several years. The studies involve a total of 740 patients, and the first results are expected towards the end of 2007.

Orion Pharma receives innovation award

Orion Pharma's entacapone project group received the innovation award granted by the Chemical Industry for their unique and versatile research work. Orion Pharma has developed two Parkinson's disease drugs, Comtess®/Comtan® and Stalevo®. Today, there are about 6.3 million patients worldwide with Parkinson's which is a nervous system disease. Entacapone, the original pharmaceutical developed by the Orion Pharma project group has intensified the treatment of the disease considerably.

Orion grants GTx exclusive rights in the US for the cancer drug toremifene

Orion Corporation and the US biotechnology company GTx, Inc., which specialises in male diseases, extend their coopera-

tion through a licensing agreement. GTx will obtain exclusive rights in the US for all human indications of the Orion Pharma original pharmaceutical toremifene as well as all human indications except breast cancer in other countries. Orion retains the rights for veterinary indications.

New products for the treatment of asthma

The well-known Finnish EASYHALER product family was complemented with two new members. Besides the strong Beclomet Easyhaler and Buventol Easyhaler alternatives, Orion introduced Budesonid Easyhaler and Formoterol Easyhaler for an individual treatment of mild forms of asthma. Buventol Easyhaler was launched in 1994 and Beclomet Easyhaler in 1996. Easyhaler is a Finnish innovation which has been available on the domestic market for over ten years, and is extensively used in over 20 countries. Thanks to the novelties, asthma medication can be adjusted flexibly and rationally according to the needs.

For further information, please visit www.orion.fi



Mass producer Vesa Toivola takes a sample at the new hormone manufacturing department at Orion Pharma Turku plant.

Orion Group Financial Development 2000–2004

EUR million and %	2000	2001	2002	2003	2004
Net sales and profit					
Net sales	947.5	970.8	1 628.6	2 261.5	1 944.3
Change on the previous year, %	+3.9%	+2.5%	+67.8%	+38.9%	-14.0%
International operations	384.0	422.8	864.4	1 270.4	1 160.6
% of net sales	40.5%	43.6%	53.1%	56.2%	59.7%
Change on the previous year, %	+16.4%	+10.1%	+104.4%	+47.0%	-8.6%
Depreciation and amortisation	43.0	42.6	54.1	67.5	60.3
Operating profit	114.5	116.4	97.5	89.9	129.2
% of net sales	12.1%	12.0%	6.0%	4.0%	6.6%
Change on the previous year, %	-7.7%	+1.6%	-16.2%	-7.8%	+43.8%
Financial income and expenses	+10.9	+7.2	+1.6	-0.9	-1.5
% of net sales	+1.2%	+0.7%	+0.1%	-0.0%	-0.1%
Profit before extraordinary items and taxes	125.4	123.6	99.1	89.0	127.7
% of net sales	13.2%	12.7%	6.1%	3.9%	6.6%
Change on the previous year, %	-8.1%	-1.5%	-19.8%	-10.2%	+43.5%
Extraordinary income and expenses, net	+6.9	+7.8	+7.6	+8.6	+0.0
Income taxes on ordinary operations	42.8	39.2	35.6	16.9	40.7
Profit after taxes without extraordinary items	82.6	84.4	62.5	65.5	85.4
Return on invested capital before extraordinary items and taxes (ROI)	18.2%	17.5%	13.8%	13.2%	22.1%
Return on equity (ROE)	12.4%	12.5%	9.4%	11.5%	17.1%
Balance sheet					
Non-current assets	363.9	385.0	520.8	424.9	395.9
Current assets	550.7	563.5	889.0	801.8	681.3
Shareholders' equity	668.8	677.6	672.7	578.1	434.3
Minority interests			12.8	19.7	18.0
Provisions	1.6	3.1	0.9	3.3	5.4
Liabilities	245.8	270.9	724.4	628.9	624.9
Interest-bearing liabilities	51.8	52.0	134.2	76.4	119.9
Non-interest-bearing liabilities	194.0	218.9	590.2	552.5	505.0
Balance Sheet total	914.6	948.5	1 409.8	1 226.7	1 077.2
Equity Ratio	74.2%	72.6%	48.9%	49.4%	42.4%
Gearing	-26.7%	-24.7%	-9.1%	-10.8%	3.0%
Investment in fixed assets					
Gross investments	63.6	79.2	155.6	41.9	28.0
% of net sales	6.7%	8.2%	9.6%	1.9%	1.4%
Gross investments excluding shares	63.5	79.2	94.4	41.9	28.0
% of net sales	6.7%	8.2%	5.8%	1.9%	1.4%
Research and development expenditure					
Research and development expenditure	68.8	83.9	109.5	85.9	70.5
% of net sales	7.3%	8.6%	6.7%	3.8%	3.6%
Personnel					
Wages and salaries paid	151.1	163.9	172.6	185.2	159.5
Number of employees	5 351	5 456	5 621	5 573	4 614



At the Orion Pharma research centre in Turku, to identify potential points of impact, research assistant Maija Ivaska studies how certain candidate molecules impact the ion channels of cells. Electrophysical methods are also used in safety studies, with the purpose of eliminating harmful molecules as early as possible during research.

Pharmaceutical markets

The healthcare-related industry has been growing steadily over the past decades, becoming one of the largest industrial sectors globally. Today healthcare accounts for 7 to 15 percent of GNP of different nations and some countries spend even beyond that.

The share of pharmaceuticals of the overall healthcare expenditure has remained fairly constant. Medicines make it possible to prevent and cure diseases, alleviate their symptoms and maintain people's functional capacities. Medication continues to encompass new diseases, and old medicines are replaced by new and more effective drugs. The share of pharmaceuticals of the overall healthcare expenditure varies between 10 and 15 percent.

Over two thirds of the world's inhabitants, who have ever lived longer than 65 years, are currently alive. A European infant born today can expect to live as long as 80 years while at the beginning of the 20th century the average life expectancy in Europe was as low as 55 years. The increase in the average age of the population will inevitably lead to growing medicine expenses.

The global pharmaceutical market rose to 492 billion US dollars in 2003, and there is no sign of the trend turning. Medicines constitute a superior alternative to replace the significantly more expensive hospitalisation, and medicines make it possible for the patients to stay home. It is therefore justified to ask: "Medication or institutional care?" Medicines must be seen as part of a larger healthcare context, an investment liable to contain the growth of healthcare costs both now and in the future.

Today the US accounts for almost half of the global pharmaceutical sales value, and it is expected that its share will continue to grow. Europe is the second largest combined market while Japan ranks second as the largest individual country in terms of pharmaceutical sales.

Being the world's largest pharmaceutical market, it is natu-

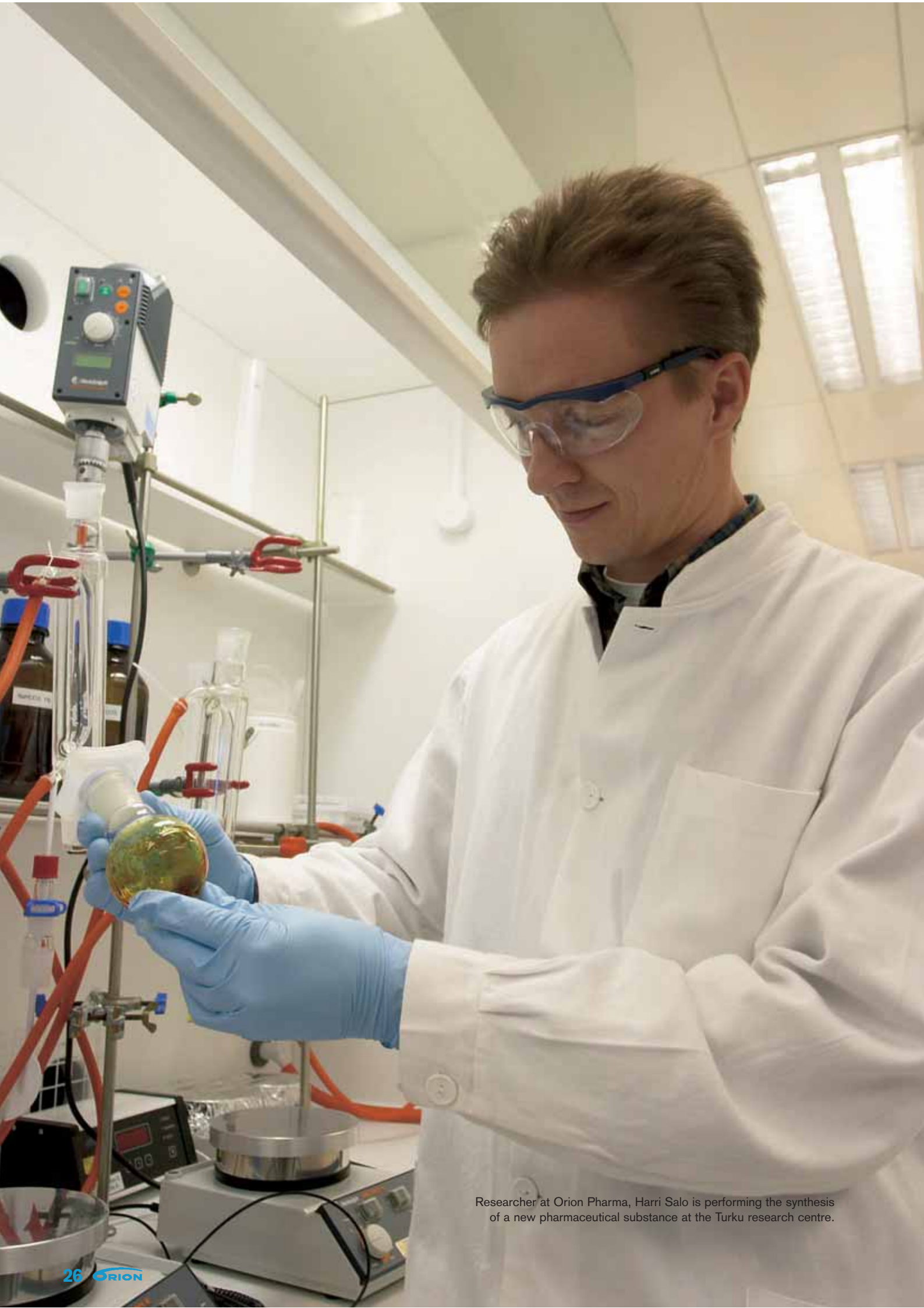
ral that the US also invests more money in pharmaceutical research and development than any other country in the world. But only as late as in 1990 Europe's pharmaceutical research investment exceeded that of the US. In 2004 the US research input was almost the same as the combined investments of Europe and Japan. This is illustrative of the superiority of the US pharmaceuticals companies in the global markets.

However, the pharmaceutical industry is a very important growth generator and provider of employment not only in the US but also in other countries. According to the European Federation of Pharmaceutical Industries and Associations, Efpia, the industry employs almost 600,000 people, and about 100,000 of them are involved in R&D. However, the investment in the research of new products has been growing constantly along with the increasingly stringent requirements imposed by the authorities.

As is the case in many other business sectors, the pharmaceuticals industry is also characterised by consolidation, and large companies continue to grow, not only organically, but increasingly also through acquisitions. Through consolidation, the companies look for additional research and marketing muscle. In 1979 the investment needed for the introduction of one original preparation was about 150 million euros. In 2000 the corresponding sum was almost 900 million.

The behaviour of the Finnish and the Swedish pharmaceutical markets diverged radically in 2004. The Swedish market showed a steady development, and the value of the Swedish pharmaceuticals market was about EUR 2,597 million in 2004.

The Finnish market grew by eight percent from 2003. The sales of the generics decreased by 3.2 percent as a result of the generic substitution regime introduced in 2003 while the sales of the new original prescriptions products saw an increase of 20 percent. The total value of pharmaceutical sales in the Finnish market was EUR 1,624 million.



Researcher at Orion Pharma, Harri Salo is performing the synthesis of a new pharmaceutical substance at the Turku research centre.

Jukka Viinanen,
President of
Orion Pharma



Orion Pharma

is a Finnish pharmaceuticals company established in 1917 with Finland-based research, development and production operations.

The Orion Corporation division focusing on pharmaceutical industry, Orion Pharma's net sales exceeded half a billion euros in 2004 generated with a personnel of about 2,600 people. Last year the company revised its strategy and operative focuses. The Orion Pharma operations are carried out in four business areas: Proprietary products focusing on the development of original preparations; Specialty Products which develops and produces generics; Animal Health; and Active Pharmaceutical Ingredients manufactured by Fermion Oy.

Orion Pharma's pharmaceutical research operations focus on the first phases of the research process, the pre-clinical research with the objective of creating new drug molecules for the subsequent clinical trials with patients. The most recent invention is the ORM-10921 molecule for the treatment of schizophrenia, entering the Phase I clinical trials after several years of pre-clinical research.

Orion Pharma concentrates its research and business operations on three strategic core therapy areas: Central nervous system diseases, Cardiovascular diseases and critical care, as well as Hormone therapies and Urology.

Orion Pharma's research operations have been very successful. So far it has developed and launched as many as seven original preparations, which is a considerable achievement for a company of this size. Today, innovative proprietary products developed by Orion Pharma's in-house research generate a significant share, or 40 percent, of its net sales.

Every year the company invests about 15 to 17 percent of its net sales in research and development.

The best selling proprietary products are the Parkinson's disease drugs Comtess®/Comtan® and Stalevo®, with the combined sales exceeding hundred million euros in 2004 globally. Introduced in late 2003, the sales of Stalevo have grown particularly rapidly.

Orion Pharma Proprietary Products

- Central nervous system diseases: Comtess®/Comtan®, Stalevo® (entacapone)
- Severe heart failure: Simdax® (levosimendan)
- Product family for menopausal hormone preplacement therapies: Indivina®, Divina®, Diviseq® and Divigel®
- Sedation for patients in intensive care: Precedex® (dexmedetomidine)
- Breast cancer: Fareston® (toremifene)
- Animal sedatives: Domosedan® (detomidine), Domitor® (medetomidine) and their antidote Antisedan® (atipamezole)

When the research process has progress to clinical trials involving several thousands of patients, Orion Pharma looks for cooperation partners. This makes it possible to divide the research costs and risks of the Phase II and III trials, ensuring the successful introduction of the product to the global markets.

A good example of this mode of operation is the contract made in 2004 between Orion Pharma and the US-based Abbott Laboratories. Abbott will be in charge of the extensive European US Phase III trials on injectable formulation of Simdax®, the drug developed by Orion Pharma for severe heart failure.

Simdax already has the marketing authorisation in dozens of countries. The objective of the current trials is to obtain the marketing authorisation in 2006 for both the US market and the large Western European countries.

ORION PHARMA	2004	2003
EUR million		
Net sales	514.3	479.8
Operating profit	100.2	47.0
R&D expenditure	66.9	81.4
International operation	331.6	304.1
Personnel	2 643	2 752

10 best-selling brands of Orion Pharma, net sales 2004

EUR million	2004	2003	Change %
Comtess / Comtan (Parkinson's disease)	73.9	69.3	+6.8 %
Stalevo (Parkinson's disease)	41.7	11.0	+277.5 %
Domitor, Domosedan and Antisedan (animal sedatives)	25.0	22.2	+12.3 %
Divina series (menopausal symptoms)	18.8	26.9	-30.2 %
Burana (inflammatory pain)	14.1	13.7	+2.8 %
Enanton (prostate cancer)	13.3	12.4	+7.9 %
Easyhaler (asthma)	12.0	13.1	-8.3 %
Simdax (heart failure)	10.7	7.8	+36.8 %
Calcimagon (osteoporosis)	10.5	10.8	-2.8 %
Fareston (breast cancer)	8.9	11.9	-25.1 %
Total	228.9	199.1	+15.0 %
Share of total net sales	45 %	42 %	

The sales of Simdax increased in 2004, admittedly starting from a fairly low initial level. The total value of its sales rose to over ten million euros.

The Divina® product family, or Orion's hormone replacement therapy products, have resisted despite a decrease in the overall market.

The Finnish families' "pharmacy chest"

With a portfolio of 250 products in Finland, Orion Pharma has the most comprehensive product range in the domestic market. In fact, one in three pharmaceuticals packages sold in Finland come from Orion Pharma.

Domestic sales continue to account for about one third of Orion Pharma's net sales, and the objective is to introduce about ten new products in Finland every year.

The consumer going to the pharmacy always encounters the Orion Pharma self-medication drugs which come in a wide selection. These OTC drugs, i.e., preparations sold without a doctor's prescription, include the Orion basic creams, as well as the "Home Pharmacy Summer Medicines", a package provided by Orion Pharma for the Finnish holidaymakers in the summer.

In the self-medication drug group, the best selling Orion Pharma products are the painkillers, skin care preparations as well as vitamins and nutrition additives. The best performing painkiller is Burana, and the brand name is today almost a synonym for painkiller. The most popular skin care preparations are Aqualan and Hydrocortison while Multivita is number one in the vitamin and nutrition additive group.

Gross sales of Orion Pharma's self-medication drugs and OTC products amounted to about EUR 63 million, which is approximately one third of the human pharmaceutical domestic sales in 2004. Self-medication drugs are mainly marketed through the 800 pharmacies in Finland.

Rapid growth in Animal Health sales

Orion Pharma develops and markets veterinary drugs and OTC products for the domestic and international markets. In fact, the first Orion Pharma original drugs were animal sedatives, and Domitor®, Domosedan® and Antisedan® are still marketed worldwide, with a ten percent increase in their sales from the 2003 levels.

The entire veterinary drug product range continued to grow rapidly. When Pfizer and Pharmacia merged, Orion Pharma took over the product sales of the two companies in Sweden, Norway and Denmark, which further boosted the growth. In 2004, the sales of veterinary medicines grew by about 30 percent to EUR 60 million, and they accounted for about 11 percent of Orion Pharma's total net sales.

Orion Pharma Animal Health is the Finnish market leader with a product range including both proprietary preparations and drugs by foreign manufacturers. Orion Pharma is also actively involved in the research and development of veterinary drugs. Towards the end of 2004, Animal Health launched a research project in Finland on levosimendan, a drug for heart failure in dogs.

Fermion in full sail

Fermion, the Orion Pharma business unit involved in the development and production of active pharmaceutical ingredients, is also on a positive growth track.

Fermion produces the active ingredients of all Orion Pharma's proprietary pharmaceuticals. Orion Pharma's successful Parkinson's drugs have particularly promoted to the growth of Fermion sales. Fermion also produces products for several other companies. Besides the Group company products, the production portfolio comprises about 20 preparations for other companies, such as the cancer drugs methotrexate and azathioprine as well as the antianxiety drug buspirone.



Pharmaceutical raw material grinder Anders Holmström prepares sampling from the pharmaceutical substance mass at the Fermion plant in Hanko.

THE DISCOVERY, DEVELOPMENT AND APPROVAL OF A NEW MEDICINE

	Years	Number of tested	Purpose	Success rate
			Patent filed	
			Authority permit for animal tests	
Test/ Preclinical test	6.5		Study safety, biological activity and pharmaceutical formulation in laboratory and animal tests	5,000–10,000 compounds to be tested
AUTHORITIES		Application for clinical trials in humans		
Clinical trials Phase I	1.5	20–50 healthy volunteers	Document tolerability and dosage	5 compounds enter clinical trials
Clinical trials Phase II	2	100–500 volunteer patients	Study efficacy, register adverse effects, document tolerability and dosage	
Clinical trials Phase III	3.5	1 000–5 000 volunteer patients	Document effectiveness, accumulate documentation on adverse effects in longterm therapy and compare with standard therapy	
AUTHORITIES		Application for the marketing authorization		
Authorities	1–3	Evaluation and approval of the application	1 gets a marketing approval	
AVAILABLE FOR PATIENTS				
Clinical trials Phase IV	Several years	Thousands of medicine users	Follow-up safety in the normal population. Thorough follow-up of adverse reactions in additional studies.	

Source: Pharmaceutical Information Centre

Pharmaceutical development work is multidisciplinary research meeting the highest standards and requirements. Modern pharmaceutical research calls for the top expertise of several professional groups. The over 600 researchers at Orion Pharma include experts of molecular biology, chemistry, pharmacy, medicine, other sciences, statistics and information technology.

Drugs cure diseases or help to control their symptoms, thus improving the patients' quality of life. From the molecular invention to the marketing authorisation, the development of a pharmaceutical will take 5 to 12 years, depending on the indication. The basic patent on the pharmaceutical molecule is in force for 20 years. It will take about ten years to carry out all the trial phases and to get the market authorisation, and thus the return on the pharmaceutical research investment must be earned in a very short period of time.

Pharmaceutical development is associated with huge risks. The development of a pharmaceutical molecule destined for one important indication, such as lowering the cholesterol content in blood, may cost as much as EUR 800 to 900 million.

Orion Pharma's research investment and the associated risks are well managed since the division focuses on a few special areas only.

The Orion Pharma research organisation chart is illustrative of the pharmaceutical R&D process which comprises the following phases: pre-clinical R&D, pharmaceutical product development, clinical development, international registration and drug safety.

Orion Pharma research centres are located in Espoo, Turku, Kuopio, Finland; and Nottingham, the UK.

Gel packaging operator Kerttu Luomanen and line operator Anne-Marie Sipilä contribute to the smooth running of the production operations at Orion Pharma, Turku.





Stella Sjögren, 4 years of age, and the healthcare nurse Tarja Puotila are reading the results of Stella's blood sample made with Orion Diagnostica's QuikRead for point-of-care testing.

Jaakko Rissanen,
President of
Orion Diagnostica Oy



Orion Diagnostica

Orion Diagnostica Oy develops and produces rapid diagnostic tests for doctor's offices or small-scale laboratories.

Orion Diagnostica develops methods used particularly in so-called point-of-care testing, for example at doctor's offices. Parts of the product range are used on the highly automated and high-volume centralised testing systems of hospital laboratories.

Besides diagnostic tests, Orion Diagnostica also produces hygiene tests used to detect microbes in facilities which call for extreme levels of hygiene, and to ensure the efficacy of the cleaning methods.

Orion Diagnostica's products are sold on a global scale through a distribution network that comprises more than 60 countries. International operations account for over 80% of the net sales which totalled EUR 39 million in 2004. Orion Diagnostica's objective is to develop into a leading point-of-care testing company in its selected market niches.

QuikRead is a strong grower

The sales of the QuikRead® CRP test for the detection of infections continued to grow. The test detects infections by measuring the C-reactive protein (CRP) content in blood

samples. The QuikRead system also includes the QuikRead FOB test for the detection of faecal occult blood and the QuikRead U-alb microalbuminuria test.

At year's end, Orion Diagnostica obtained the necessary authorisations of the regulatory authorities to start the QuikRead sales also in the USA. On this occasion a new version of the CRP test was also introduced to the US market. A newly developed element of the system, QuikRead QuikLink makes it possible to connect the testing device with the laboratory's information system or similar systems.

With a long presence in the market, the Uricult® test for the detection of urinary tract infections retained its global market share.

The QuikRead system is further developed, for example by expanding the selection of tests. Orion Diagnostica will also continue the development of hygiene products.

Developed for protein assays, the Turbox® system can be used to identify 18 different proteins from plasma, blood or urine samples.

The Easicult® test is used to measure the microbe load in industrial liquids and fuels and to regulate the appropriate dosage of biocides. The test is used in paper and pulp, metal and woodworking industries as well as by airline companies and oil refineries.

Hygicult® is a microbiological surface sampling method for the detection of the microbiological efficacy of the cleaning, disinfecting and manufacturing processes for example in food and cosmetics industries and large-scale kitchens.

ORION DIAGNOSTICA 2004 2003

EUR million		
Net sales	39.3	35.7
Operating profit	5.6	5.2
International operations	32.7	29.4
Personnel	318	322



Oriola's client service operations are underpinned by solid professional competence and expertise in the healthcare sector as well as on a deep insight in client needs. Sales manager Anna Reincke in her work.

Pauli Torkko, Executive Vice President of Orion Corporation, The Wholesale and Distribution Division (left), Risto Kanerva, President of Oriola Oy and Marianne Dicander Alexandersson, President of Kronans Droghandel AB.



Oriola and KD

The Orion Group's Wholesale and Distribution Division comprises Oriola Oy and Kronans Droghandel AB (KD) which are independent companies concentrating on the wholesale and distribution of pharmaceuticals and healthcare products.

Their major clients are pharmacies, hospitals, healthcare stations and clinics as well as the pharmaceuticals and healthcare product manufacturers that are their principals. Supplies of goods and services and the management of related flows of money and information constitute the core process of the two units. Efficiency, operative reliability, punctuality and high-quality client service backed by a state-of-the art IT system play a decisive role for the profitability of the units.

The invoicing of the Wholesale and Distribution operations, which best indicates its volume, was EUR 2,468 million in 2004.

Oriola's main markets are Finland and the Baltic countries while KD operates on the Swedish market. KD and Oriola operate independently and autonomously, relying on their respective strong identities. The two companies constitute established and integral parts of the healthcare systems of their respective countries, which is also strongly reflected in their social responsibility thinking.

Oriola is expanding

Established in 1948 to complement the Orion Group, Oriola focuses on the wholesale and distribution of pharmaceuticals as well as on the marketing and distribution of healthcare equipment and supplies both in Finland and in the Baltic countries where it is a leading operator. In the equipment and supplies sector, Oriola is now expanding its operations to the Scandinavian countries.

Oriola has two main sectors of operation: Pharmaceutical Distribution and Wholesale, and the Healthcare Equipment and Supplies.

The Pharmaceutical Distribution and Wholesale is composed of four units: the Wholesale unit serves pharmacies and veterinarians, the Supplier Services markets the Orion distribution services to its pharmaceutical manufacturer clients, Reformi-Keskus markets functional foods and health foods while Distribution is in charge of the goods logistics or the other Oriola business units.

In Finland and the Baltic countries, Oriola has a well-functioning distribution system that covers the entire Oriola product

ORIOLA	2004	2003
EUR million		
Invoicing	1 008.3	984.9
Operating profit	20.0	20.5
Personnel	1 089	1 116

KD	2004	2003
EUR million		
Invoicing	1 460.1	1 632.3
Operating profit	7.1	10.1
Personnel	465	470

range. It comprises all goods logistics from import forwarding to client deliveries. The Finnish network composed of four regional distribution outlets is able to deliver the goods anywhere in the country within 24 hours from the order.

Oriola's extensive range of logistics services are used by over 60 international pharmaceutical manufacturers such as AstraZeneca, Aventis, Janssen-Cilag, MSD, Novo Nordisk, Organon, Amgen and Orion Pharma. Oriola's market share of the Finnish pharmaceutical distribution market was 46 percent in 2004.

The Healthcare Equipment and Supplies is composed of four units: the Medical Products unit specialising in hospital equipment and supplies; the Radiology Products unit Medion focusing on medical imaging as well as industrial infrared devices and non-destructive testing systems; the Laboratory Products unit Prolab which markets equipment to healthcare, research and industrial laboratories; and the Dental Products unit for the marketing of dental equipment and supplies.

Medion focuses on the Finnish market and Prolab operates in the Finnish and Baltic markets while both the Medical Products unit and the Dental Products unit operations cover both Finland, the Baltic countries, Sweden and Denmark.

Oriola's share of the Finnish hospital and laboratory market is about 20 percent while that of the Dental Products unit is over 50 percent and Medion about 35 percent.

KD maintained its market share

KD provides versatile logistics, warehousing, distribution and IT services to pharmaceuticals companies and healthcare product manufacturers. Established in Sweden in 1907, 69.3 percent of KD's shares are today owned by Orion.

KD's major pharmaceuticals distribution clients in Sweden are MSD, Pfizer, GlaxoSmithKline, Sanofi-Aventis, Schering-Plough and Novartis. KD's share of the Swedish pharmaceuticals distribution market is 48 percent.

KD operates from three central distribution warehouses, located in Mölnlycke near Gothenburg, in Enköping near Stockholm and in Malmö.

The highest level of services is the decisive competitive factor for a pharmaceuticals distributor in the particular Swedish market where thousands of products from over 140 pharmaceuticals companies are channelled through two pharmaceuticals wholesalers to over 900 pharmacies owned by one single client, Apoteket AB.

One-channel system prevails

Both the Finnish and the Swedish pharmaceuticals wholesale and distribution operations are characterised by a one-channel distribution system. It means that the pharmaceuticals company or importer concludes a distribution agreement for the product range with one single wholesaler. The Finnish one-channel regime is based on individual voluntary agreements between the pharmaceuticals company and the wholesaler. The Finnish market is covered by two pharmaceuticals wholesalers, Oriola and Tamro, a company owned by the private German Phoenix Group.

Most other countries have a multi-channel distribution system, with the same product available from several wholesalers. In countries with long distances – such as Finland – the one-channel system is a cost-efficient and logistically sensible distribution model.

The Swedish one-channel system is based on regulatory decision, and the Swedish market is also operated by two wholesalers, KD and Tamro.

The Swedish pharmacies are fully state-owned, while the over 600 Finnish pharmacies and their subsidiary pharmacies are owned by private pharmacists, with the exception of the Yliopiston apteekki pharmacy chain owned by the University of Helsinki and the pharmacy of the University of Kuopio.

The value of the Swedish pharmaceuticals market at wholesale prices was over EUR 2,597 million in 2004 while the corresponding figure for Finland was EUR 1,624 million.

The wholesaler play a role of great responsibility in the pharmaceuticals supply chain. The preparations must be handled, stored and transported in conditions and facilities that meet their composition and durability requirements. They must be stored and delivered punctually and safely. This calls not only for extreme care and diligence throughout the supply chain but also for advanced information technology.

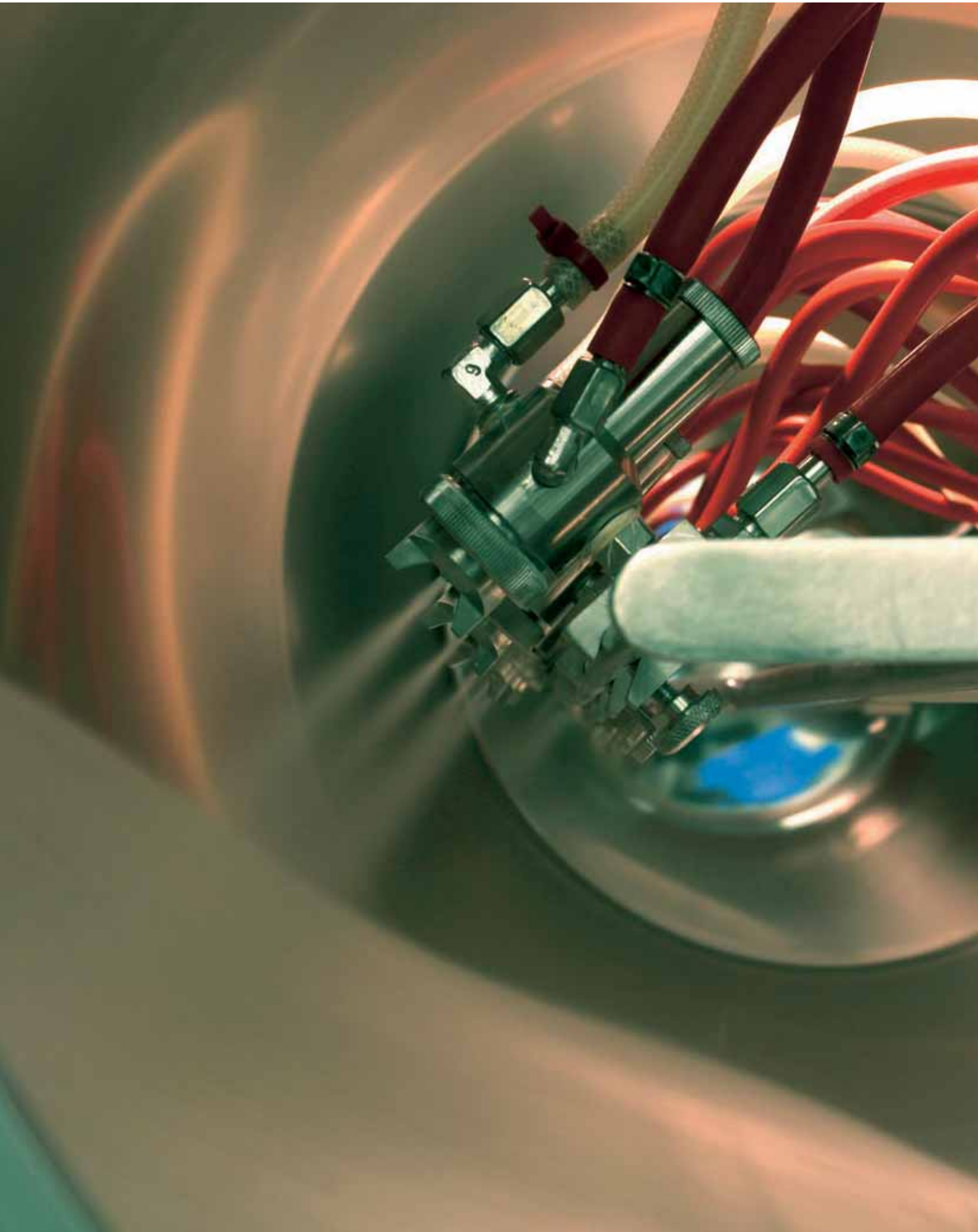
High-quality operations

Both Oriola and KD have maintained their good position on their markets. Their respective market shares in various business areas show that their operations meet the best quality standards both vis-à-vis their principals and the pharmacies, hospitals and other healthcare operators.

Clients are well taken care of at every level, and both companies invest heavily in client service. All this is backed by comprehensive IT solutions and applications. In the beginning of November 2004, Oriola introduced a new order and delivery process steering system based on an IBS software.



In addition to efficiency and quality requirements, the Oriola distribution system was designed with the sustainable development principle in mind, also reflected in the pursuits to decrease packaging material volumes.



Metformin, the Orion Pharma preparation for type 2 diabetes, is coated to improve its taste and make it more pleasant for the patient to swallow.

Major shareholders on 31 December 2004

By number of shares	A shares	B shares	Total	% of shares	Votes	% of votes	By number of votes
1. Orion Corporation Pension Fund*	3 629 236	1 293 364	4 922 600	3.65%	(73 878 084)	(5.93%)	
2. Brade Jouko	354 000	52 400			7 132 400		
Brade Oy	490 000	0			9 800 000		
Medical Investment Trust Oy	1 340 000	1 103 800			27 903 800		
Lamy Oy	614 000	0			12 280 000		
	2 798 000	1 156 200	3 954 200	2,93%	57 116 200	4,58%	1.
3. Etola Erkki	100 228	2 004			2 006 564		
Oy Etra Ab	2 329 720	86 000			46 680 400		
	2 429 948	88 004	2 517 952	1.86%	48 686 964	3.91%	2.
4. Varma Mutual Pension Insurance Company	2 220 000	1 600	2 221 600	1.65%	44 401 600	3.56%	3.
5. The Land and Watertechnology Foundation	1 048 500	0			20 970 000		
Tukinvest Oy	1 034 860	0			20 697 200		
	2 083 360	0	2 083 360	1.54%	41 667 200	3.34%	4.
6. Pension Insurance Company Ilmarinen Ltd	1 970 440	0	1 970 440	1.46%	39 408 800	3.16%	5.
7. Orion Corporation (own shares)*	417 864	1 370 000	1 787 864	1.32%	(9 727 280)	(0.78%)	
8. The Social Insurance Institution	0	1 659 568	1 659 568	1.23%	1 659 568	0.13%	
9. Ylppö Jukka	1 247 136	284 496	1 531 632	1.13%	25 227 216	2.02%	6.
10. Saastamoinen Foundation	1 239 996	0	1 239 996	0.92%	24 799 920	1.99%	7.
11. Aho Juhani	80 092	2 000			1 603 840		
Kliinisen Kemian Tutkimussäätiö	92 472	0			1 849 440		
Helsingin Lääkärikeskus ja Laboratoriot Oy	658 230	4			13 164 604		
Yhtyneet Laboratoriot Oy	296 778	0			5 935 560		
	1 127 572	2 004	1 129 576	0.84%	22 553 444	1.81%	8.
12. Finnish Cultural Foundation	302 464	622 908	925 372	0.69%	6 672 188	0.54%	
13. Ylppö Into	577 936	240 200	818 136	0.61%	11 798 920	0.95%	9.
14. The State Pension Fund	0	680 000	680 000	0.50%	680 000	0.05%	
15. Karvonen Eero	73 170	671			1 464 071		
EVK-Capital Oy	471 630	671			9 433 271		
	544 800	1 342	546 142	0.40%	10 897 342	0.87%	10.
16. Salonen Maritza	461 046	0	461 046	0,34%	9 220 920	0,74%	
17. Relander Gustaf	459 300	0	459 300	0,34%	9 186 000	0,74%	
18. Laakkonen Yrjö	420 000	0	420 000	0,31%	8 400 000	0,67%	
19. Mutual Insurance Company Pension Fennia	0	360 750			360 750		
Mutual Insurance Company Fennia	0	5 800			5 800		
Fennia Group	0	366 550	366 550	0,27%	366 550	0,03%	
20. Eläkesäätiö Polaris Pensionsstiftelse	221 272	140 144	361 416	0,27%	4 565 584	0,37%	
Total	22 150 370	7 906 380	30 056 750	22.3%	450 913 780	36.2%	
Nominee registrations	1 989 802	28 308 141	30 297 943	22.4%	68 104 181	5.5%	
Other	34 343 436	40 338 713	74 682 149	55.3%	727 207 443	58.3%	
All shareholders total	58 483 608	76 553 234	135 036 842	100.0%	1 246 225 394	100.0%	

* Not entitled to vote at General Shareholders' Meetings

Orion Group management



Heikki Vuonamo b. 1948, Master of Arts (Political Sciences), Bachelor of Science (Econ.) Corporate Vice President, Communications
Before joining Orion in February 2003, Heikki Vuonamo made a long career in the Finnish financial press. In 1976–1980 he was journalist of *Talouselämä*, a Finnish weekly business magazine. In 1980–1981 he was PR officer of Rank Xerox Oy. In 1981 he reassumed his previous job in *Talouselämä*. The years 1985–1991 he was Managing Editor and Editor-in-Chief of *Tietoviikko*. In 1991–2002 he was Editor-in-Chief of *Tekniikka & Talous*.
Holdings in Orion Corporation: 1,333 Orion B-shares and Orion B-share options. Plan 2001: 8,000.

Olli Huotari b. 1966, Master of Laws, LL.M. in International Commercial Law
General Counsel of the Orion Group and Secretary of the Board of Directors of Orion Corporation
Olli Huotari joined the Orion Group in 1996 as Legal Counsel in the Corporate Administration. In 1992–1995 he served as Legal Counsel in the law firm *Asianajotoimisto Jouko Penttilä Oy*. In 1995–1996 he was Post-graduate student in the University of Kent at Canterbury in the UK. Olli Huotari assumed his present position in October 2002.
Holdings in Orion Corporation: Orion B-share options: Plan 2001: 12,000.

Jari Karlson b. 1961, Master of Science (Economics)
CFO of the Orion Group and Orion Pharma
Jari Karlson joined the Orion Group in August 2001 as Vice President, Finance for Orion Pharma. Before joining Orion he worked in *Kuusakoski Group* as Corporate Controller, responsible for financial and management accounting. In 1990–1999 Mr. Karlson held several positions in *Genencor International Inc.*: Controller, Director of planning for region Europe and Asia and Director, Finance, Europe. In 1988–1989 he worked as a financial controller for the Biochem division of *Cultor*.
Holdings in Orion Corporation: Orion B-share options: Plan 2001: 30,000.

Jukka Viinanen b. 1948, Master of Science (Chemical Engineering)
President of Orion Corporation, CEO of the Orion Group and as of 1 April, 2004 President of Orion Pharma
Before joining Orion, Jukka Viinanen made a long career in the Finnish oil and petrochemical industry. He started in *Pekema Oy* as a production engineer in 1973. Since then he held several senior line and staff management positions in *Neste Corporation*, and in 1990 he was elected Member of the Board of Directors. In 1997–1999 Mr. Viinanen was President and Chief Operating Officer of *Neste Corporation*. Jukka Viinanen has been President of Orion Corporation and the Group CEO as of 16 June 2000. Jukka Viinanen is Chairman of the Board of Directors of *Rautaruukki Oyj* and a member of the Board of Directors of *Huhtamäki Oyj*.
Holdings in Orion Corporation: 6,000 Orion B-shares and Orion B-share options: Plan 2001: 50,000.



Ulla Lövhölm b. 1957,
Master of Science (Econ.)
Vice President, Human Resources,
Orion Pharma; aux. resp. Corporate
VP, HR development
Ulla Lövhölm joined Orion Pharma in
1999 as Vice President, Human
Resources. Since 2000 she has also
held a Group-level auxiliary responsi-
bility for the development of human
resources.
Ulla Lövhölm's earlier career has pro-
gressed as follows:
In 1980–1982 she was export secre-
tary of the Panda Chocolate Factory. In
1982–1988 she served as management
trainee, branch manager and domestic
money market dealer at Helsinki
Savings Bank. In 1988–1994 she was
recruitment consultant at Mercuri Urval,
and in 1994–1999 human resources
director of Handelsbanken Finland.
Holdings in Orion Corporation: 160
Orion B-shares. Orion B-share options:
Plan 2001: 12,000.

Jaakko Rissanen b. 1960,
Master of Science (Biochemistry)
President of Orion Diagnostica Oy
Jaakko Rissanen joined the Orion
Group in 1990 when he started in
Orion Diagnostica as Product Manager,
Sales and Marketing, Finland. In 1996-
1998 he was Product Manager of
Business Unit Specific Proteins. As of
1998 he was Vice President of Sales
and Marketing, Finland.
Jaakko Rissanen is Chairman of
the Association of Laboratory and
Health Care Product Suppliers and a
member of the Board of Directors of
Federation of Finnish Commerce and
Trade and Federation of Finnish
Commerce.
Holdings in Orion Corporation: Orion
B-share options: Plan 1998: 4,000 and
Plan 2001: 16,000.

Pauli Torkko b. 1947,
Licentiate of Science (Business
Economics)
Executive Vice President of Orion
Corporation, The Wholesale and
Distribution Division and Mergers and
Acquisitions Unit.
Pauli Torkko joined Orion Corporation
from the position of Senior Assistant at
the Helsinki School of Economics and
Business Administration in 1977. He
started as Senior Manager for economic
planning, and from 1980 to 1983 he
was Vice President, Finance. As of
1984, he was Executive Vice President
of Orion Corporation, with the responsi-
bility of Group Finance and
Administration. In 1987-2000, Mr.
Torkko was Member of the Board of
Directors of Orion Corporation. In his
current position Mr. Torkko has been
since September 2002.
Pauli Torkko is Chairman of the labour
market committee of the Chemical
Industry Federation of Finland.
He is also a member of the Board of
Directors of Tapiola Mutual Pension
Insurance Company, and Chairman of
the Orion Corporation Pension Fund.
Holdings in Orion Corporation: 2,232
Orion A-shares. Orion B-share options:
Plan 2001: 40,000.

Board of Directors of Orion Corporation



Heikki Hakala b. 1941, M.Sc. (Econ.), D. Tech. (hon.) Member of the Board of Directors of Orion Corporation 2002– Chairman of the Audit Committee Metso Corporation, President and CEO 1999–2001. Rauma Corporation, President and CEO 1996–1999. Repola Ltd, Executive Vice President and CFO 1991–1996. Rauma-Repola Ltd, Executive Vice President and CFO 1987–1991, Senior Vice President, Finance and Financial Control 1986–1987. Chairman of the Board of Directors of Finnkumu Oy, Juhani Mäkivirta Oy and Altia Group Oyj. Deputy Chairman of the Board of Directors of Lassila & Tikanoja plc. Member of the Supervisory Board of Orion Corporation 2000–2002 and Chairman 2001–2002. Holdings in Orion Corporation: 2,000 A-shares and 8,342 B-shares.

Leena Palotie b. 1952, Academy Professor, M.D., Ph.D. Member of the Board of Directors of Orion Corporation 2004– Chairman of the R&D Committee Academy Professor, Director of the Center of Excellence in Disease Genetics 2003– Director of the Nordic Center of Excellence in Disease Genetics 2004–. Coordinator of the large international genomics program of the EU, GENOMEUTWIN 2002– A founding Chairman of the Department of Human Genetics in the University of California, Los Angeles, USA 1998–2002, Professor of Medical Genetics and Molecular Medicine, University of Helsinki and National Public Health Institute, Finland 1991–1998, 2002–, Member of the National Council of Science and Technology of Finland 1995–1998, Chairman of Medical Research Council of the Academy of Finland 1995–1997, Chairman of European Medical Research Council 1996–1998, Director of the Research Program of Molecular Medicine, National Public Health Insti-

tute, Finland 1987–1991. Dr. Palotie has received several international awards including the Nordic Anders Jahre award, International Marfan award, Matti Äyräpää award of the Finnish Medical Association and the European Genetics Society award. She is an honorary doctor of the University of Uppsala, Sweden and University of Joensuu, Finland. Holdings in Orion Corporation: 1,342 B-shares.

Heikki Vapaatalo b. 1939, Professor Emeritus, MD, Specialist in clinical pharmacology Member of the Board of Directors of Orion Corporation 2002– Member of the Salary Committee, member of the R&D Committee Professor of Pharmacology, University of Helsinki 1992–2002. Professor of Pharmacology, University of Tampere 1975–1992. Associate Professor of Pharmacology, University of Oulu 1972–1974. University of Tampere, Medical Faculty, Vice Dean 1983–1984, Dean 1985–1986. University of Helsinki, Medical Faculty, Vice Dean 1995–2002. Finnish Pharmacological Society, Chairman 1983–1985. Finnish Medical Society Duodecim, Delegation Vice Chairman 1989–1992, Delegation Chairman 1992–1994, Vice Chairman of the Board 2001–2003. Orion Corporation, Member of the Supervisory Board 2000–2001. Holdings in Orion Corporation: 500 A-shares and 1,350 B-shares.



Chairman **Matti Kavetvuo**, b. 1944, M. Sc. (eng.), M.Sc. (Econ.)
 Member and Chairman of the Board of Directors of Orion Corporation 2004–
 Chairman of the Salary Committee, member of the Nomination Committee
 1999-2001 President and CEO of Pohjola Insurance Group, retired 2001, President and CEO of Valio Ltd. 1992-1999, President and CEO of Orion Corporation 1985-1991, President of Instrumentarium Corporation 1979-1984.
 Chairman of the Board of Metso Corporation and Suominen Corporation. Vice Chairman of the Board of Kesko Corporation. Member of the Board of Alma Media Corporation, KCI Konecranes Plc, Marimekko Corporation and Perlos Corporation.
 Holdings in Orion Corporation: 110,596 A-shares and 79,340 B-shares.

Deputy Chairman **Erkki Etola** b. 1945, M.Sc. (Eng.)
 Member of the Board of Directors of Orion Corporation 1995–
 Member of the Salary Committee, member of the Nomination Committee
 Managing Director of Etola-yhtiöt and Managing Director of Tiiviste-Group Oy 1974-.
 Deputy Chairman of the Board of Directors of Oyj Stockmann Abp.
 Member of the Supervisory Board of Varma Mutual Pension Insurance Company.
 Holdings in Orion Corporation: 2,429,948 A-shares and 88,004 B-shares.

Eero Karvonen, b. 1948, M.Sc. (Eng.)
 Member of the Board of Directors of Orion Corporation 2004 -
 Member of the Audit Committee, member of the R&D Committee
 EVK-Capital OY, owner and Managing Director 1986 -, Rintekno Oy, process engineer, Division Manager and Technology Manager for biochemical and pharmaceutical process engineering 1980-1986, VTT Technical Research Centre of Finland, biotechnical laboratory, researcher 1975-1980, Helsinki University of Technology, Senior Assistant in industrial microbiology 1974-1975
 Holdings in Orion Corporation: 546,676 A-shares and 3,498 B-shares.

Vesa Puttonen, b. 1966, D.Sc. (Econ.)
 Member of the Board of Directors of Orion Corporation 2004–
 Member of the Audit Committee
 Helsinki School of Economics, Professor in Finance 2001–, Conventum Fund Management, Managing Director 1999-2001, HEX Helsinki Exchanges, Senior Vice President, Equity products and markets 1998-1999, Helsinki School of Economics, Professor in Finance 1996-1998, Helsinki School of Economics, Assistant Professor in Accounting and Finance 1993-1996, Turku School of Economics and Business Administration, Associate Professor in Accounting and Finance 1992-1993, The Academy of Finland, Project Researcher 1990-1992, University of Vaasa, Assistant in Accounting and Finance 1989-1990.
 Chairman of the Board of Enabla Ltd and JOKO Executive Education Ltd, Member of the Board of D. Carnegie & Co Ab, Oras Ltd and Suomi Mutual Life Assurance.
 Holdings in Orion Corporation: 3,342 B.



ORION CORPORATION

Corporate Administration
Address Orionintie 1
 FI-02200 Espoo
Postal address P.O. Box 65
 FI-02101 Espoo,
 Finland
Tel. +358 10 4291
Fax +358 10 429 2323
E-mail
 firstname.lastname@orion.fi
Homepage
 www.orion.fi
Business Identity Code
 01122835



ORION PHARMA

Address Orionintie 1
 FI-02200 Espoo, Finland
Postal address P.O. Box 65
 FI-02101 Espoo, Finland
Tel. +358 10 4291
Fax +358 10 429 3815
E-mail
 firstname.lastname@orionpharma.com
Homepage www.orion.fi

ORION PHARMA GLOBAL SALES, FINLAND

Address Kalkkipellontie 2
 FI-02600 Espoo, Finland
Postal address P.O.Box 400
 FI-02601 Espoo, Finland
Tel. +358 10 4291
Fax +358 10 429 3630

ORION PHARMA TAMPERE PREMISES

Address Biokatu 10
 FI-33520 Tampere, Finland
Tel. +358 10 4291
Fax +358 3 225 0250

Animal Health

Address Tengströminkatu 8
 FI-20360 Turku, Finland
Postal address P.O.Box 425
 FI-20101 Turku, Finland
Tel. +358 10 4291
Fax +358 10 429 7771

Pharmaceutical manufacturing

ESPOO SITE

Address Orionintie 1
 FI-02200 Espoo
Postal address P.O. Box 65
 FI-02101 Espoo, Finland
Tel. +358 10 4291
Fax +358 10 429 3131

TURKU SITE

Address Tengströminkatu 8
 FI-20360 Turku
Postal address P.O. Box 425
 FI-20101 Turku, Finland
Tel. +358 10 4291
Fax +358 10 429 7547

KUOPIO SITE

Address Volttikatu 8
 FI-70700 Kuopio
Postal address P.O. Box 1780
 FI-70701 Kuopio, Finland
Tel. +358 10 4291
Fax +358 10 428 6444

Marketing subsidiaries

ORION PHARMA AB

Address Djupdalsvägen 7
Postal address P.O. Box 334
 SE-19230 Sollentuna
 Sweden
Tel. +46 8 623 6440
Fax +46 8 623 6480

ORION PHARMA AS

Address Ulvenveien 84
Postal address P.O. Box 52 Økern
 NO-0508 Oslo
 Norway
Tel. +47 22 887 300
Fax +47 22 653 378

ORION PHARMA A/S

Address Møllevvej 9 A
 DK-2990 Nivå
 Denmark
Tel. +45 4912 6600
Fax +45 4912 6612

ORION PHARMA GMBH

Address Notkestrasse 9
 D-22607 Hamburg
 Germany
Tel. +49 40 899 6890
Fax +49 40 899 68996

ORION PHARMA AG

Address Untermüli 11
 CH-6300 Zug
 Switzerland
Tel. +41 41 767 4090
Fax +41 41 767 4099

ORION PHARMA KFT.

Address Katóna József u. 14
 FSZT. 4
 H-1137 Budapest
 Hungary
Tel. +36 1 239 9095
Fax +36 1 239 9096

ORION PHARMA (UK) LTD.

Address 1st Floor - Leat House
 Overbridge Square
 Hambridge Lane
 Newbury
 Berkshire RG14
 5UX UK
Tel. +44 1635 520 300
Fax +44 1635 520 319

ORION PHARMA (IRELAND) LTD.

Address c/o Allphar Services Ltd.
 Belgard Road, Tallaght
 Dublin 24, Ireland
Tel. +353 1 404 1600
Fax +353 1 404 1699

ORION PHARMA R&D NOTTINGHAM

Address 2-4 Weekday Cross
 Fletcher Gate
 Nottingham NG1 2GB
Postal address P.O.Box 6792
 Nottingham
 NG1 1AH
 UK
Tel. +44 115 9487 130
Fax +44 115 9487 139

ORION PHARMA EESTI OÜ

Address Lastekodu Str. 5-24
 Tallinn 10115, Estonia
Tel. +372 66 16 864
Fax +372 66 16 863

Other subsidiaries:

ORION CORPORATION IN LITHUANIA

Address Laisver pr. 75, 06144
 Vilnius
 Lithuania
Tel. +370 5 268 8482
Fax +370 5 268 8481

ORION CORPORATION IN RUSSIA

Address Lyusinovskaya Street
 36, Building 1
 115093 Moscow
 Russia
Tel. +7 095 363 5071
Fax +7 095 363 5074
Address Per. Boytsova 7
 office 208, 2nd floor
 190068
 St. Petersburg,
 Russia

ORION CORPORATION IN LATVIA

Address Bauskas iela 58-244
 Riga, LV-1004
 LATVIA
Tel. +371 745 5563
Fax +371 745 5564

ORION CORPORATION IN UKRAINE

Address Sholudenko ul 3
 Business Center,
 office 309, 01135
 Kiev
Tel. +380 44 230 4721
Fax +380 44 230 4722

ORION CORPORATION IN CZECH REPUBLIC AND SLOVAKIA

Address Kykalova 1, 140 02
 Prague 4
 Czech Republic
Tel. +420 2 2213 5903
Fax +420 2 2213 5910



ORION CORPORATION IN POLAND

Address Ul. Parandowskiego
19, 01-699 Warszawa
Tel./fax +48 22 8 333 177
+48 22 8 321 036
+48 22 8 321 037

Active substance production

FERMION OY

Address Koivu-Mankkaan tie
6 A, FI-02200 Espoo

**Postal
address** P.O. Box 28
FI-02101 Espoo, Finland
Tel. +358 10 4291
Fax +358 9 452 1764

FERMION OY, HANKO SITE

Address Orioninkatu 2
FI-10900 Hanko

**Postal
address** P.O. Box 50
FI-10901 Hanko, Finland
Tel. +358 10 4291
Fax +358 10 428 3223

FERMION OY, OULU SITE

Address Lääketehtaantie 2
FI-90650 Oulu, Finland
Tel. +358 10 4291
Fax +358 10 428 3429

ORIOLA OY

Address Orionintie 5
FI-02200 Espoo

**Postal
address** P.O. Box 8
FI-02101 Espoo, Finland

Tel. 010 429 99
Fax 010 429 3415
E-mail firstname.lastname@
oriola.com

Homepage www.oriola.fi

Regional wholesale centres

ORIOLA OY/KUOPIO

Address Volttikatu 7
FI-70700 Kuopio, Finland
Tel. +358 10 428 610
Fax +358 10 428 6230

ORIOLA OY/OULU

Address Iskontie 3
FI-90550 Oulu, Finland
Tel. +358 10 428 810
Fax +358 10 428 8220

ORIOLA OY/SEINÄJOKI

Address Teollisuustie 18
FI-60100 Seinäjoki Finland
Tel. +358 10 428 710
Fax +358 10 428 723

Subsidiaries Abroad

AS ORIOLA

Address Saku 8
11314 Tallinn
Estonia
Tel. +372 6 515 100
Fax +372 6 515 111

SIA ORIOLA RIGA

Address Dzelzavas iela 120 M
LV-1021 Riga
Latvia
Tel. +371 7 802 450
Fax +371 7 802 460

UAB ORIOLA VILNIUS

Address Laisves pr. 75
LT 06144 Vilnius
Lithuania
Tel. +370 5 2688 401
Fax +370 5 2688 400

ORIOLA AB

Address Gårdsfogdevägen 2
S-16102 Bromma
Sweden
Tel. +46 8 799 8200
Fax +46 8 799 8282

ORIOLA A/S

Address Djursvang 7 B
DK-2620 Albertslund
Denmark
Tel. +45 46 901 400
Fax +45 46 901 405



KRONANS DROGHANDEL

Address Fibervägen Solsten
S-435 33 Mölnlycke

**Postal
address** Box 252, S-435 25
Mölnlycke
Sweden

Tel. +46 31 887 000
Fax +46 31 338 5580

E-mail
info@kronans-droghandel.se

Homepage
www.kronans-droghandel.se



ORION DIAGNOSTICA OY

Address Koivu-Mankkaan tie 6 B
FI-02200 Espoo

**Postal
address** P.O. Box 83
FI-02101 Espoo, Finland

Tel. +358 10 42 995
Fax +358 10 429 2794

E-mail
orion.diagnostica@oriondiagnostica.fi

Homepage
www.oriondiagnostica.fi

ORION DIAGNOSTICA AB

Address Industrigatan 8
SE-619 33 Trosa
Sweden

Tel. +46 156 53 360
Fax +46 156 17 355

E-mail
info@oriondiagnostica.se

Homepage
www.oriondiagnostica.se

ORION DIAGNOSTICA AS

Address Solbråveien 43
NO-1383 Asker
Norway

**Postal
address** P.O. Box 321
NO-1383 Asker
Norway

Tel. +47 6678 5630
Fax +47 6678 5659

E-mail
firmapost@oriondiagnostica.no

Homepage
www.oriondiagnostica.no

ORION DIAGNOSTICA DANMARK A/S

Address Ndr. Strandvej 119 A
DK-3150 Hellebæk
Denmark

Tel. +45 49 755 050
Fax +45 49 755 055

E-mail
orion@oriondiagnostica.dk

Homepage
www.oriondiagnostica.dk

PICTURES:

Pages 2–3 photos from left to right

1. Head of technical support at the Fermion Hanko plant, Jorma Salste is monitoring the operation of the entacapone micronisation equipment.
2. The Oriola local outlet in Oulu is in charge of the logistics and distribution of pharmaceuticals and healthcare supplies in the province of Northern Finland. Local manager Anna-Marja Sotaniemi and warehouse foreman Juha Leinonen check the warehouse operations in Oulu.
3. A lion having treatment at a vet's clinic at the Helsinki Zoo in Korkeasaari. The mites are problem even for the big cats.
4. Process workers Sirkka Nyberg and Elsi Ahola are bottling the calibration solutions used in collagen detection at the Orion Diagnostica plant in Oulunsalo.
6. Pharmaceutical sales representative Johanna Keskimäki is presenting the Stalevo combination preparation for Parkinson's disease to Doctor Kimmo Viljanen.

Back Cover photos from left to right

1. Research assistant Maija Ivaska is in charge of the maintenance of research equipment at the Orion Pharma research centre in Turku.
2. Warehouse worker Esa Ypyä handles orders at the Oriola warehouse in Oulu.
3. Orion Pharma, Animal Health has a comprehensive selection of medicines also for horses.
4. Research biochemist Merja Immonen is assessing interactions of biomolecules in the laboratory of Orion Diagnostica R&D in Oulu.
5. Pharmaceutical substances first pass through sampling. Each arriving batch is first analysed, and the analysis data accompanies the preparation throughout the manufacturing process from the first steps of production to the finalised product.

Design: Alma Media Business Magazines
Photographs: Risto Laine
Printing: SP-Paino Oy and Uusi Kivipaino Oy
Paper: Cover Ensogloss 270 g/m²
Inside pages Galerie Art Silk 130 g/m²

Research scientists Xiandong Li, non-clinical hormone research department and Olli Törmäkangas from Medicinal Chemistry discussing in front of a hood in Orion Pharma R&D centre Turku.





Orion Corporation
Orionintie 1 A, 02200 Espoo
P.O. Box 65, FI-02101 Espoo, Finland
Tel. +358 10 4291
Business Identity Code FI 01 122835
www.orion.fi

FINANCIAL STATEMENTS 2004



Publication schedule for the financial reviews by Orion Corporation in 2005

Interim Report 1-3/2005	Wednesday	11 May 2005 at 8.30 am
Interim Report 1-6/2005	Tuesday	9 August 2005 at 8.30 am
Interim Report 1-9/2005	Tuesday	8 November 2005 at 8.30 am

The company announcements and financial reviews are also available on the Orion Group homepage, www.orion.fi.

Others than registered shareholders are advised to subscribe for the publications via the ordering facility on the homepage www.orion.fi or by contacting the Corporate Communications of the Orion Group by phone, telefax or e-mail:

Phone +358 10 429 3504/Minna Lyhykäinen

Fax +358 10 429 4435

E-mail corpcom@orion.fi

Contents

4	Information to shareholders
6	Highlights in Orion 2004
8	Report on 2004 by the Board of Directors
18	Review by annual quarters
19	Income Statement
20	Balance Sheet
22	Cash Flow Statement
23	Notes to the Financial Statements
36	Share capital and shares
42	Data per share 2000–2004
43	Orion Group, financial development 2000–2004
44	Key indicators
45	Proposal for the distribution of profits for 2004
46	Auditors' report
47	Orion Pharma
52	Wholesale and Distribution
53	Oriola
54	KD
55	Orion Diagnostica
56	Transition to IFRS reporting
62	Corporate governance in the Orion Group
70	Board of Directors of Orion Corporation
72	Orion Group management
73	Division management

Information to shareholders

Annual General Meeting of the Shareholders on Tuesday, 22 March 2005

The Annual General Meeting of the Shareholders of Orion Corporation will be held on Tuesday, 22 March 2005 at 5 p.m. at the Helsinki Fair Center, address Messuaukio 1, 00520 Helsinki.

The matters to be handled at the Meeting:

1. The matters subject to the decision by the General Meeting of Shareholders, as specified in section 10 of the company's Bylaws.
2. The proposals by the Board of Directors in accordance with the agenda provided in the invitation.

An invitation to the shareholders to convene the Annual General Meeting on 22 March 2005 has been mailed to the registered shareholders. It was also published in the Helsingin Sanomat newspaper on 16 February 2005. The invitation is also available on the Orion Group homepage www.orion.fi until the day of the Meeting.

Registration to the AGM

A shareholder shall inform the company of his intention to attend the General Meeting of the Shareholders at the latest on Thursday, 17 March 2005 before 3 p.m. Finnish time. Registrations in writing are requested to be mailed to Orion Corporation, Shareholder affairs, P.O.Box 65, FI-02101 Espoo, Finland. Registrations by phone will be received by Ms. Maarit Lönnberg, phone +358 10 429 3719, or Mrs Lotta Lindström, phone +358 10 429 3718. Registrations by telefax should be transmitted to +358 10 429 2801. Registrations via internet can be done at the address www.orion.fi observing the given guidelines. Registrations by letter or telefax or via internet must arrive in Orion Corporation no later than the aforementioned deadline. Possible proxies should be submitted together with the registration.

Payment of dividend

If the General Meeting of the Shareholders approves the proposal by the Board of Directors for the distribution of the profits for the financial year that ended on 31 December 2004, a dividend per share of 0,55 euros shall be paid to Orion Corporation shareholders entered in the shareholder register maintained by the Finnish Central Securities Depository on the record date 29 March 2005. The date of the dividend payment is 5 April 2005. 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.

Publication schedule 2005

The publication schedule for the interim reports of Orion Corporation for 2005 is as follows:

Interim Report 1-3/2005	11 May 2005	at 8.30 a.m.
Interim Report 1-6/2005	9 August 2005	at 8.30 a.m.
Interim Report 1-9/2005	8 November 2005	at 8.30 a.m.

The Orion Magazine for shareholders will be published in May, September and December 2005.

The financial reviews as well as the Orion Magazine are published in Finnish and English. Registered shareholders will receive the Annual Report and the Orion Magazine to the mailing address provided by the Finnish Central Securities Depository. The company's stock exchange releases, press releases and financial reviews are also available on the Orion Group homepage, www.orion.fi. Others than registered shareholders are advised to subscribe for the publications via the ordering facility on the homepage, or by contacting the Communications office of the Orion Group by phone, e-mail or telefax:

Orion Corporation
Communications
P.O.Box 65
FI-02101 Espoo, Finland
Phone +358 10 429 3504/Minna Lyhykäinen
Fax +358 10 429 4435
corpcom@orion.fi

Investor contacts in Orion Corporation:

Anne Allo
Vice President, Investor Relations
Phone +358 10 429 3735
anne.allo@orion.fi

Jari Karlson
CFO
Phone +358 10 429 2883
jari.karlson@orion.fi

Aino Takala
MD, PhD, Head of Strategic Planning, Orion Pharma
Phone +358 10 429 4503
aino.takala@orionpharma.com

Contacts for company analyses on Orion:

Alfred Berg Finland Oyj/ABN Amro
www.abnamroresearch.com

eQ Bank
www.eQonline.fi

Carnegie Investment Bank AB, Finland Branch
www.carnegie.fi

Enskilda Securities
www.enskilda.se

Evli Securities
www.evli.fi

FIM Securities
www.fim.com

Handelsbanken Capital Markets
www.handelsbanken.se

Mandatum Stockbrokers Ltd
www.mandatum.fi

Standard & Poor's AB
www.standardandpoors.com

Opstock Securities
www.opstock.fi

Analyst contacts are updated on our homepage www.orion.fi

Orion takes no responsibility of the analysts' opinions.

Highlights in Orion 2004

Positive results with joint efforts

The financial performance of the Orion Group improved considerably in 2004. The challenges faced in the previous year gave a start for an exercise of improvement in which all Group divisions have been involved. The intensification of operations was particularly marked in Orion Pharma, the division that traditionally accounts for the largest share of the Group's profit. Year 2004 was characterised by intense cost-awareness, and the interim results improved from quarter to quarter. The profit for the last quarter was lower than that of the first three ones, but quite in accordance with anticipations, levelling out the result for the whole year.

Rapid improvement of Orion Pharma's profitability

- Orion Pharma's operating profit for 2004 was over 19% of net sales. This suggests that the 20% operating profit margin objective set in 2003 for the end of 2005, can be attained ahead of schedule. Growth in product sales, correct level of investment in pharmaceutical research, as well as cost-awareness and risk management are elementary components for Orion Pharma in efforts to maintain sustained growth-oriented profit improvement.
- Orion Pharma's net sales and profit are increasingly reflecting the returns generated by the achievements of in-house research. The proprietary products already accounted for 45% of the net sales. The stars in the product portfolio, the Parkinson's disease drugs Stalevo (levodopa, entacapone, carbidopa) and Comtess/Comtan (entacapone) yielded as much as 22% to the total. Introduced in the US already in 2003 and in Europe mainly in 2004, Stalevo is well on the way to become a standard levodopa treatment. This is also one of the objectives of the extensive STRIDE-PD research project, launched in the autumn, to confirm whether Stalevo medication can delay the onset of uncontrolled movements, called dyskineas, in Parkinson's disease patients.
- During 2004, Orion Pharma has been establishing an operational pattern which, in line with the new strategy, emphasises profit-orientation and balanced risk among the business units. The R&D strategy as well as the allocation of resources have been revisited: central nervous system disorders, cardiovascular diseases and critical care as well as hormonal and urological therapies continue to be the core therapy areas, but Orion now increasingly concentrates on the early stages of the pharmaceutical R&D process. As a main rule, Orion wants to share the high costs and inherent risks of the Phase 3 clinical trials with licensing partners. By doing so, the earnings potential will be shared too, but also the throughput times of the research projects as well as the market entry of the new product may be accelerated.
- The strategy was concretised in the new agreement whereby all future development rights to the injectable formulation of Simdax (levosimendan), Orion's drug discovery for severe heart failure, were received by Abbott Laboratories. Also the marketing territory covered by Abbott was expanded. Orion now concentrates on the development of other formulations of levosimendan, orally administered levosimendan for chronic heart failure being a most actual research object. In another programme, levosimendan is being studied in dogs.
- Another licensing arrangement in line with the new strategy concerns toremifene, Orion's first original proprietary drug discovery for humans, to which the US-based company GTx received the US licensing rights for all indications, including the marketing of Fareston. The company also received the global marketing rights to toremifene in all other indications except breast cancer.

Pharmaceutical Wholesale and Distribution was characterised by solid market shares and relationships with the principals

- For the past two years, the pharmaceutical wholesalers in the Group, Oriola and KD, have been coping with additional work caused by generic substitution, as well as with the consequent extra costs related to the management of inventories and goods flows. As an additional challenge for KD, the Swedish pharmaceutical market has shown very flat development.
- In 2004, there were no major transitions of contracts with principals in pharmaceutical distribution in Finland or in Sweden. Due to contracts lost at the previous year's end, Oriola's volumes and market share in Finland decreased during the first few months of the year.
- The structural rearrangement in which Oriola took over KD's Finnish pharmaceutical distribution operations as of mid 2003 was completed. Oriola's share of the Finnish pharmaceutical distribution was 46.1% while KD accounted for 48.1% of the corresponding market in Sweden. Both companies are equal players with their competitor on their respective markets.

- In late 2004, Oriola introduced a new system for the management its order handling and delivery processes, considerably improving its service capacity and intensifying the management of the large flows of goods and cash, as well as the versatile customer services related to them. The complex system was introduced relatively problemfree.

Orion Diagnostica standing on solid foundations

- Orion Diagnostica developed favourably over all. The proprietary products constitute the engine and the fuel of the company's stable business. The handy and reliable QuikRead CRP test has already established itself in many countries as a standard in the diagnosis of infections. However, the market has clearly declined for tests representing older technology.

Bonus issue and high dividends for Shareholders

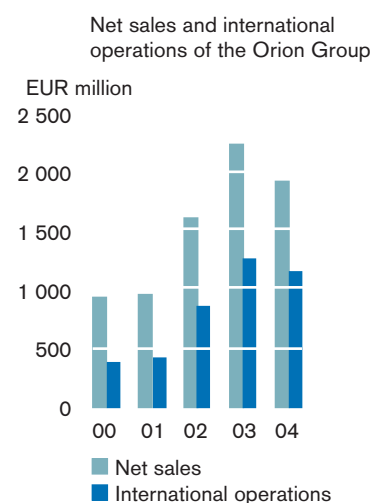
In addition to the favourable profits and the positive news flows, Orion's shareholders also received a bonus issue in September as well as an additional dividend which, especially for the private Finnish shareholders, offered tax benefits. The quotations of the company's two share classes also progressed positively on the Helsinki Exchanges, with Orion's market capitalisation growing by over 40% in the 12 months.

Corporate Governance in Orion conforms to recommendations

The governance of the Orion Group was already mostly in line with the new recommendations imposed on the Finnish listed companies as of mid 2004. The scope of the disclosure of governance matters was, however, considerably expanded.

Parent company's Finnish name is now Orion Oyj

Based on the decision by the Annual General Meeting, the parent company's Finnish name Orion-yhtymä Oyj was shortened into Orion Oyj, and it was introduced as of April. The registered name in English continues to be Orion Corporation.



Key figures of the Orion Group

EUR million	2004	2003	Change, %
Net sales	1 944.3	2 261.5	-14.0%
Operating profit	129.2	89.9	+43.8%
% of net sales	6.6%	4.0%	
Profit before extraordinary items and taxes	127.7	89.0	+43.5%
% of net sales	6.6%	3.9%	
R&D expenditure	70.5	85.9	-18.0%
Gross investments	31.0	41.9	-26.1%
% of net sales	1.6%	1.9%	
Balance Sheet total	1 077.2	1 226.7	-12.2%
Equity ratio, %	42.4%	49.4%	
Gearing, %	3.0%	-10.8%	
Interest-bearing liabilities	119.9	76.4	+56.8%
Non-interest-bearing liabilities	505.0	552.5	-8.6%
Investments, cash and bank	106.9	139.5	-23.4%
Personnel at the end of the year	4 549	4 690	-3.0%
Earnings per share, EUR	0.64	0.49	+30.2%
Diluted earnings per share, EUR	0.64		
Shareholders' equity per share, EUR	3.12	4.22	-26.2%
Market capitalisation, EUR million	1 595.1	1 131.9	+40.9%
ROI (before extraordinary items and taxes)	22.1%	13.2%	
ROE (after taxes)	17.1%	11.5%	

Report on 2004 by the Board of Directors

Structure of the Orion Group

In 2004, the following business divisions were included in the Orion Group:

- Orion Pharma, which develops, manufactures and markets pharmaceuticals
- Oriola and KD (Kronans Droghandel), which are distributors and wholesalers of pharmaceuticals and healthcare products and which together constitute the Wholesale and Distribution Division
- Orion Diagnostica, which develops, manufactures and markets diagnostic tests.

All the businesses of the Group are servicing the healthcare sector.

The former Finnish corporate name of the Group's parent company, Orion-yhtymä Oyj was changed to Orion Oyj by decision of the AGM. The new name was adopted as of 1 April 2004. The English corporate name continues to be Orion Corporation.

Orion's ownership in the KD is 69.3%.

Market overview

The world pharmaceutical market in 2003 was about USD 492 bn, up by 9% from 2002. The latest available statistics on the global market is for a moving 12-month period until June 2004, by the end of which the annual total audited sales came to USD 497 billion.

IMS Health provides a monthly update of the moving annual total ex-manufacturers' sales of pharmaceuticals on the 13 largest markets. These markets account for about 75% of the global total. The statistics are based on the drug purchases by retail pharmacies, and the change on the comparative moving annual period is based on constant exchange rates of the US dollar. Sales to hospitals are included in the data for Japan only. The leading five European countries include Germany, France, Italy, UK and Spain. The leading three markets in Latin America are Mexico, Brazil and Argentina.

In the period of 12/2003 to 11/2004, drug sales on the world's 13 major markets grew by 7% and came to USD 345 (310) billion. About 53% of the amount came from North America. The top 13 markets developed as follows:

	USD billion	Growth	Share
North America	183.8	+8%	53%
Europe, top 5	86.1	+6%	26%
Japan	56.8	+2%	16%
Latin America, top 3	13.2	+16%	4%
Australia and New Zealand	5.2	+10%	1%

The biggest therapeutic category was cardiovasculars with sales of about USD 68 billion, up by 7%. Drugs for central nervous system (CNS) disorders were almost as big a category, with sales of USD 64 billion but faster growth, 11%. In the USA, CNS was clearly the leading category, unlike elsewhere, with sales of close to USD 41 billion and a growth rate of 12%, cardiovasculars being the second-biggest category with USD 31 billion sales and 12% growth rate.

In 2004, the EU drug authority, EMEA (European Medicines Agency) granted EU-wide marketing authorisations to no as many as 33 (19) new medicinal products through the centralised approval procedure. The US FDA (Food and Drug Administration) approved 27 (21) new molecular entities and biologics.

Drugs for Parkinson's disease are elementary in Orion's portfolio. They belong to the CNS category. Their moving annual total sales in the US in 2004 came to USD 731 million, up by 4%. In selected European countries (Germany, France, UK, Italy, Spain, Ireland, Finland, Sweden, Norway and Denmark), their total sales during the same period were EUR 749 million, up by 5%.

Pharmaceutical market in Finland and Sweden

In 2004, the Finnish wholesale market for pharmaceuticals grew by 7.9% to about EUR 1,644 million. Orion Pharma's market share of pharmaceuticals sold in Finland was 10.2%, and Oriola's share of pharmaceutical distribution was 46.1%. Generic substitution maintained heavy price competition. Orion's market share of the substitutable prescription products was 10% (11.5%) in terms of sales in euros but the as much as 25% (26%) of the number of packages sold. The total market for over-the-counter products declined by 6% but Orion Pharma's share of it increased and came to 26% (23%). Of the number of sold OTC product packages Orion Pharma accounted for 36% (37%). Pharmaceutical wholesales in Sweden amounted to EUR 2,597 million, up by 2.3%. KD's market share was 48.1%, the same level as in the previous year.

Orion Group

Net sales

Orion Group. Group net sales in 2004 came to EUR 1,944.3 million (EUR 2,261.5 million in 2003), 14.0% less than in the comparative period. This was mainly because of the changed structure of the Group, as well as the lower net sales in the Wholesale and Distribution Division due to changes in the composition of the principals. Orion Pharma, Oriola and Orion Diagnostica increased net sales from the previous year. Changes in currency exchange rates, particularly the weakened US dollar in relation to the euro, cut off EUR 8.4 million from the Group net sales and EUR 6.9 million from those of Orion Pharma.

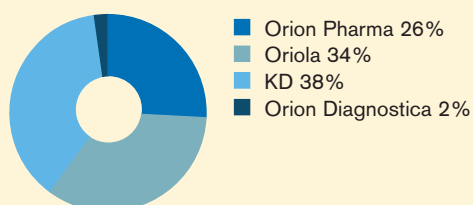
Orion Pharma. Orion Pharma's net sales increased by 7.2% to EUR 514.3 (479.8) million. Contract fees and milestone payments received in the review period were clearly lower than in the comparative year, EUR 14.1 (25.3) million. The contract fees excluded, the net sales increased by about 10%. The proprietary drugs for Parkinson's disease, Stalevo (levodopa, carbidopa and entacapone) and Comtess/Comtan (entacapone) contributed EUR 115.6 (80.3) million to the net sales, up by 44%. The proprietary products generated EUR 194.1 (164.6) million, or 38%, of the net sales. The own marketing network generated EUR 325 (309) million in net sales, of which EUR 179 (178) million came from Finland.

For the **Wholesale and Distribution division**, also invoicing is reported, because it gives a better picture of the operational volume than net sales do. In distribution contracts based on consignment trade, only the distribution fee from the principal is included in the wholesaler's net sales. Oriola's pharmaceutical distribution operations are focused on Finland, Estonia and Latvia, whereas KD operates in Sweden. KD also provides the logistic services for Oriola's healthcare equipment and supplies businesses in Sweden.

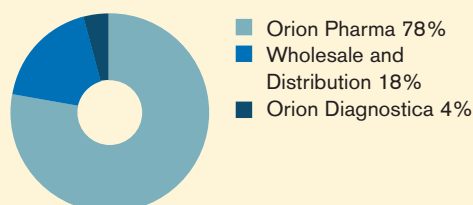
Oriola. Oriola's total invoicing grew by 2.4% to EUR 1,008.3 (984.9) million. Pharmaceutical distribution and wholesale accounted for EUR 875.0 (850.4) million. This business grew by 2.9%, and operations in Finland accounted for close to 97% of it. Oriola's net sales rose by 4.6% to EUR 662.8 million. The growth came from structural changes within the division, but major distribution volumes were also lost in 2004. Net sales of the Healthcare Equipment and Supplies business of Oriola were EUR 119.3 (122.0) million. The slight decline was mainly due to the lower sales of imaging equipment. Oriola Dental, Oriola Medical, Prolab and Medion maintained their strong positions in their respective product sectors.

KD. Invoicing of KD came to EUR 1,460.1 (1,632.3) million, the reduction being mainly explained by the transition of the Finnish operations to Oriola. Pharmaceutical distribution and related services accounted for almost 93% of KD's total invoicing. Regional healthcare logistic services contributed EUR 107.0 million, down by 19.9 % from the comparative year due to the change of one major distribution contract to a service fee-based one. KD's net sales were EUR 744.2 (1,022.7) million, down by 27.2 million.

Group net sales by
Business Division 2004



Group operating profit by
Business Division 2004



Orion Diagnostica. Orion Diagnostica's net sales increased by 10.2% to EUR 39.3 (35.7) million. Sales of the infection test QuikRead and the hygiene test Hygicult kept on growing. The own marketing network comprising all the Nordic countries showed particularly good sales performance.

Orion Corporation, the parent company. The net sales of the parent company, Orion Corporation, were EUR 431.5 (552.2) million, down by 21.9% due to structural changes. Noiro was divested in 2003 and Orion Diagnostica and Fermion have operated as incorporated companies as of the start of 2004. The parent company's net sales are nowadays constitute of the pharmaceutical sales of Orion Pharma in Finland, and pharmaceutical exports.

Group profits

Orion Pharma showed clearly improved profitability. Operating profit was EUR 100.2 (47.0) million. Net sales from the proprietary Parkinson's disease franchise grew by 44%, and costs were under good control. R&D expenditure was lower than estimated/planned due to the transfer of the phase 3 studies and their costs to Abbott Laboratories as of April. The impact of received milestone payments on the profit was EUR 14.1 (25.3) million. EUR 6.2 million are included in the operating profit in cost reservations for closing down the French marketing subsidiary and operational rearrangements in the UK, as well and related value reductions.

The consolidated operating profit of **the Wholesale and Distribution division** was EUR 23.8 (28.4) million. The figure includes a goodwill amortisation of EUR 2.4 (2.4) million relating to KD, an additional depreciation of EUR 1.8 million made from the improvement of the former leasehold warehouse premises. Oriola's operating profit declined by 2.4% to EUR 20.0 (20.5) million, due to investments in operational development, the costs related to closing down the subsidiary KD Tukku, as well as the declined operating profit of Medion. KD's operating profit decreased by 29.8% to EUR 7.1 (10.1) million, mostly due to the missing profit contribution of KD Tukku and the very low growth of the Swedish pharmaceutical market.

Orion Diagnostica's operating profit increased by 9.2% to EUR 5.6 (5.2) million.

The Group's profitability improved in consequence of the good performance of Orion Pharma. Pension costs decreased by EUR 6.7 million for the review period, due to a change in the pension legislation. Moreover, the annual premium payable by Orion to the pension fund was reduced by the dividends received by the fund from Orion. The operating profit includes EUR 2.3 million in income entered from provisions related to the divestment of Noiro. These items are shown in the Group items in the table Operating profit by Business Division.

The distinctively declined minority interest in the Income Statement was due to non-recurrent items which had a positive impact on the profit of Kronans Droghandel AB in the comparative period.

Group profit before extraordinary items and taxes came to EUR 127.7 (89.0) million. Adjusted earnings per share were EUR 0.64 (0.49). Group ROI before extraordinary items and taxes was 22.1% (13.2%) for the review period. ROE after taxes was 17.1% (11.5%).

Net financial expenses were EUR 1.5 (0.9) million. Net interest expenses came to EUR 1.4 (expenses 0.2) million, and the net loss from currency exchange rates was EUR 0.2 (0.1) million. Net income from securities was EUR 0.3 (net loss 0.5) million, including dividend income and value reductions of non-current investments.

Balance Sheet and financial position

The Group's financial position and solvency remained at a good level. Equity ratio was 42.4% (49.4%) at the end of the period. In the evaluation of the Equity ratio it should be observed that a major part of the consolidated short-term liabilities in the Balance Sheet are purchase liabilities of KD, counter-balanced by large inventories and trade receivables from the Swedish pharmacy company, Apoteket AB. Gearing was 3.0% (-10.8%). The change in the Equity ratio and gearing is mainly consequence of the dividends paid in March and September, which were financed by reducing current financial assets, by increasing pension loans and by issuing commercial papers of Orion Corporation. The balance of the short-term loan taken out in September for financing the additional dividend payment was EUR 52.0 million. Additional other interest-bearing liabilities in the year-end Balance Sheet were EUR 67.9 million. The financial position was positively induced by a total of EUR 15.4 million, based on the subscriptions for Orion B-shares with the 1998A/B stock options in November-December.

Net sales by Business Division

	2004	2003	Change %	Breakdown
EUR million				2004
Orion Pharma	514.3	479.8	+7.2%	26%
Oriola	662.8	633.5	+4.6%	34%
KD	744.2	1 022.7	-27.2%	38%
Wholesale and Distribution total	1 406.1	1 656.2	-15.1%	72%
Orion Diagnostica	39.3	35.7	+10.2%	2%
Group total, continuing operations	1 944.3	2 156.8	-9.9%	100%
Noiro		104.7		
Group total	1 944.3	2 261.5	-14.0%	

Operating profit by Business Division

	2004	2003	Change %	Breakdown
EUR million				2004
Orion Pharma	100.2	47.0	+113.3%	78%
Oriola	20.0	20.5	-2.4%	
KD	7.1	10.1	-29.8%	
Wholesale and Distribution total *)	23.8	28.4	-16.2%	18%
Orion Diagnostica	5.6	5.2	+9.2%	4%
Group items	-0.4	0.2		
Group total, continuing operations	129.2	80.8	+60.1%	100%
Noiro		9.1		
Group total	129.2	89.9	+43.8%	

KD's operations in Finland are included in KD's figures for the first half of 2003 and in Oriola's figures as of 1 July 2003.

*) In the operating profit of the Wholesale and Distribution Division for 2004, a goodwill amortisation of EUR 2.4 (2.4) million of KD is included, as well as an additional depreciation of EUR 1.8 million on the improvement of the former leasehold warehouses.

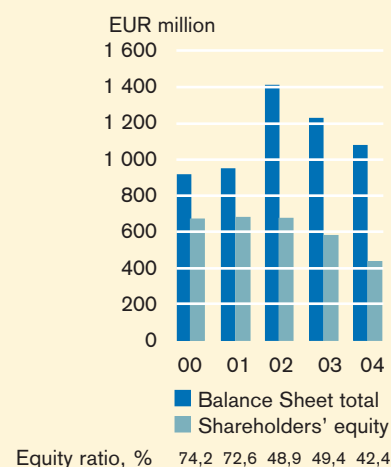
The adjusted shareholders' equity per share was EUR 3.12 (4.22) for the financial year. The total liabilities in the Group Balance Sheet on 31 December 2004, deferred tax liability and provisions included, were EUR 624.9 (628.9) million, of which EUR 119.9 (76.4) million were interest-bearing. Cash and cash equivalents came to EUR 106.9 (139.5) million.

The cash reserves of the Group are invested in short-term interest instruments issued by European governments and solid financial institutions and corporations.

The revaluations of the subsidiary shares are intra-Group events and their impact on the consolidated shareholders' equity is cancelled in the Group eliminations. This is why the shareholders' equity in the Group Balance Sheet does not show the revaluation in September of the Oriola Oy shares by EUR 111.7 million, nor the transition of the sum to the revaluation reserve and further on, as a bonus issue, into the share capital of the parent company Orion Corporation. The EUR 3.1 million transferred in the bonus issue from the premium fund to the share capital is shown as a transfer between the items in the shareholders' equity in the Group Balance Sheet.

As an intra-balance item, EUR 3.5 million are included as a reversal of the value reduction of the own shares held by the company.

Balance Sheet



International operations by Business Division

	2004	2003	Change %	Breakdown
EUR million				2004
Orion Pharma	331.6	304.1	+9.0%	28%
Oriola	55.5	54.3	+2.2%	5%
KD	742.4	847.2	-12.4%	64%
Orion Diagnostica	32.7	29.4	+11.1%	3%
Group total, continuing operations	1 160.6	1 234.3	-6.0%	100%
Noiro		36.1		
Group total	1 160.6	1 270.4	-8.6%	

KD's operations in Finland are included in KD's figures for the first half of 2003 and in Oriola's figures as of 1 July 2003.

Net sales by market area

	2004	2003	Change %	Breakdown
EUR million				2004
Finland	783.7	922.5	-15.0%	40%
Scandinavia	846.5	930.7	-9.0%	44%
Other Europe	214.7	195.6	+9.8%	11%
North America	62.4	76.9	-18.8%	3%
Other markets	37.1	31.2	+19.0%	2%
Group total, continuing operations	1 944.3	2 156.8	-9.9%	100%
Noiro		104.7		
Group total	1 944.3	2 261.5	-14.0%	

Cash flows

The positive cash flows from operations increased considerably from those of the previous year, to EUR 183.1 (109.1) million. This was mainly consequence of improved profitability and reduced working capital. Considerable assets were released from the current assets while, on the other hand, considerable assets were tied to short-term liabilities due to the change of one major distribution contract in KD to be based on a service fee. Trade receivables of Oriola declined in result of lower invoicing in December 2004 than in December 2003. The difference was consequence of lost principals and exceptionally high invoicing in December 2003. The trade receivables in the end of 2003 included EUR 8.6 million in receivables related to the divestment of Noiro.

The Group's cash flows of investments in tangible and intangible assets, EUR 29.3 (46.1) million, continued to be low, like in the preceding year. In the cash flows from investing activities, the payment received in February for the plant in Denmark, sold in late 2003, is included.

In the cash flows from financial operations, the biggest single item comprises the dividends paid for 2003, altogether EUR 254.4 (159.9) million. The sum also includes the dividends paid to the minority shareholders in Kronans Droghandel AB, as well as dividends paid for earlier years.

Orion Group financial goals

In the summer of 2004, the following financial goals were confirmed by the Board of Directors for the Orion Group:

- Operating profit (EBIT), annual average growth 10%
- Equity ratio 45%
- ROI, return on investment 20%

Goal	Actual					
	2004	2003	2002	2001	2000	
Operating profit (EBIT), annual average growth	10%	+43.8%	-7.8%	-16.2%	+1.6%	-7.7%
Equity ratio	45%	42.4%	49.4%	48.9%	72.6%	74.2%
ROI, return on investment	20%	22.1%	13.2%	13.8%	17.5%	18.2%

Transition to IFRS reporting as of 1 January 2005

As of 1 January 2005, the Orion Group adopted the IFRS (International Financial Reporting Standards), having applied the Finnish Accounting Standards (FAS) until the end of 2004.

Outlook for 2005

Orion Pharma's full-year net sales will be at the level of 2004. Market sales of the entacapone product franchise are anticipated to grow. Milestone payments are anticipated to be very low. Operating profit margin is anticipated to reach the target level of 20%. Operating profit before goodwill amortisation will be influenced positively by the increased product sales and the impacts of the rearrangements in France and the UK, while offset by the lowering impact of low milestone income and increased research expenditure.

R&D costs are estimated to be about 17% of Orion Pharma's net sales. In the 2005 IFRS reporting, the R&D expenses will include approximately EUR 10 million in depreciations and administrative cost allocations which in the FAS have not been reported as part of the R&D expenses.

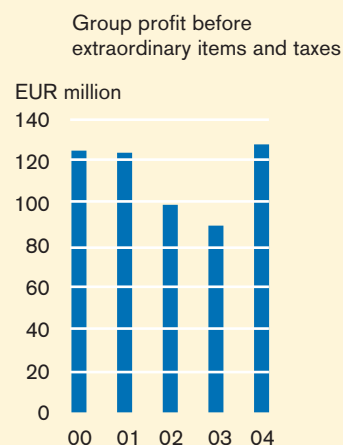
The Wholesale and Distribution Division will post the same level of consolidated invoicing, net sales and operating profit before goodwill amortisation as in 2004. **Oriola** is anticipated to show growing net sales and operating profit. **KD's** invoicing and net sales will decrease, as one major pharmaceutical distribution contract has been changed to be based on service fees only. KD's operating profit will decline slightly due to the difficult situation in the Swedish pharmaceutical market.

Orion Diagnostica is estimated to show slight net sales growth and maintain the good level of operating profit. The QuikRead products are anticipated to boost net sales.

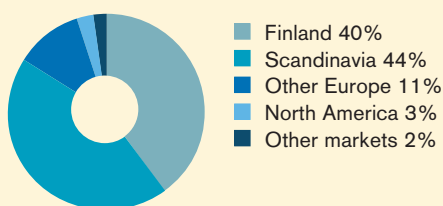
Orion Group full-year net sales and operating profit before goodwill amortisation are estimated to be at the year 2004 level, despite lower milestone income and increasing R&D expenditure. The combined operating profit of the Business Divisions is estimated to increase slightly whereas that of the Group items, which in 2004 included non-recurrent income related to the divestment of Noiro, will decrease.

Group R&D expenditure will be about EUR 90 million, of which about EUR 10 million account for the above-mentioned depreciations and administrative cost allocations previously not reported by Orion as R&D expenses. The share of Orion Pharma of the total R&D will be about 95%.

The Group's gross investments will be about EUR 45 million.



Group net sales by market area 2004



Research and development activity

The Group R&D expenditure was EUR 70.5 (85.9) million, 18% less than in the comparative year. Orion Pharma accounted for EUR 66.9 (81.4) million, or 95% of the total. The proportion of the R&D expenditure was 13% (17%) of Orion Pharma's net sales.

The considerably lower R&D expenditure was consequence of the rearrangements of the license rights concerning the heart failure drug Simdax (levosimendan). In April 2004, the American pharmaceuticals company Abbott Laboratories received expanded rights to the commercialisation of the injectable formulation of levosimendan as well as to the trade mark Simdax. Abbott also assumed responsibility of the phase 3 clinical research program with Simdax, as well as its costs. The rights for all other formulations of levosimendan remained at Orion.

The Simdax licensing agreement is in line with the new strategy, according to which more emphasis than previously is put on the discovery and non-clinical phases and the early phases of clinical development, whereas the conduction as well as the costs and risks of the phase 3 development are shared with partners.

The most outstanding among the currently ongoing clinical research programmes in Orion Pharma is STRIDE-PD, a multinational study in Parkinson's disease patients to investigate if Stalevo can delay the onset of motor complications, such as dyskinesias. The study is being done together with Novartis, the licensing partner, and the first study results are expected in late 2007. Two minor patient studies are also underway with Stalevo.

In the early phases, Orion has notable research activity in the areas of alpha 2 receptors and selective androgen receptor modulators (SARM). In the autumn of 2004, Orion disclosed a new investigational compound, ORM-10921, in its pipeline. Phase 1 studies with this compound have been started in healthy volunteers. The compound, an alpha 2C receptor blocker, has shown interesting results in non-clinical research models of schizophrenia.

Orion expanded collaboration with the US-based GTX, Inc. by entering a new licensing agreement for toremifene, to which GTX received exclusive rights in all human indications in the US and all human indications except breast cancer in all other countries as of January 2005.

Investments

The gross investments of the Orion Group in the past two years have been considerably low compared to the preceding years. Depreciations continued to be greater than the gross investments. No major single investment projects are underway within the Group. Gross investments for the year were EUR 28.0 (38.6) million, machinery and equipment accounting for EUR 20.1 million of the total.

Changes in the Group structure

Orion Diagnostica Oy, which specialises in diagnostic tests, and the fine chemicals unit Fermion Oy, which manufactures active pharmaceutical ingredients, have operated as incorporated companies as of the start of 2004. The corresponding assets and liabilities were transferred to their balance sheets on 1 January 2004.

The former Finnish subsidiary of KD, KD Tukku Oy Ab, was wound-up in the summer after its operations had been combined with Oriola. Also the subsidiaries KD Spedition HB, Sweden, and Xederos Inc., USA, were wound-up. ZAO Oriola, Russia, was divested. None of the latter three companies had business activities in 2004.

The French marketing subsidiary Orion Pharma S.A. finished operations in the end of 2004, and its pharmaceutical sales activities were taken over by a partner.

Personnel

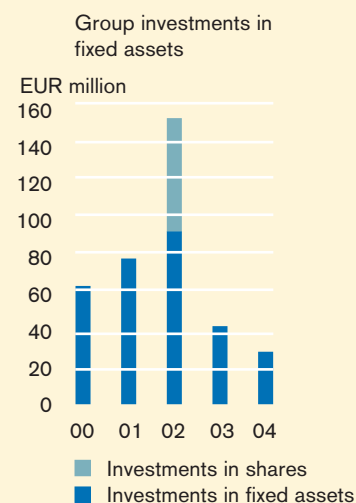
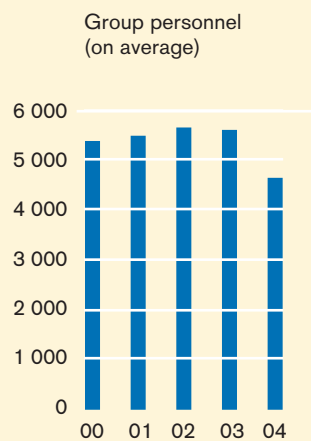
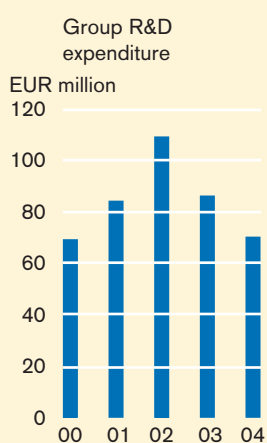
The full-year average number of personnel in the Group was 4,614 (5,573). In December 2004, the total number of employees was 4,549 (4,690). Personnel in Orion Pharma decreased by a net of 109 persons to 2,643 in December (2,752 in December 2003). Personnel in the foreign locations decreased by 79 persons in consequence of the organisational rearrangements and adjustments implemented in 2003 in several locations. Personnel in Oriola decreased by 28 to 1,089 (1,116) at the year-end. KD's personnel came to 465 (470) persons and that of Orion Diagnostica to 318 (322) persons.

Gross investments

EUR million	2004	2003
Land areas	0.0	0.3
Buildings	2.3	7.6
Machinery and equipment	20.1	20.5
Shares	0.0	0.0
Other fixed assets	5.6	10.1
Group total, continuing operations	28.0	38.6
Investments in proportion to net sales, continuing operations	1.4%	1.8%
Noiro		3.3
Group total	28.0	41.9
Investments in proportion to net sales	1.4%	1.9%

Gross investments by Business Division

EUR million	2004	2003
Orion Pharma	17.2	25.5
Oriola	5.5	9.0
KD	3.0	1.4
Orion Diagnostica	1.4	2.0
Corporate Administration	0.9	0.8
Group total, continuing operations	28.0	38.6
Noiro		3.3
Group total	28.0	41.9



Group personnel

	2004	2003	Change %	Breakdown
Average number of employees				2004
Orion Corporation	2 015	2 799	-28.0%	43%
Subsidiaries in Finland	1 461	867	+68.4%	32%
Finland total	3 476	3 666	-5.2%	75%
Foreign subsidiaries	1 138	1 238	-8.0%	25%
Group total, continuing operations	4 614	4 904	-5.9%	100%
Noiro		669		
Group total	4 614	5 573	-17.2%	

Personnel by Business Division

	2004	2003	Change %	Breakdown
Average number of employees				2004
Orion Pharma	2 681	2 949	-9.1%	58%
Oriola	1 108	1 103	+0.4%	24%
KD	470	494	-4.8%	10%
Orion Diagnostica	321	328	-2.1%	7%
Corporate Administration	34	30	+15.8%	1%
Group total, continuing operations	4 614	4 904	-5.9%	100%
Noiro		669		
Group total	4 614	5 573	-17.2%	

General Meetings of Shareholders

Annual General Meeting on 22 March 2004

The Annual General Meeting (AGM) of Orion Corporation held on 22 March 2004 handled the matters in accordance with paragraph 10 of the company's Bylaws. The Board of Directors was also authorised to acquire and convey the company's own shares.

The former Finnish corporate name Orion-yhtymä Oyj was changed to Orion Oyj, and paragraph 1 of the Bylaws was amended accordingly. The new name was taken into use on 1 April 2004. The corporate name in English continues to be Orion Corporation.

Extraordinary Meeting of Shareholders on 14 September 2004

The Extraordinary Meeting of the Shareholders of Orion Corporation held on 14 September 2004 decided upon payment of an additional dividend of EUR 2.14 per share as well as upon the implementation of a bonus issue of EUR 114.8 with which the parent company's share capital was doubled to EUR 229.6 million. The Meeting also adopted an amendment to the Section 3 of the company's Bylaws according to which the minimum share capital of the company shall be EUR 127.5 million and its maximum share capital EUR 510.0 million, within which limits the share capital may be raised or lowered without amending the Bylaws, as well as that the maximum number of A-shares can be 120 million and the maximum number of B-shares 180 million.

Corporate Governance

In its governance, Orion follows the Corporate Governance Recommendation for companies listed on the Helsinki Stock Exchange, with the exception that the nomination committee established by the Board of Directors is composed of also other persons than members of the Board.

The Orion Group Guidelines for Insiders are in compliance with those of the Helsinki Stock Exchange.

A full description of the governance of the Orion Group is available on the Group's internet homepage for investors, www.orion.fi/investors.

Board of Directors

According to the Bylaws, the Annual General Meeting of the Shareholders shall elect the members and the Chairman of the Board of Directors for a term of 1 year. The Board elected by the AGM of 2003 comprised Juhani Leikola as Chairman, Erkki Etola as Vice Chairman, and Heikki Hakala, Petteri Karttunen, Eeva Kölli-Jääntti, Tuomo Lähdesmäki, Heikki Vapaatalo and Matti Vuoria as other members.

The AGM held in March 2004 elected seven members to the Board, of which three persons were re-elected. The composition of the Board of Directors until the end of the next AGM is as follows: Matti Kavetvuo, Chairman, Erkki Etola, Vice Chairman, and Heikki Hakala, Eero Karvonen, Leena Palotie, Vesa Puttonen and Heikki Vapaatalo as other members. All the members are independent of the company in the manner meant by the Corporate Governance Recommendation. In 2004, altogether 18 Board meetings were held, 3 of which were teleconferences. The average attendance of the members at the meetings was about 95%.

The Audit Committee comprised Heikki Hakala as Chairman and Eero Karvonen and Vesa Puttonen as members. The Salary Committee was chaired by Matti Kavetvuo, the members being Erkki Etola and Heikki Vapaatalo. The nomination committee comprised Timo Maasilta as Chairman, and Kari Jussi Aho, Harry Brade, Erkki Etola, Matti Kavetvuo, Petri Kuusisto and Jukka Ylppö. The research committee comprises Leena Palotie as Chairman, and Eero Karvonen and Heikki Vapaatalo.

The following numbers of committee meetings were held in 2004:

- Audit committee 5 meetings
- Salary committee 4 meetings
- Research committee 4 meetings
- Nomination committee (established in November 2004) 1 meeting.

In the autumn of 2004, the Board of Directors conducted a self-evaluation in accordance with the Corporate Governance Recommendation. A summary of the evaluation was submitted to the Nomination Committee.

Auditors

The auditors of the company were Ernst & Young Oy, the designated auditor being Pekka Luoma, Authorised Public Accountant, with Päivi Virtanen, Authorised Public Accountant, as deputy auditor.

Changes in the operational management of the company

As of 1 April 2004, Jukka Viinanen, CEO of the Orion Group and President of Orion Corporation has served as President of Orion Pharma, too, following the resignation of Risto Miettunen, who also served as Deputy CEO and Executive Vice President of Orion Corporation.

Seppo Morri, who served as President of Oriola in 1988-2003, retired in October 2004 from the post of Senior Advisor in the Corporate Administration of Orion Corporation.

Review by Annual Quarters

Group net sales, operating profit and profit before extraordinary items and taxes

EUR million	1-3/03	4-6/03	7-9/03	10-12/03	1-3/04	4-6/04	7-9/04	10-12/04
Net sales	571.3	597.6	527.3	565.3	496.9	496.9	474.7	475.8
Operating profit	6.0	46.2	16.9	20.8	29.2	42.6	42.7	14.7
Profit before extraordinary items and taxes	6.0	46.0	15.9	21.1	29.3	42.8	42.1	13.5

Net sales by Business Division

EUR million	1-3/03	4-6/03	7-9/03	10-12/03	1-3/04	4-6/04	7-9/04	10-12/04
Orion Pharma	113.8	140.3	99.4	126.3	125.9	139.6	130.3	118.5
Oriola	108.1	113.2	191.6	220.6	172.3	163.7	158.5	168.4
KD	307.5	305.3	197.2	212.7	192.8	188.2	180.8	182.4
Wholesale and Distribution total	415.6	418.5	388.8	433.3	365.1	351.3	339.1	350.6
Orion Diagnostica	9.4	9.0	8.0	9.3	10.0	9.4	9.1	10.7
Group total, continuing operations	534.9	563.6	493.2	565.3	496.9	496.9	474.7	475.8
Noiro	36.4	34.0	34.1	-	-	-	-	-
Group total	571.3	597.6	527.3	565.3	496.9	496.9	474.7	475.8

Operating profit by Business Division

EUR million	1-3/03	4-6/03	7-9/03	10-12/03	1-3/04	4-6/04	7-9/04	10-12/04
Orion Pharma	-1.5	37.1	5.3	6.1	26.2	36.9	30.9	6.2
Oriola	3.6	4.9	6.0	6.0	4.1	5.1	6.1	4.7
KD	2.5	2.6	2.2	2.8	2.1	2.0	1.6	1.4
Wholesale and Distribution total	5.5	7.0	7.8	8.1	4.0	7.0	7.2	5.6
Orion Diagnostica	1.3	1.3	1.6	1.0	1.5	1.1	1.8	1.2
Group items	-1.8	-0.5	-0.2	2.7	-2.5	-2.4	2.7	1.7
Group total, continuing operations	3.5	44.8	14.4	18.0	29.2	42.6	42.7	14.7
Noiro	2.5	1.3	2.6	2.7	-	-	-	-
Group total	6.0	46.2	16.9	20.8	29.2	42.6	42.7	14.7

KD's operations in Finland are included in KD's figures for the first half of 2003 and in Oriola's figures as of 1 July 2003.

Income Statement

EUR million	Notes	Orion Group		Orion Corporation	
		2004	2003	2004	2003
Net sales	1)	1 944.3	2 261.5	431.5	552.2
Other operating income	2)	+7.4	+12.8	+7.5	+11.1
Operating expenses	3,4)	-1 762.2	-2 116.9	-307.8	-454.5
Depreciation and amortisation	4)	-60.3	-67.5	-34.1	-48.3
Operating profit		129.2	89.9	97.1	60.5
Financial income and expenses	5)	-1.5	-0.9	+17.8	+2.8
Profit before extraordinary items		127.7	89.0	114.9	63.3
Extraordinary items	6)	-	+8.6	-	+11.5
Profit before appropriations and taxes		127.7	97.6	114.9	74.8
Appropriations	7)	-	-	7.1	12.3
Income taxes:	8)				
Ordinary operations		-40.7	-16.9	-36.4	-18.7
Extraordinary items		-	-2.4	-	-4.2
Minority interest		-1.6	-6.6	-	-
Profit for the financial year		85.4	71.7	85.6	64.2

Balance Sheet

Assets		Orion Group		Orion Corporation	
		2004	2003	2004	2003
EUR million	Notes				
Non-current assets	9)				
Intangible assets					
Intangible rights		25.9	31.7	15.6	20.3
Goodwill		10.3	13.7	17.1	20.5
Group goodwill		31.4	33.7	-	-
Other capitalised expenditure		22.3	27.8	15.5	20.7
		89.9	106.9	48.2	61.5
Tangible assets					
Land and water		13.3	13.3	3.9	4.6
Buildings		162.2	170.8	85.1	119.3
Machinery and equipment		106.5	111.0	55.1	88.9
Other tangible assets		1.2	1.3	0.8	1.0
Advance payments and construction in progress		2.5	5.1	1.0	3.2
		285.7	301.5	145.9	217.0
Investments					
Shares and equity interests in Group companies		-	-	256.2	84.9
Shares in associated companies		0.1	0.1	-	-
Other investments		1.5	1.2	4.1	8.9
Own shares		18.7	15.2	18.7	15.2
		20.3	16.5	279.0	109.0
Current assets					
Inventories	10)	278.3	330.9	53.7	77.5
Deferred tax asset	8)	3.8	6.1	-	-
Non-current receivables	11)	4.0	4.0	0.6	0.7
Current receivables	12)	288.3	321.3	71.0	99.8
Investments	13)	81.1	112.8	50.2	80.4
Cash and bank		25.8	26.7	3.8	5.6
		1 077.2	1 226.7	652.4	651.5

Balance Sheet

EUR million	Notes	Orion Group		Orion Corporation	
		2004	2003	2004	2003
Liabilities					
Shareholders' equity 14)					
Share capital		117.9	114.8	229.6	114.8
Share issue		15.6	-	15.6	-
Premium fund		1.1	4.2	1.1	4.2
Reserve for own shares		18.7	15.2	18.7	15.2
Reserve fund		0.6	0.6	-	-
Retained earnings		195.0	371.6	0.3	185.3
Profit for the financial year		85.4	71.7	85.6	64.2
		434.3	578.1	350.9	383.7
Minority interest	15)	18.0	19.7	-	-
Appropriations	16)	-	-	91.0	135.6
Provisions	17)	5.4	3.3	1.9	2.1
Liabilities					
Deferred tax liability	8)	46.3	52.6	-	-
Non-current liabilities 18)					
Pension loans		54.7	34.5	37.8	17.8
Other non-current liabilities		2.5	3.3	1.9	3.1
		57.2	37.8	39.7	20.9
Current liabilities 19)					
Loans from credit institutions		0.6	6.1	0.6	0.5
Advances received		34.9	31.0	3.9	0.0
Trade payables		373.3	413.4	24.4	29.8
Other current liabilities		107.2	84.7	140.0	78.9
		516.0	535.2	168.9	109.2
		1 077.2	1 226.7	652.4	651.5

Cash Flow Statement

EUR million	Orion Group		Orion Corporation	
	2004	2003	2004	2003
Cash flow from operating activities				
Operating profit	129.2	89.9	97.1	60.5
Adjustments:				
Depreciation and amortisation	60.3	67.5	34.1	48.3
Other adjustments	-1.5	7.7	-0.2	1.5
Operating profit before working capital changes	188.0	165.1	131.0	110.3
Changes in working capital: 1)				
Increase (-)/ decrease (+) in trade and other receivables	30.2	-20.1	5.1	-14.8
Increase (-)/ decrease (+) in inventories	53.2	0.5	3.5	-11.2
Increase (+)/ decrease (-) in trade and other payables	-43.8	-7.6	20.3	21.5
Cash flow from operating activities before financial items and taxes	227.6	137.9	159.9	105.8
Interest paid	-6.4	-7.7	-3.6	-6.0
Dividends received 2)	-	-	18.0	21.4
Interest received 2)	5.8	7.6	4.4	5.1
Income taxes paid	-43.9	-28.7	-29.2	-14.2
Net cash from operating activities	183.1	109.1	149.5	112.1
Cash flow from investing activities				
Investments in intangible and tangible assets	-29.3	-46.1	-16.7	-35.1
Proceeds from sale of intangible and tangible assets	8.7	6.7	1.5	2.5
Loans made (-)/ payments of loan receivables (+)	-	-	1.7	2.4
Investments in subsidiary shares	-	-	-1.9	-15.8
Other investments	-0.4	-	-0.4	-
Proceeds from sale of business operations	-	102.6	-	102.9
Proceeds from sale of other shares and securities not included in cash equivalents	0.3	6.8	0.2	6.8
Interest received	-	-0.1	-	0.1
Dividends received	-	0.3	-	0.3
Net cash used in investing activities	-20.7	70.2	-15.6	64.1
Cash flow from financing activities				
Share issue	15.6	-	15.6	-
Proceeds from (+)/ payments of (-) short-term loans	29.4	6.5	50.8	1.6
Proceeds from long-term loans	20.0	0.5	20.0	0.4
Payments of long-term loans	-6.1	-72.9	-0.8	-34.2
Purchase of own shares	-	-2.2	-	-2.2
Dividends paid and other distributions of profits	-254.5	-159.8	-251.4	-159.8
Net cash used in financing activities	-195.6	-227.9	-165.8	-194.2
Change in cash and cash equivalents according to the cash flow statement	-33.2	-48.6	-31.9	-18.0
Foreign exchange adjustment	0.6	-0.9	-	-
Net increase (+)/ decrease (-) in cash and cash equivalents	-32.6	-49.5	-31.9	-18.0
Cash and cash equivalents at beginning of period 3)	139.5	189.0	85.9	103.9
Cash and cash equivalents at end of period	106.9	139.5	54.0	85.9
	-32.6	-49.5	-31.9	-18.0

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 working capital at their gross value.

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

3) Besides cash in hand and at banks, the cash equivalents include marketable securities with a very low risk of change in value.

Notes to the Financial Statements

Principles for the financial statements

The consolidated financial statements of the Orion Group have been drawn up following the Accounting Act enacted in 1997 as well as the provisions of the Companies Act. The currency used in the financial statements is the euro.

Scope and consolidation principles in the Group financial statements

The Group financial statements consolidate the parent company Orion Corporation as well as all Group companies with over 50% of the voting rights controlled directly or indirectly by the parent company.

All internal business transactions, receivables and liabilities, internal profit distribution as well as internal margins included in stocks have been eliminated in consolidation. Internal margins with material impact on non-current assets have also been eliminated, and the depreciation has been adjusted accordingly in the Income Statement. Minority interest has been separated from Group profit and shareholders' equity and is shown as separate items in the consolidated Income Statement and Balance Sheet.

Internal share ownership has been eliminated according to the past-equity method. When calculating the subsidiary shareholders' equity at the time of acquisition, the impact of untaxed reserves and accumulated accelerated depreciation in shareholders' equity have also been taken into account. A part of the difference between the historical cost of the subsidiary shares and shareholders' equity at the moment of the acquisition has been allocated to the non-current assets of the subsidiaries while the other part is shown in the Balance Sheet as Group goodwill. Group goodwill will normally be amortised over 5 years, following the straight-line amortisation method. However, the Group goodwill generated through the acquisition of Kronans Droghandel AB will be amortised over 15 years. The goodwill allocated to non-current asset items will be amortised in accordance with the depreciation rules applied to the asset group in question. As concerns the items allocated to non-current assets, the consolidated Balance Sheet per 31 December 2004 includes EUR 1.9 million in land areas and EUR 0.9 million in buildings.

Associated companies (20–50% interest in shares and votes) have been consolidated according to the equity method. The Group share of the profit before extraordinary items and after taxes of the associated companies, as adjusted with the amortisation of goodwill resulting from acquisition, is shown under consolidated financial items. The Group share of the profit and loss accumulated after the acquisition has been entered in the consolidated Balance Sheet under the acquisition cost of the shares of associated companies.

The financial statements of foreign Group companies have been converted to correspond to the Finnish accounting practice. Income Statements of the Group companies domiciled outside the euro area have been translated into euro according to the mean exchange rate of the financial year while the Balance Sheets have been converted according to the exchange rate quoted on the day in which the accounts were closed. The translation differences arising from exchange rate differences have been entered under consolidated shareholders' equity.

The translation differences arising from the elimination of internal share ownership are similarly entered under consolidated shareholders' equity. The translation differences accumulated from the Group companies divested during the financial year are recorded in the Income Statement when the respective capital gain or loss is entered in the books. The investment in Kronans Droghandel AB is hedged with foreign exchange forward contracts. The change in the fair value of the forward contracts is recorded under translation differences with impact on shareholders' equity for the part deriving from the change in spot rates, while the change in the interest component of the forward contract is entered under the financial items in the Income Statement.

Intangible and tangible assets

The balance sheet values of intangible and tangible assets are based on their historical costs, depreciated according to plan. The depreciation according to plan is based on the economic life of the assets, following the straight-line depreciation method.

The historical cost of intangible and tangible assets includes assets with remaining economic life, as well as fully depreciated non-current asset items which are still in operative use. The corresponding principles will be applied to the accumulated depreciation.

The economic lives of various assets categories are as follows:

- Intangible rights and other capitalised expenditure 3–10 years
- Goodwill and Group goodwill 5–20 years
- Buildings and constructions 20–40 years
- Machinery, equipment and furniture 3–20 years
- Vehicles 6 years
- Other tangible assets 10 years

As a rule, goodwill is amortised over 5 years. In certain cases, however, the estimated economic life of the goodwill is longer, maximum 20 years. Other long-term expenditure which generate or maintain income for three years or longer, has been capitalised and will normally be depreciated over 5 years.

Land areas and revaluations have not been depreciated according to plan. Production and office facilities have been revaluated in Orion Group in 1984 or prior to that; the parent company Orion Corporation revalued the acquisition cost of the subsidiary shares in 2004. The revaluations are based on separate valuation of the items.

Research and development expenses

R&D expenses have been entered as expenses during the financial year in which they are incurred.

Inventories

The inventories of the parent company and subsidiaries are presented in the Balance Sheet according to the FIFO principle. The inventories are valued at the lowest of variable acquisition or production costs, or probable sales price or reacquisition cost.

Investments held as current assets

The investments include interest instruments. They are valued at their historical cost or at a lower market value.

Receivables and liabilities denominated in foreign currencies

For both the parent company and domestic subsidiaries, valuation of receivables and liabilities is based on the rates quoted by the European Central Bank on the day in which the accounts were closed. The resulting translation gains or losses have bearing on the profit for the financial year, with the exception of the unrealised exchange rate gains from non-current receivables and liabilities which have been recorded in the Balance Sheet. The exchange rate gains recorded in the Balance Sheet will be recognised as income, at the latest, during the financial year in which the respective receivable or liability will be paid.

Currency derivatives acquired for hedging purposes are valued at fair value, using the exchange rates quoted on the day of the financial statements. The fair value of currency derivative is the difference between the spot rate of the original derivative contract and the closing rate on the day of the financial statements. The forward points are accrued and recorded in interest income and expenses. The fair value of currency derivative, with the object of hedging balance sheet items, is recorded in the income statement so that the fair value of currency derivatives hedging trade receivables is recorded in net sales, while the fair value of derivatives hedging loans and receivables related to financial operations is recorded in financial items. The fair value losses for currency derivatives hedging off-balance sheet items have been recorded in financial items, but in accordance with the prudence principle, the fair value gains have not been recorded, since the off-setting impacts of the derivative instruments and the hedged items have not been documented.

Provisions

Future expenses to which Group companies have committed and which are likely not to generate corresponding revenue, have been deducted as provisions from income. Similarly, the future losses which are likely to materialise, have been deducted from income.

Net sales

Net sales includes the sales proceeds less discounts and sales taxes.

Pension arrangements

Personnel employed by the Finland-based Orion Group companies are provided with pension security through the Orion Corporation Pension Fund, and through pension insurance companies. The employees whose employment began prior to 25 June 1990 and continues until retirement, are provided with additional pension security through a pension fund. Pension liabilities are covered in full. The pension arrangements of the personnel employed by the foreign subsidiaries comply with the practices in each particular country.

Income taxes

The item income taxes refers to the taxes imposed on the basis of taxable profit, including the tax adjustments pertaining to previous financial years. In the consolidated Income Statement the income taxes also include deferred taxes which are calculated by using the tax rate adopted by the authorities for the following financial years as known on the day in which the financial statements were drawn.

The deferred tax liability and asset are calculated on the basis of the material timing differences between the taxation periods and accounting periods which are contained in the financial statements of the Group companies, or which result from such consolidation measures as have a bearing to the profit. The undistributed retained earnings of the subsidiaries, included in the consolidated shareholders' equity, are used to calculate the deferred tax liability resulting from a probable profit distribution. The deferred tax asset has been calculated on the basis of the losses not yet utilised for taxation purposes, if the generation of corresponding taxable income has been deemed probable.

The accumulated appropriations, included in the financial statements of the Group companies, have been presented under shareholders' equity and deferred tax liability in the consolidated statements. The accumulated appropriations include untaxed reserves, permissible under the tax regimes of several countries, as well as the accumulated difference between accelerated depreciation, made for taxation purposes, and planned depreciation. However, the accumulated appropriations have not been divided into deferred tax liability and shareholders' equity in the Balance Sheet of the parent company.

The avoir fiscal based on the distribution of dividends of Group and associated companies has been deducted from Group income taxes. In the parent company the avoir fiscal resulting from the internal distribution of dividends is included in financial income whereas the respective income tax is recorded under the income taxes for the financial year.

Since the revaluated factory and office premises or subsidiary shares are not going to be realised in the foreseeable future, the eventual tax impacts of the revaluations have not been taken into account.

Notes to the Financial Statements

EUR million	Group		Parent company	
	2004	2003	2004	2003
1. Net sales				
Net sales by business area				
Pharmaceutical industry	514.3	479.8	431.5	425.1
Wholesale and distribution	1 406.1	1 656.2	-	-
Diagnostics	39.3	35.7	-	26.9
Cosmetics and detergents	-	104.7	-	100.2
Elimination of Group internal net sales	-15.4	-14.9	-	-
Total	1 944.3	2 261.5	431.5	552.2
Net sales by market area				
Finland	783.7	991.2	182.0	247.1
Scandinavia	846.5	935.6	54.6	48.2
Other European markets	214.7	221.4	124.1	144.4
North America	62.4	81.0	46.3	80.1
Other markets	37.1	32.3	24.5	32.4
Total	1 944.3	2 261.5	431.5	552.2
2. Other operating income				
Gains on sales of non-current assets	1.1	1.3	0.7	1.0
Contract income	0.7	4.5	0.7	4.6
Service charges from Group companies	-	-	2.9	3.0
Rents received	1.3	1.3	1.5	1.3
Other	4.3	5.7	1.7	1.2
Total	7.4	12.8	7.5	11.1
3. Changes in provisions				
Change in provisions for operative reorganisation under other operating expenses	-2.1	-2.3	-	-1.2
Change in other provisions	+0.1	+0.0	+0.2	-
Total (increase - / decrease +)	-2.0	-2.3	+0.2	-1.2
4. Operating expenses, depreciation and amortisation				
Operating expenses				
Increase (-) or decrease (+) in inventories of finished and semi-finished products	-0.9	+9.9	-2.8	+9.7
Production for own use	-1.4	-1.0	-0.8	-0.8
Raw materials and services				
Purchases during the financial year	1 305.8	1 603.2	88.7	112.3
Increase (-) or decrease (+) in other inventories	53.6	16.9	6.4	9.1
External services	38.6	40.5	17.2	25.8
Total	1 398.0	1 660.6	112.3	147.2
Personnel expenses				
Wages and salaries	159.5	185.2	69.5	112.8
Pension expenses	11.6	18.8	3.1	12.3
Other social security expenses	20.9	21.8	6.8	10.0
Total	192.0	225.8	79.4	135.1

EUR million	Group		Parent company	
	2004	2003	2004	2003
Other operating expenses	174.5	221.6	119.7	163.3
Operating expenses total	1 762.2	2 116.9	307.8	454.5

Voluntary personnel expenses are recorded under other operating expenses.

Depreciation and amortisation

Amortisation on Group and other goodwill	5.9	6.0	3.4	3.4
Other depreciation and amortisation	54.4	61.5	30.7	44.9
Total	60.3	67.5	34.1	48.3

Depreciation and amortisation by Balance Sheet items is presented under item 9.

Depreciation and amortisation principles are presented under Principles for the Financial Statements.

Average number of personnel	4 614	5 573	2 015	3 454
-----------------------------	-------	-------	-------	-------

5. Financial income and expenses

Dividend income from Group companies	-	-	21.9	25.4
Income from other investments held as non-current assets				
Dividend income from other shares and equity interests	0.3	0.2	0.3	0.2
Interest income from Group companies	-	-	0.1	0.3
Other interest and financial income				
Interest income from Group companies	-	-	0.5	0.5
Interest income from other companies	2.3	4.8	1.2	1.9
Dividend income from securities held as current assets	-	0.1	-	0.1
Other financial income	1.9	2.7	2.2	2.9
Share of associated companies' profits	-	-0.0	-	-
Reduction in value of investments held as non-current assets	-	-0.8	-2.3	-22.8
Change in the reduction in value of investments held as current assets	-	-0.2	-	-0.2
Interest and other financial expenses				
Interest expenses to Group companies	-	-	-1.1	-0.6
Interest expenses to other companies	-3.7	-5.0	-2.1	-1.6
Other financial expenses	-2.3	-2.7	-2.9	-3.3
Total	-1.5	-0.9	17.8	2.8

Financial income and expenses include:

Total dividend income	0.3	0.3	22.2	25.7
Total interest income	2.3	4.8	1.8	2.7
Total interest expenses	-3.7	-5.0	-3.2	-2.2

6. Extraordinary income

Gains on the sale of subsidiaries and business operations	-	8.6	-	8.1
Merger gains	-	-	-	3.4
Total	-	8.6	-	11.5

7. Appropriations

Change in accumulated accelerated depreciation	-	-	7.1	12.3
Total (increase - / decrease +)	-	-	7.1	12.3

EUR million	Group		Parent company	
	2004	2003	2004	2003
8. Income taxes				
Current tax on ordinary operations	-44.1	-26.1	-35.8	-18.8
Deferred tax on ordinary operations	4.1	8.2	-	-
Current tax on extraordinary items	-	-4.2	-	-4.2
Deferred tax on extraordinary items	-	1.8	-	-
Adjustments for current tax of previous financial years	-0.7	1.0	-0.6	0.1
Total	-40.7	-19.3	-36.4	-22.9

Deferred tax is calculated by using the tax rate adopted by the authorities for the following financial years as known on the day on which the financial statements were prepared.

Income tax reconciliation

Consolidated income taxes at Finnish tax rate	37.0	28.3		
Losses of foreign subsidiaries deductible				
due to a legislative change	-	-7.4		
Reduction in value of subsidiary shares	-	-6.4		
Losses of which no deferred tax is recognised	3.7	2.5		
Use of tax losses carried forward	3.3	-		
Goodwill amortisation	1.7	1.7		
Group items	-2.2	-		
Change in tax rate	-4.5	-		
Non-deductible expenses and tax exempt income	0.8	0.7		
Other items	0.9	-0.1		
Income taxes total	40.7	19.3		

Change in deferred tax arises from

Appropriations	7.8	5.2		
Consolidation measures	-0.4	-0.2		
Tax losses carried forward				
and other timing differences	-3.3	5.0		
Total	4.1	10.0		

Deferred tax asset and liability

Deferred tax asset and liability of the parent company are not presented in its Balance Sheet.

Deferred tax asset arises from

Tax losses carried forward				
and other timing differences	2.0	5.3	0.5	0.6
Consolidation measures	1.8	0.8	-	-
Total	3.8	6.1	0.5	0.6

Deferred tax liability arises from

Consolidation measures	-1.8	-0.4	-	-
Accumulated appropriations	-44.5	-52.2	23.7	-39.3
Total	-46.3	-52.6	23.7	-39.3

9. Group non-current assets on 31 December 2004

EUR million	Intangible rights	Goodwill	Group goodwill	Other capitalised expenditure	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Shares and equity interests in associated companies	Other investments	Own shares
Acquisition cost, 1 Jan. (*)	71.8	69.4	38.6	57.7	13.3	290.9	281.9	3.2	5.1	0.1	2.0	18.7
Increase	3.7	0.0	-	4.4	0.0	2.5	17.8	0.0	2.2	-	0.4	-
Decrease	-5.7	-0.0	-	-0.4	-0.0	-0.3	-11.5	-0.1	-	-	-0.1	-
Transfers between Balance Sheet items	-0.0	-	-	0.1	-	0.6	4.2	+0.0	-4.8	-	+0.0	-
Acquisition cost, 31 Dec.	69.8	69.4	38.6	61.8	13.3	293.7	292.4	3.1	2.5	0.1	2.3	18.7
Accumulated depreciation and amortisation, 1 Jan. (*)	40.1	55.7	4.9	29.9	-	120.1	170.9	1.9	-	-	0.8	3.6
Accumulated depreciation and amortisation related to transfers and decreases	-5.4	-0.0	-	-0.3	-	-0.2	-8.5	-0.1	-	-	-	-
Reversal of revaluation	-	-	-	-	-	-	-	-	-	-	-	-3.6
Depreciation and amortisation for the financial year	9.2	3.4	2.5	9.9	-	11.6	23.5	0.1	-	-	-	-
Accumulated depreciation and amortisation 31 Dec.	43.9	59.1	7.4	39.5	-	131.5	185.9	1.9	-	-	0.8	-
Exchange rate differences	-0.0	-	0.2	+0.0	-	-0.0	+0.0	-	+0.0	-	-	-
Book value 31 Dec.	25.9	10.3	31.4	22.3	13.3	162.2	106.5	1.2	2.5	0.1	1.5	18.7

On 31 Dec., production machines accounted for EUR 24.9 million of book value of machinery and equipment. Revaluation included in the acquisition cost of land and water areas is EUR 0.1 million, and EUR 16.5 million in the acquisition cost of buildings.

Parent company non-current assets on 31 December 2004

EUR million	Intangible rights	Goodwill	Other capitalised expenditure	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Shares in Group companies	Receivables from Group companies	Shares and holdings in associated companies	Other shares and holdings	Loan receivables	Own shares
Acquisition cost, 1 Jan. (*)	39.1	68.3	46.1	4.6	208.7	221.4	2.6	3.2	121.9	7.7	0.1	1.9	-	18.7
Increase due incorporation	-4.7	-	-1.2	-0.7	-49.2	-71.4	-0.9	-1.6	-0.1	-0.3	-0.1	-0.0	-	-
Decrease due incorporation	-	-	-	-	-	-	-	-	51.3	-	-	-	-	-
Other increase	2.6	-	3.0	0.0	1.3	8.4	0.0	0.8	121.6	2.8	-	0.0	0.3	-
Other decrease	-0.4	-	-0.0	-0.0	-0.2	-4.9	-0.0	-	-0.0	-6.6	-	-0.1	-	-
Transfers between Balance Sheet items	-0.1	-	0.1	-	-	1.4	-	-1.4	-	-	-	+0.0	-	-
Acquisition cost, 31 Dec.	36.5	68.3	48.0	3.9	160.6	154.9	1.7	1.0	294.7	3.6	0.0	1.8	0.3	18.7
Accumulated depreciation and amortisation, 1 Jan. (*)	18.8	47.8	25.4	-	89.4	132.5	1.6	-	37.0	-	-	0.8	-	3.6
Decrease due incorporation	-1.7	-	-1.2	-	-20.0	-41.1	-0.7	-	-	-	-	-	-	-
Accumulated depreciation and amortisation related to transfers and decreases 31 Dec.	-0.2	-	-	-	-0.2	-3.5	-0.0	-	-	-	-	-	-	-
Reduction in value	-	-	-	-	-	-	-	-	1.5	0.8	-	-	-	-
Reversal of revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-3.6
Depreciation and amortisation	4.0	3.4	8.3	-	6.3	11.9	0.0	-	-	-	-	-	-	-
Accumulated depreciation and amortisation, 31 Dec.	20.9	51.2	32.5	-	75.5	99.8	0.9	-	38.5	0.8	-	0.8	-	-
Book value 31 Dec.	15.6	17.1	15.5	3.9	85.1	55.1	0.8	1.0	256.2	2.8	0.0	1.0	0.3	18.7
Accumulated accelerated depreciation, 1 Jan.	4.6	-0.0	3.0	-	67.7	60.3	0.1	-	-	-	-	-	-	-
Decrease due incorporation	-0.3	-	-	-	-21.3	-15.9	-0.0	-	-	-	-	-	-	-
Other increase (+)/ decrease (-)	-0.6	-0.0	0.4	-	-3.0	-3.9	-0.0	-	-	-	-	-	-	-
Accumulated accelerated depreciation, 31 Dec.	3.7	-0.0	3.4	-	43.4	40.5	0.1	-	-	-	-	-	-	-

On 31 Dec., production machines accounted for EUR 22.2 million of book value of machinery and equipment. Revaluation included in the acquisition cost of land and water areas is EUR 0.1 million, EUR 16.5 million in the acquisition cost of buildings and EUR 111.7 million in shares in Group companies.

(*) The Acquisition cost on 1 January includes individual asset items with remaining economic life, and also the fully depreciated asset items still in operative use. The same principle applies to the Accumulated depreciation on 1 January.

The difference between market value and book value of listed shares

EUR million	Group		Parent company	
	2004	2003	2004	2003
Own shares				
Market value	21.3	15.2	21.3	15.2
Corresponding book value	-18.7	-15.2	-18.7	-15.2
Difference	2.6	-	2.6	-
Other listed shares				
Market value	-	0.2	-	0.2
Corresponding book value	-	-0.1	-	-0.1
Difference	-	0.1	-	0.1
10. Inventories				
Raw materials and consumables	16.5	22.7	11.5	22.5
Work in progress	20.3	14.9	11.5	14.7
Finished products/goods	240.1	290.1	30.0	38.4
Other inventories	0.0	1.9	0.7	1.8
Advance payments	1.4	1.3	0.0	0.1
Total	278.3	330.9	53.7	77.5
11. Non-current receivables				
Loan receivables	0.6	0.7	0.6	0.7
Other receivables	3.4	3.3	-	-
Total	4.0	4.0	0.6	0.7
12. Current receivables				
Trade receivables	267.5	281.6	25.5	35.9
Receivables from Group companies				
Trade receivables	-	-	32.5	34.1
Loan receivables	-	-	-	1.7
Other receivables	-	-	0.0	2.0
Prepaid expenses and accrued income	-	-	0.2	0.0
	-	-	32.7	37.8
Loan receivables	0.1	0.2	0.0	0.2
Other receivables	4.9	12.7	2.0	3.2
Prepaid expenses and accrued income	15.8	26.8	10.8	22.7
Total	288.3	321.3	71.0	99.8
Material items included in prepaid expenses and accrued income				
Income tax receivable	5.2	8.1	4.7	7.5
Pending R&D contributions	1.5	1.3	1.3	1.3
Receivable related to divestment of business operations	-	6.0	-	6.0
Other	9.1	11.4	4.8	7.9
Total	15.8	26.8	10.8	22.7
13. Investments held as current assets				
Other securities: interest instruments	81.1	112.8	50.2	80.4
Total	81.1	112.8	50.2	80.4
Difference between market value and book value				
Market value	81.1	113.0	50.2	80.6
Corresponding book value	-81.1	-112.8	-50.2	-80.4
Difference	-0.0	0.2	-0.0	0.2

EUR million	Group		Parent company	
	2004	2003	2004	2003
14. Shareholders' equity				
Share capital, 1 Jan.	114.8	114.8	114.8	114.8
Bonus issue, 17 Sept. 2004	3.1	-	114.8	-
Share capital, 31 Dec.	117.9	114.8	229.6	114.8
Share issue, 1 Jan.	-	-	-	-
Shares subscribed with option rights	15.6	-	15.6	-
Share issue, 31 Dec.	15.6	-	15.6	-
Premium fund, 1 Jan.	4.2	4.2	4.2	4.2
Transferred to share capital (Bonus issue 17 Sept. 2004)	-3.1	-	-3.1	-
Premium fund, 31 Dec.	1.1	4.2	1.1	4.2
Revaluation fund, 1 Jan.	-	-	-	-
Revaluation of subsidiary shares	-	-	111.7	-
Transferred to share capital (Bonus issue 17 Sept. 2004)	-	-	-111.7	-
Revaluation fund, 31 Dec.	-	-	-	-
Reserve for own shares, 1 Jan.	15.2	17.9	15.2	17.9
Transferred from retained earnings	-	0.9	-	0.9
Reduction in value	-	-3.6	-	-3.6
Reversal of reduction in value	3.6	-	3.6	-
Reserve for own shares, 31 Dec.	18.7	15.2	18.7	15.2
Reserve fund, 1 Jan.	0.6	0.6	-	-
Exchange rate differences	+0.0	-0.0	-	-
Reserve fund, 31 Dec.	0.6	0.6	-	-
Retained earnings, 1 Jan.	443.3	535.3	249.5	348.2
By decision of Annual General Meeting				
dividends distributed	-249.1	-161.9	-249.1	-161.9
donations made	-0.1	-0.1	-0.1	-0.1
Transferred to reserve for own shares	-	-0.9	-	-0.9
Translation and exchange rate differences	0.9	-0.8	-	-
Profit for the financial year	85.4	71.7	85.6	64.2
Retained earnings, 31 Dec.	280.4	443.3	85.9	249.5
Share of accumulated appropriations allocated to the shareholders' equity	126.2	128.5	-	-

Parent company share capital by shares

	2004		2003	
	pcs	EUR million	pcs	EUR million
A-shares (20 votes per share)	58 483 608	99.4	30 002 129	51.0
B-shares (1 vote per share)	76 553 234	130.2	37 516 292	63.8
Total	135 036 842	229.6	67 518 421	114.8

During the year 2004, a total of 1,520,650 Orion Corporation A-shares were converted to B-shares. The corresponding figure for 2003 was 584,300.

EUR million	Group		Parent company	
	2004	2003	2004	2003
15. Minority				
Minority interest, 1 Jan.	19.7	12.8	-	-
Dividends distributed to minority	-3.4	-	-	-
Minority interest in the income statement	1.6	6.6	-	-
Exchange rate differences	0.1	0.3	-	-
Total	18.0	19.7	-	-
16. Appropriations				
Accumulated accelerated depreciation	-	-	91.0	135.6
Total	-	-	91.0	135.6
17. Provisions				
Pension provisions	1.9	2.1	1.9	2.1
Other provisions	3.5	1.2	-	-
Total	5.4	3.3	1.9	2.1
18. Non-current liabilities				
Deferred tax liability	46.3	52.6	-	-
Pension loans	54.7	34.5	37.8	17.8
Other non-current liabilities	2.3	3.1	1.9	3.1
Accrued liabilities and deferred income	0.2	0.2	-	-
Total	57.2	37.8	39.7	20.9
Liabilities due in five years' time or later				
Pension loans	54.7	32.1	37.8	17.8
Other liabilities	-	0.2	-	0.2
Total	54.7	32.3	37.8	18.0
19. Current liabilities				
Loans from credit institutions	0.6	6.1	0.6	0.5
Advances received	34.9	31.0	3.9	0.0
Trade payables	373.3	413.4	15.5	22.5
Liabilities to Group companies				
Trade payables	-	-	8.9	7.3
Other current liabilities	-	-	70.1	33.9
Accrued liabilities and deferred income	-	-	0.3	0.6
	-	-	79.3	41.8
Other current liabilities	52.9	29.7	38.2	9.0
Accrued liabilities and deferred income	54.3	55.0	31.4	35.4
Total	516.0	535.2	168.9	109.2
Material items included in accrued liabilities and deferred income				
Accrued wage, salary and social security payments	31.5	37.2	18.1	24.1
Accrued royalties	3.5	3.9	2.6	3.4
Income tax liability	2.6	0.6	-	-
Price adjustments to be disbursed	5.7	3.8	5.8	3.8
Other	11.0	9.5	4.9	4.1
Total	54.3	55.0	31.4	35.4

EUR million	Group		Parent company	
	2004	2003	2004	2003
Liabilities comprise				
Non-current interest-bearing liabilities	56.9	37.6	39.7	20.9
Non-current interest-free liabilities	46.5	52.9	-	-
Current interest-bearing liabilities	62.9	38.8	103.3	36.5
Current interest-free liabilities	453.2	496.3	65.6	72.7
Total	619.5	625.6	208.6	130.1

20. Information related to administrative body members of Group companies

Salaries and remuneration to members of administrative bodies

Group company Presidents, Vice Presidents, members of the Boards of Directors	2.8	2.7	1.0	1.1
--	-----	-----	-----	-----

No loans have been granted to the administrative body members.

Management pension commitments

The agreed retirement age of the parent company President is 60, the pension amounting to 66% of the salary. The agreed retirement age of the parent company Executive Vice President and Kronans Droghandel AB's President is 60 and their pension is 60 % of the salary. Moreover some Group company Presidents have the option of retiring at 61-63 years of age, with the pension amounting to 60% of their salaries.

21. Guarantees

Loans secured through mortgages on real estate

Non-current pension loans	34.6	17.7	25.1	8.3
Real estate mortgaged as security for the above	38.1	18.1	28.1	8.6
Other non-current loans	-	5.5	-	-
Real estate mortgaged as security for the above	-	17.1	-	-
Total real estate mortgaged as security for loans	38.1	35.2	28.1	8.6

Loans secured through mortgages on company assets

Non-current pension loans	-	2.4	-	-
Company assets mortgaged as security for the above	-	0.7	-	-
Total company assets mortgaged as security for loans	-	0.7	-	-

Other guarantees for Orion Group's own liabilities

Mortgages on real estate	45.2	28.0	25.7	25.7
Mortgages on company assets	74.2	73.1	-	-
Guarantees	3.3	4.1	-	-
Total	122.7	105.2	25.7	25.7

Guarantees on behalf of Group companies

Mortgages on real estate	-	-	9.4	9.4
Guarantees	-	-	8.6	9.6
Total	-	-	18.0	19.0

Guarantees on behalf of third parties

Guarantees on behalf of others	0.1	0.2	-	0.1
Total	0.1	0.2	-	0.1

EUR	Group		Parent company	
	2004	2003	2004	2003
Total guarantees				
Total mortgages on real estate	83.3	63.2	63.2	43.7
Mortgages on company assets	74.2	73.7	-	-
Total guarantees	3.4	4.3	8.6	9.6

22. Contingent liabilities

Outstanding payments pertinent to leasing agreements

Beginning financial year	3.9	3.7	1.6	0.7
Following financial years	2.6	3.4	0.9	0.9
Total	6.5	7.1	2.5	1.6

The leasing agreements are made on customary terms.

Other company liabilities

Drug damage liability	0.3	0.2	0.3	0.2
-----------------------	------------	-----	------------	-----

23. Derivative instruments

Currency derivatives

Equity hedge currency forward contracts:

Fair value, 31 Dec.	-0.1	0.5	-0.1	0.5
Counter value in EUR	30.6	30.8	30.6	30.8

Other forward contracts:

Fair value, 31 Dec.	1.4	0.4	1.4	0.4
Counter value in EUR	88.8	27.4	86.4	18.4

24. Shares and equity interests in other companies

	Group		Parent company	
	Share of ownership	Share of votes	Share of ownership	Share of votes
Group companies	%	%	%	%
As Oriola, Estonia	100.00	100.00	-	-
Fermion Oy, Espoo	100.00	100.00	100.00	100.00
Interorion AG, Switzerland	100.00	100.00	100.00	100.00
KD Pharma Distribution AB, Sweden	69.30	69.30	-	-
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	99.93	99.93	-	-
Kiinteistö Oy Nielsiäncatu 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
Kronans Droghandel AB, Sweden	69.30	69.30	-	-
Kronans Droghandel ADB AB, Sweden	69.30	69.30	-	-
Oriola A/S, Denmark	100.00	100.00	-	-
Oriola AB, Sweden	100.00	100.00	-	-
Oriola 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	-	-
Orion Diagnostica Oy, Espoo	100.00	100.00	100.00	100.00
Orion Export Oy, Espoo	100.00	100.00	100.00	100.00
Orion Pharma (Ireland) Ltd., Ireland	100.00	100.00	100.00	100.00
Orion Pharma (UK) Ltd., UK	100.00	100.00	100.00	100.00
Orion Pharma A/S, Denmark	100.00	100.00	-	-
Orion Pharma AB, Sweden	100.00	100.00	-	-
Orion Pharma AG, Switzerland	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	100.00	100.00	100.00	100.00
Orion Pharma, Inc., USA	100.00	100.00	100.00	100.00
Orion Holding Sverige AB, Sweden	100.00	100.00	100.00	100.00
OÜ Orion Pharma Eesti, Estonia	100.00	100.00	100.00	100.00
Panfarma AB, Sweden	100.00	100.00	-	-
Saiph Therapeutics Oy, Espoo	100.00	100.00	100.00	100.00
SIA Oriola Riga, Latvia	100.00	100.00	-	-
UAB Oriola Vilnius, Lithuania	100.00	100.00	-	-
Associated companies				
Hangon Puhdistamo Oy, Hanko	50.0	50.0	-	-
Medidata Oy, Helsinki	33.3	33.3	-	-
Planeetankadun Paikoitus Oy, Espoo	29.5	29.5	29.5	29.5
Regattalämpö Oy, Hanko	42.6	42.6	-	-

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

Own shares held by Orion Corporation on 31 December 2004

	Amount	Nominal value, EUR	Acquisition cost, EUR
A-shares	417 864	710 368.80	4 359 831.59
B-shares	1 370 000	2 329 000.00	14 384 401.78

Share capital and shares

Share capital

The share capital of Orion Corporation is EUR 229.6 million, and the nominal value of each share is 1.70 euros. The minimum share capital is EUR 127.5 million and the maximum is EUR 510.0 million, and it can be increased or decreased within these limits without amending the Bylaws. The total number of Orion Corporation shares on 31 December 2004 was 135,036,842 and they divide among the series A and B. Both share classes are quoted on the Helsinki Exchanges, and their trading codes are ORNAS and ORNBS. At the year-end, A-shares accounted for 58,483,608 and B-shares for 76,553,234.

At shareholders' meetings, each A-share provides 20 (twenty) votes and each B-share one (1) vote. Both series provide equal rights to company assets and dividends.

Share capital 2000-2004

EUR million	2000	2001	2002	2003	2004
Share capital	114.8	114.8	114.8	114.8	229.6
A-shares (ORNAS)	58.2	56.8	52.0	51.0	99.4
B-shares (ORNBS)	56.6	58.0	62.8	63.8	130.2
Share issues:					
Bonus issue	-	-	-	-	(1:1) 114.8
Number of shareholders	26 674	28 340	28 637	30 700	31 111

A shareholder can require the conversion of his A-shares into B-shares. The adjusted number of A-shares converted to B-shares in 2004 was 1,520,650. In the course of 2005, additional conversions of 272,600 A-shares to B-shares have been entered in the trade register so far. On the day of the publication of these Financial Statements, the number of A-shares in the share capital was 58,211,008 and that of B-shares 78,264,696 and the corresponding share capital is EUR 232.0 million.

Bonus issue in September 2004

By decision of the Extraordinary Shareholders' Meeting held on 14 September 2004, the share capital of Orion Corporation was doubled to EUR 229,562,631.40. The share capital increase was entered in the trade register on 17 September 2004.

In the bonus issue, the shareholders received one new A-share for each old A-share held, and correspondingly, one new B-share for each old B-share, without payment. The total number of new shares issued was 67,518,421, of which A-shares accounted for 29,634,329 and B-shares for 37,884,092. Each share has a nominal value of EUR 1.70. The new shares were entered on the shareholders' book entry accounts on 20 September 2004, and they entitle for dividends for the financial year that started on 1 January 2004.

In the bonus issue, which totalled EUR 114,781,315.70, the book value of the shares held by Orion Corporation in Oriola Oy were increased from EUR 3,296,763.35 to EUR 115,000,000.00 by EUR 111,703,236.65 and the value increase was recorded in the revaluation reserve in the parent company's balance sheet. A total amount equalling the increase of the share capital was added to the share capital in the shareholders' equity by transferring EUR 111,703,236.65 from the revaluation reserve and EUR 3,078,079.05 from the premium fund.

Own shares

The company currently holds altogether 1,787,864 Orion shares, of which A-shares account for 417,864 and B-shares for 1,370,000. Their combined nominal value is about EUR 3.0 million. The shares represent 1.3% of the share capital and 0.8% of the total votes, and they have been acquired during Nov. 2002 - Jan. 2003 from the Helsinki Stock Exchange under the authorisation by the 2002 AGM.

Authorisations of the Board of Directors

The Board of Directors of Orion Corporation has an authorisation by the year 2004 Annual General Meeting to acquire and convey the company's own shares until 22 March 2005. The authorisation has not been utilised by the time of publishing this Interim Report. The acquisition shall be done so that the aggregate nominal value of the shares

of the company owned by the company and its subsidiaries or the share of voting rights attached to them shall not exceed five (5) percent of the share capital or the voting rights attached to all shares of the company. The shares shall be acquired in proportion to the classes of the shares. The shares can be used for developing the capital structure of the company, for financing corporate acquisitions or other arrangements.

The authorisation confirmed to the Board of Directors by the AGM 2004 has not been utilised by the Board of Directors.

Ownership base

On 31 December 2004, Orion Corporation had a total of 31,111 registered shareholders in the book-entry securities system. The number of nominee-registered shares was 30,297,943 representing 22.4% (16.6%) of the total number of shares and 5.5% of the total votes. The proportion of nominee-registered shares of the total share stock of Orion Corporation increased by 34.9%. B-shares accounted for 37.0% of the total number of nominee-registered B-shares, whereas only 3.4% of all A-shares were nominee-registered. 47% of the total shares and 55% of the total votes were in the ownership of Finnish private persons and households.

Changes in the ownership based on flaggings

In April 2004, Silchester International Investors Limited (Silchester), Company Registration No 3000514, notified Orion Corporation that, in result of their sales of shares in Orion Corporation on behalf of their clients, their control of Orion Corporation has fallen below 1/20 (one of twenty), and that after the transactions they exercise control over 3,348,020 B-shares and the votes attached to them. The B-shares controlled by Silchester at that time represented 4.96% of the share capital of Orion Corporation and 0.53% of the total votes. By the publication date of these Financial Statements, no other flaggings have been brought to the attention of the company.

Management interests on 31 January 2005

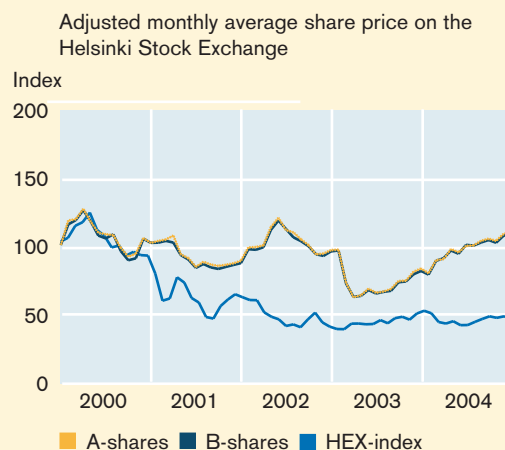
At the end of January 2005, the members of the Board of Directors, the President as well as the Presidents of the business divisions owned altogether 3,286,330 Orion shares, including those held by under-aged children and by organisations or foundations of which the person has control. These represent 2.4% of the total number of shares and provide altogether 62,064,578 votes, or 5.0% of the total votes. The President and the Division Presidents are holding altogether 19,000 options in the Year 1998 Stock Option Plan and 118,000 options of the Year 2001 Plan. With these amounts their shareholding in the Company can increase by up to 274,000 B-shares, or 0.002% of the total share stock on 31 January, and by 0.0002% of the total votes.

The personal holdings in Orion Corporation of the Board of Directors and the Group management as on 31 January 2005 will be provided in the Annual Report 2004, in the chapter dealing with Corporate Governance in the Orion Group. The holdings of the management are updated on a regular basis on the website for Investors, on the Group homepage www.orion.fi.

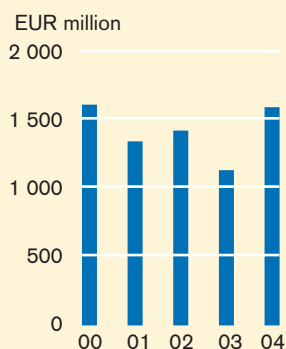
Adjusted share price and trading in Orion Corporation shares in 2004

The year-end closing quotation for the A-share was EUR 12.05, which was 42.1% higher than the corresponding EUR 8.48 at the end of 2003. The highest quotation for the A-share in 2004 was EUR 12.50, the lowest being EUR 8.60. The closing quotation for the B-share at the year-end was EUR 11.91, or 40.0% more than the closing quotation EUR 8.51 at the end of 2003. The highest quotation for the B-share in 2004 was EUR 12.31 and the lowest EUR 8.52. The market capitalisation, treasury shares excluded, at the year-end was EUR 1,595.1 (1,131.9) million, up by 40.9%.

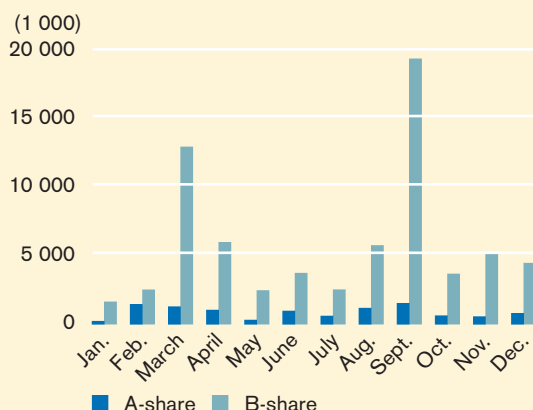
The adjusted number of Orion Corporation shares traded in the Helsinki Stock Exchange came to 79,780,178, representing 59.9% of the total share stock. Altogether 10,521,502 A-shares and 69,258,676 B-shares were exchanged, respectively representing 17.9% and 93.1% of the average total of the class, treasury shares excluded.



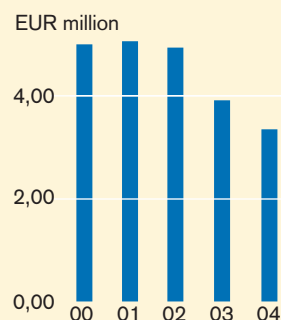
Market capitalisation 31 December



Adjusted monthly trading 2004



Adjusted shareholders' equity per share



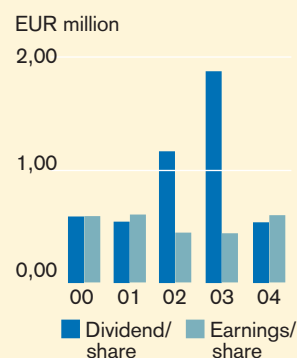
Dividends

Altogether EUR 3.74 per each old share were distributed as dividends for the financial year 2003. Total dividends paid were EUR 249.2 million, and the payout ratio was 381.6%.

By decision of the AGM held in March, a dividend of EUR 1.60 was paid per share. Of the dividend, 0.60 euros was deemed as a special dividend which differs from the company's normal dividend distribution policy and by which the share subscription prices of the stock options 2001C and 2001D were reduced. Altogether EUR 106.6 million were paid in dividends at that time, the payout ratio being 163.3%. The payment date was 1 April 2004.

An additional dividend of EUR 2.14 per share was distributed in September by decision of the Extraordinary Meeting of the Shareholders. The total additional dividends came to EUR 142.6 million, and they were paid on 24 September 2004. This dividend was also deemed as a special dividend which reduced the share subscription prices of the stock options 2001C and 2001D.

Adjusted earnings and dividend per share



Dividend Policy

In the distribution of dividends, Orion Corporation considers not only the amount of distributable profits but also the medium and long-term investment and other financial needs of the Group.

Stock Option Plans

There are two stock option plans in the Orion Group: one issued in 1998 to the entire personnel of the Group, and the other issued in 2001 to the key persons.

Due to the bonus issue in September, the terms of the stock option plans were amended so that each stock option entitles its holder to subscribe for two (2) Orion B-shares instead of one. Hereby, the proportional share of the shares which can be subscribed with the options remained unchanged in the share capital.

Stock option	Trading code	Subscription ratio	Subscription price of B-share	Subscription period
Orion 1998A/B	ORNBSEW198	1:2	10,82 EUR	2.5.2001 – 30.4.2005
Orion 2001A/B	ORNBSEW101	1:2	10,82 EUR	1.10.2003 – 31.10.2007
Orion 2001C	ORNBSEW301	1:2	8,835 EUR	1.10.2005 – 31.10.2007
Orion 2001D	ORNBSEW401	1:2	8,86 EUR	1.10.2006 – 31.10.2007

Stock Option Plan 1998

The subscription period for stock options "A/B" attached to the Orion Stock Option Plan 1998 will end on 30 April 2005. The options are quoted on the Helsinki Exchanges with a trading code ORNBSEW19 until 25 April 2005. On the basis of the currently outstanding A/B options, altogether 4,525,838 new Orion B-shares can be subscribed for,

representing 3.3% of the total Orion shares and 0.4% of the total votes. Each 1998A/B option entitles to subscribe for two Orion Corporation B-shares. The subscription price per share after the dividends paid in 2004 is EUR 10.82. If the AGM approves the dividend proposed for 2004 by the Board of Directors, the subscription price will decrease to EUR 10.27 as of 29 March 2005, the record date for the dividend payment. The share capital can increase by up to EUR 7,693,924.60 in result of the subscriptions.

Trading and share subscriptions with the 1998A/B options

The year-end closing quotation for the options 1998A/B in the Helsinki Stock Exchange was EUR 2.38, up by 417.4% from the previous year's closing quotation, EUR 0.46. The highest quotation during the year was EUR 2.80, the lowest being EUR 0.88. Altogether 2,981,875 options were exchanged.

The first 4,600 subscriptions for new Orion B-shares with the 1998A/B options were made in November 2004. In December, 1,434,262 new B-shares were subscribed for. The share capital increase based on the above subscriptions, altogether 1,438,862 new B-shares, was entered in the trade register on 26 January 2005. The new B-shares were listed on the Helsinki Stock Exchange on 27 January 2005 together with the old B-shares, and they entitle for dividends for the financial year 2004. After the afore-mentioned share capital increase, the total number of shares in Orion Corporation rose to 136.5 million and the corresponding share capital to EUR 232.0 million.

The last trading day with the 1998A/B options is 25 April 2005, and the subscription window for the new B-shares subscribed for by that date is 29 April 2005. The corresponding share capital increase will be registered in the trade register during May 2005. The new shares will be eligible for trading on the first trading day following the registration, and they will entitle for dividends for the financial year 2005.

Stock Option Plan 2001

The Orion Stock Option Plan 2001, issued to the key persons of Orion Corporation and its wholly-owned subsidiaries, contains altogether 1,800,000 stock options, each entitling to subscribe for two Orion B-shares. These options have been allocated to about 100 key persons of the Group. The share subscription period for stock options "2001A" began on 1 October 2003 and for options "2001B" on 1 October 2004. These two classes were combined into "2001A/B" and listed on the Helsinki Stock Exchange as of 1 October 2004. The share subscription period for options "2001C" will begin on 1 October 2005 and for options "2001D" on 1 October 2006. The share subscription period for all the options will end on 31 October 2007.

Until the record date of the next dividend payment, the share subscription price with the options "2001A/B" is EUR 10.82 and it will decline by each future dividend paid per share before the record date for dividend payment until shares are subscribed for. If the AGM approves the proposed dividend for 2004, the current subscription price will decrease to EUR 10.27 as of 29 March 2005, the record date for the dividend payment. After the additional dividend paid in September 2004, the share subscription price for options "2001C" is EUR 8.835 and for options "2001D" it is EUR 8.86 per share. The share subscription price of options "2001C" and "2001D" can only be reduced by possible special dividends per share that differ from the company's normal dividend distribution policy. The additional dividends paid in December 2003 and September 2004 as well as EUR 0.60 of the EUR 1.60 per share paid in April 2003 were regarded as this kind of special dividends.

With the total amount of options in this Plan, the share capital of Orion Corporation can increase by up to EUR 6,120,000 and the number of shares by up to 3,600,000 B-shares, representing 2.6% of the total number of Orion shares and for 0.3% of the total number of votes. With the current total of options 2001A-D outstanding, the share capital can increase by up to EUR 4,054,500 and the number of shares by up to 2,385,000 new B-shares, representing 1.7% of the total number of Orion shares and for 0.2% of the total number of votes.

No new B-shares have been subscribed for with the already released options 2001A/B.

Trading in options 2001A/B

The year-end closing quotation for the Orion 2001A/B options traded on the Helsinki Stock Exchange was EUR 5.05. The highest quotation during the year was EUR 6.00 and the lowest was EUR 2.20. Altogether 80,100 options were exchanged.

Subscription windows for Stock Option Plan 2001

For the stock option plan 2001, the subscription windows in 2005 will be 29 April, 31 August, 31 October and 30 December. The corresponding share capital increases will be entered in the trade register within approximately one month from the respective window date.

Shareholders by type of owner on 31 December 2004

	A-shares			B-shares			Total		
	Share-holders	% of share-holders	% of shares	Share-holders	% of share-holders	% of shares	Share-holders	% of share-holders	% of shares
Individuals	12 257	95,2	56,0	22 402	94,1	40,4	29 292	94,2	47,1
Corporations and partnerships									
Government and municipal corporations	0	0,0	0,0	1	0,0	0,0	1	0,0	0,0
Private corporations and partnerships	380	3,0	14,0	803	3,4	5,5	1 079	3,5	9,2
Housing associations	3	0,0	0,1	5	0,0	0,0	7	0,0	0,1
Banks and insurance companies	23	0,2	3,1	62	0,3	1,9	71	0,2	2,5
Public entities	13	0,1	14,3	38	0,2	6,7	45	0,1	10,0
Associations and foundations	148	1,1	7,4	414	1,7	6,4	491	1,6	6,8
Foreign shareholders	55	0,4	0,9	94	0,4	0,2	125	0,4	0,5
Total	12 879	100,0	95,8	23 819	100,0	61,1	31 111	100,0	76,2
Nominee registrations			3,4			37,0			22,4
Shares not transferred to the book-entry securities system or not subscribed to			0,1			0,1			0,1
Shares owned by the Group			0,7			1,8			1,3
			100,0			100,0			100,0

Shareholders by number of shares held on 31 December 2004

	A-shares				B-shares				Total			
	Share-holders	% of share-holders	Shares	% of shares	Share-holders	% of share-holders	Shares	% of shares	Share-holders	% of share-holders	Shares	% of shares
1-100	1 490	11,6	84 266	0,1	2 232	9,4	138 868	0,2	3 015	9,7	185 111	0,1
101-500	4 477	34,8	1 243 977	2,1	9 014	37,8	2 539 809	3,3	11 456	36,8	3 232 488	2,4
501-1000	2 300	17,8	1 717 021	2,9	5 386	22,6	4 066 792	5,3	6 413	20,6	4 840 287	3,6
1001-10000	4 064	31,5	11 856 599	20,3	6 658	28,0	18 114 841	23,6	9 103	29,3	27 005 542	20,0
10001-50000	422	3,3	8 471 818	14,5	452	2,0	8 874 898	11,6	925	3,0	18 585 438	13,7
50001-100000	62	0,5	4 262 291	7,3	35	0,1	2 278 300	3,0	96	0,3	6 604 897	4,9
100001-500000	51	0,4	10 605 390	18,2	34	0,1	5 813 010	7,6	89	0,3	18 035 479	13,4
over 500000	13	0,1	19 757 162	33,8	8	0,0	33 290 014	43,5	14	0,0	54 625 814	40,5
Total	12 879	100,0	57 998 524	99,2	23 819	100,0	75 116 532	98,1	31 111	100,0	133 115 056	98,6
Shares not transferred to the book-entry securities system or not subscribed to			67 220	0,1			66 702	0,1			133 922	0,1
Shares owned by the Group			417 864	0,7			1 370 000	1,8			1 787 864	1,3
			58 483 608	100,0			76 553 234	100,0			135 036 842	100,0

Orion Corporation had a total of 31,111 registered shareholders in the book-entry securities system on 31 Dec. 2004.

There were 30,297,943 nominee registered Orion Corporation shares in the book-entry securities system on 31 Dec. 2004. This is 22.4 % of the total shares and 5.5 % of the total votes.

Major shareholders on 31 December 2004

By number of shares	A-shares	B-shares	Total	% of shares	Votes	% of votes	By number of votes
1. Orion Corporation Pension Fund*	3 629 236	1 293 364	4 922 600	3,65%	(73 878 084)	(5,93%)	
2. Brade Jouko	354 000	52 400			7 132 400		
Brade Oy	490 000	0			9 800 000		
Medical Investment Trust Oy	1 340 000	1 103 800			27 903 800		
Lamy Oy	614 000	0			12 280 000		
	2 798 000	1 156 200	3 954 200	2,93%	57 116 200	4,58%	1.
3. Etola Erkki	100 228	2 004			2 006 564		
Oy Etra Ab	2 329 720	86 000			46 680 400		
	2 429 948	88 004	2 517 952	1,86%	48 686 964	3,91%	2.
4. Varma Mutual Pension Insurance Company	2 220 000	1 600	2 221 600	1,65%	44 401 600	3,56%	3.
5. Tukinvest Oy	1 048 500	0			20 970 000		
The Land and Watertechnology Foundation	1 034 860	0			20 697 200		
	2 083 360	0	2 083 360	1,54%	41 667 200	3,34%	4.
6. Pension Insurance Company Ilmarinen Ltd	1 970 440	0	1 970 440	1,46%	39 408 800	3,16%	5.
7. Orion Corporation (own shares)*	417 864	1 370 000	1 787 864	1,32%	(9 727 280)	(0,78%)	
8. The Social Insurance Institution	0	1 659 568	1 659 568	1,23%	1 659 568	0,13%	
9. Ylppö Jukka	1 247 136	284 496	1 531 632	1,13%	25 227 216	2,02%	6.
10. Saastamoinen Foundation	1 239 996	0	1 239 996	0,92%	24 799 920	1,99%	7.
11. Aho Juhani	80 092	2 000			1 603 840		
Kliinisen Kemian Tutkimussäätiö	92 472	0			1 849 440		
Helsingin Lääkärikeskus ja Laboratoriot Oy	658 230	4			13 164 604		
Yhtyneet Laboratoriot Oy	296 778	0			5 935 560		
	1 127 572	2 004	1 129 576	0,84%	22 553 444	1,81%	8.
12. The Finnish Cultural Foundation	302 464	622 908	925 372	0,69%	6 672 188	0,54%	
13. Ylppö Into	577 936	240 200	818 136	0,61%	11 798 920	0,95%	9.
14. The State Pension Fund	0	680 000	680 000	0,50%	680 000	0,05%	
15. Karvonen Eero	73 170	671			1 464 071		
EVK-Capital Oy	471 630	671			9 433 271		
	544 800	1 342	546 142	0,40%	10 897 342	0,87%	10.
16. Salonen Maritza	461 046	0	461 046	0,34%	9 220 920	0,74%	
17. Relander Gustaf	459 300	0	459 300	0,34%	9 186 000	0,74%	
18. Laakkonen Yrjö	420 000	0	420 000	0,31%	8 400 000	0,67%	
19. Mutual Insurance Company Fennia	0	360 750			360 750		
Mutual Insurance Company Fennia	0	5 800			5 800		
Fennia Group	0	366 550	366 550	0,27%	366 550	0,03%	
20. Eläkesäätiö Polaris Pensionsstiftelse	221 272	140 144	361 416	0,27%	4 565 584	0,37%	
Total	22 150 370	7 906 380	30 056 750	22,3%	450 913 780	36,2%	
Nominee registrations	1 989 802	28 308 141	30 297 943	22,4%	68 104 181	5,5%	
Other	34 343 436	40 338 713	74 682 149	55,3%	727 207 433	58,3%	
All shareholders total	58 483 608	76 553 234	135 036 842	100,0%	1 246 225 394	100,0%	

* Not entitled to vote at General Shareholders' Meetings

Data per share

			2004	2003	2002	2001	2000
Earnings per share (EPS), adjusted	EUR		0.64	0.49	0.46	0.63	0.61
Diluted earnings per share	EUR		0.64				
Shareholders' equity per share, adjusted	EUR		3.12	4.22	4.91	5.02	4.95
Total dividends	EUR million		74.1¹⁾	249.2	161.9	74.3	81.0
Dividend per share	EUR		0.55¹⁾	1.00	0.93	1.10	1.20
Special dividend per share	EUR		-	2.74	1.50	-	-
Dividend per share, adjusted	EUR		0.55¹⁾	0.50	0.46	0.55	0.60
Special dividend per share, adjusted	EUR		-	1.37	0.75	-	-
Payout ratio, adjusted	%		85.9%¹⁾	381.6%	261.3%	88.0%	98.4%
Payout ratio excl. special dividend, adjusted	%		85.9%¹⁾	102.0%	100.0%	88.0%	98.4%
Dividend yield, adjusted	A	%	4.6%¹⁾	22.1%	11.4%	5.5%	5.0%
Dividend yield, adjusted	B	%	4.6%¹⁾	22.0%	11.4%	5.5%	5.0%
P/E ratio, adjusted	A		18.83	17.30	23.01	15.92	19.67
P/E ratio, adjusted	B		18.61	17.37	22.90	15.92	19.51
Share price on 31 Dec.	A	EUR	12.05	16.95	21.40	19.90	24.00
Share price on 31 Dec.	B	EUR	11.91	17.02	21.30	19.90	23.80
Price on 31 Dec., adjusted	A	EUR	12.05	8.48	10.70	9.95	12.00
Price on 31 Dec., adjusted	B	EUR	11.91	8.51	10.65	9.95	11.90
Average share price, adjusted	A	EUR	10.87	8.62	11.64	9.93	11.44
Average share price, adjusted	B	EUR	10.95	8.19	11.69	10.22	11.78
Lowest share price, adjusted	A	EUR	8.60	6.50	9.78	8.63	8.90
Lowest share price, adjusted	B	EUR	8.52	6.50	9.85	8.80	8.85
Highest share price, adjusted	A	EUR	12.50	12.31	13.25	12.50	14.30
Highest share price, adjusted	B	EUR	12.31	10.84	13.35	12.60	14.25
Market capitalisation on							
31 Dec., adjusted ²⁾	EUR million		1 595.1	1 131.9	1 423.0	1 343.6	1 613.8
Number of shares traded, adjusted							
A-shares	1 000s		10 521	11 166	7 194	7 354	11 884
% of adjusted average number of A-shares ²⁾	%		17.9%	18.6%	11.2%	10.9%	17.3%
B-shares	1 000s		69 259	40 198	27 690	16 274	23 630
% of adjusted average number of B-shares ²⁾	%		93.1%	55.0%	39.0%	24.1%	35.7%
% of adjusted average number of all shares ²⁾	%		59.9%	38.5%	25.9%	17.5%	26.3%
Number of shares on 31 Dec.	A	no.	58 483 608	30 002 129	30 586 429	33 414 163	34 217 297
	B	no.	76 553 234	37 516 292	36 931 992	34 104 258	33 301 124
of which shares held by the Group	A	no.	417 864	208 932	167 798	-	-
	B	no.	1 370 000	685 000	685 000	-	-
Number of shares on 31 Dec. ²⁾	A	no.	58 065 744	29 793 197	30 418 631	33 414 163	34 217 297
	B	no.	75 183 234	36 831 292	36 246 992	34 104 258	33 301 124
Total number of shares ²⁾	no.		133 248 978	66 624 489	66 665 623	67 518 421	67 518 421
Number of shares, adjusted,							
annual average ²⁾	no.		133 248 978	133 252 726	134 898 944	135 036 842	135 036 842
Number of shares, adjusted,							
at the end of the financial year ²⁾	no.		133 248 978	133 248 978	133 331 246	135 036 842	135 036 842
Diluted number of the shares, annual average	no.		133 571 514				
Diluted number of the shares							
at the end of the financial year	no.		133 570 922				

¹⁾ Proposed

²⁾ Shares owned by the Group are not included.

The formulas for calculating the key indicators are on page 44.

Orion Group, financial development 2000–2004

EUR million and %	2000	2001	2002	2003	2004
Net sales and profit					
Net sales	947.5	970.8	1 628.6	2 261.5	1 944.3
Change on the previous year, %	+3.9%	+2.5%	+67.8%	+38.9%	-14.0%
International operations	384.0	422.8	864.4	1 270.4	1 160.6
% of net sales	40.5%	43.6%	53.1%	56.2%	59.7%
Change on the previous year, %	+16.4%	+10.1%	+104.4%	+47.0%	-8.6%
Depreciation and amortisation	43.0	42.6	54.1	67.5	60.3
Operating profit	114.5	116.4	97.5	89.9	129.2
% of net sales	12.1%	12.0%	6.0%	4.0%	6.6%
Change on the previous year, %	-7.7%	+1.6%	-16.2%	-7.8%	+43.8%
Financial income and expenses	+10.9	+7.2	+1.6	-0.9	-1.5
% of net sales	+1.2%	+0.7%	+0.1%	-0.0%	-0.1%
Profit before extraordinary items and taxes	125.4	123.6	99.1	89.0	127.7
% of net sales	13.2%	12.7%	6.1%	3.9%	6.6%
Change on the previous year, %	-8.1%	-1.5%	-19.8%	-10.2%	+43.5%
Extraordinary income and expenses, net	+6.9	+7.8	+7.6	+8.6	+0.0
Income taxes on ordinary operations	42.8	39.2	35.6	16.9	40.7
Profit after taxes without extraordinary items	82.6	84.4	62.5	65.5	85.4
Return on invested capital before extraordinary items and taxes (ROI)	18.2%	17.5%	13.8%	13.2%	22.1%
Return on equity (ROE)	12.4%	12.5%	9.4%	11.5%	17.1%
Balance sheet					
Non-current assets	363.9	385.0	520.8	424.9	395.9
Current assets	550.7	563.5	889.0	801.8	681.3
Shareholders' equity	668.8	677.6	672.7	578.1	434.3
Minority interest			12.8	19.7	18.0
Provisions	1.6	3.1	0.9	3.3	5.4
Liabilities	245.8	270.9	724.4	628.9	624.9
Interest-bearing liabilities	51.8	52.0	134.2	76.4	119.9
Non-interest-bearing liabilities	194.0	218.9	590.2	552.5	505.0
Balance Sheet total	914.6	948.5	1 409.8	1 226.7	1 077.2
Equity Ratio	74.2%	72.6%	48.9%	49.4%	42.4%
Gearing	-26.7%	-24.7%	-9.1%	-10.8%	3.0%
Investments in fixed assets					
Gross investments	63.6	79.2	155.6	41.9	28.0
% of net sales	6.7%	8.2%	9.6%	1.9%	1.4%
Gross investments excluding shares	63.5	79.2	94.4	41.9	28.0
% of net sales	6.7%	8.2%	5.8%	1.9%	1.4%
Research and development expenditure					
Research and development expenditure	68.8	83.9	109.5	85.9	70.5
% of net sales	7.3%	8.6%	6.7%	3.8%	3.6%
Personnel					
Wages and salaries paid	151.1	163.9	172.6	185.2	159.5
Number of employees	5 351	5 456	5 621	5 573	4 614

Key indicators

$$\text{Return on investment (ROI), \% = } \frac{\text{Profit before extraordinary items and taxes + interest and other financial expenses}}{\text{Balance Sheet total – interest-free liabilities (annual average)}} \times 100$$

$$\text{Return on equity (ROE), \% = } \frac{\text{Profit before extraordinary items and taxes – income taxes on ordinary operations}}{\text{Shareholders' equity + minority interest (annual average)}} \times 100$$

$$\text{Equity ratio, \% = } \frac{\text{Shareholders' equity + minority interest}}{\text{Balance Sheet total – advances received}} \times 100$$

$$\text{Gearing, \% = } \frac{\text{Interest-bearing liabilities – investments held as current assets – cash and bank and at hand}}{\text{Shareholders' equity + minority interest}} \times 100$$

$$\text{Earnings per share (EPS), EUR = } \frac{\text{Profit before extraordinary items –/+ minority interest – income taxes on ordinary operations}}{\text{Average adjusted number of shares without shares held by the Group}}$$

$$\text{Diluted earnings per share, EUR = } \frac{\text{Profit before extraordinary items –/+ minority interest – income taxes on ordinary operations}}{\text{Adjusted number of shares} + \frac{\text{Number of shares assuming full exercise of warrants outstanding}}{\text{Market price of share}} \times \frac{\text{Subscription price of share through warrant}}{\text{Market price of share}}}$$

$$\text{Shareholders' equity per share, EUR = } \frac{\text{Shareholders' equity}}{\text{Adjusted number of shares on 31 December without shares held by the Group}}$$

$$\text{Dividend per share, EUR = } \frac{\text{Dividend for the financial year}}{\text{Adjusted number of shares on 31 December without shares held by the Group}}$$

$$\text{Payout ratio, \% = } \frac{\text{Adjusted dividend per share}}{\text{Adjusted earnings per share}} \times 100$$

$$\text{Dividend yield, \% = } \frac{\text{Adjusted dividend per share}}{\text{Adjusted closing quotation of the financial year}} \times 100$$

$$\text{Price per earnings ratio (P/E) = } \frac{\text{Adjusted closing quotation of the financial year}}{\text{Adjusted earnings per share}}$$

$$\text{Average share price, EUR = } \frac{\text{Total trade in the shares without shares held by the Group, EUR}}{\text{Adjusted average number of shares traded during the financial year}}$$

$$\text{Market capitalisation, EUR million = } \text{Number of shares at the end of the financial year} \times \text{Adjusted closing quotation of the financial year without shares held by the Group}$$

The key indicators have been adjusted by the number and equity of the shares held by the Group.

Proposal for the distribution of profits for 2004

The non-restricted equity in the consolidated Balance Sheet on 31 December 2004 amounts to EUR 280.4 million, of which EUR 154.2 million are distributable. The non-restricted equity of the Parent Company is EUR 85 876 295.19, the profit for the financial year accounting for EUR 85 639 889.60.

The Board of Directors proposes to the Annual General Meeting that the non-restricted equity of the Parent Company be used as follows:

• A dividend of EUR 0.55 per share be distributed on 134,687,840 shares	74 078 312.00 EUR
<hr/>	
• Donations to medical research:	
– The Orion Corporation Research Foundation	25 200.00 EUR
– The Farnos Foundation for Research and Science	25 200.00 EUR
– Other medical research	50 400.00 EUR
• To be retained on the profit and loss account	11 697 183.19 EUR
<hr/>	
	85 876 295.19 EUR

We submit these financial statements to the General Meeting of Shareholders for approval.

Espoo, 14 February 2005

Matti Kavetvuo, Chairman
Erkki Etola, Vice Chairman
Heikki Hakala
Eero Karvonen
Leena Palotie
Vesa Puttonen
Heikki Vapaatalo
Jukka Viinanen, President and CEO

Auditors' report

To the shareholders of Orion Corporation

We have audited the accounting, the financial statements, the consolidated financial statements and the administration of Orion Corporation for the accounting period 1 January - 31 December 2004. The financial statements, which include the report of the Board of Directors, the income statements and the balance sheets and notes to the financial statements of the consolidated closing and of the closing of the parent company, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on the administration.

We have conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit included examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of the consolidated and parent company's results of operations and financial position. The financial statements including the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director can be discharged from liability for the period examined by us. The proposal by the Board of Directors regarding the handling of the result is in compliance with the Companies Act.

Espoo, 16 February 2005

Ernst & Young Oy
Authorized Public Accountant Firm

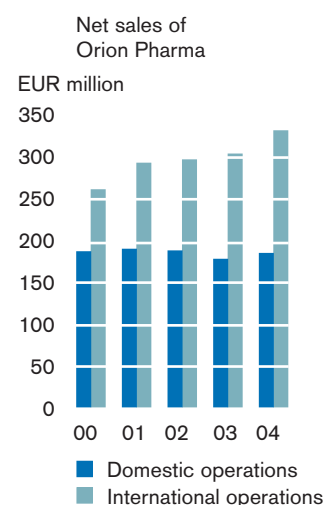
Pekka Luoma

Orion Pharma

Business: research and development, manufacture and marketing of pharmaceuticals

Key figures

EUR million	2004	2003	Change %
Net sales	514.3	479.8	+7.2%
International operations	331.6	304.1	+9.0%
% of net sales	64.5%	63.4%	
Operating profit	100.2	47.0	+113.3%
% of net sales	19.5%	9.8%	
Gross investments	17.2	25.5	
Net sales of proprietary products	194.1	164.6	+17.9%
R&D expenditure	66.9	81.4	-17.8%
Personnel in December	2 643	2 752	-4.0%



Strategy of profitable growth and balanced risk management

The operations of Orion Pharma in 2004 consisted of four business areas:

- Proprietary Products
- Specialty Products
- Animal Health
- Fermion (active pharmaceutical ingredients).

The new strategy confirmed for Orion Pharma in the summer of 2004 underlines the goals of profitable growth and the balanced management of risks. In the Proprietary Products business, the development of innovative drug treatments for global markets is emphasised. For the Specialty Products business, northern Europe and the countries surrounding the southern coasts of the Baltic Sea, Germany included, are the home base of Orion Pharma's own active market involvement. In Animal Health, the current business and the product portfolio in the North-European territory are reinforced.

In its R&D activity, Orion Pharma enforces discovery and early development. As a main rule, the conduction as well as the costs and risks of the phase 3 development are shared with partners.

Profitable growth is achieved by exploiting the growth potential of the proprietary drugs and by expanding the marketing of Specialty Products to new territories, by improving cost-efficiency and productivity at all levels and by maximising the value of the products by means of the best possible life cycle management.

Partnerships and networking are increasingly important throughout the value chain.

Net sales growth was powered by proprietary products.

Operating profit more than doubled

Orion Pharma's net sales grew by 7.2% to EUR 514.3 (479.8) million. The figure includes EUR 14.1 (25.3) million in milestone payments. A contract fee of EUR 10.0 million was received in April for the license agreement concerning the heart failure drug Simdax, and EUR 4.1 million were received as a milestone payment related to launches of the Parkinsonian treatment Stalevo. Net sales excluding the afore-mentioned contract fees increased by 10%. The 10 best-selling brands contributed EUR 228.9 (199.1) million to the net sales, as shown in the table below. Sales revenues from the proprietary franchise rose by 18% to EUR 194.1 (164.6) million, and they accounted for 38% of the total net sales.

Operating profit of Orion Pharma more than doubled from the comparative period, to EUR 100.2 million. Proportionally it was 19.5% of the net sales, i.e. very close to 20% which was set as an end-of-year 2005 goal for Orion Pharma in the operational improvement programme undertaken in 2003. Costs savings have been achieved as planned. The positive result was largely due to the high contribution of the Parkinson's disease franchise, the net sales of which grew by 44%. The milestone income of EUR 14.1 (25.3) million also

contributed positively to the earnings, although less than in the comparative period. EUR 6.2 million are included in the operating profit as costs of closing down the French marketing subsidiary and operational rearrangements in the UK, as well as related value reductions.

10 best-selling brands of Orion Pharma

EUR million	2004	2003	Change %
Comtess / Comtan (Parkinson's disease)	73.9	69.3	+6.8 %
Stalevo (Parkinson's disease)	41.7	11.0	+277.5 %
Domitor, Domosedan and Antisedan (animal sedatives)	25.0	22.2	+12.3 %
Divina series (menopausal symptoms)	18.8	26.9	-30.2 %
Burana (inflammatory pain)	14.1	13.7	+2.8 %
Enanton (prostate cancer)	13.3	12.4	+7.9 %
Easyhaler (asthma)	12.0	13.1	-8.3 %
Simdax (heart failure)	10.7	7.8	+36.8 %
Calcimagon (osteoporosis)	10.5	10.8	-2.8 %
Fareston (breast cancer)	8.9	11.9	-25.1 %
Total	228.9	199.1	+15.0 %
Share of total net sales	45 %	42 %	

Stalevo and Comtess/Comtan contributed 22% of the net sales

The proprietary Parkinson's disease medicines Stalevo (levodopa, entacapone and carbidopa) and **Comtess/Comtan** (entacapone) induced EUR 115.6 million, or over 22% of the total net sales. Net sales from **Stalevo** were EUR 41.7 (11.0) million, of which the supply to the marketing partner Novartis was EUR 23.2 (10.6) million. Comtess/Comtan contributed EUR 73.9 (69.3) million, of which the purchases of Novartis were EUR 39.8 (32.2) million. In the last quarter, the purchases by Novartis of both Stalevo and Comtan were notably low compared to the three earlier quarters, as was anticipated.

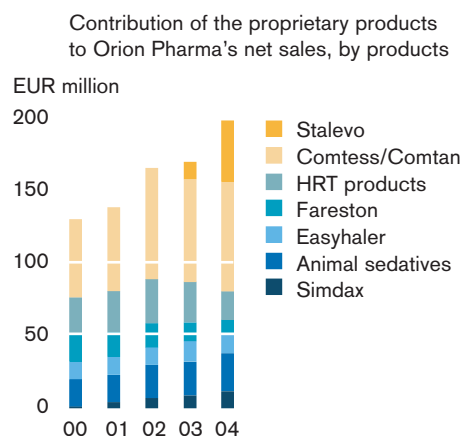
Comtess/Comtan, which is used with traditional levodopa preparations to enhance their effect, has been available since 1998. It is marketed by Orion under the name Comtess, whereas Novartis markets it as Comtan. Stalevo, launched in the autumn of 2003, is an optimised levodopa treatment containing levodopa and the two enzyme inhibitors carbidopa and entacapone in one pill, offering a longer duration of action compared to traditional levodopa/carbidopa preparations.

Stalevo and Comtess are marketed by Orion in Germany, England, Ireland and all the Nordic countries. The territory of Novartis comprises the rest of the world, the USA being the largest single market. Stalevo became available in the US, Germany, UK and Scandinavia in the latter half of 2003. In the course of 2004 further launches took place in 15 countries, including Finland, France and Spain. Marketing approvals have been granted by 44 countries, 20 of which have seen the launch.

Stalevo's share in the monthly wholesale statistics for Parkinson's disease medicines has shown steady growth, and the new product is boosting the total sales of the Stalevo/Comtess/Comtan franchise. The combined market share of the franchise in Parkinson's disease in December 2004 in Germany, e.g., was about 13% (10% in Dec. 2003), in Sweden 19% (20%), in Finland 33% (23%), and no less than 17 % (15%) in the USA. The IMS-recorded US sales of Stalevo and Comtan in 2004 were USD 118.6 million, or EUR 95.3 million, representing a market share of 16% of all Parkinson's disease medicines.

Both medicinally and commercially, entacapone is one of the most significant pharmaceutical innovations originating from Finland. As a distinction of this achievement, Orion Pharma and the project team for entacapone were granted the Finnish Chemical Industry Innovation Award 2004, the most outstanding recognition in the chemical sector in Finland annually.

The market for **hormone replacement therapies** has been declining rapidly in the course of the two past years due to restrictions imposed by regulatory authorities on their use for menopausal symptoms. Also Orion's hormone replacement therapies have continued to show declining sales, although at a lower rate than the average of that segment, thanks to Indivina, in particular.



A new sales and distribution agreement, valid until 2012, for the breast cancer drug **Fareston** (toremifene) was concluded in October with Nippon Kayaku, the company that has been successfully marketing the product in Japan with good success already for many years. Fareston is one of the top-selling products for Nippon Kayaku. The product is broadly available also elsewhere as a treatment for advanced metastatic breast cancer, but with comparatively low sales, due to the patent situation.

In December, Orion and the American men's health biopharmaceuticals company GTx, Inc. expanded their collaboration with a new licensing agreement also concerning **toremifene**, to which GTx received exclusive rights in all human indications in the US and all human indications except breast cancer in all other countries as of January 2005. The US marketing rights for the breast cancer drug Fareston were also licensed to GTx.

Growth potential in Specialty Products

The product portfolio of Orion called Specialty Products encompasses a broad and versatile selection of branded prescription generics, either developed in-house or in-licensed, hospital drugs, as well as over-the-counter (OTC) products. Products like the Easyhaler inhaler family and the pain killer Burana (ibuprofen) belong to this category. Most of the products are sold in Finland only, but also this business is expanding in exports, mainly to countries near Orion's home market.

The most broadly available product in the Specialty Products category is the **Easyhaler** inhaler, whose technical characteristics offer a row of further utilisation opportunities in the treatment of asthma. The 2004 net sales from Easyhaler declined due to major purchases by a partner in the previous year. The marketing territory is now expanding, thanks to new vital partnerships like Hexal in Germany, Meda in Sweden, Norway and Denmark, and Ranbaxy in the UK. Sales will also be boosted by the increasingly versatile and upgraded selection of active substances formulated for Easyhaler, such as budesonide and formoterol.

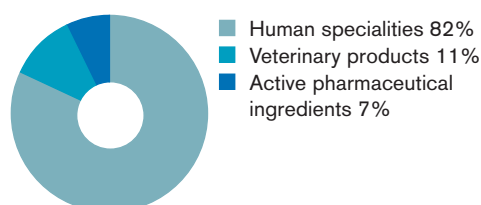
In **Finland**, Orion is defending its strong domestic market position by maintaining a broad product portfolio which comprehensively meets the local needs of healthcare. Practically, only ophthalmic products are excluded from the range. In 2004, the wholesales of Orion's preparations for humans came to EUR 164 million, up by 3% from the previous year. Orion was the second largest player in Finland with 10.1% (11.0%) of the around EUR 1.6 billion total market. In terms of packages sold, Orion was by far the largest supplier with almost 32% of the total number of packages sold. Among hospital products, the best sales growth was shown by antibiotics, particularly the new cephalosporines.

Of the total Finnish sales of substitutable prescriptions, Orion's market share was 10% in terms of EUR, but 25% in terms of packages sold. While the total market of OTC products declined by 6% in terms of EUR, Orion's part of the sales increased and the market share came to 26%. The corresponding market share of OTC packages sold was as high as 36%. New launches to the domestic market included Histec, an antihistamine, Jomo Ice, a cold gel, and Hydrosun, a sun-tan cream.

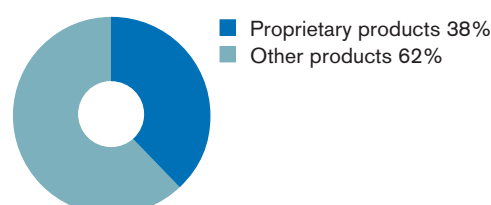
Animal Health accounted for about 11% of Orion Pharma's total net sales and the business grew by about 30% from the previous year. The strong growth came from Denmark, Sweden and Norway where Orion's product range was complemented with the veterinary products of former Pharmacia at the end of 2003. Exports of Orion's proprietary range of animal sedatives to other European countries and North America have been showing growth.

Fermion used a considerable proportion of its production capacity for the manufacture of active pharmaceutical ingredients for Orion's proprietary products. The supply of active ingredients by Fermion to external customers contributed 7% to Orion Pharma's net sales.

Breakdown of Orion Pharma net sales 2004



Breakdown of Orion Pharma net sales 2004



Pharmaceutical Research and Development

Orion focuses its R&D on the following core therapy areas: central nervous system disorders, cardiovascular diseases and critical care, and hormonal and urological therapies. In the new strategic approach, more emphasis than previously is on the discovery and non-clinical phases and the early phases of clinical development. Orion Pharma's R&D expenditure in 2004 was EUR 66.9 (81.4) million, representing 13.0% (17.0%) of the net sales. A review of the research projects is provided below, by core therapy areas.

Central Nervous System (CNS)

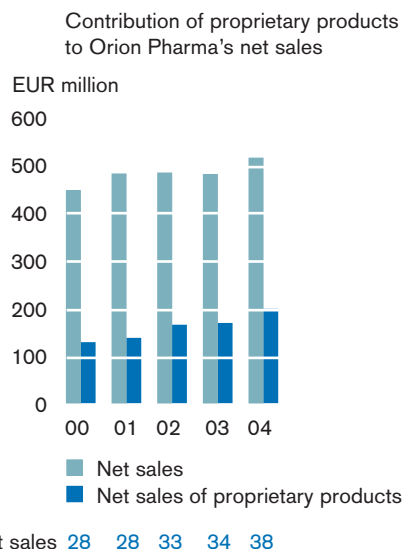
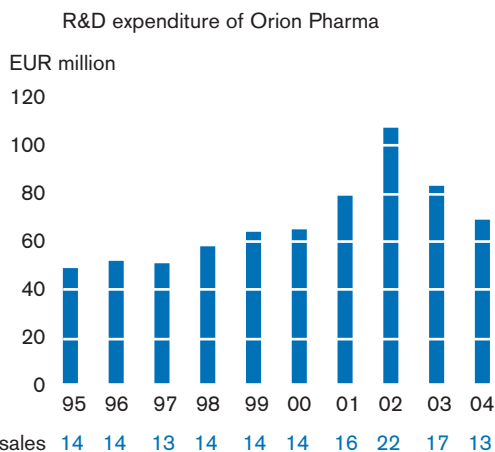
In September 2005, Orion Pharma together with its partner Novartis launched **STRIDE-PD**. This major phase 3 study in Parkinson's disease seeks to investigate if, when used as an initial therapy, Stalevo medication can delay the onset of motor complications, such as dyskinesias, in comparison with the traditional formulation of levodopa/carbidopa. Characterised by abnormal and involuntary movements, dyskinesias can be a major challenge since they can result in fragmented or jerky motions that are different from the rhythmic tremor commonly associated with Parkinson's disease. STRIDE-PD is one of the largest studies ever conducted in Parkinson's disease patients so far, involving 70 centers in 14 countries, with the United States, Canada and several countries in Europe, Finland included. Approximately 740 patients will be recruited into the study. All patients will be treated for at least two years. The first study results are expected in late 2007.

In 2004, a phase 2 study conducted in Finland showed that the symptoms of the **restless legs syndrome (RLS)** can be alleviated with Stalevo. This disorder is very common especially in the elderly. Typically, RLS is associated with pain which can be relieved by walking or by moving the legs. Many patients suffer from consequent sleeping difficulties and fatigue in the daytime. At least part of the RLS patients have already been shown to get help from treatment with levodopa.

Selegiline, a standard treatment developed by Orion for Parkinson's disease already in 1980's (trade name Eldepryl) has been investigated in Sweden in a long-term comparative study. According to the results, the symptoms of patients receiving selegiline and levodopa were significantly more favourable than in those of the patients receiving levodopa and placebo.

Precedex, (dexmedetomidine) which is registered in the USA for use as a sedative for patients in intensive care, received a Japanese marketing authorisation in 2004. The development of Precedex for the above markets has been done by Abbott Laboratories and its spin-off company Hospira.

A new compound, **ORM-10921**, discovered by Orion, was progressed to clinical phase 1 in which mainly its pharmacological properties in humans is investigated in healthy volunteers. ORM-10921 is an alpha 2C receptor blocker which has shown interesting results in non-clinical research models of schizophrenia.



Cardiology and Critical Care (CCC)

The phase 3 clinical studies with **Simdax (levosimendan)** were transferred to Abbott Laboratories under a new licensing agreement concluded in April 2004. Orion is providing assistance to Abbott for the ongoing studies. Abbott will take responsibility of the registration procedures as well as further studies related to the life-cycle management of the product. In the REVIVE II study being conducted in the USA, the patients are being followed up and the analysis of the results is underway. According to Abbott's current guidance, the US new drug application is expected to be submitted by the end of 2005. The SURVIVE study, being conducted for additional European marketing authorisations, has also completed enrolment and is expected to be completed in the second half of 2005.

The rights for other than the injectable formulation of levosimendan were retained by Orion. In a phase 2 clinical study which will be started in spring 2005, Orion will investigate the efficacy and safety of **the oral formulation of levosimendan** for severe chronic heart failure in about 300 patients.

The possible benefits of levosimendan in animals are also being investigated. In October, an extensive study, **CLEVET**, was launched by Orion to determine the efficacy of levosimendan in the treatment of heart diseases in dogs.

Hormonal and urological therapies

The US-based company GTx, Inc. has started phase 3 studies with toremifene (GTx trademark AcapodeneTM) in the prevention of prostate cancer in high risk men. GTx is also evaluating toremifene in phase 3 trials for the treatment of osteoporosis in men with advanced prostate cancer and receiving androgen deprivation therapy. The rights held by GTx to toremifene, an antiestrogen discovered by Orion, were expanded as of January 2005.

The **Indivina** product family has gained a notable position among the treatments for menopausal symptoms. Comprehensive safety data has been collected on Indivina for more than 10 years. In 2004, Orion started a multicenter clinical study to learn more about the efficacy and safety of the product in short-term treatment of menopausal symptoms.

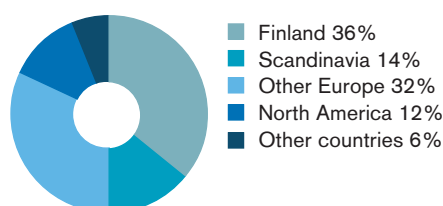
The further international development of **Divigel**, an estradiol gel, is also progressing. The Japanese marketing partner, Pola, has submitted a new drug application in Japan, and the American company Upsher-Smith is developing Divigel to the US market.

Orion is doing intensive research with an aim to develop new, improved treatments for sex hormone-related disorders. Many new substances affecting androgen receptors have been identified, among others. Orion's particular interest is in compounds with testosterone-like favourable effects on muscle mass and bones but without the unfavourable effect of causing prostate hyperplasia.

Development of Specialty Products

Part of the R&D resources in Orion Pharma are allocated to the maintenance and further development of the portfolio marketed by Specialty Products. **Giona Easyhaler**, which contains budesonide, has received marketing authorisations for the treatment of asthma in nine countries so far. **Formoterol Easyhaler** received its first marketing authorisation in June, in Finland. The mutual recognition procedures for the two products are underway in EU member countries.

Net sales of Orion Pharma
by market area 2004



Wholesale and Distribution

Strong monthly and principal-specific variations have been characteristic to the wholesales of pharmaceuticals since the introduction of generic substitution in Finland and Sweden. These fluctuations have a direct impact on the invoicing and distribution fees of the pharmaceutical wholesalers. In Sweden, where generic substitution was adopted half a year ahead of Finland, the market growth has been only slightly positive, but is now picking up. The growth rate in Finland has also been lower than in previous years.

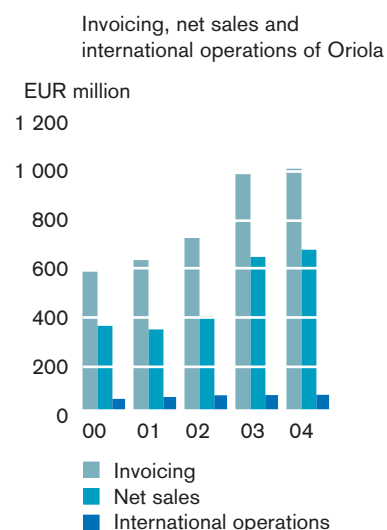
Oriola's market share of pharmaceutical distribution in Finland was 46.1% for 2004, and KD's share in Sweden was 48.1%. The combined invoicing of the Wholesale and Distribution Division declined in consequence of changes in principals in Finland as well as the low growth of the Swedish pharmaceutical market. Also the operating profit of the division declined from the comparative year, due to the above reasons as well as the increased price competition among the wholesalers.

Business: wholesale and distribution of pharmaceuticals, marketing of healthcare products

Key figures

The pharmaceutical distribution operations of KD in Finland are included in Oriola's figures as of 1 July 2003.

EUR million	2004	2003	Change %
Invoicing	1 008.3	984.9	+2.4 %
Net sales	662.8	633.5	+4.6 %
International operations	55.5	54.3	+2.2 %
% net sales	8.4 %	8.6 %	
Operating profit	20.0	20.5	-2.4 %
% of invoicing	2.0 %	2.1 %	
Gross investments	5.5	9.0	
Invoicing of Pharmaceutical Distribution and Wholesale	875.0	850.4	+2.9 %
Net sales of Pharmaceutical Distribution and Wholesale	543.5	511.5	+6.3 %
Invoicing of Healthcare Equipment and Supplies	133.3	134.6	-1.0 %
Net sales of Healthcare Equipment and Supplies	119.3	122.0	-2.2 %
Personnel in December	1 089	1 116	-2.5 %



Pharmaceutical Distribution and Wholesale

The development of Oriola's pharmaceutical distribution and wholesale business got a positive impact of the new principals Aventis Pharma, Amgen and MSD, but high volumes were also lost along with discontinued distribution contracts. Oriola's sales of products marketed to pharmacies and veterinarians progressed positively and generated good net sales, while those of the health-food unit, Reformi-Keskus, remained below last year's figure.

The development of Oriola's companies in Estonia and Latvia was positive, particular thanks to the successful performance of the sales of healthcare equipment and supplies. In Lithuania, Oriola has stopped selling pharmaceuticals to pharmacies but continues its other business operations in the country.

Healthcare Equipment and Supplies

Procurement of equipment and supplies by the hospitals and laboratories of the Finnish public healthcare sector increased 4-6%, in line with the growth of the total public healthcare expenditure. The dental market grew modestly, by a 2-3%, and Oriola maintained its strong market share of slightly over 50%. The total demand for medical imaging units decreased. Oriola continued to keep its leadership as a provider of equipment and supplies to the healthcare sector in Finland.

The net sales of Oriola's Healthcare Equipment and Supplies business came close to the previous year's level, thanks to the favourable development of both Oriola Dental and Oriola Medical, which increased their net sales and operating profit. Medion, on the other hand, showed lower operating profit, partly explained by the impact of the declined total sales and the keen competitive situation. Oriola's equipment and supplies business in Sweden and Denmark showed unsatisfactory performance.

The profitability of Oriola continued to be depressed by the investments made in operational resources as well as the costs booked in the first half of the year related to closing down the subsidiary KD Tukku. Cost-efficiency in pharmaceutical distribution improved, however. In November, a new information system was introduced in Oriola for the management of the order handling and delivery processes. The programs are based on the IBS platform.

Oriola's invoicing by operations 2004

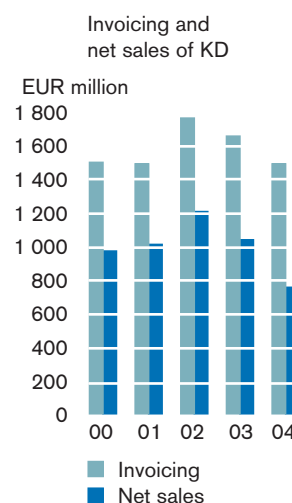


Business: pharmaceutical wholesale and distribution, healthcare logistic services

Key figures

The figures for 2003 include pharmaceutical distribution operations in Finland until 30 June 2003.

EUR million	2004	2003	Change %
Invoicing	1 460.1	1 632.3	-10.5%
Net sales	744.2	1 022.7	-27.2%
Operating profit	7.1	10.1	-29.8%
% of invoicing	0.5%	0.6%	
Gross investments	3.0	1.4	
Invoicing of Pharmaceutical Distribution	1 353.2	1 498.7	-9.7%
Invoicing of Healthcare Logistics	107.0	133.6	-19.9%
Personnel in December	465	470	-1.1%

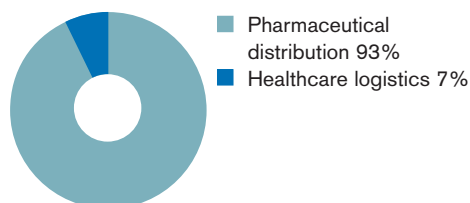


The decline in KD's total invoicing, net sales and operating profit was mainly consequence of the fact that the figures for the comparative period included pharmaceutical distribution operations in Finland. KD's invoicing of pharmaceutical distribution in Sweden increased by 1.2% from the previous year while the total Swedish pharmaceutical wholesale market increased by 2.3%. The market development has been dampened by the overall impacts of generic substitution as well as the patent expiries of certain major products and the price competition induced by their generic copies. In the latter half of the year, the Swedish market has shown stronger signs of picking up.

Operating profit of the continuing operations of KD declined despite cost management efforts. The revenues from pharmaceutical distribution were down whereas the related costs increased, mainly due to the additional work caused by generic substitution. The profitability of the healthcare logistic services provided by KD improved but was still unsatisfactory for certain parts. In the hospital supplies logistics, Tyco Healthcare was served under a new contract whereby only the service fee was included in KD's invoicing and net sales. This distribution agreement was discontinued at the end of 2004. The geographical area of logistic services to the municipal healthcare sector expanded in the autumn. KD also started to provide the logistics for Oriola Dental in Sweden, Denmark and Norway.

As of the start of 2005, NM Pharma shifted to the competitor in consequence of a business transaction. The Sanofi products of Sanofi-Aventis are shifting from the competitor to KD's distribution in spring 2005.

KD's invoicing by operations 2004



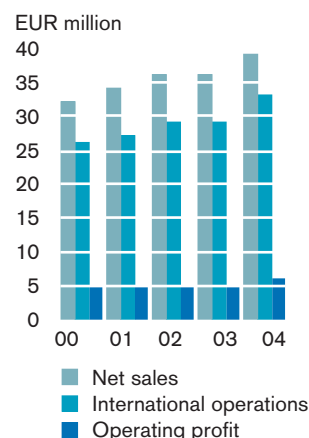
Orion Diagnostica

Net sales, international operations and operating profit of Orion Diagnostica

Business: diagnostic tests and test systems, hygiene tests

Key figures

EUR million	2004	2003	Change %
Net sales	39.3	35.7	+10.2%
International operations	32.7	29.4	+11.1%
% of net sales	83.3%	82.6%	
Operating profit	5.6	5.2	+9.2%
% of net sales	14.4%	14.5%	
Gross investments	1.4	2.0	
Personnel in December	318	322	-1.2%



Orion Diagnostica is a developer, manufacturer and marketer of diagnostic equipment, methods and reagents, dedicated to certain specialty niche sectors. In its product range it has determinedly shifted the emphasis on point-of-care products and rapid tests based on in-house product development and sophisticated knowhow and featuring high degree of innovation.

Boosted by the renewed product range, Orion Diagnostica's net sales grew by 10.2%. About 50% of the net sales were generated by the own sales network comprising all the Nordic countries. China, Japan and the UK were the most rapidly growing areas among the biggest markets of Orion Diagnostica's direct exports. The overall growth was dampened by less favourable sales performance in France, the USA and Iran.

The profitability continued to be at a good level and showed further improvement. Operating profit increased by 9.2% from the previous year.

The leading brand in the product range is **QuikRead**. The first and the most broadly marketed application is QuikRead CRP, an easy-to-use test for the rapid detection of infections by determining the content of CRP (C-reactive protein) in a blood sample. Elevated CRP is a reliable signal of bacterial infections in the body. QuikRead is a technical platform the use of which is expanding to additional areas with new tests from in-house product development.

Hygiene tests, which are broadly used in a variety of fields of industry, constitute another important product category in the business of Orion Diagnostica. The most significant growth product in this segment is **Hygicult**.

A senior in the product range, **Uricult**, which is a dip-slide test for urinary tract infections, continued to be one of the best-selling products of Orion Diagnostica. Microbiological cultivation methods are giving way to new echnologies, but surprisingly, the 2004 sales of Uricult tests showed a slight increase from the previous year.

Transition to IFRS reporting

As of 1 January 2005, Orion adopted the IFRS (International Financial Reporting Standards) in its financial reporting, whereby the Finnish Accounting Standards, FAS, were rejected. In the Interim Report 1-9/2004, the adjustments between the closing FAS Balance Sheet as per 31 December 2003 and the opening IFRS Balance Sheet as per 1 January 2004 were presented. The interpretations of the IAS 19 standard having become explicit, the pension receivable and the respective deferred tax liability have been adjusted in the opening balance sheet. The unaudited opening Balance Sheet, the Balance Sheet as per 31 December 2004 and the consolidated IFRS Income Statement for 2004 are presented in the following, together with a specification of their main differences from the FAS Balance Sheets and Income Statement for the corresponding periods.

Unaudited Orion Group Opening Balance Sheet and Balance Sheet on 31 December 2004 in accordance with IFRS (International Financial Reporting Standards) and the differences from the corresponding Balance Sheets based on FAS (Finnish Accounting Standards)

EUR million	Note	FAS 12/2004	IFRS- adjustment	IFRS 12/2004	FAS 12/2003	IFRS- adjustment	IFRS 1/2004
ASSETS							
Non-current assets							
Property, plant and equipment	1	285.7	-8.5	277.2	301.5	-5.5	296.0
Goodwill	2	41.7	5.9	47.6	47.4	-	47.4
Other intangible assets	3	48.2	-0.4	47.8	59.5	-2.4	57.1
Investments in associates		0.1	-	0.1	0.1	-	0.1
Treasury shares	4	18.7	-18.7	-	15.2	-15.2	-
Available-for-sale investments	5	1.1	-	1.1	1.2	-0.1	1.1
Pension asset	6	-	53.6	53.6	-	58.2*	58.2*
Non-current other receivables	7	4.4	0.4	4.8	4.0	1.1	5.1
Deferred tax asset	8	3.8	1.4	5.2	6.1	1.2	7.3
Non-current assets total		403.7	33.7	437.4	435.0	37.3	472.3
Current assets							
Inventories	9	278.3	20.8	299.1	330.9	19.3	350.2
Trade receivables	10	267.5	0.7	268.2	281.6	-	281.6
Prepayments and other receivables	10	20.8	1.2	22.0	39.7	1.2	40.9
Financial assets measured at fair value	11	-	1.9	1.9	-	0.6	0.6
Investments	12	81.1	-81.1	-	112.8	-112.8	-
Cash and cash equivalents	12	25.8	81.1	106.9	26.7	113.0	139.7
Current assets total		673.5	24.6	698.1	791.7	21.3	813.0
ASSETS TOTAL		1 077.2	58.3	1 135.5	1 226.7	58.6	1 285.3

* The figures have been changed from those presented in the Interim Report 1-9/2004

EUR million	Note	FAS 12/2004	IFRS- adjustment	IFRS 12/2004	FAS 12/2003	IFRS- adjustment	IFRS 1/2004
EQUITY AND LIABILITIES							
Share capital		117.9	-	117.9	114.8	-	114.8
Share issue		15.6	-	15.6	-	-	-
Share premium		1.1	-	1.1	4.2	-	4.2
Other reserves		0.6	-	0.6	0.6	-	0.6
Treasury shares		18.7	-18.7	-	15.2	-15.2	-
Retained earnings		280.4	46.1	326.5	443.3	40.9*	484.2*
Minority interest		-	18.0	18.0	-	19.7	19.7
Equity total	13	434.3	45.4	479.7	578.1	45.4	623.5
Minority interest		18.0	-18.0	-	19.7	-19.7	-
Non-current liabilities							
Deferred tax liability	14	46.3	26.4	72.7	52.6	29.0*	81.6*
Pension obligation	6	-	3.8	3.8	-	2.9	2.9
Provisions	15	5.4	-0.2	5.2	3.3	-	3.3
Interest-bearing non-current liabilities	16	57.0	-1.2	55.8	37.6	-0.7	36.9
Other non-current liabilities		0.2	-	0.2	0.2	-	0.2
Non-current liabilities total		108.9	28.8	137.7	93.7	31.2	124.9
Current liabilities							
Trade payables		373.3	-	373.3	413.4	-	413.4
Other current liabilities	16	79.8	-0.6	79.2	83.0	-5.7	77.3
Provisions	15	-	0.8	0.8	-	5.7	5.7
Prepayments received and other current interest-bearing liabilities	16	62.9	1.9	64.8	38.8	1.7	40.5
Current liabilities total		516.0	2.1	518.1	535.2	1.7	536.9
EQUITY AND LIABILITIES TOTAL		1 077.2	58.3	1 135.5	1 226.7	58.6	1 285.3

* The figures have been changed from those presented in the Interim Report 1-9/2004

Additional information on the Balance Sheet reconciliations

1. Property, plant and equipment

In the FAS, lease agreements have been treated as operating leases. In the IFRS, part of the lease agreements have been classified to finance lease agreements. Assets held under finance lease arrangements, where Orion acts as a lessee, are recognised under property, plant and equipment and depreciated mainly in the course of the lease period. The corresponding lease liability is recognised in the non-current and current interest-bearing liabilities in the Balance Sheet. The impact of finance lease asset is EUR +3.3 million both in the opening Balance Sheet 1/2004 and in the closing Balance Sheet 12/2004.

Assets held under finance lease arrangements, where Orion acts as a lessor, are deducted from the property, plant and equipment. Their impact on property, plant and equipment is -0.5 million in the 12/2004 Balance Sheet. The corresponding lease receivables are recognised in the non-current and current receivables.

Based on the IFRS 1 First-time Adoption, the office building and the production building have been recognised in the Balance Sheet at the revalued fair value before the transition date, less the retrospective accumulated depreciation. An adjustment of EUR -11.3 million to the property, plant and equipment has been made in the 1/2004 Balance Sheet and correspondingly, EUR -11.8 million in the 12/2004 Balance Sheet.

The improvements to leasehold premises, EUR 2.4 million recognised in the 1/2004 Balance Sheet and EUR 0.4 million in the 12/2004 Balance Sheet have been transferred from other intangible assets to property, plant and equipment.

2. Goodwill

Group goodwill in the FAS is the excess of the acquisition cost of subsidiary shares over the subsidiary's equity at the date of the transaction. A part of the goodwill may have been allocated to the tangible assets of the subsidiary. Goodwill has been amortised according to plan.

In the Orion Group opening IFRS Balance Sheet 1/2004, the goodwill remained unchanged, based on the exemption in the IFRS 1 First-time Adoption. In IFRS, goodwill is no longer amortised according to plan, but tested annually for impairment. For this purpose, goodwill has been allocated to the cash generating units. In the IFRS 12/2004 Balance Sheet, the FAS goodwill amortisation according to plan has been reversed, the corresponding adjustment being EUR +5.9 million.

3. Other intangible assets

The expenses of the development projects in process have been considered not to comply with the recognition requirements provided in the IAS 38 Other Intangible Assets, due to the regulatory approvals required for pharmaceutical development projects and other uncertainty factors related to the projects.

4. Treasury shares

Based on the IAS 32, EUR 15.2 million have been deducted from the assets in the 1/2004 Balance Sheet as the acquisition cost of the treasury shares. The corresponding figure in the 12/2004 Balance Sheet is EUR 18.7 million.

5. Available-for-sale investments

Available-for-sale investments comprise unlisted shares and holdings held by the Group. They have been recognised at the historical cost or historical cost less impairment.

6. Pension asset / Pension obligation

For the transition to the IFRS, the Group's employee benefits in different countries have been classified as defined contribution plans or defined benefit plans. Employee benefits in some Nordic countries and additional pension benefits arranged through pension insurance companies in Finland are classified as defined benefit plans and cause a pension obligation of EUR 2.9 million in the 1/2004 Balance Sheet and EUR 3.8 million in the 12/2004 Balance Sheet.

The pension benefits for the Finnish personnel of the Group have been arranged through the Orion Corporation Pension Fund and pension insurance companies. For part of the personnel, an additional pension benefit is also arranged through the Pension Fund. The employee benefits arranged in the Pension Fund are classified as defined benefit plans.

Orion Group's interpretation of the IAS 19 standard regarding the disability benefit component in the Finnish employment pension scheme based on the Employee's Pension Act (TEL) has become more explicit. The expected cost of the disability benefit is recognised when an event causing the disability occurs. The interpretation applies both to the Finnish TEL-plan and the plans arranged through the Orion Corporation Pension Fund. Hence, no corresponding obligation of unknown disability benefits arises in the 1/2004 Balance Sheet.

Because of the aforementioned interpretation, the pension obligation in the Orion Corporation Pension Fund is lower in the 1/2004 Balance Sheet presented here than in the one provided in the Interim Report 1-9/2004. The pension asset in the 1/2004 Balance Sheet has been adjusted by EUR +15.1 million. Altogether, the 1/2004 Balance Sheet includes pension asset of EUR 58.2 million resulting from the employee benefits arranged through the Orion Corporation Pension Fund. At the end of the financial year the fair value of the plan assets exceeded the present value of obligations by EUR 77.3 million. Part of the excess is however caused by actuarial gains falling within the limits of "the corridor" used by Orion Group. Unrecognised actuarial gains reduce the value of pension asset to EUR 53.6 million in the 12/2004 Balance Sheet.

7. Non-current other receivables

From the non-current other receivables in the 1/2004 Balance Sheet, a calculated provision of EUR 1.1 million for doubtful debts in the FAS has been cancelled, because it does not meet the impairment criteria of the IAS 39. In the 12/2004 Balance Sheet, the non-current other receivables include EUR 0.4 million receivables transferred from property, plant and equipment as a result of reclassification of assets held as financial lease.

8. Deferred tax asset

The increased deferred tax asset in the IFRS Balance Sheets is consequence of IFRS adjustments. The impact of the adjustments on the deferred tax asset is EUR +1.2 million in the 1/2004 Balance Sheet and EUR +1.4 million in the 12/2004 Balance Sheet.

9. Inventories

In the FAS, the cost of inventories includes the purchase price and costs directly related to the units of production. When applying the IAS 2 Inventories, the fixed and variable production overheads, such as the wages and salaries, material, procurement and other costs as well as depreciation, are taken into account in the cost of inventories. The increase in the value of the inventories of the Orion Group in the IFRS opening Balance Sheet is EUR 20.6 million. In addition, the prepayments related to inventories (EUR 1.3 million) have been drawn out from the inventories and are shown under prepayments and other receivables. In the 12/2004 Balance Sheet, the inventories are EUR 22.1 million higher than in the FAS Balance Sheet 12/2004, and the prepayments transferred amount to EUR 1.3 million.

10. Trade receivables and other deferred income

The net change in the trade receivables and other deferred income is due to the classification of the derivatives as financial assets at fair value through the income statement, as well as receivables from assets held as financial lease, and a reversal of provision included in the FAS Balance Sheet. The impact of the change on the 1/2004 Balance Sheet is EUR +1.2 million and EUR +1.9 million on the 12/2004 Balance Sheet.

11. Financial assets at fair value through income statement

IAS 39 hedge accounting is not applied to derivatives hedging forecasted cash flows or Balance Sheet items in other currencies than euros, although they have been acquired for hedging purposes in accordance with the company's financial policy. This kind of derivatives have been measured at fair value and recorded under item financial assets at fair value through income statement.

IAS 39 hedge accounting is applied to derivatives hedging the net investments in foreign subsidiary. The hedging derivatives have been measured at fair value in the Balance Sheet, and the valuation difference has been recorded to the translation difference in the shareholders' equity. The IAS 39 accounting principle is the same as that used in FAS.

In the 1/2004 Balance Sheet, this item includes listed shares transferred from non-current assets and measured at fair value.

12. Cash and cash equivalents

Cash and cash equivalents include cash and bank accounts, bank deposits, and debt instruments with maturity less than 3 months. The bank deposits have been classified to loans and receivables whereas the short-term debt instruments have been classified to financial assets at fair value through income statement. In the 12/2004 Balance Sheet, cash and bank accounts are EUR 25.8 million, bank deposits EUR 32.5 million, debt instruments being EUR 48.6 million.

13. Equity

The adjustment items resulting from recognition or derecognition of assets or liabilities or revaluation of balance sheet items in the IFRS, have been recognised in the equity in the opening Balance Sheet. The most outstanding changes shown in the retained earnings are specified in the table below. The translation differences have been included in the retained earnings in this table, because they are not material in proportion to retained earnings total.

The minority interest is shown as a separate item in the equity in accordance with the IAS 1 standard, while in the FAS it has been shown as an item not included in the shareholders' equity of the parent company shareholders. Additionally, the reserve for treasury shares has been deducted from the consolidated shareholders' equity.

EUR million	31 Dec. 2004	1 Jan. 2004
Retained earnings, FAS	280.4	443.3
IAS 2 Inventories	22.1	20.6
IAS 12 Income taxes	-25.0	-27.7
IAS 17 Lease agreements	0.0	-0.1
IAS 19 Employee benefits	52.6	57.8
IAS 37 Provisions	0.8	1.1
IAS 39 Financial instruments	1.5	0.5
IFRS 1 First-time Adoption/ revaluations	-11.8	-11.3
IFRS 2 Share-based payments/ stock options	0.0	-
IFRS 3 Business combinations/ goodwill	5.9	-
IFRS adjustments total	46.1	40.9
Retained earnings, IFRS	326.5	484.2

14. Deferred tax liability

The increase in the deferred tax liability is mainly due to IFRS adjustments. The impact of IFRS-adjustment on the deferred tax liability is EUR +29.0 million in the 1/2004 Balance Sheet and EUR +26.4 in the 12/2004 Balance Sheet.

15. Long- and short-term provisions

The provisions in the Group's FAS balance sheet have been mostly in compliance with the definition of the IAS 37 Provisions, contingent liabilities and contingent assets. The long-term provisions correspond to the obligatory provisions recognised in accordance with the FAS. From the prepaid expenses and accrued income, EUR 5.7 million in short-term provisions have been recognised as a separate item in the 1/2004 Balance Sheet and EUR 0.8 million in the 12/2004 Balance Sheet.

16. Long- and short-term other liabilities

The net change in the short-term liability results from both short-term and long-term liabilities recognised of finance lease items, as well as from the derivatives measured at fair value and transferred to financial assets through income statement. Moreover, a pension liability has been transferred from interest-bearing liabilities into pension liabilities.

Unaudited function of expense -based Income Statements 2004 according to FAS and IFRS, with adjustments

EUR million	IAS/IFRS standard	FAS 1-12/2004	IFRS- adjustment	IFRS 1-12/2004
Net sales	IAS 17 and 39	1 944.3	1.9	1 946.2
Cost of goods sold*	IAS 2, 17, 19 and IFRS 1	-1 445.4	-0.7	-1 446.1
Gross profit		498.9	1.2	500.1
Other operating income	IAS 17 and 39	7.4	-0.4	7.0
Selling and distribution expenses*	IAS 17,19 and 37	-232.3	-1.7	-234.0
Research and development expenses*	IAS 17 and 19	-76.2	-1.7	-77.9
Administrative expenses*	IAS 17,19 and IFRS 2	-61.7	-0.3	-62.0
Goodwill amortisation	IFRS 1	-5.9	5.9	-
Other operating expenses		-1.0	-	-1.0
Operating profit		129.2	3.0	132.2
Financial income and expenses	IAS 39	-1.5	-0.5	-2.0
Profit before taxes		127.7	2.5	130.2
Tax expense	IAS 12	-40.7	2.6	-38.1
Minority interest		-1.6	1.6	-
Profit for the financial year		85.4	6.7	92.1
of which available for:				
Parent company shareholders		85.4		90.5
Minority				1.6

*The expenses of the functions include depreciation and amortisation of respective assets as well as allocations of certain administrative expenses.

Additional information on the Income Statement reconciliation

In the transition to IFRS based reporting, Orion has adopted the function of expense-based Income Statement, having hitherto presented an Income Statement by nature of expenses. The IFRS Income Statement will specify net sales, cost goods sold, other operating income, selling and distribution expenses, research and development expenses as well as administrative expenses.

The cost of goods sold includes the wages and salaries, materials, procurement and other costs related to the manufacturing and procurement. The expenses of the R&D function include the wages and salaries, material, procurement of external services as well as other costs related to research and development. The expenses of Selling & Distribution

function include the costs related to the distribution of the products, to the field sales force operations, as well as marketing, advertising and other promotional activities, including wages and salaries. Administrative expenses include general administrative expenses and those related to the corporate administration and the Group management. The functions are also carrying the depreciation and amortisation of the assets they are using, as well as some allocated administrative expenses.

The very different characters of the businesses of the Group Divisions should be taken into account when reading the Income Statement. The costs of the Wholesale and Distribution Division, for example, are almost fully allocated to the Sales & Distribution function, with the exception of procurement costs.

The table below shows the differences between the FAS and the IFRS Income Statements, the notes referring to the respective IAS/IFRS standards. The Group operating profit calculated in accordance with IFRS is EUR 3.0 million higher than that in the FAS. The IFRS profit for the financial year available for the parent company shareholders is EUR 5.1 million greater than that based on the FAS.

The most significant single differences included in the net adjustments shown in the table below are consequence of the higher pension cost (EUR -5.1 million), change in inventories (EUR +1.5 million), net gains from currency derivatives (EUR +1.3 million), and the reversal of goodwill amortisation (EUR +5.9 million). The great difference in pension costs results from the changed accounting principle for employee benefits, explained in Note 6, and the exceptionally low annual premium to the Pension Fund in the FAS. The difference in the Change in inventories results from the indirect variable and fixed production costs recorded in the balance sheet value of the inventories. Because the Group did not apply IAS 39 hedge accounting, the financial instruments acquired for hedging forecasted cash flows have been measured to fair value in the IFRS balance sheet and all gains and losses have been recognised in the Income Statement. In the IFRS, goodwill is not amortised according to plan.

The change in deferred taxes has also a positive impact on the IFRS-based profit. The change derives mainly from the declined pension asset in the Balance Sheet as well as from the lower tax rate in Finland as of 2005.

Profit for the financial year available for parent company shareholders	EUR million
IAS 2 Inventories	1.5
IAS 12 Income taxes	2.7
IAS 17 Lease agreements	0.1
IAS 19 Employee benefits	-5.1
IAS 37 Provisions	-0.4
IAS 39 Financial instruments	0.9
IFRS 1 First-time Adoption/revaluations	-0.5
IFRS 2 Share-based payments/stock options	0.0
IFRS 3 Business combinations/goodwill	5.9
IFRS adjustments total	5.1
Profit for the financial year available for parent company shareholders (IFRS)	90.5

Net sales by Business Division 2004 in accordance with FAS and IFRS		
EUR million	FAS	IFRS
	2004	2004
Orion Pharma	514.3	515.5
Wholesale and Distribution	1 406.1	1 406.7
Orion Diagnostica	39.3	39.4
Group items	-15.4	-15.4
Group total	1 944.3	1 946.2

Operating profit by Business Division 2004 in accordance with FAS and IFRS		
EUR million	FAS	IFRS
	2004	2004
Orion Pharma	100.2	108.5
Wholesale and Distribution	23.8	26.9
Orion Diagnostica	5.6	5.8
Group items	-0.4	-9.0
Group total	129.2	132.2

The most significant items influencing the operating profits of Business Divisions result from differences between FAS and IFRS accounting for pension premiums, goodwill amortisation, change in stocks and currency derivatives. Due to the different accounting and allocation method in IFRS, the pension costs are lower for the Business Divisions and higher in the Group items. Goodwill amortisation is not entered in the IFRS Income Statement. Of the EUR 5.9 million goodwill amortisation shown in the FAS, EUR 3.4 million are included in Orion Pharma's operating profit, and EUR 2.5 million in that of the Wholesale and Distribution Division. The change in the inventories of mainly Orion Pharma has a positive impact of EUR 1.5 million on the IFRS operating profit, presented differently in the FAS. The IFRS Income Statement shows EUR 1.3 million more in net gains from currency derivatives measured at fair value, mainly increasing Orion Pharma's operating profit.

Corporate governance in 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 thereunder, as well as with ethically acceptable 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 Corporate Governance Recommendation for companies listed on the Helsinki Stock Exchange, with the exception that the nomination committee set by the Board of Directors is composed of also other persons than members of the Board.

The management system of the Orion Group consists of the Group level and the Division level. 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 the levels

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 Divisions
- investment decisions (the budgets and the largest investment decisions)
- issues concerning the entire parent company and the Group.

The business operations of the Group take place in the Divisions. In accordance with the Group strategy and Group-level steering, the Divisions operate as separate units responsible for their own profitability, developing their own strategy and utilising the Group entity. Management of the business operations of a Division and responsibility for its operations belong to the President of the Division, who reports to the President and CEO of the Group.

2. The 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 Bylaws.

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 Bylaws. 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 the Divisions 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, Division 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 **salary committee** and an **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 to which also other persons than Board members can be members.

President of the parent company

The President 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 ensures that the bookkeeping of the company complies with the law and that its asset management is arranged in a reliable way. The President of the parent company also functions as President and CEO of the Group. In accordance with the Division organisation, the Divisions report to the President and CEO. The President and CEO carries out the steering and supervision of the operations of the Divisions with the assistance of the Division Management Boards and the Corporate Administration.

Group Management Team

The Group Management Team includes the President and CEO of the Group as Chairman, and other persons appointed by the Board of Directors as members. The Group Management Team meets at least once a month to handle issues relating to the whole Group. The Group Management Team is not a decision-making body; its purpose is to promote the transfer of information relating to the whole Group.

Corporate Administration

The Corporate Administration functions as part of the management and control system of the Group participating in the steering and supervision of the operations of the Divisions. In this task it assists the President and CEO in the management of the Group. The Corporate Administration is in charge of the following Group-level functions: co-ordination of the planning and reporting system, financing operations, legal affairs administration, corporate communications, investor relations, internal audit, and insider administration. It is also responsible for the correctness of the Financial Statements of the parent company and the Group and tasks relating to income taxation.

3. The Division Level

Division Management Boards

Each Division has a Division Management Board, comprising the President and CEO of the Group as Chairman, and other persons appointed by the Board of Directors of the parent company as members. The Division Management Board functions as a body assisting the President and CEO in decision-making. It is thus not an actual decision-making body, as decision-making and responsibility follow the line organisation. The Division Management Board handles all the most important issues relating to the operations of the Division, including all issues relating to the Division that will be handled by the Board of Directors of the parent company.

Presidents of the Divisions

Each Division has a President, who is responsible for the operations of the Division and its operative management. The Presidents of the Divisions report to the President and CEO of the Group, with the exception of the CEO himself who also serves as the President of Orion Pharma and reports to the Board of Directors.

Division Management Teams

Each Division has a Division Management Team as a body assisting the President of the Division. The Division Management Team is chaired by the President of the Division and it meets when necessary.

4. The Organisation of the Administration of the Legal Entities

From the point-of-view of business operations, the Group subsidiaries operate in accordance with the Division organisation. As to legal structure, the administration and operations of the subsidiaries are arranged in accordance with the company legislation in question and the Bylaws of the companies.

5. 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 Divisions with sufficient and timely information to plan and manage the operations.

For the purpose of the supervision and steering of operations, the Corporate Administration further has an internal audit department subordinate to the President and CEO with the central task of examining and evaluating the effectiveness and credibility of the internal control of the companies, Divisions and units belonging to the Group, as well as to identify business risks.

The external audit of the Group companies is carried out in accordance with the laws and Bylaws in question. The designated auditor of the parent company's auditor co-ordinates the audit of the subsidiaries of the Group in cooperation with the President and CEO of the Group and the Internal Audit of the Group.

Insiders in the Orion Group

The Orion Group follows the insider guidelines issued by the Helsinki Stock Exchange, and the company's Guidelines for Insiders are based on these guidelines. The permanent insiders of the Group comprise the statutory insiders and the insiders by definition. The members of the Board of Directors, the President and CEO, the Deputy CEO, the designated auditor and the deputy auditor are statutory insiders. Other persons permanently defined by the company as insiders in accordance with the Group's Guidelines for Insiders are insiders by definition. The company maintains its insider register in the SIRE system of the 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 the Helsinki Stock Exchange.

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.

Working order of the Board of Directors

The Board of Directors has adopted a written working order 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.

Working orders of the committees

The role of the committees is limited to making proposals to the Board, without decision making authority. A working order has been confirmed by the Board for each committee.

The audit committee comprises three members appointed by the Board annually for the term of the Board. The committee shall have at least four meetings per year, and it shall report to the Board. The purpose of the committee is to promote the supervision of the company's operations and financial reporting. The committee handles the annual and quarterly financial reports of the Group before the Board meeting, evaluates of the sufficiency of internal control and risk management, reviews the annual plans and audit reports of the auditors as well as the activity plans and reports and findings of the internal audit.

The salary committee comprises three members appointed by the Board annually for the term of the Board. 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.

The R&D committee comprises three members appointed by the Board annually for the term of the Board. The committee shall meet at least twice a year, and it shall report to the Board. The committee shall evaluate the research and development activity within the Orion Group, and make proposals to the Board.

In addition to the committees composed of Board members, the company has a nomination committee to which also other persons than Board members can be 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 about the composition of the committee. 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 shall be presented after the largest shareholders' opinions have been heard. 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.

6. Risk management in the Orion 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, with appropriate means, 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
- 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.

Strategic risks

Long-term business development risks

The research and development of new pharmaceuticals is associated with considerable risks due to the long time spans required by the development work as well as to the inherent uncertainties related to the final results and outcomes. This strategic risk is managed as follows:

- The Group structure also includes business units other than those focusing on the development of proprietary original preparations.
- The pharmaceutical product range is sufficiently extensive, including not only proprietary products but also human generics, OTC drugs, veterinary products, in-licensed drugs as well as active pharmaceutical ingredients.
- The product development and marketing risks are shared by working in close cooperation with partners.

The scope of strategic risks also includes issues such as the sustainability of the company's **governance and reporting principles**. In line with the Corporate Governance recommendation, the unambiguous governance model which has clear definitions of the management system including the responsibilities, rights and reporting relationships of the persons involved, with transparently published central characteristics and principles of the system, will inspire public trust in the Orion Group and its management. Trust shown by the surrounding society, its own stakeholders, the equity markets and shareholders will also be inspired and enhanced by the company by providing open, truthful and consistent information about its operations, events and financial status.

Research and product development risks

The development of proprietary drugs is associated with many factors of uncertainty. The major reasons to discontinue a development project are those related to the efficacy and safety of the drug candidate. The pharmacological properties, and the efficacy and safety of an investigational drug 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 is studied on a broad scale with preclinical laboratory models, and its tolerability and adverse effects are closely followed throughout all the phases of the development project. At Orion, the decisions to progress from one research phase to the next are made by the Board of Directors if the project is a major one, and by the executive management in minor projects. The decisions are based on a comprehensive analysis of the research results accumulated, 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 eventual adverse effects of a drug continue to be followed also after the product has been launched.

The financial risks grow as the project progresses towards clinical trials in humans. The most expensive step is Phase III involving hundreds or thousands of patients in multinational double-blind studies to collect as reliable evidence on the efficacy and safety of the drug as possible. As a rule, Orion shares the immense financial risks of Phase III trials by conducting them together with another pharmaceuticals company which will also be a marketing partner for the drug at a later stage.

Operational risks

Sales and business risks

The businesses of Orion Pharma and Orion Diagnostica are based on their own sales networks comprising the Nordic countries and Eastern Europe, with focus on Finland, and on marketing partnerships in the rest of the world. This structure aims at a balance between available resources and risk-bearing capacity, as well as the worldwide marketing investment required by the new products developed in-house.

The wholesale business of the Group concentrates on the Baltic rim area, Finland and Sweden, in particular. Business risk is managed through continued intensification of the operations, as well as by constantly improving the services provided for the clients and principals.

Credit loss risks

Orion's Corporate Governance Manual includes detailed procedures for the management of client credits and the follow-up and collecting of receivables. Due to the nature of the clientele, Orion's credit loss risks have historically been insignificant.

Risks associated with pharmaceutical production

Pharmaceuticals must be safe and efficient and they must meet the highest quality standards. Owing to these statutory requirements alone, pharmaceutical production must pay close attention 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 quality impact. The operations are steered with comprehensive instructions and sufficient control of materials and preparations both before, during and after the production phases. Pharmaceutical manufacturing is subject to regular inspections by the authorities.

Risks associated with legal issues, intellectual property rights and regulations by the authorities

Healthcare is a sector closely under regulatory control by authorities. Orion has clear operative rules and principles to ensure that all regulations are complied. Typically, intellectual property rights play an important role in this sector. In order to safeguard the company's position both vis-à-vis the existing products and those under development, the patent issues related to the products are constantly followed on a global scale, thereby ensuring that the rights of Orion's proprietary products are not violated and that Orion does not violate other parties' patent rights.

Risks of damage

On top of 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 the corporate safety instructions. The objective of Orion's corporate security is to ensure the uninterrupted continuation of the Group's operations, the safety of people, the protection of property and environment against damage as well as the sufficiency of the measures related to information security. The Guidelines provide 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. Each Group division has dedicated persons appointed for the development and monitoring of environmental management issues. Environmental impacts are followed through emission measurements, waste quantity controls and statistics on the use of various substances. The implementation of environmental protection is monitored through internal audits performed annually.

Financial risks

Exchange rate risks

The fluctuations in the US dollar/euro exchange rate are playing an increasing financial role as the international operations of Orion Pharma and Orion Diagnostica continue to grow, and the US accounts for an increasing share of the whole. The sales invoiced in US dollars are far greater than the purchases quoted in dollars. The impact of exchange rates on the financial result of the Wholesale and Distribution division is minor. In accordance with the exchange rate hedging principles detailed in the Corporate Governance Manual, trade debtors and creditors are hedged in full, while the equities of the Group companies are hedged as appropriate, and the estimated currency flows are hedged up to 50%.

Financial risks

The objective of Orion's financial policy is to ensure the sufficiency and liquidity of the financial assets, to optimise the Group's asset structure, to manage financial risks and to operate in a cost-efficient manner. The treasury operations are centrally managed and administered by the Treasury department in the Corporate Administration. The main principles as well as elementary amendments of the treasury policy are approved by the Board of Directors. The treasury management group is responsible for the implementation of the treasury policy. Historically, the interest-bearing liabilities in the Group Balance Sheet have been minimal.

7. Board of Directors, President and Group Management Team

Composition of the Board of Directors of Orion Corporation as of 22 March 2004

Matti Kavetvuo, Chairman
Erkki Etola, Vice Chairman
Heikki Hakala
Eero Karvonen
Leena Palotie
Vesa Puttonen
Heikki Vapaatalo

Composition of the audit committee

Heikki Hakala (Chairman)
Eero Karvonen
Vesa Puttonen

Composition of the salary committee

Matti Kavetvuo (Chairman)
Erkki Etola
Heikki Vapaatalo

Composition of the R&D committee

Leena Palotie (Chairman)
Eero Karvonen
Heikki Vapaatalo

Composition of the nomination committee

Timo Maasilta (Chairman)
Kari Jussi Aho
Harry Brade
Erkki Etola
Matti Kavetvuo
Petri Kuusisto
Jukka Ylppö

Board meetings held in 2004

In 2004, altogether 18 Board meetings were held. The average attendance of the members at the meetings was about 95%.

Board Committee meetings held in 2004

In 2004, the number of meetings held by the Board committees was as follows:

Audit committee 5 meetings
Remuneration committee 4 meetings
R&D committee 4 meetings
Nomination committee 1 meeting.

Compensation of the Board members

By decision of the AGM 2004, the annual fee to Chairman of the Board is EUR 64,800, to the Vice Chairman EUR 45,600 and to the other members EUR 32,400 each. Additionally, EUR 420 is paid to all members for each meeting attended. Of the annual fee, 60% is paid in cash and 40% in Orion B-shares which were acquired to the members during 29 March – 2 April 2004.

In accordance with the above, the following amounts of B-shares were acquired to the Board members:

Matti Kavetvuo	1 342
Erkki Etola	944
Heikki Hakala	671
Eero Karvonen	671
Leena Palotie	671
Vesa Puttonen	671
Heikki Vapaatalo	671

Remuneration and benefits of the Group Management in 2004

The salaries, fees and benefits paid in 2004 to the members of the Board of Directors, the President and CEO, the Presidents of the Divisions and the Managing Directors of the subsidiaries amounted to EUR 2.8 million. The remunerations paid in cash to the members of the Board of Directors were altogether EUR 360,130.

Remunerations paid in cash to the Board of Directors in 2004.

Holdings in Orion of the Members of the Board of Directors on 31 January 2005

	Total remunerations, EUR	A-shares	B-shares
Matti Kavetvuo, Chairman	72 420	110 596	79 340
Erkki Etola, Vice Chairman	66 240	2 429 948	88 004
Heikki Hakala	49 740	2 000	8 342
Eero Karvonen	39 540	546 676	3 498
Leena Palotie	36 600	0	1 342
Vesa Puttonen	43 700	0	3 342
Heikki Vapaatalo	51 890	500	1 350
Board of Directors total	360 130	3 089 720	185 218

No Orion stock options were held by the Members of the Board on 31 January 2005. The holdings include also those of under-aged children and by organisations or foundations of which the person has control. The stock options held by members of the Board have been acquired from public trading.

Auditors in 2004

The auditors of Orion Corporation are **Ernst & Young Oy**, the designated auditor being **Pekka Luoma**, Authorised Public Accountant, with **Päivi Virtanen**, Authorised Public Accountant, as deputy auditor.

Fees paid to the external auditors in 2004

The fees paid to the auditors for audit services for 2004 came to a Group total of EUR 456 000, of which the domestic Group companies accounted for EUR 178 000 and the foreign subsidiaries for EUR 278 000. Additionally, a total of EUR 135 000 were paid for non-audit services provided by the auditors to the Group companies. The domestic Group companies accounted for EUR 87 000 and the foreign subsidiaries for 48 000 of the total. The fees paid to the auditor for auditing the parent company came to EUR 118 000 and for other consulting to 70 000.

President and CEO Jukka Viinanen

The President of Orion Corporation is Jukka Viinanen. He is also the Chief Executive Officer of the Orion Group and President of the Orion Pharma business division.

Service contract of the President

If the service contract of the President is terminated by the company's initiative, the maximum notice period is 6 months, as determined by the company. If the service contract is terminated by the President's own initiative, the notice period is 6 months. 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's initiative because of a breach of contract by the company, the President will be indemnified with a total sum corresponding to the salaries, fringes and additional pension benefits for 18 months, unless otherwise agreed. No such separate compensation will be paid if the President resigns by his own request for other reasons than a breach of contract by the company.

An additional pension insurance scheme has been taken for the President, the retirement age being 60 years and the pension amounting to 66% of the salary. The salaries, remunerations and bonuses paid to the President and CEO in 2004 were EUR 591,587.

Composition of the Group Management Team

Jukka Viinanen, Chairman
 Pauli Torkko
 Olli Huotari
 Jari Karlson
 Ulla Lövhölm
 Jaakko Rissanen
 Heikki Vuonamo

Compensation system of the Group management

The compensation system for the President, the division presidents and the other members of the Group Management Team consists of a monthly salary and a performance-based bonus. The bonuses are based on pre-defined profit targets as well as personal goals.

Two stock option plans are valid in the Group, one issued in 1998 and the other in 2001. The stock options held by the President, the division presidents and the other members of the Group Management Team in these programmes are specified in a table shown in the table 'Management shareholding and stock options' on the said date. The compensation of these persons is subject to a decision by the Board of Directors.

The total salaries, remunerations and bonuses paid in 2004 to the President and CEO and the division presidents came to EUR 1,500,137 of which the bonuses accounted for EUR 244,239.

Management shareholding and stock options on 31 January 2005

Division Presidents and Group Management Team total	A-shares	B-shares	Stock options 1998	Stock options 2001
Jukka Viinanen	0	6 000	0	50 000
Pauli Torkko	2 232	0	0	40 000
Marianne Dicander Alexandersson *)	0	0	0	0
Risto Kanerva *)	1 640	1 520	15 000	12 000
Jaakko Rissanen	0	0	4 000	16 000
Group President and Division Presidents total	3 872	7 520	19 000	118 000
Olli Huotari	0	0	0	12 000
Jari Karlson	0	0	0	30 000
Ulla Lövhölm	0	160	0	12 000
Heikki Vuonamo	0	1 333	0	8 000
Corporate Management Team total*)	2 232	7 493	4 000	168 000

The shares include those held by under-aged children and by organisations or foundations of which the person has control.

*) Marianne Dicander Alexandersson and Risto Kanerva are not members of the Corporate Management Team.

Each option in the Stock Option Plans 1998 and 2001 entitle to subscribe for two Orion Corporation B-shares. All the options in the year 1998 Plan are valid until 30 April 2005. Part A of the year 2001 Stock Option Plan was released on 1 October 2003 and part B on 1 October 2004. Part C will be released on 1 October 2005 and part D on 1 October 2006. The Plan will be valid until 31 October 2007.



Heikki Hakala, Leena Palotie, Heikki Vapaatalo, Matti Kavetvuo, Erkki Etola, Eero Karvonen and Vesa Puttonen

Board of Directors of Orion Corporation

Heikki Hakala b. 1941, M.Sc. (Econ.), D. Tech. (hon.) Member of the Board of Directors of Orion Corporation 2002– Chairman of the Audit Committee Metso Corporation, President and CEO 1999–2001. Rauma Corporation, President and CEO 1996–1999. Repola Ltd, Executive Vice President and CFO 1991–1996. Rauma-Repola Ltd, Executive Vice President and CFO 1987–1991, Senior Vice President, Finance and Financial Control 1986–1987. Chairman of the Board of Directors of Finkkumu Oy, Juhani Mäkivirta Oy and Altia Group Oyj. Deputy Chairman of the Board of Directors of Lassila & Tikanoja plc. Member of the Supervisory Board of Orion Corporation 2000–2002 and Chairman 2001–2002. Holdings in Orion Corporation: 2,000 A-shares and 8,342 B-shares.

Leena Palotie b. 1952, Academy Professor, M.D., Ph.D. Member of the Board of Directors of Orion Corporation 2004– Chairman of the R&D Committee Academy Professor, Director of the Center of Excellence in Disease Genetics 2003– Director of the Nordic Center of Excellence in Disease Genetics 2004–. Coordinator of the large international genomics program of the EU, GENOMEUTWIN 2002– A founding Chairman of the Department of Human Genetics in the University of California, Los Angeles, USA 1998–2002, Professor of Medical Genetics and Molecular Medicine, University of Helsinki and National Public Health Institute, Finland 1991–1998, 2002–, Member of the National Council of Science and Technology of Finland 1995–1998, Chairman of Medical Research Council of the Academy of Finland 1995–1997,

Chairman of European Medical Research Council 1996–1998, Director of the Research Program of Molecular Medicine, National Public Health Institute, Finland 1987–1991. Dr. Palotie has received several international awards including the Nordic Anders Jahre award, International Marfan award, Matti Äyräpää award of the Finnish Medical Association and the European Genetics Society award. She is an honorary doctor of the University of Uppsala, Sweden and University of Joensuu, Finland. Holdings in Orion Corporation: 1,342 B-shares.

Heikki Vapaatalo b. 1939, Professor Emeritus, MD, Specialist in clinical pharmacology Member of the Board of Directors of Orion Corporation 2002– Member of the Salary Committee, member of the R&D Committee Professor of Pharmacology, University of Helsinki 1992–2002. Professor of

Pharmacology, University of Tampere 1975–1992. Associate Professor of Pharmacology, University of Oulu 1972–1974.

University of Tampere, Medical Faculty, Vice Dean 1983–1984, Dean 1985–1986. University of Helsinki, Medical Faculty, Vice Dean 1995–2002. Finnish Pharmacological Society, Chairman 1983–1985. Finnish Medical Society Duodecim, Delegation Vice Chairman 1989–1992, Delegation Chairman 1992–1994, Vice Chairman of the Board 2001–2003. Orion Corporation, Member of the Supervisory Board 2000–2001. Holdings in Orion Corporation: 500 A-shares and 1,350 B-shares.

Chairman **Matti Kavetvuo**, b. 1944, M. Sc. (eng.), M.Sc. (Econ.) Member and Chairman of the Board of Directors of Orion Corporation 2004– Chairman of the Salary Committee, member of the Nomination Committee 1999–2001 President and CEO of Pohjola Insurance Group, retired 2001, President and CEO of Valio Ltd. 1992–1999, President and CEO of Orion Corporation 1985–1991, President of Instrumentarium Corporation 1979–1984. Chairman of the Board of Metso Corporation and Suominen Corporation. Vice Chairman of the Board of Kesko Corporation.

Member of the Board of Alma Media Corporation, KCI Konecranes Plc, Marimekko Corporation and Perlos Corporation.

Holdings in Orion Corporation: 110,596 A-shares and 79,340 B-shares.

Deputy Chairman **Erkki Etola**

b. 1945, M.Sc. (Eng.)

Member of the Board of Directors of Orion Corporation 1995– Member of the Salary Committee, member of the Nomination Committee Managing Director of Etola-yhtiöt and Managing Director of Tiiviste-Group Oy 1974–.

Deputy Chairman of the Board of Directors of Oyj Stockmann Abp.

Member of the Supervisory Board of Varma Mutual Pension Insurance Company.

Holdings in Orion Corporation:

2,429,948 A-shares and 88,004 B-shares.

Eero Karvonen, b. 1948,

M.Sc. (Eng.)

Member of the Board of Directors of Orion Corporation 2004–

Member of the Audit Committee, member of the R&D Committee EVK-Capital OY, owner and Managing Director 1986–, Rintekno Oy, process engineer, Division Manager and Technology Manager for biochemical and pharmaceutical process engineering 1980–1986, VTT Technical Research Centre of Finland, biotech-

nical laboratory, researcher 1975–1980, Helsinki University of Technology, Senior Assistant in industrial microbiology 1974–1975

Holdings in Orion Corporation: 546,676 A-shares and 3,498 B-shares.

Vesa Puttonen, b. 1966,

D.Sc. (Econ.)

Member of the Board of Directors of Orion Corporation 2004–

Member of the Audit Committee Helsinki School of Economics,

Professor in Finance 2001–, Conventum Fund Management,

Managing Director 1999–2001, HEX Helsinki Exchanges, Senior Vice

President, Equity products and markets 1998–1999, Helsinki

School of Economics, Professor in Finance 1996–1998, Helsinki

School of Economics, Assistant Professor in Accounting and Finance

1993–1996, Turku School of Economics and Business Administration,

Associate Professor in Accounting and Finance 1992–1993,

The Academy of Finland, Project Researcher 1990–1992, University

of Vaasa, Assistant in Accounting and Finance 1989–1990.

Chairman of the Board of Enabla Ltd and JOKO Executive Education Ltd,

Member of the Board of D. Carnegie & Co Ab, Oras Ltd and Suomi Mutual

Life Assurance.

Holdings in Orion Corporation:

3,342 B.

Orion Group management

Jukka Viinanen b. 1948,

Master of Science (Chemical Engineering)

President of Orion Corporation, CEO of the Orion Group and as of 1 April,

2004 President of Orion Pharma

Before joining Orion, Jukka Viinanen made a long career in the Finnish oil and petrochemical industry.

He started in Pekema Oy as a

production engineer in 1973. Since then he held several senior line and

staff management positions in

Neste Corporation, and in 1990 he

was elected Member of the Board of Directors. In 1997–1999

Mr. Viinanen was President and

Chief Operating Officer of Neste

Corporation. Jukka Viinanen has

been President of Orion Corporation

and the Group CEO as of

16 June 2000.

Jukka Viinanen is Chairman of the

Board of Directors of Rautaruukki

Oyj and a member of the Board of

Directors of Huhtamäki Oyj.

Holdings in Orion Corporation:

6,000 Orion B-shares and Orion

B-share options: Plan 2001: 50,000.

Olli Huotari b. 1966,
Master of Laws, LL.M. in
International Commercial Law
General Counsel of the Orion Group
and Secretary of the Board of
Directors of Orion Corporation
Olli Huotari joined the Orion Group
in 1996 as Legal Counsel in the
Corporate Administration. In
1992–1995 he served as Legal
Counsel in the law firm
Asianajotoimisto Jouko Penttilä Oy.
In 1995–1996 he was Post-
graduate student in the University
of Kent at Canterbury in the UK.
Olli Huotari assumed his present
position in October 2002.
Holdings in Orion Corporation:
Orion B-share options:
Plan 2001: 12,000.

Jari Karlson b. 1961,
Master of Science (Economics)
CFO of the Orion Group and
Orion Pharma
Jari Karlson joined the Orion Group
in August 2001 as Vice President,
Finance for Orion Pharma.
Before joining Orion he worked in
Kuusakoski Group as Corporate
Controller, responsible for financial
and management accounting.
In 1990–1999 Mr. Karlson held
several positions in Genencor
International Inc.: Controller,
Director of planning for region
Europe and Asia and Director,
Finance, Europe. In 1988–1989 he
worked as a financial controller for
the Biochem division of Cultor.
Holdings in Orion Corporation:
Orion B-share options:
Plan 2001: 30,000.

Ulla Lövhölm b. 1957,
Master of Science (Econ.)
Vice President, Human Resources,
Orion Pharma; aux. resp. Corporate
VP, HR development
Ulla Lövhölm joined Orion Pharma
in 1999 as Vice President, Human
Resources. Since 2000 she has also
held a Group-level auxiliary responsi-
bility for the development of human
resources.

Ulla Lövhölm's earlier career has
progressed as follows:
In 1980–1982 she was export sec-
retary of the Panda Chocolate
Factory. In 1982–1988 she served
as management trainee, branch
manager and domestic money
market dealer at Helsinki Savings
Bank. In 1988–1994 she was
recruitment consultant at
Mercuri Urval, and in 1994–1999
human resources director of
Handelsbanken Finland.
Holdings in Orion Corporation:
160 Orion B-shares. Orion B-share
options: Plan 2001: 12,000.

Jaakko Rissanen b. 1960,
Master of Science (Biochemistry)
President of Orion Diagnostica Oy
Jaakko Rissanen joined the Orion
Group in 1990 when he started in
Orion Diagnostica as Product
Manager, Sales and Marketing,
Finland. In 1996–1998 he was
Product Manager of Business Unit
Specific Proteins. As of 1998
he was Vice President of Sales
and Marketing, Finland.
Jaakko Rissanen is Chairman of
the Association of Laboratory and
Health Care Product Suppliers
and a member of the Board of
Directors of Federation of Finnish
Commerce and Trade and Federation
of Finnish Commerce.
Holdings in Orion Corporation:
Orion B-share options: Plan 1998:
4,000 and Plan 2001: 16,000.

Pauli Torkko b. 1947,
Licentiate of Science (Business
Economics)
Executive Vice President of Orion
Corporation, The Wholesale and
Distribution Division and Mergers
and Acquisitions Unit.
Pauli Torkko joined Orion Corporation
from the position of Senior Assistant
at the Helsinki School of Economics
and Business Administration in 1977.
He started as Senior Manager for
economic planning, and from 1980
to 1983 he was Vice President,
Finance.

As of 1984, he was Executive
Vice President of Orion Corporation,
with the responsibility of Group
Finance and Administration.
In 1987–2000, Mr. Torkko was
Member of the Board of Directors
of Orion Corporation.
In his current position Mr. Torkko
has been since September 2002.
Pauli Torkko is Chairman of the
labour market committee of the
Chemical Industry Federation
of Finland. He is also a member
of the Board of Directors of Tapiola
Mutual Pension Insurance Company,
and Chairman of the Orion
Corporation Pension Fund.
Holdings in Orion Corporation:
2,232 Orion A-shares.
Orion B-share options:
Plan 2001: 40,000.

Heikki Vuonamo b. 1948,
Master of Arts (Political Sciences),
Bachelor of Science (Econ.)
Corporate Vice President,
Communications
Before joining Orion in February
2003, Heikki Vuonamo made a long
career in the Finnish financial press.
In 1976–1980 he was journalist
of Talouselämä, a Finnish weekly
business magazine. In 1980–1981
he was PR officer of Rank Xerox Oy.
In 1981 he reassumed his previous
job in Talouselämä.
The years 1985–1991 he was
Managing Editor and Editor-in-Chief
of Tietoviikko.
In 1991-2002 he was Editor-in-Chief
of Tekniikka & Talous.
Holdings in Orion Corporation:
1,333 Orion B-shares and
Orion B-share options.
Plan 2001: 8,000.

Division management

Division Management Boards

Orion Pharma

Jukka Viinanen, Chairman
Timo Lappalainen
Esa Heinonen
Markku Huhta-Koivisto
Pekka Kaivola
Jari Karlson
Riitta Vartiainen
Olli Piironen

Wholesale and Distribution

Jukka Viinanen, Chairman
Pauli Torkko
Marianne Dicander Alexandersson
Risto Kanerva
Jari Karlson

Oriola

Pauli Torkko, Chairman
Risto Kanerva
Voitto Pajulehto

Orion Diagnostica

Jukka Viinanen, Chairman
Jari Karlson
Jaakko Rissanen
Markku Tilus

Division Management Teams

Orion Pharma

Jukka Viinanen	President
Timo Lappalainen	Senior Vice President, Human Pharmaceuticals and Deputy to the President
Esa Heinonen	Vice President, Research and Development
Markku Huhta-Koivisto	Vice President, Supply Chain
Pekka Kaivola	Vice President, Global Sales
Jari Karlson	Chief Financial Officer, Finance and Administration
Riitta Vartiainen	Vice President, Specialty Products Business
Olli Piironen	QA Specialist, personnel representative

Wholesale and Distribution

Pauli Torkko	Executive Vice President, Orion Corporation
Risto Kanerva	President, Oriola Oy
Marianne Dicander Alexandersson	President, Kronans Droghandel AB

Oriola

Risto Kanerva	President
Merja Lairila	Vice President, Human Resources
Voitto Pajulehto	Vice President, Finance
Matti Lievonen	Vice President, Pharmaceutical Distribution
Jukka Niemi	Vice President, Pharmacy and Retail
Marita Salo	Vice President, Legal Affairs
Senja Tynkkynen	Vice President, Dental
Ilari Vaalavirta	Vice President, Healthcare and Research
Harri Hirvonen	Warehouse worker, personnel representative

Kronans Droghandel

Marianne Dicander Alexandersson	President
Ove Käll	Senior Vice President, Production & Logistics
Thomas Gawell	Chief Financial Officer
Kari Finnskog Cardelli	Chief Information Officer
Gerth Forlin	Manager, Quality and Risk Management
Annika H Alström	Manager, Communication/PR
Michael Lang	Manager, Market Development

Orion Diagnostica

Jaakko Rissanen	President
Markku Tilus	Senior Vice President, Business Administration
Sirkku Holttinen	Vice President, Operations
Markus Sivonen	Vice President, Sales
Paul Mundill	Vice President, R&D
Jukka Nykänen	Vice President, Marketing
Anne Heikkilä	Laboratory assistant, personnel representative
Marjo Miettunen	IT support person / laboratory assistant, personnel representative

Corporate Administration

Jukka Viinanen	President, Group CEO
Jari Karlson	Chief Financial Officer, Finance and Administration
Elina Penttilä-Räty	Accounting Manager
Sirkku Markula	Corporate Treasurer
Olli Huotari	General Counsel
Reima Nyman	Senior Manager, Corporate Internal Audit
Heikki Vuonamo	Corporate Vice President, Communications
Anne Allo	Vice President, Investor Relations
Ulla Lövhholm	Corporate Vice President, Human Resources Development (aux.resp.)

Orion Corporation
Orionintie 1 A, 02200 Espoo
P.O. Box 65, FI-02101 Espoo, Finland
Tel. +358 10 4291
Business Identity Code FI 01122835
www.orion.fi