



ORION

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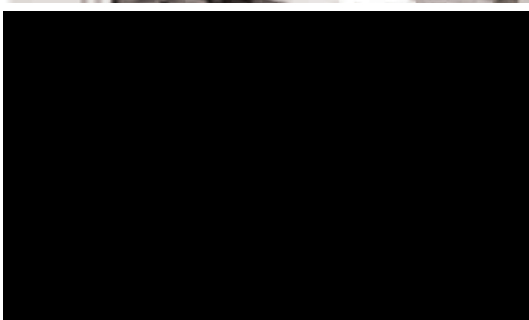


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Financial Statements 2005; see separate publication

All figures in the Financial Statements have been rounded, and therefore the sum total of individual items may differ from the sums added up.





Orion Pharma's Drug Safety Unit employs 30 pharmaceutical experts. In their work, Maria Hakasalo, Head of Department and Antti Miettinen, Drug Safety Coordinator, evaluate the safety data accumulated on human and veterinary medicines as well as the impact of that information on drug safety.

Review by the CEO



2005 will go in the Orion annals as a particularly outstanding year. In December, the shareholders decided to demerge Orion into two separate listed companies, with one focusing on the development, manufacture and marketing of pharmaceuticals and diagnostic tests, and the other on the wholesale and distribution of pharmaceuticals and trade in healthcare equipment and supplies. We will thus be able to list two new competitive companies on the Helsinki Stock Exchange, both with excellent prospects for the future.

Another significant achievement in 2005 was the record-breaking operating profit. As in the previous year, it was a result of growing sales, successful cost management and the capacity of Orion's personnel to stretch to splendid results. Shown by Orion Pharma, in particular, this type of excellent performance called for great effort both in maintaining the domestic market position and in conquering additional market shares for Orion in international markets. Especially the entacapone product family, Stalevo® and Comtess®/Comtan®, continues as a strong driver of the company's sales.

In line with the adopted strategy, the focus of Orion's research activity was on non-clinical research although important steps were also taken in the clinical research phases. Hundreds of patients have been recruited for the Stride-PD programme on entacapone, and results from their treatment and follow-up are anticipated in 2008. The Phase 2 trials on orally administered levosimendan have progressed ahead of expectations. Including the new molecule, arcarine, which is now in the clinical Phase 1, Orion's R&D has promising and interesting compounds in the pipeline.

The results of the Phase 3 studies with Simdax®, conducted by Abbott Laboratories and reported in November, have also been of great interest. Abbott is continuing its analysis of the data.

On a global scale, year 2005 was not the most favourable in view of the introduction of new medicines. The total number of marketing authorisations granted by the EU and US regulatory authorities for new pharmaceutical compounds was 41, compared with 64 in the previous year. The increasingly stringent screening of new drug applications by the authorities causes significant additional expenses for the pharmaceutical companies involved in R&D. The withdrawals of new products from markets have not made it easier for the regulatory authorities to evaluate and approve research data.

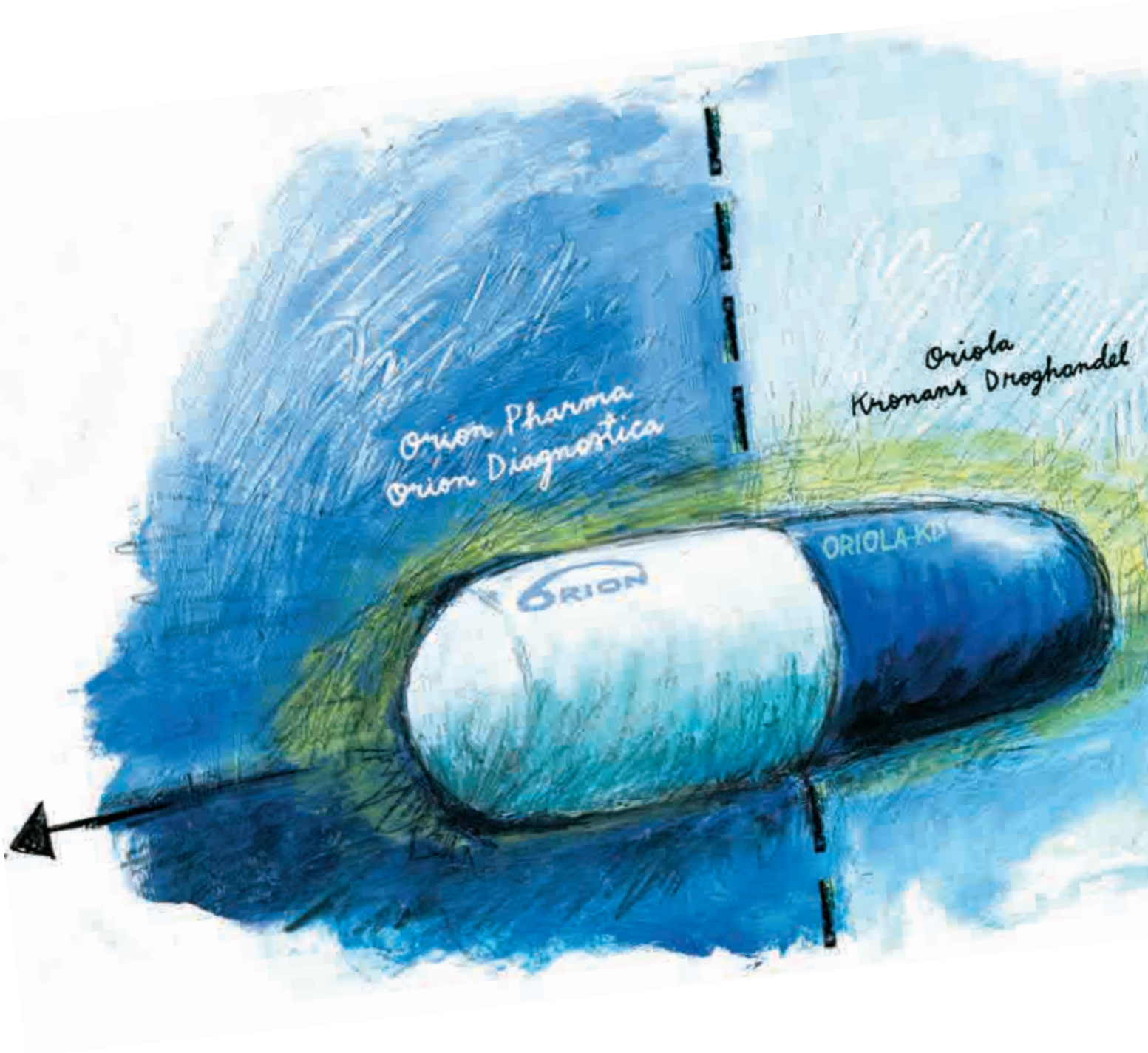
In Wholesale and Distribution, the past year was characterised by heavy competition for the market shares both in Sweden and in Finland. Some market share was lost in Finland. In Sweden, KD maintained all existing relationships with its principals, but the company's profitability suffered from the competition. KD's performance improved towards the end of the year, however, as the Swedish pharmaceutical wholesale market started to pick up. Oriola's profitability remained at the previous year's level, and was very satisfactory.


Orion Diagnostica implemented a programme to rationalise its production, which resulted in the closing down of the Oulunsalo plant and the transfer of its operations in Turku. The transition ran smoothly and according to the timetables. Orion Diagnostica's operating profit remained good despite the additional expenses incurred for the measures.

All in all, Orion can be very happy with the year 2005, not only in terms of financial performance but also as an enterprise in general. I have enjoyed working with such good colleagues in a well-functioning and profitable company.

JUKKA VIINANEN
President and CEO

Demerger will produce two strong companies





In the beginning of July 2005, Orion Corporation (Orion Oyj) will demerge into two separate listed companies. The “New” Orion Corporation will focus on the development, manufacture and marketing of pharmaceuticals and diagnostic tests while Oriola-KD Corporation (Oriola-KD Oyj) will concentrate on pharmaceutical wholesales and the distribution of healthcare supplies and materials. The demerger will prepare the way for the creation of two separate companies with quite divergent businesses but with the shared mission of serving healthcare professionals.

Orion’s Extraordinary General Meeting of December 2005 approved the demerger plan. After the demerger, the two companies will constitute clear and distinct entities focusing on their particular core areas. One of the major reasons for the exercise of this magnitude was to allow for an easier evaluation and transparency of the operations of the two companies. The increased transparency is particularly welcomed by finance analysts.

New Orion will focus on research

The new companies will concentrate on their own particular business areas which makes it possible for them to focus all management and financial resources on the core businesses. New Orion will be able to avail of the competence and experience in the development, production and marketing of pharmaceuticals, accumulated by Orion Pharma over almost 90 years of operations. Orion Pharma has a strong foothold of the Finnish market with its ten percent market share in terms of sales statistics quoted in euros.

Orion's demerger



The Extraordinary General Meeting of 19 December 2005 adopted the demerger plan for Orion. The planned time for demerger implementation is 30 June 2006 when the incorporations of new Orion Oyj and Oriola-KD Oyj will enter into force and Orion will cease to exist. The business of the new Orion Group will comprise the existing Orion Group divisions Orion Pharma and Orion Diagnostica while the Oriola KD Group will be constituted by Oriola Oyj ("Oriola") and Kronans Droghandel AB ("KD"), the companies and respective subsidiaries belonging to the Wholesale and Distribution division of current Orion Corporation.

For further information about the demerger, please read www.orion.fi

New Orion will also become Finland's largest research-oriented pharmaceutical company if measured by the annual R&D investment as well as the number of staff involved in research operations. Over the past 20 years, Orion Pharma's in-house research has developed seven proprietary pharmaceuticals currently marketed worldwide.

In diagnostics, new Orion will have solid state-of-the-art competence in infectious diseases, hormones, specific proteins and bone metabolism.

New independent Oriola-KD

Oriola-KD has a long history and convincing track record in pharmaceutical distribution and marketing of healthcare supplies and products. Oriola has been involved in pharmaceutical wholesales as of 1948 and KD since 1907.

An important competitive edge is provided by Oriola-KD's considerable market share in pharmaceutical distribution and wholesales, sectors where cost-efficiency calls for large volumes. Cost-efficiency and reliability of the logistics system is also enhanced by sharing Oriola's and KD's best practices and leveraging on their synergies.

The service concept of healthcare logistics can be utilised in a cost-efficient manner to comprise the products of the two business lines of the company. Cost benefit is also derived from the fact that the two business areas share a partly overlapping clientele.

Operating as an independent company, Oriola-KD can focus on implementing its own strategy, and choose the most suitable operating and management model for a company specialised in the wholesale of pharmaceuticals and other healthcare products whereby the management can dedicate its full attention to the development of the operations and added value services and to the exploitation of the growth potentials in the healthcare sector.

Oriola-KD's operative freedom and its strong balance sheet in comparison to the sector in general enable the company to grow both organically and through corporate acquisitions. The company's experience in business integration makes it increasingly prepared to be actively involved in the restructuring of the entire sector.

Alternatives for shareholders

The demerger does not require any practical arrangements from the Orion Corporation owners. Shareholders with existing shares in the Orion Corporation will receive the same number of similar shares in the new companies. For example, if the shareholder owns one hundred Class B shares of Orion Corporation, he or she will receive 100 B shares in the new Orion Corporation and in Oriola-KD.

The demerger will provide the shareholders with more options: shareholders can concentrate their ownership in only one of the new listed companies, or choose to have shares in both of them.

Key figures of the Orion Group

EUR million	2005	2004	Change %
Net sales	1 901.8	1 946.2	-2.3
Operating profit (EBIT)	181.1	132.2	+37.0
% of net sales	9.5%	6.8%	
Profit before taxes	180.0	130.2	+38.3
% of net sales	9.5%	6.7%	
R&D expenses	79.5	77.9	+2.1
Capital expenditure	33.4	28.0	+19.3
% of net sales	1.8%	1.4%	
Balance Sheet total	1 136.8	1 135.5	+0.1
Equity ratio, %	52.6%	43.6%	
Gearing, %	-17.8%	2.8%	
Interest-bearing liabilities	56.0	120.6	-53.5
Non-interest-bearing liabilities	499.0	535.2	-6.8
Cash and cash equivalents	159.5	106.9	+49.1
Earnings per share, EUR	0.95	0.68	+40.2
Diluted earnings per share, EUR	0.94	0.68	+39.0
Equity per share, EUR	4.06	3.43	+18.6
Market capitalisation, EUR million	2 169.7	1 595.1	+36.0
ROCE (before taxes), %	29.9%	21.0%	
ROE (after taxes), %	24.9%	16.7%	
Personnel at the end of the period	4 534	4 549	-0.3

Personnel of the Orion Group 31 December 2005

	12/2005	12/2004	Change %	Breakdown 2005 %
Orion Pharma	2 665	2 643	+0.8	59
Orion Diagnostica	304	318	-4.3	7
Wholesale and Distribution	1 530	1 554	-1.5	33
Oriola	(1 100)	(1 089)	+1.0	(24)
KD	(430)	(465)	-7.5	(9)
Corporate Administration	34	34		1
Group total	4 534	4 549	-0.3	100





Pirjo Rajala, Registration Affairs Manager and Harri Salonen, Publishing Specialist are in charge of Orion Pharma's international registrations. New marketing authorisation applications call for hundreds of binders of documentation to be sent to the regulatory authorities. The eCDT, or the electronic form of the Common Technical Document, is not yet enough.

Strong ascendancy

Orion Group specialises in products for the healthcare. The Group units, Orion Pharma, Orion Diagnostica and Wholesale and Distribution, have a shared clientele consisting of healthcare professionals.

Orion focuses on services for physicians, pharmacies, hospitals, healthcare centres, clinics and their customers, as well as other healthcare professionals. Orion's businesses are customer-driven, efficient and profitable as well as characterised by excellent quality.

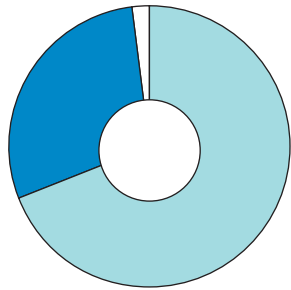
The Group fields of operation include:

- pharmaceuticals (research, development, manufacturing and marketing)
- diagnostic tests (development, manufacturing and marketing)
- wholesale and distribution of medicines and healthcare products, marketing of healthcare products

Orion Pharma is a North European pharmaceuticals company with special emphasis on developing innovative medication for global markets. Operationally its businesses comprise Proprietary Products, Specialty Products, Animal Health and Fermion, the division involved in active pharmaceutical ingredients. The R&D and product strategies are focused on central nervous system disorders, cardiovascular diseases and intensive care as well as hormonal replacement therapies and urology.

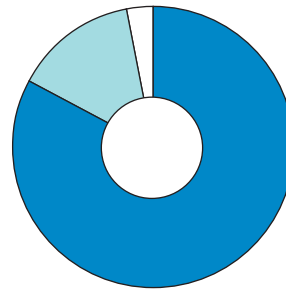
Partnerships and networking are increasingly important both in R&D and in the global commercialisation of the products.

Orion Group net sales by business segments 2005



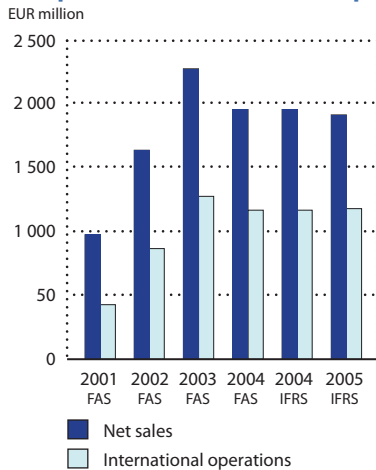
Wholesale and Distribution 69%
Orion Pharma 29%
Orion Diagnostica 2%

Orion Group operating profit by business segments 2005



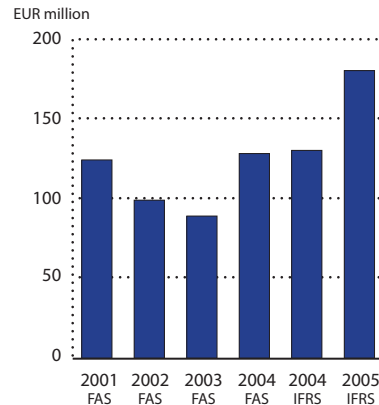
Orion Pharma 83%
Wholesale and Distribution 14%
Orion Diagnostica 3%

Net sales and international operations of the Orion Group



Net sales
International operations

Orion Group profit before taxes



Orion Diagnostica aims to become a leading company in selected areas of point-of-care testing. It combines its know-how with the changing market needs and offers novel, cost-efficient, easy-to-use and reliable clinical diagnostic and hygiene test systems. Orion Diagnostica develops, manufactures and markets in vitro diagnostic tests and test systems. It focuses on point-of-care testing, used by physicians and healthcare nurses at doctor's offices and small-scale laboratories. The leading brand in the product portfolio is QuickRead®.

The **Wholesale and Distribution** units **Oriola** and **KD** (Kronans Droghandel) are service providers linking the pharmaceutical and healthcare product manufacturers with pharmacies and other healthcare professionals in the Nordic and Baltic countries.

Oriola focuses on the sale and distribution of medicines in Finland and the Baltic countries as well as on the marketing, sales and distribution of healthcare products in Finland, Sweden, Denmark and the Baltic countries. KD is mostly involved in pharmaceutical distribution and sales in Sweden.

Both Oriola and KD operate in a profitable, quality-oriented and reliable manner in the best interest of their principals.

World's pharmaceutical market growth will slow down

The global sales of human pharmaceuticals continue to grow, although slightly slower than in the previous years.

According to IMS Health, the value of the global pharmaceutical market will be 640–650 billion US dollars in 2006, six or seven percent up from 2005. The growth has been contained by the decision to cut medicine prices taken by various countries and authorities as well as the expiration of the patents of several major products. The generic substitution enacted through legislation has also curtailed the growth in some countries.

The Finnish medicine prices were cut by five percent as of the beginning of 2006.

Compared to other countries, Finnish healthcare expenditure remains quite reasonable, or seven percent of GNP in 2005. In the US, the healthcare expenditure accounts for 15 percent of GNP. The share of pharmaceuticals of the overall healthcare expenditure has also remained fairly constant. In Finland, their share is slightly under 15 percent of the total healthcare expenditure. Medicines play a vital role for public health. Medicines can prevent and cure diseases, alleviate their symptoms as well as improve people's quality of life and shorten their hospitalisation times, thus decreasing the overall healthcare expenditure.

According to the Suomen Lääkedata Oy statistics, the value of the Finnish pharmaceutical market amounted to EUR 1,738

million in wholesale prices which is seven percent higher than in the previous year. The sales of prescription medicines grew by 6.2 percent to EUR 1,537 million while that of self-care medicines by 13 percent to EUR 201 million.

The growth of the pharmaceutical market was mainly due to the non-substitutable prescription medicines which grew by a fifth.

Orion Pharma's share of the Finnish pharmaceutical market was about 10 percent. However, in terms of medicine packages sold, Orion Pharma accounts for 29 of the Finnish pharmaceutical market. In fact, the company's offer includes about 250 products delivered efficiently, reliably and accurately. A significant share of the prescription drugs are included in the generic substitution regime and their price is set within the so-called price corridor. Orion Pharma is the distinct market leader in self-care medication in Finland.

Globally, the pharmaceutical industry is very fragmented. Owing to the major corporate acquisitions in the past few years, the largest companies, however, control an increasing share of the total market.

The world's largest pharmaceutical company accounts for almost 10 percent of the overall market while the combined share of the ten largest companies is about 48 percent and the

Net sales of Orion Group by geographic segments

EUR million	2005	2004	Change %	Breakdown 2005 %
Finland	727.5	785.6	-7.4	38
Scandinavia	822.8	846.5	-2.8	43
Other Europe	265.9	214.7	+23.9	14
North America	52.5	62.4	-15.9	3
Other markets	33.1	37.1	-10.6	2
Group total	1 901.8	1 946.2	-2.3	100

Market overview

The sales development in the big 13

Selected top 13 12/2004–11/2005	USD bn	Growth, %	Share of total, %
North America	193.7	+5	53
Europe top 5	90.2	+3	25
Japan	60.7	+6	17
Latin America top 3	16.2	+21	4
Australia and New Zealand	5.7	+5	1
Selected top13 total	366.4	+5	100

During the rolling 12-month period between 12/2004 and 11/2005, the sales in these countries grew by 5% from the corresponding period 11/2003–10/2004 to about USD 366.4 (346.1). The US stood for about 50% of the total. IMS Health anticipates that the growth will continue in 2006 at the rate of 6–7 percent, with the global sales totalling USD 640–650 billion.



hundred largest about 85 percent. Orion Pharma does not rank among the top-hundred companies by size. However, Orion Pharma has achieved an important position in the Nordic countries, Germany and Great Britain in its selected markets.

Pharmaceutical wholesales are more concentrated, but still there are no globally operating wholesaler groups. So far, the US pharmaceutical wholesalers have not landed in Europe. On the other hand, Europe has a few large multinational wholesalers which are mainly British and German. Through a subsidiary, one such wholesaler operates in Finland and in Sweden.

There are several companies involved in the development and manufacture of diagnostic tests, some with a very narrow focus of specialisation. For this reason the diagnostic test market is very fragmented. Moreover, there are some large-scale companies present in the market.

Comtan and Stalevo, Orion Pharma's Parkinson's disease medicines are doing very well in Germany. According to Doctor Rudolf Töpfer, Professor of Neurology at the Harburg general hospital, Orion Pharma plays a key role in neurology.





Towards the end of 2005, Orion Pharma started a project to give its generics packages an uplift. Sanna Lindberg is the graphic designer charged with the task to create packages that meet the requirements of the regulatory authorities in each country. The first medicine to have a new package designed by Sanna is the antidepressant Sertraline.

KEY FIGURES

Orion Pharma EUR million	2005	2004	Change %
Net sales	547.0	515.5	+6.1
Operating profit	154.7	108.5	+42.5
Sales revenues from original proprietary products	227.2	194.1	+17.1
Personnel at year's end	2 665	2 643	+0.8



A dispatch of Burana ready to go to Finnish pharmacies.

Orion Pharma's Proprietary Products

Comtess®/Comtan®, Stalevo® (entacapone)

Central nervous system diseases

Simdax® (levosimendan)

Severe heart failure

Indivina®, Divina®, Diviseq® and Divigel®

Menopausal hormonal replacement

Precedex® (dexmedetomidine)

Sedation for patients in intensive care

Fareston® (toremifene)

Breast cancer

Domosedan® (detomidine), Domitor® (medetomidine) and their antidote, Antisedan® (atipamezole)

Animal sedatives

Growth boost from own innovations

The Orion Corporation division focusing on pharmaceutical industry and the largest pharmaceutical company in Finland, Orion Pharma plays a major role for Finnish public health. Orion Pharma's net sales amounted to EUR 547 million in 2005.

Orion Pharma's business operations are carried out in four business areas: Proprietary Products, Specialty Products, Animal Health and Fermion.

Orion Pharma's operating profit was EUR 154.7 million, or 28.3 percent of its net sales. The good financial performance of the division is mainly attributable to the increase in international sales of its proprietary products.

Orion Pharma is the largest Finnish pharmaceutical exporter. In 2005, two thirds of its net sales were generated by international sales either through the company's own sales company network or its partners. Orion Pharma sells its products to over one hundred countries.



Jukka Viinanen
President of Orion Pharma

In its Proprietary Products business, Orion Pharma focuses on the development of innovative treatments based on in-house R&D and marketed internationally. As a result of over twenty years of focused research operations, Orion Pharma has introduced as many as seven proprietary pharmaceuticals which accounted for 42 percent of the division's net sales.

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 hormonal therapies and urology.

Orion's proprietary products, the Parkinson's disease medicines Stalevo® and Comtess®/Comtan® have done particularly well, with the sales increasing rapidly. These products accounted for about 27 percent of Orion Pharma's net sales in 2005.

In line with its strategy, Orion Pharma's pharmaceutical research is focused on the first parts of the R&D process, the preclinical tests and phase I and II clinical trials.

Towards the end of the clinical trials with patients, or in Phase III, Orion Pharma looks for a partner to share the risks and costs associated with the trials involving as many as

**ORION PHARMA'S NOVELTIES
INTRODUCED IN 2005 IN FINLAND**

Over-the-counter, medicines

Ketorin 2,5% gel, locally administered anti-inflammatory analgesic gel, 30g and 60g

Burana Pocket, anti-inflammatory analgesic, 400mg, in a travel box of 5 tablets

Burana 400mg, anti-inflammatory analgesic, 5 tablets

Over-the-counter, products

Sebamed Anti-Dry Wash Emulsion

Sebamed Anti-Dry Body Lotion

Sebamed Anti-Dry Day Cream

Sebamed Anti-Dry Night Cream

Sebamed Baby Skin Care Oil

Sebamed Baby Cleansing Wipes

Sebamed Baby Bubble Bath

Aqualan Plus, basic cream 30g and 100g

Favora, sunscreen gel, 50ml and 150ml

Raketti Glukoosi, glucose drink for normalisation of blood sugar, 10 sachets of 5g

Prescription products

Sertraline Orion, antidepressant, 50mg and 100mg, in packages of 30 or 100 tablets

Amlodipine Orion, blood pressure, 5 ja 10mg, 28 or 98 tablets

Histec, antihistamine for allergy, 10mg, 30 or 100 tablets

Fluconazole Orion, for yeast and fungal infections, 2mg/ml, 100ml

Glucosamine Orion, osteoarthritis, 400mg, 100 or 300 tablets

Enantone Depot Set, for the treatment of prostate cancer in men as well as endometriosis and myoma of the uterus in women, injection of 375 and 11.25mg

Name of medicine followed by: indication, dosage strength and number of tablets in package



thousands of patients, and to facilitate the introduction of the product into global markets.

These research partners will also market the finalised medicines in collaboration with Orion. For example, Orion's Parkinson's medicines Stalevo and Comtan are marketed by the Swiss company Novartis in areas with no Orion Pharma sales network. The US-based Abbott Laboratories markets Simdax®, Orion Pharma's medicine for severe heart failure in various countries while Orion Pharma is in charge of the marketing in the Nordic countries and Russia. Today the medicine is marketed in over 40 countries.

The development of a new proprietary medicine takes about 10 to 12 years, and the basic patent will remain in force for 20 years. According to international estimates, the average cost for developing a new medicine is in excess of EUR 800 million.

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

In the price corridor – with reliable deliveries

The Specialty Products business markets all other medicines except the proprietary products. The unit's portfolio includes generics, self-care products as well as hospital and licensed preparations. These products are marketed mainly in Finland but increasingly also in the countries with an Orion Pharma sales company. Orion Pharma manufactures also most of these products, and they account for about 40 percent of the division's net sales.

In terms of net sales, Orion Pharma ranked second in Finnish pharmaceutical sales of medicines in 2005, and its

10 best-selling brands of Orion Pharma, net sales 2005

EUR million	2005	2004	Change %
Stalevo (Parkinson's disease)	74.7	41.7	+79.2
Comtess/Comtan (Parkinson's disease)	70.6	73.9	-4.5
Domitor, Domosedan and Antisedan (animal sedatives)	26.0	25.0	+4.0
Burana (inflammatory pain)	17.4	14.1	+23.4
Divina-series (menopausal symptoms)	16.2	18.8	-13.9
Simdax (heart failure)	13.7	10.7	+28.8
Enanton (prostate cancer)	13.6	13.3	+1.7
Easyhaler (asthma)	10.9	12.0	-8.9
Fareston (breast cancer)	10.7	8.9	+19.7
Calcimagon (osteoporosis)	10.2	10.5	-2.7
Total	264.0	228.9	+15.3
Share of total net sales	48%	44%	

market share of human medicines was about ten percent. Orion Pharma's Finnish portfolio comprises about 250 products.

A significant number of Orion Pharma's prescription medicines are included in the Finnish generic substitution system, and they are priced to fit into the so-called price corridor. This is a guarantee for Orion Pharma's pharmaceuticals being reasonably priced and reimbursable through the Finnish health insurance system. Medicines are readily available and they are delivered reliably and accurately.

Finnish wholesale prices of pharmaceuticals are the second lowest in Europe. Towards the end of 2005, the Ministry of Social Affairs and Health decided to further cut the medicine wholesale prices by five percents as of 1 January 2006.

Orion Pharma also has a wide offer of self-care medicines and products sold without prescription. In the self-medication group, the best selling Orion Pharma products are the painkillers, skin care preparations as well as vitamins and nutrition additives. The best performing and constantly growing painkiller is Burana, with a name that is today almost a synonym of painkiller. Intended for self-care use, the Orion basic cream product family was complemented with the Aqualan Plus cream. The skin care product lines Aqualan and Hydrocortison are Finnish consumers' perennial favourites while Multivita is number one in the vitamin and nutrition additive group.

Orion Pharma's whole self-care product range is presented at www.itsehoitoapteekki.fi

Animal Health worldwide

Orion Pharma is the second largest company in the Nordic veterinary medicine market. Orion Pharma develops and markets veterinary medicines and OTC products for the domestic and international markets. The product portfolio comprises both Orion's own preparations and foreign principals' products sold on license. In 2005, the Animal Health unit generated about 11 percent of Orion Pharma's net sales.

In fact, the first Orion Pharma original preparations were animal sedatives. Domitor®, Domosedan® and the antisedative Antisedan® are marketed worldwide, with the sales in rapid growth.

The growth of Orion Pharma is further boosted by an agreement signed with the world's largest pharmaceutical manufacturer Pfizer. Orion Pharma markets all Pfizer's animal drugs in Scandinavia while Pfizer markets Orion Pharma's animal sedatives globally.

Orion Pharma's subsidiary Fermion produces the active ingredients of all Orion Pharma's proprietary pharmaceuticals. The production facilities are situated in Hanko and Oulu while laboratories are in Espoo. The rapid growth in the sales of Orion Pharma's Parkinson's medicines has also had a favourable impact on Fermions operations.

Fermion also produces pharmaceutical substances for several other pharmaceutical companies. Besides the Group company products, the production portfolio comprises about 20 substances for other companies, such as the cancer drugs methotrexate and azathioprine as well as the antianxiety drug buspirone.

Orion Diagnostica

Diagnostica Orion Oy
P.O. Box 100, FIN-00010, Helsinki, Finland

CAT NO **67359**

NAME **ADENOLEX KIT 20 TESTS**

LOT NO: **1788701**

EXP DATE **2006-08-31**

PCS **45**

TO BE STORED AT **+4 °C**





Orion Diagnostica's export dispatch department sends products to over 60 countries. The correct temperature must be clearly indicated in the boxes before their dispatch as most products require refrigerated transport.

Laborants Reija Talsi and Sirpa Saleva of Orion Diagnostica's quality assurance are checking and testing the QuikRead products before they are delivered to the customers.



KEY FIGURES

Orion Diagnostica EUR million	2005	2004	Change %
Net sales	40.8	39.4	+3.4
Operating profit	6.3	5.8	+8.3
Personnel at year's end	304	318	-4.3

Results with diagnostic tests

Orion Diagnostica Oy's R&D operations focus on point-of-care and rapid diagnostic tests. Proprietary products account for over 80 percent of the company's net sales.

Orion Diagnostica Oy will be part of the new listed Orion Corporation starting operations as of the beginning of July 2006. Both the net sales and operating profit showed a favourable development in 2005. Orion Diagnostica's product offer is spearheaded by the QuikRead® test system products for the use of physicians and healthcare nurses at doctor's offices and small-scale laboratories. The test system continues to have great market potentials despite its long presence in the market.

Today widely marketed in global market, the first application of the QuikRead test system was the easy-to-use and rapid QuikRead CRP test for the measuring of C-reactive Protein content in blood samples. Increased CRP indicates the presence of a bacterial infection in the body.



Jaakko Rissanen
President of
Orion Diagnostica Oy

Recent important diagnostic novelties include the UniQ® collagen tests for bone metabolism assays. In 2005, the US drug regulation authority FDA authorised the sales of UniQPINP, a biochemical test which can be used, for example, for the follow-up of the treatment of postmenopausal osteoporosis.

Hygiene tests constitute another important product group. Used widely in business and industry, the tests are utilised to monitor the hygiene level of food industry production lines or restaurants. The major brands in this product group are Hygicult® and Easycult®.

In the past few years, Orion Diagnostica has invested heavily in the point-of-care and rapid test product families. To increase the efficiency of its operations, the Orion Diagnostica transferred the production of the Oulunsalo plant to Turku. All Orion Diagnostica products are manufactured in Finland by the Espoo and Turku units, while 80 percent of the company's net sales are generated by exports to global markets.

The company's quality management system has been certified according to ISO 9000 as of 1995, and in 2005 the company was awarded the ISO 13485 certificate for its quality management system which also meets the requirements of the Chinese authorities.



The success factors of the healthcare product business include competence in client relationship management and business substance. Efficient services, safe and reliable deliveries and quality also play a decisive role. Oriola's professionals from the Wholesale and Distribution division (from the left): Raija Hamarila, Forwarder; Timo Alén, Product Manager responsible for dental care machinery and equipment; Matti Suikkala, "doctor", Head of Department for imaging products; Virve Herranen, "patient", Purchaser of dental care products; Mikko Surakka, Sales Manager for pharmacy and retail trade; Anna-Leena Grönqvist-Hulbekkmo, Warehouse Manager; Niina Ahlroth, Sales Assistant for primary care products for healthcare and research; Saija Laine-Ylijoki, Nutrition Expert of Reformikeskus; and Kim Vuori, Product Representative for imaging.



The wholesale group serves the healthcare professionals

Orion's Wholesale and Distribution Division comprises Oriola Oy and Kronans Droghandel AB (KD) which are Finland's and Sweden's leading pharmaceutical wholesalers and distributors. Moreover, Oriola markets healthcare supplies and products in Finland, Sweden, Denmark and the Baltic countries.



Pauli Torkko
Executive Vice President of Orion Corporation, Head of Wholesale and Distribution until 2 January 2006



Eero Hautaniemi
President and CEO of Wholesale and Distribution as of 2 January 2006



Risto Kanerva
President of Oriola Oy



Marianne Dicander Alexandersson
President of Kronans Droghandel AB

Orion Corporation owns 100 percent of Oriola and about 69 percent of KD. Through the demerger of Orion Corporation in July 2006, the Wholesale and Distribution division will become an independent listed company Oriola-KD, with its head office in Espoo. **Eero Hautaniemi** is the President of Orion's Wholesale and Distribution division as of the beginning of 2006.

Oriola and KD market and sell medical devices, healthcare supplies, herbal medical products, functional foods as well as services related to the management of goods, information and capital flows. The business of the companies is divided into three areas according to the various healthcare sectors: Pharmaceutical distribution and wholesales, Dental care, as well as Healthcare and research.

Pharmaceutical distribution and wholesales

Oriola-KD's pharmaceutical distribution and wholesale clientele comprises both pharmaceutical producers and importers which are its principals in product sales, as well as pharmaceutical distributors and end users, in other words pharmacies, hospitals, healthcare stations and other healthcare actors. In 2005, the value of pharmaceutical wholesales was about EUR 1.6 billion in Finland, EUR 2.6 billion in Sweden and almost EUR 600 million in the Baltic countries. Between 2000 and 2005, the pharmaceutical wholesale market calculated in wholesale prices grew in each country. The average annual growth was 9 percent in Finland, 4 in Sweden and 15 in the Baltic countries.



KEY FIGURES

Wholesale and Distribution

EUR million	2005	2004	Change %
Invoicing	2 392.2	2 464.3	-2.9
Operating profit	26.9	27.2	-1.1
Personnel at year's end	1 530	1 554	-1.5

Microfile model-BP3BTO-A, is sphygmomanometer, or a blood-pressure measuring device for both professional and home use.

In Finland, there are about 600 privately owned pharmacies and their 200 subsidiary pharmacies. The Swedish state-owned pharmacy monopoly Apoteket AB has about 960 pharmacy outlets. The Baltic pharmacies are privately run, and the law also allows permits pharmacy chains.

Contrary to other European countries, the Finnish and Swedish pharmaceutical wholesale system is characterised by the so-called one-channel system whereby the pharmaceutical manufacturer buys the distribution services for the entire product range from one single wholesaler. The Swedish one-channel system is dictated by the authorities while the Finnish regime is based on agreements between the two distribution parties. The wholesalers in the Baltic countries distribute pharmaceuticals of all manufacturers present in the market. In 2005, Oriola-KD's share of the Finnish pharmaceutical distribution market was 42 percent while the corresponding share was 48 in Sweden and 4–5 percent in the Baltic countries. The Finnish market consists of preparations manufactured or imported by 120 companies, while the number of principals in Sweden is 160. Oriola-KD's distribution services are used by over 60 pharmaceutical marketers in Finland and over 70 in Sweden.

Oriola-KD also sells and markets herbal medicinal preparations, functional foods, non-regulated goods and supplies as well as certain specialty products to pharmacies, organic product and health food stores as well as to grocery and sports stores. Many of these products are Oriola's own trademarks.

Dental care

The dental care business involves the sales and marketing of equipment, devices and supplies to dentists and dental laboratories. With a market share in excess of 50 percent, Oriola-KD is Finland's leading full-service dental supplies company. The market share is 24 percent in the Baltic countries, 14 in Sweden and 3 in Denmark.

Healthcare and research

The clientele consisting of hospitals and primary healthcare units, this business area sells and markets products needed for medical procedures and treatment as well as medical imaging. Besides healthcare units, the laboratory products are also marketed to industry and research institutions. In Finland, Oriola is the unquestionable market leader in the medical device and supplies business while its share of the hospital and laboratory supplies market is about 14 percent.

In Sweden, Oriola also takes care of the goods logistics for certain hospitals, and distributes healthcare products in selected geographical areas.

Efficient and quality-oriented client management

Besides efficiency, reliable and accurate deliveries and quality, excellent client relationship management and healthcare supplies market competence are the core factors which play a decisive role for the profitability of the business. Cost-efficient information technology and goods logistics are key for competitiveness.

Orion returns to its roots

Orion's operations started in 1917 with the incorporation of Osakeyhtiö Orion.



Pharmacist Albin Koponen of Nurmijärvi established Finland's very first pharmaceutical factory, later acquired by Orion. The early 20th century photo shows him presenting his invention, a distillation apparatus for herbal extracts.

Today's Orion dates back to Osakeyhtiö Orion founded in 1917 by **Onni Turpeinen**, PhD, together with **Emil Tuurala**, pharmacist and **Wikki Walkama** who also had a degree in Pharmacy. Orion's history is characterised by clearly distinguishable periods: creation, growth, expansion into various branches, concentration and internationalisation.

The original business idea of the company was to “manufacture, sell and trade in chemicals as well as in substances needed for medication and hygienic purposes”. A new company on the market, Orion had to face the competition and prove its intentions to those who doubted them. The Finnish pharmaceutical industry was only just taking its first steps. 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 Kruununuhaka, Helsinki.

The company started by manufacturing 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. Right from the beginning, Orion was interested in product development, and the operations expanded in 1934 as Orion moved to new premises.

The war years strengthened the new pharmaceutical plant in Vallila had recently been opened, and was extended several times during this period. In 1933 Professor Erkki Leikola stepped in and became Orion's President, making a valuable contribution for Orion's success. Orion overcame its initial difficulties,

showing its full potential to competitors and cynics. The intensive and hardworking efforts were rewarded, and just a few years later – in 1938 – Orion was already Finland's largest pharmaceutical company. The heavy war years strengthened Orion's position in pharmaceutical manufacturing, and when peace finally came, the general spirit at Orion was “if we made it through the war, we can make it through anything.”

Orion was a multibranch company

After the difficult war years, Orion conquered several new fields of industry. Exports also started to grow gradually. In 1953 Finnish authorities tried to control the country's balance of foreign trade by curtailing imports. Finnish pharmaceutical industry and its production was fully dependent on imported materials and suffered from raw material shortage. Despite the difficulties, Orion launched 44 new products in that same year, whilst eliminating less important products from its selection.

During its long history, Orion has been involved in many different industries, besides healthcare. In 1955–1993, the Group included the food manufacturer Chymos Oy, a company started in



Penicillin production at the Orion Helsinki factory in the early 1940s. A new synthetic penicillin was developed by Orion in 1966-1970.



Old labels.

Mrs. Hilda Tammenoksa's home kitchen where the family was involved in berry-juice production under the energetic mother. In 1971–1999 Orion also had a metal industry participation. It acquired the Peltosalmi Konepaja, a manufacturer of agricultural and forestry machinery. The company was merged into Orion and re-named Normet, a name that could also be pronounced by the actors in the export markets. In the 1960s and 70s, the company also included the chipboard factory Tiwi, former Varissaaren Puu ja Metalli Oy.

But Orion has always been Orion at heart

In 1935, the company's name was changed into Lääketehtas Orion Oy, a name that served the company's pharmaceutical operations until 1970 when it became Orion-yhtymä Oy after complex merger and corporate acquisition arrangements. From December 1997 to March 2004, the company's Finnish corporate name was Orion-yhtymä Oyj, and on 1 April 2004 it was shortened to Orion Oyj. May 1995 saw the first public listing of Orion Corporation in the Helsinki Stock Exchange. After the demerger of Orion in 2006, the Wholesale and Distribution group will become a new listed company Oriola-KD Oyj.

The first phase of the new Orion pharmaceuticals plant construction project in Mankkaa, Espoo was completed in the summer of 1962. The head office was inaugurated in 1984. In Finland, Orion has other production plants and premises in Turku, Hanko, Kuopio, Oulu and Seinäjoki.

Period of concentration and internationalisation

Apteekkitavara kauppa Oriola Oy was incorporated in late 1948, as was the cosmetic, leaning and hygiene product company Noiro which was divested in late 2003 and is now called the Lumene Group. Orion and Kemira Oy established the pharmaceutical substance manufacturer Fermion in 1970, and in 1981 the company merged with Orion. As of the beginning of 2004, its operations were turned into an independent company.

In the late 1980s Orion acquired the majority holding of Farnos Corporation which was eventually merged with Orion Corporation in 1990. Orion Diagnostica started operations in 1974, and already during its first year of operations, exports accounted for a considerable share of the company's sales revenues. In 1975 the share was 45 percent of net sales, with the products exported to 20 countries. Farnos Diagnostica was merged with Orion Diagnostica in 1992. As of the beginning of 2004, Orion Diagnostica's operations were also turned into an independent company.

In July 2002 Orion acquired the majority share in Kronans Droghandel (KD), the Swedish pharmaceuticals distributor, and Oriola and KD constituted 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, in terms of the market shares at that point of time.

Opening to international markets with inventive proprietary molecules

Today in 2006 Orion is the largest pharmaceutical manufacturer and researcher in Finland. Research focusing on proprietary molecule inventions started in the early 1980s. To date, Orion's in-house research has generated as many as seven proprietary pharmaceuticals.

Proprietary medicines accounted for 42 percent of Orion Pharma's net sales in 2005, while R&D's share was 14 percent.



The packaging machine for the candy-stripe-coloured Marianne confections at the Chymos Lappeenranta plant. Developed in 1949, Marianne was one of the best-known Chymos brands, still in production.



Noiro imported several international cosmetics lines, such as Max Factor. Nelly Lovén in a press conference in 1962. Lumene became the spearhead for proprietary product development.



Flu vaccine production in 1973.



Responsibility is patient safety

The main objective of Orion's corporate responsibility is patient safety. To ensure patient safety, pharmaceutical research and development must meet the highest ethical and scientific standards, and pharmaceutical production must comply with special requirements related to hygiene, safety and environmental protection. In pharmaceutical information and marketing, the core task is to promote the correct use of medicines.

Corporate responsibility means being responsible for the impacts of the business operations on the surrounding society and the company's stakeholders. Corporate responsibility comprises economic, social and environmental responsibility.

A listed company, Orion also follows the laws on financial reporting. In HR issues, Orion applies both the Finnish

The field and nature of the company's operation play an important role in this analysis. Orion's core business is pharmaceutical manufacturing and research, and the most important objective is derived from there: drug safety with a direct link to patient safety. Orion's operations are regulated through various laws, ranging from environmental legislation to the inspection procedures enacted by the regulatory medical authorities.

legislation and the local laws of each country in which it has operations. In view of economic responsibility, Orion sets sufficiently demanding profitability objectives in order to be able to develop its operations persistently and to generate added value to all stakeholders, owners included.

The pharmaceutical industry plays a significant role for the national economy. The economic impacts of research-based pharmaceutical companies are related to R&D operations and manufactured products, in particular.

The use of medicines has a major impact on public health and thus on the organisation of healthcare and related expenditures in the framework of national economy.

In the US, the healthcare expenditures account for about 15 percent of the GNP. Compared to other countries, Finnish healthcare expenditures remain quite reasonable, or 7 percent, while the EU average is 9 percent. In Finland, pharmaceuticals account for 15 percent of the overall healthcare expenditures.

ORION VALUES

Mutual trust and respect

We want the people in our working community to trust and respect each other.

Customer focus

We want to understand, anticipate and meet our customers' present and future needs.

Innovation

We want to develop innovative solutions and ways of working.

Achievement

We want to be the best and most successful company in our field, developing products, services and solutions that promote wellbeing and health.

Quality, reliability and safety

We want to ensure high quality and reliability of our operations and absolute safety of the result of all actions.

Owing to efficient medication available for several diseases, the patients no longer need to be treated in hospitals. For example, in the treatment of asthma or diabetes, the number of hospitalisation days has dropped dramatically. Some three decades ago, the average number of hospitalisation days per patient was about 26 while the average is now 6 days.

Strategy and values

Orion's three divisions have their separate strategies but their shared strategic objective is to grow profitably, balancing the risks.

The strategies of the Orion divisions are implemented in compliance with the adopted Orion values.

Operating principles and corporate governance

On the Group level, Orion's corporate responsibility is managed through general and common principles, such as the Group's Corporate governance and operating principles, including risk management. Orion operations are underpinned by the respect for sound ethical principles and generally accepted business practices.

The business operations of the different units of the Orion Group are regulated by several permits from the authorities. The most important business permits required by Orion Pharma are those needed for pharmaceutical manufacturing, imports and sales. From the perspective of the Wholesale and Distribution the permits for pharmaceutical wholesaling are key. Orion Diagnostica's business operations also call for various permits, such as those for the manufacture of diagnostic tests. Moreover, the various operations of the Group are subject to certain environmental permits and other authorisations.

Corporate governance

The operations of Orion Corporation and its subsidiaries (the Orion Group) are based on the respect for valid legislation and ensuing norms, as well as on ethically acceptable modes of operation. The tasks of the various Group administrative bodies are determined according to laws and the Group's governance principles.

Orion Corporation complies with the Corporate Governance recommendations issued by the Helsinki Stock Exchange for listed companies, with the exception that the Nomination Committee appointed by the Board of Directors also includes persons other than Board members.

Risk management

The purpose of risk management in Orion Corporation is to use appropriate means to identify, measure and manage the risks that may possibly threaten the company's operation and the attainment of the objectives set for the company.

Control systems

The main tools for the control and supervision of the Group's business and management are derived from its management system, recorded as its Corporate Governance principles.



Economic responsibility

An integral part of corporate responsibility, economic responsibility refers to the economic impacts of a company's operation on the surrounding society. A pharmaceutical company such as Orion has versatile socio-economic impacts. The products manufactured by the company have significant national economical impacts on the promotion of people's health and wellbeing.

The pharmaceutical industry is one of the world's most research-intensive sectors. Orion is the largest pharmaceutical manufacturer and researcher in Finland. Over the past 20 years, Orion Pharma's in-house pharmaceutical research has developed seven proprietary medicines currently marketed worldwide. Orion also provides substantial funding for medical research in universities and research institutes.

Orion's most relevant economic impact is created through the research, development, use and availability of its products. Economic impacts are also generated through the offer of employment. Orion employs over 4,500 people, with new jobs created also in research and the supply chain. Orion generates investment returns to its owners in the form of dividends and increase in the share price. Moreover, the company is an

important actor in the locations with Orion premises, with an ensuing impact on the local economy.

Competition law issues

The Orion Group has complied with the instructions related to competition law. The instructions have been distributed among the organisation, with extensively training in the issue. In December 2005, the Finnish Competition Authority asked pharmaceutical companies to provide an explanation regarding the agreements concluded between the companies and pharmacies, as well as the related rebates given to pharmacies. Orion Pharma and Oriola also received the request from the Finnish Competition Authority, and have submitted their replies. The Finnish Competition Authority is still processing the case.

September 2005 saw the publication of the report of an independent investigation commission on irregularities in the food-for-oil program of the United Nations. According to the report, over 2,000 companies globally, including Orion Pharma, have violated the regulations of the programme by paying prohibited commissions to Iraqi authorities to be able to trade in the country.

Orion Pharma deems to have acted correctly when supplying medicines to Iraq. The Finnish National Bureau of Investigation has communicated that Orion Pharma have acted according to the law.

Research and development

Orion Group's research and development expenditure, EUR million 2003–2005

	IFRS 2005		IFRS* 2004		FAS* 2004		FAS 2003	
Orion Pharma								
Net sales	547.0	100%	515.5	100%	514.3	100%	480.7	100%
R&D	76.5	14%	75.1	15%	66.9	13%	81.4	17%
– with the external research funding accounting for	2.7	0%	2.8	1%	2.8	1%	2.0	0%
Orion Diagnostica								
Net sales	40.8	100%	39.4	100%	39.3	100%	35.6	100%
R&D	3.7	9%	3.4	9%	3.6	9%	3.0	8%
– with the external research funding accounting for	0.3	1%	0.4	1%	0.4	1%	0.2	1%
– Group items**	-0.7		-0.6		0.0		0.0	
Noiro							1.5	
Orion Group total	79.5		77.9		70.5		85.9	

* The difference in research expenses between IFRS and FAS is mainly caused by the fact that depreciation as well as administrative expenses recorded according to the matching principle, are recognised under R&D operations in IFRS accounting. In FAS accounting, only the expenses incurred directly for research operations are recognised as respective expenses.

** Orion Pharma's and Orion Diagnostica's joint R&D

Breakdown of Orion Group revenues and expenses by stakeholder group

Generation of added value, million EUR		2005 IFRS	% of net sales	2004 IFRS	% of net sales	2003 FAS	% of net sales	2002 FAS	% of net sales	2001 FAS	% of net sales
Clients	+ Net sales	1,901.8	100	1,946.2	100	2,261.5	100	1,628.6	100	970.8	100
Suppliers	- Purchases	1,273.7	67	1,305.8	67	1,603.2	71	1,048.3	64	408.8	42
	= Added value	628.1	33	640.4	33	658.3	29	580.3	36	562.0	58
Distribution of added value											
Personnel	- Personnel expenses	193.4	10	197.2	10	225.8	10	218.7	13	205.4	21
Shareholders	- Dividends	74.1	4	249.1	13	161.9	7	74.3	5	81.0	8
Creditors	- Net financial items	-1.0	0	-2.0	0	-0.9	0	1.6	0	7.2	1
Public sector	- Taxes	47.9	3	38.1	2	19.3	1	36.3	2	41.4	4
	= Retained earnings	312.6	16	154.0	8	252.8	11	253.3	16	243.6	25



For further information about Orion Pharma's over-the-counter products, please go to www.itsehoitoapteekki.fi

Social responsibility

The safety of a new medicine is followed systematically throughout the pharmaceutical R&D process. The eventual risks associated with the medicine are anticipated and clarified as early and as thoroughly as possible. The safety follow-up work involves experts from various areas of R&D. When the quality, efficacy and safety of a pharmaceutical product have been secured, the application for marketing authorisation can be submitted to the regulatory authorities.

Once the pharmaceutical enters the market, the scope of the users will expand so that the pharmaceutical company can no longer monitor the use to the same extent as during clinical trials. However, the safety of medicines will be followed throughout their lifespan. Any medicine can have adverse effects but it is the company's responsibility to ensure that the benefits from the use of the medicine outweigh its adverse effects. In order to collect safety information in a systematic manner, the pharmaceutical company must create contacts to every country in which the medicine is marketed. Orion Pharma's Drug Safety

Department collects such data in a centralised way, also from its cooperation partners globally. The information is collected both for human and veterinary medicines. Orion Pharma's Drug Safety Department employs about 30 pharmaceutical experts who analyse the constantly accumulating safety information and its impacts on patient safety.

The observed adverse effects are reported immediately by the Drug Safety Department – either directly or through the subsidiary or partner – to the regulatory drug authorities in the countries for which the preparation has a marketing authorisation, such as the National Agency for Medicines in Finland, the national agencies and the European Medicines Agency EMA in Europe, or the Food and Drug Administration (FDA) in the US, or any other competent authorities in other countries.

It is important for Orion Pharma to collect the safety information in an efficient manner so that rapid action can be taken in an eventual problem situation. If necessary, different follow-up programmes or additional research is started. The most important element of drug safety operations is to guarantee an optimally safe medication to all patient groups who use the medicine in question.

Orion Pharma's pharmaceutical manufacturing

Number of Orion Pharma's production batches and sales packages in 2001–2005

Year	2005	2004	2003	2002	2001
Total production batches	4 117	3 608	3 609	3 283	3 803
Total sales packages	49 558 706	42 802 474	42 101 533	41 472 488	36 188 845

The medicine batches recalled from the market at Orion Pharma's initiative between 2000 and 2005

Year	2005	2004	2003	2002	2001	2000
Class III minor	-	-	1	1	2	3
Class II harmful	2	4	-	-	1	-
Class I critical	-	-	-	-	-	-



Quality of pharmaceutical products

All raw materials used for the manufacture of medicines as well as all packaging materials are carefully studied before they are accepted for production. Pharmaceutical manufacturing takes place in accordance with pre-ensured methods and backed by precise instructions. The quality of each batch of the final product is controlled before it is accepted for distribution to the markets. This is an assurance for the impeccable safety and quality of the medicines. All materials, production phases, control measures and distribution steps can be traced without failure.

All medicine-related complaints are recorded and studied in detail to clarify any deviations in the quality. In view of the unlikely eventuality that despite the strict and solid quality assurance measures employed, a batch of a product entering the market does not meet the quality requirements, Orion has a constant readiness to recall such a batch from the market.

The production batches are followed on the basis of the corresponding number on each package, from raw material delivery to the consumer package.



Personnel

The objective of Orion's HR management is to promote work-related wellbeing, to continuously develop competence and the working community as well as to plan the resources in an accurate manner. The company's success also depends on its ability to hire, develop, train and motivate professional people. All our operations are firmly anchored in our corporate values.

Personnel structure

At year's end, the number of personnel was 4,534 in 15 countries. The numbers in all business segments of the Group are down from last year's figures. All in all, the number of personnel decreased by 65 during 2005, with 15 of the employment contracts in question ending in 2006. The decreases are due to the arrangements aimed at intensifying the KD distribution centres as well as to the transfer of the Orion Diagnostica production from Oulunsalo to Turku. In Finland the average length of the employment contracts with Orion was 12 years.

About 75 percent of the Orion Group employees worked in Finland. Blue-collar workers accounted for 21 percent and clerical employees for 79 percent of the total.

In Finland, 92 percent of Orion employees have a permanent employment contract. Employees with a full-time contract account for 99 percent of the whole.

Personnel development

An integral part of Orion's corporate culture, competence assurance and HR development is a long process requiring persistent commitment. The results are monitored on a yearly basis through regular working climate surveys and leadership measurements.

Competence enhancement focuses on measures to deepen and maintain expertise as well as on quality and safety issues. Orion Pharma has also a mentor programme. The objective is that the current top experts disseminate their knowledge and expertise, the so-called tacit knowledge, to their younger colleagues. Moreover, Orion Pharma and Oriola have also provided inductor training to persons who in their work guide and instruct new employees. Information safety issues as well



as GMP (Good Manufacturing Practices) norms and hygiene are among the topics that can be studied in the framework of Orion's net-based study offer. In 2005, the total number of training days at the Orion Group was about 3.8 days per person.

Working capacity

Orion wants to provide its entire personnel with the necessary support, with the special focus on the work-related wellbeing of the aging employees. Orion wants to see them retire in good health and condition. Orion also offers health checks by age groups, including an evaluation of working capacity and the necessary measures. Orion has a special programme of "shape-up" courses. Run by a physiotherapist and psychologist, the so-called resource group is intended for the 50+ employees.

Health and safety

The Orion Group-level safety issues are directed and developed 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. Revised in 2005, the purpose of the safety manual is to provide the

personnel with basic instructions related to safety and measures to be taken in exceptional circumstances. The entire personnel shares the responsibility for safety which means that the safety instructions will not be wilfully broken, the safety of persons will not be endangered and material property will not be damaged.

Accident rate 2001–2005

Year	Orion Pharma	Oriola	Orion Diagnostica	Group
2001	6.6	4.8	3.8	6.1
2002	6.3	4.4	8.2	5.7
2003	6.5	3.1	2.1	5.4
2004	6.9	4.6	2.2	6.2
2005	7.5	4.5	6.5	6.8

LTI3 (LTI = lost-day incident), or the number of work-related accidents requiring at least 3 days of absence, divided by a million working hours



Breakdown of the Orion Group personnel by country, 31 December 2005

	Orion Pharma	Orion Diagnostics	Oriola	KD	Group management	Total
Helsinki metropolitan area	1 286	191	664		34	2 175
Hanko	150					150
Turku	608	40	8			656
Kuopio	83		63			146
Oulu	88	35	51			174
Other locations	10		69			79
Total Finland	2 225	266	855	0	34	3 380
Sweden	69	14	29	430		541
Denmark	29	6	16			50
Norway	17	13				30
Germany	123					123
The UK and Ireland	57					57
The Baltic countries	11		201			212
Other countries	134	6				140
Foreign countries, total	440	38	245	430	0	1 153
Orion Group total	2 665	304	1 100	430	34	4 534

Cooperation and employee participation

Group-level cooperation meetings are organised at Orion three times every year. The personnel is represented at the executive groups of each division.

The interaction between management and the personnel is an object of development work, and another challenge is to improve the exchange of information between units. Towards the end of 2004, 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 opportunity and human rights

Orion respects human rights. Orion's equal opportunities plan clearly underlines the fact that no individual should be discriminated on the basis of the person's origins, religion, age, pregnancy, childbirth, parental leave or military service.



Niina Ahlroth, Sales Assistant of Oriola, Primary care products, Healthcare and research, Timo Alén, Product Manager of Dental care machinery and equipment, and Saija Laine-Ylijoki, Nutrition Specialist are examining a dental X-ray with the help of the Soderex, Digora Optime imaging system.

Environmental responsibility

Environmental responsibility is a natural and integral element in the operation of the pharmaceutical industry. The development and manufacture of medicines as well as the granting of the marketing authorisation are all subject to strict environmental requirements. In its research, production, storage and distribution, Orion employs methods and practices with a minimal burden on the nature and the environment.

Actively following legislative developments, Orion shows autonomous initiative and openness. The environmental activities are continuously developed with the objective of minimising the environmental impacts and continuously improving the quality of the respective operations. The major environmental aspects in Orion's operations are related to the solvents used in production, to energy consumption as well as packaging, wastes and transportation.

Pharmaceutical development, research and production takes place according to the so-called Good Practices. 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. The environmental requirements related to veterinary medicines as well as those concerning the people tending the animals are even stricter than those applied to human medicines.

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. 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 management of environmental risks is an integral part of comprehensive risk management at Orion.

Results related to environmental responsibility in 2005

In 2005 the utilisation rate of both the plants involved in the production of pharmaceutical substances and those manufacturing pharmaceutical products was higher than in 2004. The increased volume of production explains most of the upward changes in the indicators. The favourable facts from the environmental perspective include the decrease in methylene chloride, the increase in the recovery and recycling of wastes as well as the level of energy consumption that has remained unchanged. The consumption of solvents can be decreased by increasing their recycling within the plants. It is

ORION PHARMA'S ENVIRONMENTAL INDICATORS:

Solvent use and emissions

	2005	2004	2003	2002	2001
Consumption of solvents, total tons/a	3 493	3 923	3 600	4 034	3 889
Solvent emissions to air					
Methylene chloride (DMS), tons/a	33	38	29	27	31
Solvent emission (VOC), total tons/a	211	180	177	196	215

Consumption of energy and water

	2005	2004	2003	2002	2001
Consumption of energy					
Purchased heat/steam, GWh/a	68.8	70.1	68.9	71.2	51.0
Electricity, GWh/a	56.5	55.0	56.2	56.4	57.2
Oil and natural gas, GWh/a	11.1	11.3	13.5	13.5	40.0
Total, GWh/a	136.4	136.4	138.6	141.1	148.2
CO² emissions from energy					
Production in own plants, tons/a	3 014	3 165	3 110	3 110	10 509
Consumption of water					
Volume of water, 1000 m ³ /a	193.9	183.4	182.8	182.9	248.3

Waste volumes

	2005	2004	2003	2002	2001
Hazardous waste, tons/a	8 349	7 568	6 522	6 313	5 888
Landfill waste, tons/a	357	332	556	664	803
Recovered waste, tons/a	962	907	816	759	749
Total wastes, tons/a	9 668	8 807	7 894	7 741	7 440

also noteworthy that although the volume of hazardous wastes has grown by some 10%, approximately 63% of the energy contained in this type of waste can be recovered in the burning process at the hazardous waste treatment plant. Some 96% of the hazardous waste is constituted by residues formed in the pharmaceutical substance processes.

There were no environmental disturbances during 2005, nor did the units identify any deviations from the environmental permit conditions. Orion's operations are not associated with any significant environmental liabilities or needs to invest in environmental protection.



Reporting principles applied to Orion's corporate responsibility

The above abridged 2005 corporate responsibility report is the first Group-level summary of Orion's corporate responsibilities. In compiling the present report, the recommendations of the Global Reporting Initiative (GRI) guidelines have been followed, as applicable. The comparisons to the information under the GRI guidelines are available at the Orion Internet site.

The information contained in Orion's corporate responsibility report is based on the data submitted by Orion Pharma, Orion Diagnostica, Oriola and KD as well as on the consolidated Financial Statements of Orion Corporation. The scope of the corporate responsibility information corresponds to that of Orion's Financial Statement reporting, with the exception of environmental indicators which refer to the environmental impact of the Orion Pharma production. Except for the key indicators related to the economic responsibility, based on the official audited Financial Statements, the information contained in the report have not been verified by outsiders. The quality and reliability of the information has been assured through internal controls. All

divisions are responsible for the correctness of their raw data. The Group-level reporting principles will be further developed.

The corporate responsibility report comprises the data and indicators related to economic, social and environmental responsibilities. The information related to economic responsibility is mainly based on the company's accounting and audited Financial Statements. The information on HR and environmental issues derives from the different divisions and have been put together in accordance with the company's internal instructions. The main source of HR information is the company's payroll system. In addition, the information is derived from the training registers of the divisions as well as other statistics maintained by the HR management. The environmental indicators are mainly based on the information followed by the production plants subject to their environmental permits.

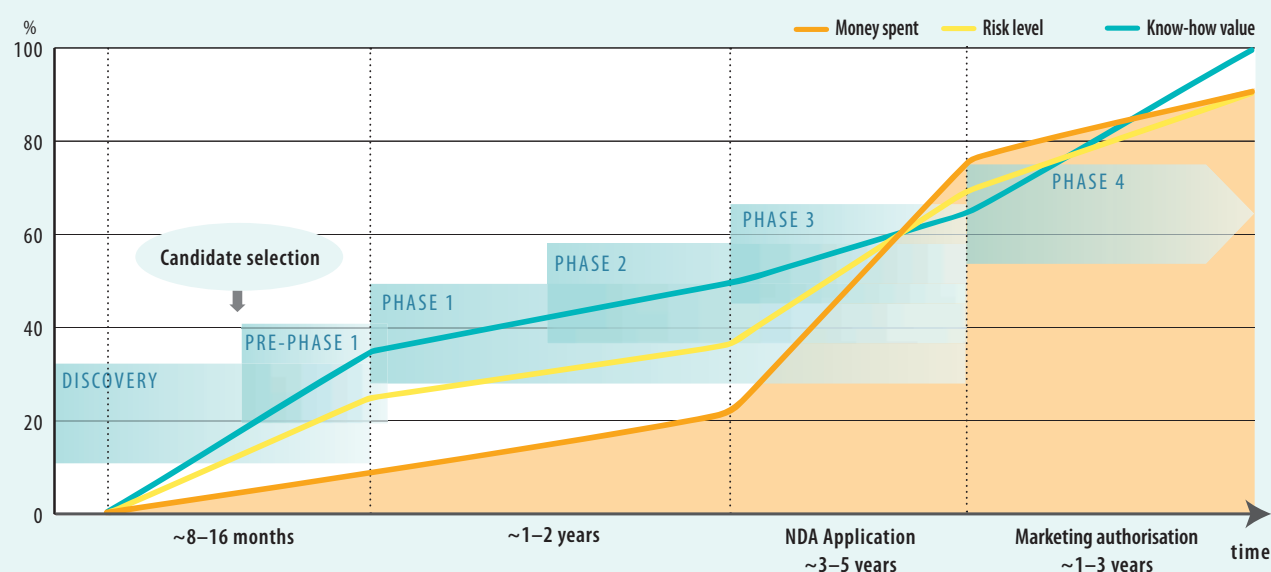
The report was compiled by: Orion Corporation, Group Communications, Tuula Laitinen, tel. +358 10 429 2136. The reporting principles have been defined in collaboration with Proventia Solutions Oy.

For the full corporate responsibility report, reporting principles included, please go to www.orion.fi / Orion's corporate responsibility 21 March 2006.



The veterinarian can sedate the pets or production animals needing examination or surgery, using Orion Pharma's animal sedatives. Liisa is a golden retriever recovering from surgery under the caring eyes of her owner, Toni Korpivaara, Marketing Manager of Orion Pharma's Animal Health.

Value Creation in Drug Development Process



From the research tunnel into patient use

A new pharmaceutical molecule goes through a long and complex research and development process until it is finally accepted for patient use. The development process will take 8 to 12 years of consistent and persevering collaboration between numerous experts of medicine and other sciences.

The choice of the diseases focused on in pharmaceutical R&D depends first and foremost on the strategy selected by the pharmaceutical company. Another decisive factor is the dissatisfactory current level of treatment provided for that particular disease, with an ensuing obvious medical need for development.

The objective is to fuse the competence of the hundreds of experts participating in research into the finalised pharmaceutical product. But before the medicine can be marketed, it has to have a marketing authorisation issued by the appropriate authorities. This phase will take from one to three years. The pharmaceutical company must have a valid marketing authorisation for every country where it intends to market the pharmaceutical. After the marketing authorisation has been granted, the medicine needs a price that is determined in collaboration with the competent authorities, in Finland the Pharmaceuticals Pricing Board. The following step is the decision

regarding the medicine's reimbursement status, or the share of the price that the patient will have to pay for the medicine. The decisions about pricing and reimbursement status are made by each country individually, also within the EU.

The finalised drug includes the pharmaceutical substance, contained in the pharmaceutical product in a precise proportion. The formulation of the pharmaceutical preparation is also a result of careful research-based planning – so that the medicine would impact the human body in the right place in the right time. To back the composition of the medicine, the clinical patient trials have already provided the necessary information regarding the correct amount of the pharmaceutical substance in one dose of the product, as well as the exact place and time of absorption of the substance in the digestive tract.

When the composition of the medicine has been designed, the manufacturing process is planned, first in small dimensions and upscaling it later to actual production size. When the quality of the active ingredient of the medicine and the excipient used in pharmaceutical manufacturing has been verified, the compound is mixed with the final medicine mass and the manufacturing process can start. Some of the products

go into finishing: for example, some tablets are coated to make them easier for the patient to swallow or to improve the medicine's taste. Fermion produces all active pharmaceutical substances for Orion Pharma's proprietary medicines while Orion Pharma manufactures the final products in its own production plants in Finland.

From manufacture, the tablets go to packaging to be divided into sales packages for distribution. Oriola Oy, Orion's distributor and wholesaler delivers the packages reliably and accurately as ordered to Finnish pharmacies while the products sold to international markets are delivered through export transports.

When examining the patient, the doctor may use laboratory tests, point-of-care tests or imaging devices to back his diagnosis and treatment decision. Orion Diagnostica develops and manufactures point-of-care tests, for example to detect CRP values in blood. Oriola supplies imaging equipment to hospitals, and even entire operating rooms complete with equipment and instruments while Oriola's Dental Products unit equips dentist practices.

Based on the examination, the physician will eventually write a prescription. The patient goes to the pharmacy. The medicine has finally made it through the long research tunnel to the patient.



drug



safety

Orion Pharma's Drug safety department collects drug safety data centrally, also from its cooperation partners globally.



Jukka Viinanen

b. 1948, Master of Science (Chemical Engineering)

President and CEO of Orion Corporation, President of Orion Pharma

Before joining the Orion Group in June 2000, Jukka Viinanen made a long career with the Neste Group in the Finnish oil and petrochemical industry. He started in Pekema Oy, a plastics industry company, as a production engineer in 1973. Later 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, he became President and Chief Operating Officer of Neste Corporation, a position he held until 1999.

Jukka Viinanen is Chairman of the Board of Directors of Rautaruukki Corporation.



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 the positions of Controller, Director of planning for the Europe and Asia region and Director, Finance, Europe, in Genecor International Inc. In 1988-1989 he worked as a financial controller for the Biochem division of Cultor.



Pauli Torkko

b. 1947, Licentiate of Science (Economics)

Executive Vice President of Orion Corporation

Pauli Torkko joined the Orion Group from his position as 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. From 1984 until 2002 he was Executive Vice President of Orion Corporation, with the responsibility for Group Finance and Administration. Between 1987 and 2000, Mr. Torkko was a member of the Board of Directors of Orion Corporation. Mr. Torkko headed the Wholesale and Distribution Division as of September 2002 until the end of 2005. Currently he works in the Orion Group management in tasks relating to investment affairs, M&A arrangements and preparations for the listing of Oriola-KD.

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.



Eero Hautaniemi

b. 1965, Master of Science (Economics)

President and CEO of the Wholesale and Distribution Division of the Orion Group as of 2 January 2006

At its meeting held on 10 October 2005, the Board of Directors of Orion Corporation appointed Eero Hautaniemi to serve as President and CEO of the Wholesale and Distribution Division of the Orion Group as of 2 January 2006, with a purpose to be appointed President and CEO of Oriola-KD Corporation as of the effective date of the demerger.

Eero Hautaniemi joined Orion from the post of President of GE Healthcare Finland Oy. During his 15-year-long career since 1990 in the service of Instrumentarium, now GE Healthcare Finland Oy, he has established a broad and versatile track record within financial and operational business management in the listed multinational healthcare company that has experienced major structural changes and strong growth. In 2003-2004 Mr. Hautaniemi was General Manager of the Oximetry, Supplies and Accessories Business Area of GE Healthcare IT. As of November 2004 until October 2005, he was President of GE Healthcare Finland Oy.



Elina Heliö

b. 1972, Master of Laws

Vice President, Human Resources, Orion Pharma, Corporate VP, HR development of Orion Group as of 1 July 2005

Elina Heliö joined Orion Group in 2001, when she was appointed as the Employment Support Manager at Orion Pharma Research & Development. In 2003–2004 she acted as Senior Human Resources Specialist and in 2004–2005 as Human Resources Manager at Orion Pharma. In 1997–1998 Heliö served as a clerk at the Kuopio District Court. In 1998–1999 she acted as Consultative Lawyer at the Finnish Association of Graduates in Economics and Business Administration and in 1999–2001 as Employment Manager at Oy AGA Ab.

Elina Heliö was appointed to her current position as from 1 July 2005. During her child-care leave until the end of August 2006, her duties will be attended to as an auxiliary responsibility of Olli Huotari, General Counsel of the Orion Group and Secretary of the Board of Directors of Orion Corporation.



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 Corporate Administration. In 1992–1995 he served as Legal Counsel in the law firm Asianajotoimisto Jouko Penttilä Oy, and in 1995–1996 he completed the degree of Master of Laws in International Commercial Law at the University of Kent, Canterbury, UK. Mr. Huotari has been in his current position since October 2002. As an auxiliary responsibility, he attends to the responsibilities of Vice President, Human Resources of Orion Pharma and Corporate Vice President, HR development of the Orion Group until the end of August 2006.



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 Mr. Rissanen worked as Product Manager of the Specific Proteins Business Division and as from 1998 he held the position of Vice President of Sales and Marketing, Finland.

Jaakko Rissanen is a member of the Board of Directors of the Association of Laboratory and Health Care Product Suppliers and the Federation of Finnish Commerce.



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 Mr. Vuonamo was journalist with Talouselämä, a Finnish weekly business magazine. In 1980–1981 he worked as PR Officer for Rank Xerox Oy. He returned to his previous job at Talouselämä between 1981 and 1985. In 1985–1991 Vuonamo held the position of Managing Editor and Editor-in-Chief of Tietoviikko, and in 1991–2002 Editor-in-Chief of Tekniikka & Talous.

BOARD OF DIRECTORS OF ORION CORPORATION



Matti Kavetvuo

Chairman

b. 1944, M.Sc. (Eng.),
M.Sc. (Econ.), Honorary
Mining Counsellor

Member and Chairman of the
Board of Directors of Orion
Corporation since 2004

Chairman of the Salary
Committee, member of the
Nomination Committee

PRIMARY CAREER

2000–2001 President and CEO
of Pohjola Insurance Group,
retired 2001

1992–1999 President and CEO
of Valio Ltd

1985–1991 President and CEO
of Orion Corporation

1979–1984 President of
Instrumentarium Corporation

OTHER CURRENT KEY POSITIONS OF TRUST

Chairman of the Board of
Metso Corporation and
Suominen Corporation

Vice Chairman of the Board of
Alma Media Corporation and
Kesko Corporation

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



Erkki Etola

Deputy Chairman

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

Member of the Board
of Directors of Orion
Corporation since 1995

Member of the Salary
Committee, member of
the Nomination Committee

PRIMARY CAREER

1978– Managing Director
of Tiiviste-Group Oy

1976– Managing Director
of Oy Etola Ab

1974– Managing Director
of Oy Etra Ab

1974– Managing Director
of Tiivistekeskus Oy

1973–1974 Oy Etra Ab,
Head of Department

1970–1973 Oy Etra Ab,
Product Manager

OTHER CURRENT KEY POSITIONS OF TRUST

Deputy Chairman of the
Board of Directors of
Stockmann plc

Member of the Supervisory
Board of Varma Mutual
Pension Insurance Company



Ero Karvonen

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

Member of the Board
of Directors of Orion
Corporation since 2004

Member of the Audit
Committee, member
of the R&D Committee

PRIMARY CAREER

1986– EVK-Capital Oy,
owner and Managing
Director

1980–1986 Rintekno Oy,
process engineer, Division
Manager and Technology
Manager for biochemical
and pharmaceutical
process engineering

1975–1980 VTT Technical
Research Centre of Finland,
biotechnical laboratory,
researcher

1974–1975 Helsinki
University of Technology,
Senior Assistant in industrial
microbiology



Leena Palotie

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

Member of the Board of Directors
of Orion Corporation since 2004

Chairman of the R&D Committee

PRIMARY CAREER

2005– Member of the Scientific Council
of the European Research Council (ERC)

2005– President of the Human Genome
Organisation (HUGO)

2003– Academy Professor, Director of
the Centre of Excellence in Disease
Genetics of the Academy of Finland

2004– Director of the Nordic Centre
of Excellence in Disease Genetics

2002– Coordinator of the large
international genomics programme
of the EU, GENOMEUTWIN

1998–2002 a founding Chairman of
the Department of Human Genetics
and Professor of Genetics at the
University of California, Los Angeles, USA

1991–1998, 2002– Professor of Medical
Genetics and Molecular Medicine,
University of Helsinki and National Public
Health Institute, Finland

1995–1998 Member of the National Council
of Science and Technology of Finland

1995–1997 Chairman of the Medical
Research Council of the Academy of Finland

1996–1998 Chairman of the European
Medical Research Council

1987–1991 Director of the Research
Programme of Molecular Medicine,
National Public Health Institute, Finland

Dr. Palotie is the recipient of several international scientific awards. She has published more than 400 scientific articles and directed over 60 doctoral theses in Finland and the United States. Dr. Palotie has been named Woman of the Year and she has received the Medical Journalists' Award in Finland, the Matti Äyräpää Award of the Finnish Medical Association and the Nordic Anders Jahre Award. She is an honorary doctor of the University of Uppsala, Sweden, and the University of Joensuu, Finland



Vesa Puttonen

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

Member of the Board of Directors of Orion Corporation since 2004

Chairman of the Audit Committee

PRIMARY CAREER

2001– Helsinki School of Economics, Professor in Finance

1999–2001 Conventum Fund Management, Managing Director

1998–1999 HEX Helsinki Exchanges, Senior Vice President

1996–1998 Helsinki School of Economics, Professor in Finance

1993–1996 Helsinki School of Economics, Assistant Professor in Accounting and Finance

1992–1993 Turku School of Economics and Business Administration, Associate Professor in Accounting and Finance

1990–1992 The Academy of Finland, Project Researcher

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

OTHER CURRENT KEY POSITIONS OF TRUST

Chairman of the Board of Enabla Ltd, JOKO Executive Education Ltd and Arvo Asset Management Ltd

Member of the Board of Oras Ltd



Olli Riikkala

b. 1951, M.Sc. (Eng.), M.Sc. (Econ.), MBA (Claremont Graduate University, California, USA)

Member of the Board of Directors of Orion Corporation since 2005

Member of the Audit Committee

PRIMARY CAREER

2004– GE Healthcare - Information Technologies, Senior Advisor

2003– GE Healthcare, Senior Executive

1997–2004 Instrumentarium Corporation, Managing Director

1979– employed with Instrumentarium Corporation, holding several management tasks involving profit responsibility from 1982 onwards

OTHER CURRENT KEY POSITIONS OF TRUST

Chairman of the Board of Helvar Merca Oy Ab, Comptel Corporation, PaloDex Group Oy

Member of the Board of Efore Plc, Fiskars Corporation, Tietoenator Corporation, Clinical Research Institute Helsinki University Central Hospital Ltd, Biomedicum Helsinki Foundation



Heikki Vapaatalo

b. 1939, Professor Emeritus, MD, Specialist in clinical pharmacology

Member of the Board of Directors of Orion Corporation since 2002

Member of the Salary Committee, member of the R&D Committee

PRIMARY CAREER

1992–2002 University of Helsinki, Professor of Pharmacology

2000–2001 Orion Corporation, Member of the Supervisory Board

1975–1992 University of Tampere, Professor of Pharmacology

1972–1974 University of Oulu, Associate Professor of Pharmacology

1983–1984 University of Tampere, Medical Faculty, Vice Dean

1985–1986 University of Tampere, Medical Faculty, Dean

1995–2002 University of Helsinki, Medical Faculty, Vice Dean

2001–2003 Finnish Medical Society Duodecim, Vice Chairman of the Board

1992–1994 Finnish Medical Society Duodecim, Delegation Chairman

1983–1985 Finnish Pharmacological Society, Chairman

1980–1981 Medical Society of Tampere, Chairman

OTHER CURRENT KEY POSITIONS OF TRUST

Chairman of the Board of Medical Investment Trust Ltd, Oy Medifactum Ab and the Orion Corporation Research Foundation

Member of the Board of United Laboratories Ltd

ADDRESSES



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Business Identity Code 01122835



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Orion Pharma

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Orion Pharma Animal Health

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Orion Corporation in Poland

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**ACTIVE SUBSTANCE
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Fermion Oy, Oulu site

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DISTRIBUTION:**

**Oriola-KD
Administration**

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Kronans Droghandel AB

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E-mail info@kd.se
Homepage www.kd.se

Distribution centre, Enköping

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Orion Diagnostica Oy

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Orion Diagnostica AB

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Fax +46 156 17 355
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Homepage www.oriondiagnostica.se

Orion Diagnostica as

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firmapost@oriondiagnostica.no
firstname.lastname@oriondiagnostica.no
Homepage
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Orion Diagnostica Danmark A/S

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Fax +45 49 755 055
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orion@oriondiagnostica.dk
firstname.lastname@oriondiagnostica.dk
Homepage www.oriondiagnostica.dk





Orion Pharma is also actively involved in the research and development of veterinary medicines for pets and production animals. In fact, the first Orion Pharma original medicines introduced in the early 1980s were two animal sedatives and an antisedative. Marketed globally, the sales of Domitor[®], Domosedan[®] and Antisedan[®] are still growing.

Cover:

Pirkko Takkinen and Kirsi Heino, Research Assistants employed at the Preparation analytics laboratory of Orion Pharma's Analytics Development Department are preparing samples for analyses, using the liquid chromatography devise. Ulla Wasastjerna, Researcher and Marjo Tulkki, Laboratory Engineer, follow the work at the background. The Preparation analytics laboratory performs R&D-related preservability studies as well as analyses required in the process validations.



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Orion Group Financial Statements 2005

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All figures in the Financial Statements have been rounded, and therefore the total sum of individual figures may differ from the actual sums shown.

Information to shareholders

Annual General Meeting of the Shareholders on Tuesday, 21 March 2006

The Annual General Meeting of the Shareholders of Orion Corporation will be held on Tuesday, 21 March 2006 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 Meeting was published in the Helsingin Sanomat newspaper on 10 February 2006. 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 Tuesday, 14 March 2006 before 4 p.m. Finnish time. Registrations in writing are requested to be mailed to Orion Corporation, Shareholder affairs, P.O.Box 65, FIN-02101 Espoo, Finland. Registrations by phone will be received by Ms. Sirkku Markula, phone +358 10 429 4685, or Ms. Lotta Lindström, phone +358 10 429 3718. 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 2005, a dividend per share of 0.85 euros shall be paid to Orion Corporation shareholders entered in the shareholder register maintained by the Finnish Central Securities Depository on the record date 24 March 2006. The date of the dividend payment is 31 March 2006. 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.

In the calendar for 2006:

On 30 June 2006, Orion Corporation will demerge into two new listed companies, Orion Corporation and Oriola-KD Corporation. The present Orion will be dissolved at the same date. The timings for post-demergence events will be communicated as soon as the schedules have been established for the new companies by their Boards of Directors, respectively.

Before the demerger:

Annual Report 2005 published	week 10/2006
AGM of Orion Corporation	21 March 2006 at 5.00 p.m., Helsinki Fair Center
Record date for dividend payment	24 March 2006
Dividend payment date	31 March 2006
Interim Report 1-3/2006 of the demerging Orion	8 May 2006
Stock Option Plan 2001 ends	31 May 2006
Listing particulars for Orion Corporation and Oriola-KD Corporation	about 15 June 2006

Effective date of the demerger

30 June 2006

After the demerger:

Listing of the new companies	3 July 2006
Meeting of the shareholders of the demerged Orion	16 October 2006 at 4.00 p.m., Helsinki Fair Center

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:

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Orion takes no responsibility of the analysts' opinions.

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CSFB
www.csfb.com

DresdnerKleinwortWasserstein
www.drkw.com

Enskilda Securities
www.enskilda.se

eQ Bank
www.eQonline.fi

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
www.standardandpoors.com

Opstock Securities
www.opstock.fi

Öhman Equities
www.ohman.se

Stock Exchange Releases published by Orion in 2005

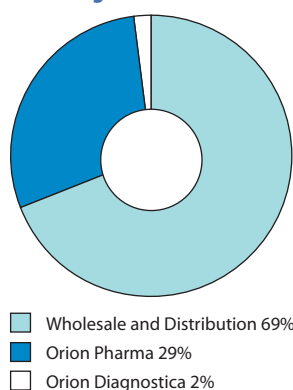
The following stock exchange releases were published by Orion Corporation in 2005. The releases are available on the homepage www.orion.fi/investors.

Publication date	Title
01.02.2005	Recommendation by the nomination committee for the composition of the Board of Directors of Orion Corporation
14.02.2005	Orion Group Financial Statements 2004
14.02.2005	Proposals by the Board of Directors to the AGM of Orion Corporation
14.02.2005	Orion to list the new B-shares subscribed in 2005 with Options 1998A/B as a temporary class, "Orion B New"
09.03.2005	Amendment to Notes of Orion Corporation 2004 Financial Statements
22.03.2005	CEO Jukka Viinanan at Orion's AGM: Good start for 2005.
22.03.2005	Decisions by the AGM of Orion Corporation held on 22 March 2005
23.03.2005	Erkki Etola re-elected Vice Chairman of Orion's Board of Directors
08.04.2005	Orion: positive profit warning
20.04.2005	Orion Diagnostica introducing statutory negotiations with personnel to improve operations
11.05.2005	Orion Group Interim Report 1-3/2005
15.06.2005	Orion Diagnostica to transfer production from Oulunsalo to Turku
09.08.2005	Orion Group Interim Report 1-6/2005
13.09.2005	Orion Corporation applies for the listing of its stock options 2001C as of 3 October 2005
16.09.2005	Composition of the nomination committee of Orion Corporation
10.10.2005	Orion preparing a plan to demerge the Group into two separate listed companies
10.10.2005	Eero Hautaniemi appointed President and CEO of the Wholesale and Distribution Division of the Orion Group
08.11.2005	Orion Group Interim Report 1-9/2005
08.11.2005	Demerger Plan signed by Orion's Board of Directors
08.11.2005	Matters to be handled at Orion's Extraordinary General Meeting of Shareholders on 19 December 2005
08.11.2005	Conditional changes in Orion's Stock Option Plan 2001 due to proposed demerger
08.11.2005	Publication schedule for Orion's financial reporting in 2006
14.11.2005	Abbott reports improved clinical course with Orion's levosimendan (Simdax®) when added to standard therapy in acute decompensated heart failure trial
16.11.2005	Abbott reports levosimendan (Simdax®) results from large mortality trial in patients with acute decompensated heart failure
07.12.2005	Orion has received an enquiry from the Finnish Competition Authority Also Oriola has received an enquiry from the Finnish Competition Authority
12.12.2005	Orion publishes Demerger Prospectus
15.12.2005	Interim statement of progress with Simdax according to a confirmation by Abbott today
19.12.2005	Orion's Extraordinary General Meeting decided upon the demerger of the company
29.12.2005	Merging the share class 'Orion B New' with old Orion B-shares
29.12.2005	Orion Corporation applies for the listing of its 2001D stock options as of 2 January 2006

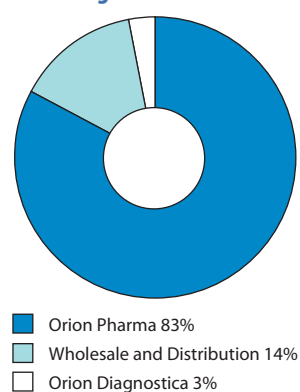
Key figures of the Orion Group

EUR million	2005	2004	Change %
Net sales	1 901.8	1 946.2	-2.3%
Operating profit (EBIT)	181.1	132.2	+37.0%
% of net sales	9.5%	6.8%	
Profit before taxes	180.0	130.2	+38.3%
% of net sales	9.5%	6.7%	
R&D expenses	79.5	77.9	+2.1%
Capital expenditure	33.4	28.0	+19.3%
% of net sales	1.8%	1.4%	
Balance Sheet total	1 136.8	1 135.5	+0.1%
Equity ratio, %	52.6%	43.6%	
Gearing, %	-17.8%	2.8%	
Interest-bearing liabilities	56.0	120.6	-53.5%
Non-interest-bearing liabilities	499.0	535.2	-6.8%
Cash and cash equivalents	159.5	106.9	+49.1%
Earnings per share, EUR	0.95	0.68	+40.2%
Diluted earnings per share, EUR	0.94	0.68	+39.0%
Equity per share, EUR	4.06	3.43	+18.6%
Market capitalisation, EUR million	2 169.7	1 595.1	+36.0%
ROCE (before taxes), %	29.9%	21.0%	
ROE (after taxes), %	24.9%	16.7%	
Personnel at the end of the period, persons	4 534	4 549	-0.3%

Group net sales by business segments 2005



Group operating profit by business segments 2005



Report on 2005 by the Board of Directors

Group Structure

In 2005, the following business divisions were included in the Orion Group:

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

All the businesses are servicing the healthcare sector.

Orion's ownership in the KD sub-group is 69.4%.

The present Orion Corporation will demerge into two separate companies on 30 June 2006. The two new companies resulting from the demerger, the new "Orion Corporation" and "Oriola-KD Corporation", are planned to be listed on the Helsinki Stock Exchange as of 3 July 2006. The decision to demerge was made at the Extraordinary Shareholders' Meeting held on 19 December 2005 in Helsinki.

Review of the market

IMS Health provides a monthly report on the moving annual total ex-manufacturers' sales of pharmaceuticals on the 13 largest markets, which account for about 75% of the world total. Sales to hospitals are included in the figures for Japan only. The changes shown by the statistics are based on constant exchange rates of the US dollar. The leading five European countries include Germany, France, Italy, UK and Spain. The top three markets in Latin America are Mexico, Brazil and Argentina.

During 12/2004 – 11/2005, the purchases by pharmacies from pharmaceutical wholesalers and manufacturers in the 13 key global markets grew from the comparative

moving annual total by 5% to USD 366.4 (346.1) billion. The share of the USA was close to half of the total. IMS Health forecasts the growth to continue at 6-7%, whereby the market would reach USD 640-650 billion. The sales development in the big 13 was as follows:

Selected top 13 12/2004–11/2005	USD bn	Growth	Share of total
North America	193.7	+5%	53%
Europe top 5	90.2	+3%	25%
Japan	60.7	+6%	17%
Latin America top 3	16.2	+21%	4%
Australia and New Zealand	5.7	+5%	1%
Selected top 13 total	366.4	+5%	100%

Cardiovasculars are the biggest therapeutic category, with sales of about USD 72 billion, growth rate 5%. Drugs for central nervous system (CNS) disorders are the second-biggest main category with sales of USD 68 billion, growth 4%. In the USA, CNS is the clearly leading category with sales of around USD 42 billion. The growth rate has slowed down notably from the almost 10% level of the first months of the year to 2%, part of which is explained by withdrawn blockbuster products like coxibs.

Drugs for **Parkinson's Disease** are of vital importance in Orion's portfolio for global markets. In the 12-month period of 12/2004-11/2005, their total wholesales in the USA rose by 13% to USD 821 (727) million. In selected European markets, including Germany, UK, Ireland, Finland, Sweden, Norway and Denmark), their sales came to EUR 502 (456) million, up by 10%.

In 2005, fewer **new molecular entities** (NME) received marketing authorisations than in 2004. EMEA (European Medicines Agency), the EU drug authority, granted marketing authorisations to 23 (33) new medicinal products, through the centralised approval procedure. FDA, the US Food and Drug Administration, approved only 18 (31) new molecular entities.

Market development in Finland and Sweden

According to IMS, the Finnish wholesale market for pharmaceuticals grew by 7.0% (7.9%) to EUR 1,738 (1,644) million, of which Orion Pharma accounted for 9.9% (10.0%). Oriola's market share of pharmaceutical distribution in Finland was 42.1% (46.1%). Orion's market share of the substitutable prescription products was 8.5% (10%) measured in euros and as much as 25.2% (25%) measured in the packages sold. The market total for over-the-counter products increased by 13.4% (declined by 6%) to EUR 201.3 million, of which Orion Pharma accounted for EUR 51.9 million or almost 26%, up by over 17%. Of the number of OTC packages sold, those of Orion Pharma accounted for about 40% (36%).

The Swedish pharmaceutical wholesale market in 2005 came to EUR 2,724 (2,656) million, up by 4.3% (2.3%). KD's market share of pharmaceutical distribution in Sweden came to 47.1% (48.1%).

Events in the financial year

The planning process to demerge the parent company Orion Corporation was perhaps the most outstanding matter in the Orion Group in 2005. The project was disclosed with a stock exchange release on October 10 2005. The Demerger Plan was published as a stock exchange release on 9 November in association with the 9-month Interim Report, and the Demerger Prospectus was published on 12 December. On 19 December, the demerger plan was approved by the Extraordinary General Meeting of the shareholders, in accordance with the proposal by the Board of Directors. A summary of the main characteristics of the demerger is included in the Financial Statements 2005 publication of Orion Corporation.

The results of the clinical studies conducted with **levosimendan (Simdax®)** for obtaining marketing authorisations in the US and certain European countries were reported at the AHA Scientific Seminars 2005 in mid November 2005. In the REVIVE II and SURVIVE trials, a total of over 1,900 patients suffering from acute heart failure were treated and monitored. Abbott Laboratories, the license holder, is discussing revisions to the summary of the product characteristics, SPC, with the Swedish Medical Products Agency, Läkemedelsverket, to reflect data from the studies. Sweden is the reference member state in the mutual recognition procedure (MRP), the new drug approval procedure applied to Simdax in the EU. Abbott is also meeting with the regulatory authorities of other European countries, such as France, Germany and the UK, where Simdax is not yet approved, to discuss the process

for regulatory authorisation. For the U.S. regulatory approval process, Abbott is finalising the data analysis, continuing discussions with the FDA, and is exploring options for next steps in the U.S.

In the REVIVE II trial carried out in the US, the efficacy of levosimendan on symptoms was compared with placebo in about 600 patients. The results showed that patients with acute decompensated heart failure who received a single infusion of levosimendan in addition to standard therapy significantly outperformed those patients who received standard therapy alone. The primary endpoint of the study was a composite of clinical signs and symptoms over five days as assessed by patients and their physicians.

More patients improved and fewer patients worsened when treated with levosimendan. Levosimendan patients also had a reduced average length of initial hospital stay. REVIVE II was not primarily designed to assess mortality. A secondary endpoint was mortality at 90 days for which there was no statistically significant difference between the treatment arms, although there were a greater number of deaths in the levosimendan arm.

The main aim of the SURVIVE trial which was carried out in Europe was to show whether levosimendan therapy reduces the mortality of patients suffering from acute decompensated heart failure. In this study in about 1,300 patients levosimendan was compared to dobutamine. The patients were followed up for 180 days. The results showed that levosimendan resulted in statistically non-significant but consistently lower mortality compared with dobutamine through the six months of follow-up.

Events after the review period

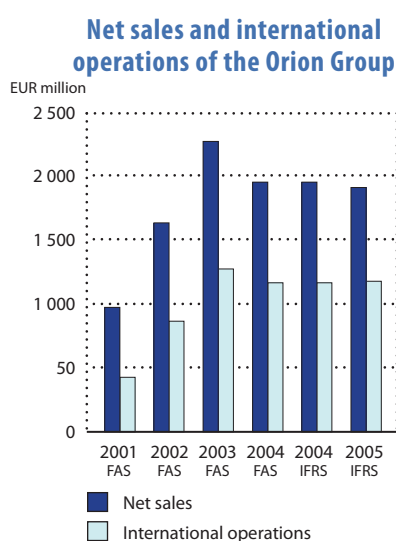
In a stock exchange release on 26 January 2006, Orion gave an update of the progress of Abbott with Simdax, according to which Abbott, the license holder, is discussing revisions to the summary of the product characteristics, SPC, with the Swedish Medical Products Agency, Läkemedelsverket, to reflect data from the studies. Sweden is the reference member state in the mutual recognition procedure (MRP), the new drug approval procedure applied to Simdax in the EU. Abbott is also meeting with the regulatory authorities of other European countries, such as France, Germany and the UK, where Simdax is not yet approved, to discuss the process for regulatory authorisation. For the U.S. regulatory approval process, Abbott is finalising the data analysis, continuing discussions with the FDA, and is exploring options for next steps in the U.S.

In the same release, also the amounts of the milestone payments agreed on Simdax, which in earlier contexts had been characterised as considerable but not communicated, were disclosed. In accordance with the licensing agreement, they are subject to the granting of marketing approvals in certain countries. A US new drug approval will trigger a USD 42 million milestone payment to Orion. If a marketing authorisation is granted by both Germany and France, Orion will receive a milestone payment of USD 28 million. Orion emphasises that considerable risks are related to pharmaceutical research and that many uncertainties are included in the regulatory approval processes. Accordingly, it is not certain that the milestone payments will be realised.

In a stock exchange release on 30 January, the recommendations by the nomination committee to the Board of Directors of Orion Corporation concerning the Boards of Directors to be elected by the AGM on 21 March 2006 were communicated.

Transition to IFRS as of 1 January 2005

As of 1 January 2005, Orion adopted the IFRS reporting (International Financial Reporting Standards) whereby the Finnish Accounting Standards, FAS, were rejected in the consolidated financial statements. The comparative figures for 2004 reported by Orion in accordance with IFRS are not audited, because the official, audited financial statements of the Group were based on the FAS.



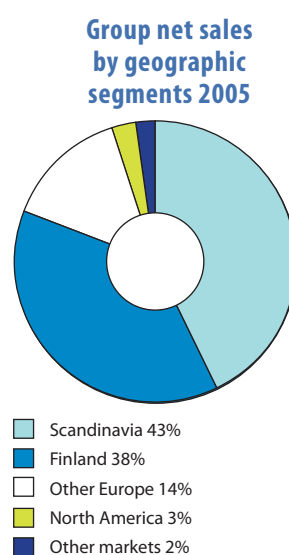
Orion Group financial position and results

Group net sales

Orion Group. The Group net sales in 2005 were EUR 1,901.8 (1,946.2) million, down by 2.3% from the comparative year. The decline was a consequence of changes in the composition of principals for the pharmaceutical distribution business as well as technical amendments in some distribution contracts. Currency exchange rates had a negative impact of EUR 13.9 million, of which the Swedish krona, SEK, accounted for EUR 13.6 million. The high share of SEK comes from KD, whose net sales are in that currency.

Orion Pharma. Orion Pharma's net sales increased by 6.1% to EUR 547.0 (515.5) million. No milestone payments were received during the year, whereas they totalled EUR 14.1 million in the comparative year. The products based on in-house R&D accounted for EUR 227.2 (194.1) million, or 42% (38%) of the total net sales. The products for Parkinson's Disease, Stalevo® and Comtess®/Comtan®, contributed EUR 145.3 (115.6) million, or 27% (22%) of the total net sales.

Orion Diagnostica. Orion Diagnostica's net sales increased by 3.4% to EUR 40.8 (39.4) million. The new products like the infection test QuikRead® and the hygiene tests continued showing the best growth.



Wholesale and Distribution. Oriola's pharmaceutical distribution operations are focused on Finland and the Baltic countries, KD operating in Sweden. The total invoicing of the segment came to EUR 2,392.2 (2,464.3) million, down by 2.9% from the comparative year, due to the declined invoicing of KD. Net sales were EUR 1,330.7 (1,406.7) million, change -5.4%. Also invoicing is reported for this segment, because it is a better indicator of operational volumes than net sales. For contracts based on consignment trade and agency, only the distribution fee from the principal is included in the wholesaler's net sales.

Orion Corporation, the parent company. The net sales of the Group's parent company, Orion Corporation, were EUR 461.9 (431.5) million, up by 7.0%, reported according to FAS. They are mainly composed of the domestic sales and exports of Orion Pharma.

Group profits

Orion Pharma's operating profit, EBIT, grew by 42.5% to EUR 154.7 (108.5) million. The Division showed continued favourable performance throughout the year, boosted by increased product sales and good cost management. The comparative year includes EUR 14.1 million in contract-based revenues. With their impact eliminated, the comparable EBIT increased by almost 64%.

Orion Diagnostica's operating profit rose by 8.3% to EUR 6.3 (5.8) million.

Wholesale and Distribution generated a combined operating profit of EUR 26.9 (27.2) million, the same level as in the comparative year. The comparative year's figure includes an additional depreciation of EUR 1.8 million.

Net sales by business segments

EUR million	2005	2004	Change %	Breakdown 2005
Orion Pharma	547.0	515.5	+6.1%	29%
Orion Diagnostica	40.8	39.4	+3.4%	2%
Wholesale and Distribution	1 330.7	1 406.7	-5.4%	69%
Group items	-16.7	-15.4	+8.2%	
Group total	1 901.8	1 946.2	-2.3%	100%

Operating profit by business segments

EUR million	2005	2004	Change %	Breakdown 2005
Orion Pharma	154.7	108.5	+42.5%	83%
Orion Diagnostica	6.3	5.8	+8.3%	3%
Wholesale and Distribution *)	26.9	27.2	-1.1%	14%
Group items	-6.8	-9.3	-27.2%	
Group total	181.1	132.2	+37.0%	100%

*) The figure for 2004 includes an additional depreciation of EUR 1.8 million on the improvement of former leasehold warehouses

Net sales by geographic segments

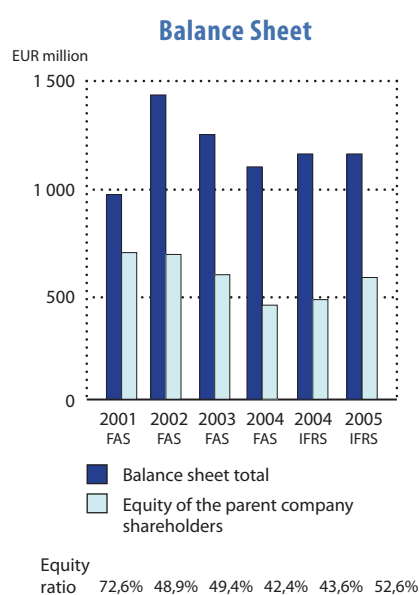
EUR million	2005	2004	Change %	Breakdown 2005
Finland	727.5	785.6	-7.4%	38%
Scandinavia	822.8	846.5	-2.8%	43%
Other Europe	265.9	214.7	+23.9%	14%
North America	52.5	62.4	-15.9%	3%
Other markets	33.1	37.1	-10.6%	2%
Group total	1 901.8	1 946.2	-2.3%	100%

Operating expenses

The consolidated operating expenses were EUR 357.2 (374.9) million, 4.7% less than in the previous year. Most down were the "Selling and distribution expenses" of EUR 215.8 (234.0) million, which include the costs of sales and marketing operations as well as those of distribution and logistics, the related salaries and other personnel expenses included. Almost all the costs incurred by the Wholesale and Distribution segment are under the "Selling and distribution" function, except those for procurement. Orion Pharma's share of the selling and distribution expenses was EUR 120.8 (134.3) million, which represented 22% of Orion Pharma's net sales.

The pension benefits for the Finnish white-collar employees of the Orion Group are arranged through the Orion Pension Fund. Due to the favourable development of the assets of the Fund and the decline in its liabilities as well as due to certain non-recurrent items, the pension costs of the Group are notably lower than the average 16.8% level of the payments according to the Employees' Pension Act, TEL.

Other operating income includes EUR 3.2 million in earnings from the sale of a residential building in the third quarter. In the table specifying the consolidated operating profit by business segments, the item is included in the Group items.



Research and development expenses

The Group R&D expenditure was EUR 79.5 (77.9) million. The first quarter of 2004 still included a significant amount of costs of the clinical phase 3 studies with the heart failure drug Simdax which, as of April 2004 were taken over by Abbott Laboratories. Orion Pharma accounted for EUR 76.5 (75.1) million, about 96% of the Group's total R&D expenditure. R&D expenditure represented 14% (15%) in proportion to Orion Pharma's net sales. The R&D function is explained in more detail in the segment review of Orion Pharma.

Group profit before taxes improved to EUR 180.0 (130.2) million. The strong improvement was consequence of the good profitability Orion Pharma, above all. Earnings per share were EUR 0.95 (0.68). Equity per share was EUR 4.06 (3.43). Group ROCE before taxes was 29.9% (21.0%) and ROE after taxes was 24.9% (16.7%).

Balance Sheet and financial position

The Group's financial position and solvency continued to be at a good level. Gearing was -17.8% (2.8%). Equity ratio was 52.6% (43.6%) at the year-end. In the comparative year, these ratios were at a lower level than normally, due to the additional dividends paid in September 2004 which were partly financed by a bank loan. The good profitability and cash flows as well as the share subscriptions made with the company's stock options have contributed positively to the improved financial ratios.

The impacts of the above-mentioned share subscriptions as well as the treasury shares invalidated in April have induced EUR 6.5 million more to the company's share capital and EUR 52.1 million to the share premium since the 2004 year-end position in the Balance Sheet.

Total liabilities in the Balance Sheet of 31 December 2005 came to EUR 555.0 (655.8) million. Interest-bearing liabilities were EUR 56.0 (120.6) million. The comparative year included a loan of EUR 52.0 million taken for the additional dividend payment in September 2004. The loan was fully repaid in the course of 2005. In 2005, new commercial papers were issued for EUR 35.0 million and old ones were repaid for EUR 66.6 million.

Cash and cash equivalents accounted for EUR 159.5 (106.9) million of the total current assets. The cash reserves of the Group are invested in short-term interest instruments issued by solid financial institutions and corporations.

Cash flows

The quarterly cash flows of the Orion Group are strongly influenced by the pharmaceutical wholesale business, which is characterised by large volumes. Transactions taking place at the turn of the month with the principals and the Swedish pharmacy monopoly, Apoteket AB, can cause great variations in the quarterly working capital. Also changes in the principals and distribution contracts, typical of the pharmaceutical distribution business, are reflected in the working capital.

The cash flows from operations were EUR 12.0 million lower than in the previous year despite the clearly improved profit. This was mainly due to the sharply declined working capital in the course of 2004 and the fact that the level of working

capital remained unchanged in 2005. The receivables and the inventories were somewhat lower in the Wholesale and Distribution business. On the other hand, also the amount of current liabilities declined.

Cash flows from investments, EUR -20.8 million, were at the level of the previous year, and no major single investments were made in the year under review.

The share subscriptions with Orion's stock options induced positive cash flows by a total of EUR 43.4 million in the first half of the year. The full-year cash flows from financing activities resulted in a negative total of EUR 98.6 million, due to the dividends paid for 2004 in April as well as a total of EUR 66.9 million in repaid pension loans and other current liabilities.

Financial objectives of the Orion Group

The financial objectives confirmed by the Board of Directors for the Orion Group in the summer of 2004 have been met as follows:

	Objective	Actual 2005 IFRS	2004 IFRS	2004 FAS	2003 FAS	2002 FAS	2001 FAS
Average annual EBIT growth	10%	+37.0%	-	+43.8%	-7.8%	-16.2%	+1.6%
Equity ratio	45%	52.6%	43.6%	42.4%	49.4%	48.9%	72.6%
ROCE	20%	29.9%	21.0%	22.1%	13.2%	13.8%	17.5%

No official long-term objectives have been set for the divisions; rather, the planned performance level of each unit has been examined as part of the entire Group in connection with long-term and annual planning.

The financial objectives for the new companies resulting from the demerger in mid 2006 will be defined after the demerger.

Outlook for 2006

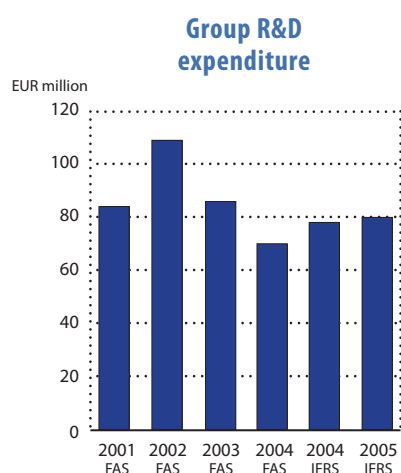
Orion Pharma is estimated to show higher net sales than in 2005, boosted especially by the sales of the entacapone product franchise. Like in the previous years, entacapone deliveries to the marketing partner Novartis are anticipated to be somewhat higher during the first half of the year. The development of the domestic sales will suffer from the 5% price cut imposed on the wholesale prices of all prescription drugs in Finland in January 2006. Operating profit is expected to improve somewhat from that of 2005 despite increasing spending on marketing and R&D. Possible milestone payments are not taken into account in the estimate. Research and development expenditure is estimated to be about 15% of the net sales of Orion Pharma.

Orion Diagnostica is forecasted to show somewhat higher net sales, boosted by the QuikRead system. Operating profit is estimated to remain good.

Wholesale and Distribution will post the same level of invoicing and operating profit as in 2005. Oriola is estimated to show slightly higher net sales, whereas KD's net sales are estimated to be at the same level as in 2005.

The combined R&D expenditure of the segments is estimated to be about EUR 90 million, of which Orion Pharma will account for 95%. Capital expenditure will be about EUR 45 million.

Due to the demerger, a consolidated **Orion Group** full-year outlook cannot be given. The outlook estimates for the new companies resulting from the demerger will be presented later in the spring.



Research and development activity

The Orion Group's R&D expenditure amounted to EUR 79.5 (77.9) million. Expenditure increased by 2.1% on the previous year. Orion Pharma's pharmaceutical research accounted for EUR 76.5 (75.1) million of the total, representing 96% of the total. The proportion of R&D expenditure was 14% (15%) of Orion Pharma's net sales.

The strategic emphasis in Orion Pharma's R&D has been increasingly on the research of new drug candidates and the early phases of clinical studies, and the focus of the R&D efforts have been on central nervous system disorders, cardiovascular diseases and critical care, and hormonal and urological therapies.

The biggest single project underway in Orion Pharma is **STRIDE-PD**, a Phase 3 clinical study with Stalevo which was started in late 2004. A major part of the studies is sponsored by Novartis. The study investigates whether Stalevo can delay the onset of motor complications experienced as involuntary movements, called dyskinesias. As many as 740 patients have been recruited to the study, each for a treatment period of at least two years. The first results will be available in the first half of 2008.

A Phase 2 type study is being conducted in Switzerland and Finland with **dexmedetomidine** as a long-term, i.e. over 24-hour infusion in the sedation of patients in intensive care. The purpose of the programme is to achieve an EU marketing approval for the product. Dexmedetomidine, marketed as **Precedex®**, is already available in the USA and Japan as a sedative in intensive care. The European rights for the product are held by Orion, the originator.

ORM-10921 is a novel investigational compound having shown promising results in preclinical models of schizophrenia and depression. Phase 1 studies are currently underway. The progress of the studies has been slowed down due to findings whose impacts are currently being explored.

In the field of hormonal research, a Phase 1 study was initiated in December 2005 with arcarine, an androgen receptor agonist. In non-clinical research models, the substance has been shown to have testosterone-like positive effects on the muscle mass and bones but without negative impacts on the prostate.

The results of the clinical studies conducted with **levosimendan (Simdax®)** for obtaining marketing authorisations in the US and certain European countries were reported at the AHA Scientific Seminars 2005 in mid November 2005. In the **REVIVE II** and **SURVIVE** trials, a total of over 1,900 patients suffering from acute heart failure were treated and monitored. Abbott

Laboratories, the license holder, is discussing revisions to the summary of the product characteristics, SPC, with the Swedish Medical Products Agency, Läkemedelsverket, to reflect data from the studies. Sweden is the reference member state in the mutual recognition procedure (MRP), the new drug approval procedure applied to Simdax in the EU. Abbott is also meeting with the regulatory authorities of other European countries, such as France, Germany and the UK, where Simdax is not yet approved, to discuss the process for regulatory authorisation. For the U.S. regulatory approval process, Abbott is finalising the data analysis, continuing discussions with the FDA, and is exploring options for next steps in the U.S.

In the REVIVE II trial carried out in the US, the efficacy of levosimendan on symptoms was compared with placebo in about 600 patients. The results showed that patients with acute decompensated heart failure who received a single infusion of levosimendan in addition to standard therapy significantly outperformed those patients who received standard therapy alone. The primary endpoint of the study was a composite of clinical signs and symptoms over five days as assessed by patients and their physicians.

More patients improved and fewer patients worsened when treated with levosimendan. Levosimendan patients also had a reduced average length of initial hospital stay. REVIVE II was not primarily designed to assess mortality. A secondary endpoint was mortality at 90 days for which there was no statistically significant difference between the treatment arms, although there were a greater number of deaths in the levosimendan arm.

The main aim of the SURVIVE trial which was carried out in Europe was to show whether levosimendan therapy reduces the mortality of patients suffering from acute decompensated heart failure. In this study in about 1,300 patients levosimendan was compared to dobutamine. The patients were followed up for 180 days. The results showed that levosimendan resulted in statistically non-significant but consistently lower mortality compared with dobutamine through the six months of follow-up.

PERSIST is a Phase II trial with an orally administered formulation of levosimendan in about 300 patients for the treatment of severe chronic heart failure. The study, conducted by Orion Pharma, has progressed ahead of schedule, and results will be reported in the summer of 2006.

A closer review of the pharmaceutical research projects is provided in the segment review of Orion Pharma.

Capital expenditure

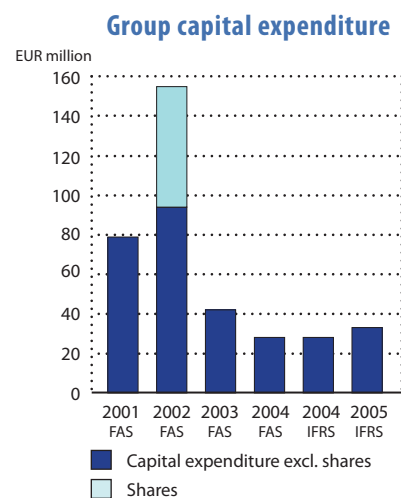
The capital expenditure of the Group came to EUR 33.4 (28.0) million, of which machinery and equipment accounted for EUR 24.7 (20.1) million.

Capital expenditure by business segments

EUR million	2005	2004
Orion Pharma	21.1	17.2
Orion Diagnostica	1.8	1.4
Wholesale and Distribution	9.8	8.4
Group items	0.7	1.0
Group total	33.4	28.0
Capital expenditure, % of net sales	1.8%	1.4%

Changes in the Group structure

In 2005, the structure of the Orion Group has remained almost constant. In order to attend the retail business, Panpharmacy Oü was founded by Oriola in Estonia, and SIA Gimenes Centra Aptieka was acquired in Latvia. Oy Lyocentre-Nordic Ab was acquired by Orion Corporation under an agreement signed in December 2005 and effective as of 8 February 2006.

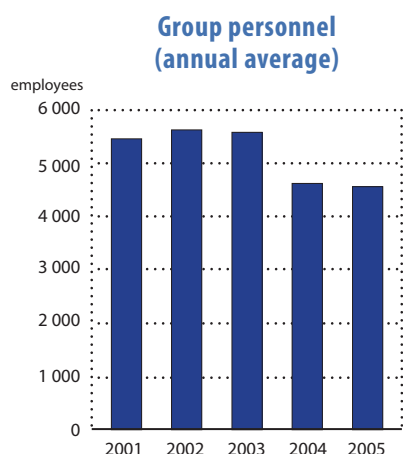


Personnel

The average number of personnel in the Group was 4,558 (4,614) for the full-year review period. In December 2005, the total number of employees was 4,534 (4,549). Personnel in Orion Pharma and Oriola remained at the same level as in the previous year. KD's personnel has decreased by 35 persons due to rearrangements for operational improvement. KD decided to close down the Malmö distribution center and to combine its operations into the main warehouse in Mölnlycke. Orion Diagnostica closed down its plant in Oulunsalo and consolidated its production in Turku. Also other improvement measures were implemented to discharge the overcapacity that had mainly resulted from matured products. The total reduction of personnel is 30, of which about half took place in 2005.

Personnel by business segments

Average number of employees	12/2005	12/2004	Change %	Breakdown 2005
Orion Pharma	2 665	2 643	+0.8%	59%
Orion Diagnostica	304	318	-4.3%	7%
Wholesale and Distribution	1 530	1 554	-1.5%	33%
Oriola	(1 100)	(1 089)	+1.0%	(24%)
KD	(430)	(465)	-7.5%	(9%)
Corporate Administration	34	34		1%
Group total	4 534	4 549	-0.3%	100%



General Meetings of the Shareholders

Annual General Meeting on 22 March 2005

The Annual General Meeting of Orion Corporation held on 22 March 2005 handled the matters provided for the AGM in section 10 of the company's Bylaws. Additionally, the Board's proposals concerning the amendment of Section 5 of the Bylaws as well as the lowering the share capital by invalidating the own shares held by the company were approved, and the Board was authorised to decide upon the acquisition and conveyance of the company's own shares. The decisions were entered in the trade register on 1 April 2005. The structure of Section 5 of the company's Bylaws was simplified to read as follows:

"The Board of Directors shall comprise at least five and at most eight members. The term of the members of the Board of Directors shall end at the end of the Annual General Meeting of the Shareholders following the election. The General Meeting of the Shareholders shall elect the Chairman of the Board of Directors and the Board of Directors shall elect 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 company's share capital was decided to be lowered by about EUR 3.0 million by invalidating the 417,864 Orion Corporation A-shares and the 1,370,000 Orion Corporation B-shares held by the company.

A dividend of EUR 0.55 per share was approved for 2004 in accordance with the Board's proposal.

Extraordinary General Meeting on 19 December 2005

The Extraordinary General Meeting held on 19 December 2005 in Helsinki decided upon the demerger of the present Orion Corporation. The Demerger Plan signed by the Board of Directors on 7 November 2005 was approved. According to the plan, Orion Corporation will be demerged into two separate public listed companies, new Orion Corporation and Oriola-KD Corporation. The planned registration date is 30 June 2006. On the effective date, the present Orion Corporation will be dissolved and the two new companies will start operations. The new companies will apply for the listing of their shares on the Helsinki Stock Exchange starting on or about 3 July 2006.

The General Meeting also approved the proposed lowering of the present Orion's share premium fund by about 53 million euros by transferring the amount to an expendable fund in the non-restricted equity. In the demerger, the expendable fund will be allocated to the recipient companies so that 30 million euros

are transferred to the balance sheet of Oriola-KD Corporation and the remainder is booked on the balance sheet of the new Orion Corporation.

Board of Directors

In accordance with the Bylaws, the AGM will elect the Board of Directors and the Chairman. In accordance with the recommendation of the nomination committee, the number of Board members was confirmed to be seven and the following members of the Board were re-elected: Mr. Erkki Etola, Mr. Eero Karvonen, Mr. Matti Kavetvu, Mrs. Leena Palotie, Mr. Vesa Puttonen and Mr. Heikki Vapaatalo. Mr. Olli Riikkala was elected as a new member instead of Mr. Heikki Hakala who resigned from the Board. Matti Kavetvu was re-elected Chairman. Erkki Etola was re-elected by the Board members as Vice Chairman. All members of the Board are independent from the company and its shareholders in the manner meant in the Corporate Governance Recommendation for companies listed on the Helsinki Stock Exchange.

By decision of the AGM, the annual fee to the Chairman of the Board was EUR 64,800, to the Vice Chairman EUR 45,600 and to the other members EUR 32,400 each. Of the fee, 60% was paid in cash and 40% in Orion B-shares, which were acquired to the members from the Helsinki Stock Exchange on 5 April 2005. Additionally, EUR 1,500 was paid to the Chairman, EUR 1,125 to the Vice Chairman, and EUR 750 to the other members for each meeting attended.

The number of Board meetings held in 2005 was 17, three of which were teleconferences. The average attendance of the Members was about 94%.

The Audit Committee comprised Vesa Puttonen as Chairman and Eero Karvonen and Olli Riikkala as members. The Salary Committee was chaired by Matti Kavetvu, with Erkki Etola and Heikki Vapaatalo as members. The R&D Committee comprised Leena Palotie, Chairman, with Eero Karvonen and Heikki Vapaatalo as members. The Nomination Committee comprised Timo Maasilta as Chairman, and Kari Jussi Aho, Harry Brade, Erkki Etola, Matti Kavetvu, Petri Kuusisto (in early 2005), Kari Puro (later in 2005) and Jukka Ylppö as members.

The following numbers of committee meetings were held in 2005:

- Audit Committee 5 meetings
- Salary Committee 4 meetings
- R&D Committee 3 meetings
- Nomination Committee 4 meetings.

In the autumn of 2005, the Board of Directors conducted a self-evaluation in accordance with the Corporate Governance Recommendation.

Auditor

The auditors for the company are Ernst & Young Oy, the designated auditor being Mr. Pekka Luoma, Authorised Public Accountant, with Ms. Päivi Virtanen, Authorised Public Accountant, as deputy auditor.

Corporate Governance

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 Orion Group follows the renewed insider guidelines issued by the Helsinki Stock Exchange in 2005, and the company's Guidelines for Insiders are based on these guidelines.

The corporate governance of Orion is described in the Financial Statements 2005 part of the Annual Report 2005 of the Group. A full description is maintained and updated on the Group's homepage in the section for Investors, www.orion.fi/investors.

Changes in the operative management

Mrs. Elina Heliö, Master of Laws, was appointed Corporate VP, Human resources development of the Orion Group and Vice President, Human Resources of Orion Pharma as of 1 July 2005. During her child-care leave until the end of August 2006, her duties are being attended to by Mr. Olli Huotari, General Counsel and Secretary of the Board.

The Board of Directors appointed Mr. Eero Hautaniemi, M.Sc (Econ.) to serve as President and CEO of the Wholesale and Distribution Division of the Orion Group as of 2 January 2006. He joined Orion from the post of President of GE Healthcare Finland Oy. As of the effective date of the demerger of Orion, Mr. Hautaniemi is recommended to be appointed President of the new Oriola-KD Corporation, one of the two new companies resulting from the demerger.

As of 2 January 2006, Mr. Pauli Torkko, Executive Vice President of Orion Corporation and the former head of the Wholesale and Distribution Division, is continuing in the Orion Group management in tasks related to investment affairs, company arrangements and the preparations for the listing of Oriola-KD.

Net sales and operating profit by Business Segments by annual quarters

Net sales by business segments by annual quarters

EUR million	1-3/04	4-6/04	7-9/04	10-12/04	1-3/05	4-6/05	7-9/05	10-12/05
Orion Pharma	125.9	139.6	130.3	119.7	135.9	140.0	133.8	137.2
Orion Diagnostica	10.1	9.4	9.1	10.9	10.5	10.3	9.5	10.5
Wholesale and Distribution	364.8	351.6	339.4	350.9	323.2	342.7	317.9	347.0
Group items	-3.9	-3.7	-3.8	-4.1	-4.3	-4.2	-3.7	-4.5
Group total	496.9	496.9	475.0	477.4	465.3	488.8	457.5	490.2

Operating profit by business segments by annual quarters

EUR million	1-3/04	4-6/04	7-9/04	10-12/04	1-3/05	4-6/05	7-9/05	10-12/05
Orion Pharma	31.0	39.4	29.7	8.4	45.2	39.1	42.7	27.7
Orion Diagnostica	1.3	1.3	1.9	1.3	1.7	2.0	1.4	1.1
Wholesale and Distribution	4.9	7.8	8.1	6.4	5.8	6.8	7.4	6.9
Group items	-3.8	-2.9	-0.5	-2.1	-1.9	-3.3	1.6	-3.2
Group total	33.4	45.6	39.2	14.0	50.8	44.6	53.1	32.5

Net sales by geographic segments by annual quarters

EUR million	1-3/04	4-6/04	7-9/04	10-12/04	1-3/05	4-6/05	7-9/05	10-12/05
Finland	202.2	192.9	189.5	201.0	184.4	188.9	167.3	186.9
Scandinavia	219.5	213.6	204.5	208.9	192.5	208.4	203.1	218.8
Other Europe	54.4	58.3	54.0	47.9	63.8	67.0	69.3	65.8
North America	12.5	23.7	15.2	11.1	15.2	14.7	10.2	12.5
Other markets	8.3	8.4	11.8	8.5	9.4	9.8	7.6	6.3
Group total	496.9	496.9	475.0	477.4	465.3	488.8	457.5	490.2

Consolidated Financial Statements (IFRS)

Consolidated Income Statement

EUR million	Note	2005	2004
Net sales	1)	1 901.8	1 946.2
Cost of goods sold		-1 373.7	-1 446.1
Gross profit		528.1	500.1
Other operating income	2)	10.1	7.0
Selling and distribution expenses	3), 4)	-215.8	-234.0
Research and development expenses	3), 4)	-79.5	-77.9
Administrative expenses	3), 4)	-61.9	-63.0
Operating profit		181.1	132.2
Financial income and expenses	5)	-1.0	-2.0
Profit before taxes		180.0	130.2
Income tax expense	6)	-47.9	-38.1
Profit for the period		132.1	92.1
of which available for:			
Parent company shareholders		131.1	90.5
Minority interest		1.0	1.6
Earnings per share			
Basic, EUR	7)	0.95	0.68
Diluted, EUR	7)	0.94	0.68
Depreciation and amortisation	3)	47.7	57.0
Employee benefits	4)	193.4	197.2

Consolidated Balance Sheet

EUR million	Note	2005	2004
ASSETS			
Non-current assets			
Property, plant and equipment	8)	266.4	277.2
Goodwill	9)	46.2	47.6
Other intangible assets	9)	35.3	47.8
Investments in associates	10)	0.1	0.1
Available-for-sale investments	11)	1.1	1.1
Pension asset	12)	58.7	53.6
Deferred tax assets	13)	2.7	5.2
Other non-current receivables	14)	4.9	4.8
Non-current assets total		415.4	437.4
Current assets			
Inventories	15)	281.9	299.1
Trade receivables	16)	259.9	268.2
Other receivables	16)	20.2	23.9
Cash and cash equivalents	17)	159.5	106.9
Current assets total		721.4	698.1
Assets total		1 136.8	1 135.5

EUR million	Note	2005	2004
EQUITY AND LIABILITIES			
Equity			
Share capital		124.4	117.9
Share issue		0.3	15.6
Share premium		53.2	1.1
Other reserves		0.8	0.6
Retained earnings		385.9	326.5
Equity of the parent company shareholders		564.6	461.7
Minority interest		17.2	18.0
Equity total	18)	581.8	479.7
Non-current liabilities			
Deferred tax liabilities	13)	64.6	72.7
Pension liability	12)	4.2	3.8
Provisions	19)	2.4	5.2
Interest-bearing non-current liabilities	20)	23.3	55.8
Other non-current liabilities	21)	1.2	0.2
Non-current liabilities total		95.7	137.7
Current liabilities			
Trade payables	22)	342.2	373.3
Other current liabilities	22)	83.3	79.2
Provisions	19)	1.0	0.8
Interest-bearing current liabilities	20)	32.8	64.8
Current liabilities total		459.3	518.1
Equity and liabilities total		1 136.8	1 135.5

Consolidated Cash Flow Statement

EUR million	Note	2005	2004
Cash flow from operating activities			
Operating profit		181.1	132.2
Adjustments for			
Depreciation and amortisation		47.7	57.0
Gain/loss on sale of property, plant and equipment		-5.0	0.0
Unrealised foreign exchange gains and losses		0.9	-2.0
Change in pension asset and pension obligation		-4.7	5.7
Change in provisions		-2.5	-3.1
Other adjustments		1.1	-0.9
		37.5	56.7
Change in working capital			
Change in non-interest-bearing current receivables		7.8	31.2
Change in inventories		14.7	51.8
Change in non-interest-bearing current liabilities		-23.2	-41.9
		-0.7	41.1
Interest paid		-5.7	-6.6
Interest received		5.1	5.8
Income taxes paid		-44.0	-43.8
Net cash from operating activities		173.3	185.3
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets		-30.3	-29.3
Proceeds from sale of property, plant and equipment and intangible assets		9.5	8.7
Purchases of available-for-sale investments			-0.4
Proceeds from sale of available-for-sale investments		0.0	0.2
Net cash used in investing activities		-20.8	-20.7
Cash flow from financing activities			
Share issue and share capital increase based on the use of stock options		43.4	15.6
Change in short-term loans		-34.4	27.2
Proceeds from long-term loans		0.2	20.0
Repayments of long-term loans		-32.7	-6.1
Dividends paid to parent company shareholders		-74.2	-251.1
Dividends paid to minority		-1.0	-3.4
Net cash used in financing activities		-98.6	-197.8
Net change in cash and cash equivalents			
		53.9	-33.2
Cash and cash equivalents at the beginning of the period	17)	106.9	139.6
Foreign exchange differences		-1.4	0.5
Net change in cash and cash equivalents		53.9	-33.2
Cash and cash equivalents at the end of the period	17)	159.5	106.9

Consolidated Statement of Changes in Equity

EUR million	Share capital	Share issue	Share premium	Other reserves	Translation differences	Retained earnings	Equity of the parent company share-holders	Minority interest	Total
Equity									
31 Dec. 2004	117.9	15.6	1.1	0.6	-2.3	328.8	461.7	18.0	479.7
Change in translation differences					-3.3		-3.3	-0.9	-4.2
Hedge of net investment in foreign subsidiary					1.0		1.0		1.0
Profit for the period						131.1	131.1	1.0	132.1
Recognised income and expenses total					-2.4	131.1	128.7	0.2	128.9
Shares subscribed with options	9.6	-15.3	49.1				43.4		43.4
Invalidation of own shares	-3.0		3.0			4.9	4.9		4.9
Dividends						-74.1	-74.1	-1.0	-75.1
Other changes				0.2		-0.1	0.1		0.1
Equity									
31 Dec. 2005	124.4	0.3	53.2	0.8	-4.7	390.6	564.6	17.2	581.8
Equity									
31 Dec. 2003 FAS	114.8		4.2	0.6	-3.3	446.6	562.9	19.7	582.6
Impact of IFRS transition (note 28)						40.9	40.9		40.9
Equity									
1 Jan. 2004 IFRS	114.8		4.2	0.6	-3.3	487.5	603.8	19.7	623.5
Change in translation differences					1.1		1.1	0.1	1.2
Hedge of net investment in foreign subsidiary					-0.1		-0.1		-0.1
Profit for the period						90.5	90.5	1.6	92.1
Recognised income and expenses total					0.9	90.5	91.5	1.7	93.2
Shares subscribed with options		15.6					15.6		15.6
Dividends						-249.2	-249.2	-3.4	-252.6
Other changes	3.1		-3.1	0.1		-0.1	-0.0		-0.0
Equity									
31 Dec. 2004 *)	117.9	15.6	1.1	0.6	-2.3	328.8	461.7	18.0	479.7

*) The acquisition cost of EUR 18.7 million of the treasury shares has been deducted from the Equity of 31 December 2004.

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Accounting policies for the consolidation

The Orion Group Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) in force and passed in the EU on the date of the Financial Statements, on 31 December 2005. The Group adopted the IFRS as of 1 January 2004.

The transition to IFRS was made on the basis of the First-Time Adoption of International Financial Reporting Standards (IFRS 1) and the respective exemptions as follows:

- The deemed cost of goodwill corresponds to the Balance Sheet values calculated in accordance with the Finnish accounting practice.
- The deemed cost of production and office buildings includes revaluation, less the retroactive depreciation recorded at the transition.
- All accumulated actuarial gains and losses related to defined pension benefit plans have been recorded in the opening Balance Sheet.

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

Consolidation principles

The Consolidated Financial Statements include Orion Corporation and all companies directly or indirectly owned by it and controlled by the Group. The control originates when the Group owns more than 50% of the company's votes or it is entitled to set the principles for the company's finance and business operations, in order to gain benefits from its operation. Internal shareholding has been eliminated using the cost method. Subsidiaries are fully consolidated from the date of the acquisition being the date when the Group obtain factual control, while the divested subsidiaries are consolidated Financial Statements until the date that such control expires. All internal transactions, receivables and liabilities, distribution of profit and unrealised internal margins are eliminated at the compilation of the consolidated Financial Statements. The consolidated profit for the financial year is divided into portions allocable to the parent company shareholders and to the minority. Minority share is included in Group equity and is specified in the calculation regarding the changes in equity.

The associated companies in which the Group generally controls 20-50% of the votes or in which the Group exercises considerable authority, are consolidated in the Financial Statements using the equity method. If the Group's share of the losses of the associated company exceeds the carrying amount, they will not be consolidated unless the Group has made a commitment to fulfil the liabilities of the associated company in question.

Items in foreign currencies

The items included in the Financial Statements of the subsidiaries will be valued in the currency which best describes the financial operating conditions of each subsidiary. The Consolidated Financial Statements are in euro, which is the operating and reporting currency of the Group parent company.

Items in foreign currencies are converted into euro, using the exchange rate of the date of the transaction. Outstanding monetary receivables and liabilities in foreign currencies have been measured using the exchange rates quoted on the date of the Financial Statements. The translation gains and losses related to the items in foreign currencies are recognised in the Income Statement. Exchange rate gains and losses related to business operations are included in the corresponding items above the operating profit line. Exchange rate gains and losses related to loans and receivables in foreign currencies are included in financial income and expenses.

The Income Statements of the Group companies domiciled outside the EMU area are converted into euro using the average exchange rate of the reporting period while the Balance Sheets are converted using the exchange rate quoted on the date of the Financial

Statements. Using different exchange rates in the Income Statement and Balance Sheet for the translation of the financial result for the financial year results in a translation difference, and is recorded under translation conversion differences under equity. The receivables from foreign subsidiaries, recorded in the Balance Sheet of the parent company, are considered to constitute part of the net investment if no plan for their payment has been made, and they cannot be anticipated in the future. Exchange differences caused by receivables will be recognised under equity. The accumulated conversion differences related to divested Group companies, recorded under equity, are recognised as the gains or losses from transfers under the Income Statement.

Property, plant and equipment

Tangible assets are measured at their historical cost, less accumulated depreciation and impairment. The assets are depreciated over their useful life using the straight-line depreciation method. The useful life of assets is reviewed if necessary, adjusting it to correspond to eventual changes in the expected economic use. The assessed useful lives are as follows:

- Buildings 20 to 50 years
- Machinery and equipment 5 to 10 years
- Other tangible assets 10 years

Land areas are not subject to depreciation. Repair and maintenance costs are recognised as expenses for the period. Improvement investments are capitalised if they will generate future economic benefits. Capital gains and losses resulting from the transfer of tangible assets are recognised in the Income Statement.

Intangible assets

Research and development costs

Research costs are recognised as expenses in the Income Statement. Intangible assets originating through R&D are recognised in the Balance Sheet only if the corresponding requirements of the IAS 38 standard are met. Due to the approvals by authorities required for pharmaceutical development projects and to other similar R&D-related uncertainties, the Group has not capitalised its internal R&D expenses.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being in excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill acquired before the date of transition to IFRS is recognised in the opening IFRS balance sheet 1 Jan. 2004 at the deemed cost, which represents the amount recorded under previous GAAP. Goodwill is measured at cost less any accumulated impairment losses. The goodwill originating through foreign acquisitions has been presented in the acquisition currency. Goodwill has been allocated to the cash generating units.

Other intangible assets

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

Impairment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Should there be such indication, the respective recoverable amount will be assessed. The recoverable amount represents the net sales price or a higher value in use, obtained by discounting the present value of the future cash flows from that asset item.

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

The test of impairment of goodwill will be made on an annual basis, or more frequently, if there is indication of impairment. Impairment is recognised in the Income Statement under Other operating expenses which includes expenses not allocable to specific operations. The impairment loss of goodwill is not reversible.

Government grants

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

Leases

Group as lessee

Lease contract, on the basis of which the Group takes over a material part of the risks and benefits characteristic of ownership of such assets, are classified as finance lease agreements. Finance lease agreements are recorded in the Balance Sheet under assets and liabilities, mainly at the time when the lease period starts, either at the fair value of the asset or the lower present value of the minimum lease payments.

The assets acquired through finance lease agreements will be depreciated as any non-current assets, either over the useful life of the assets or over a shorter lease term. Finance lease liabilities are recorded under the non-current and current interest-bearing liabilities in the Balance Sheet.

If the lessor maintains the ownership risks and benefits, the lease agreement is treated as an operating lease, and the lease paid on the basis of such agreement is recognised as an expense, allocated it evenly over the entire lease term.

Group as lessor

The Group acts as a distributor and rents out assets, with the risks and benefits associated with ownership for the material part transferred to the lessee. Such leases are treated as finance leases. These leased assets are recognised as receivables in the Balance Sheet, corresponding to the present value of the leases under the lease agreement. Capital gains will be recognised upon the entrance into force of the agreement. The financial income from the agreements will be determined so that the remaining net investment generates the same percentage of return over the entire lease period. Financial income is recognised in financial items.

Assets leased under arrangements other than the finance lease agreements are included under property, plant and equipment in the Balance Sheet. Lease income is recognised in the Income Statement in even allotments over the entire lease term. The depreciation on these items is made during the economic life of the asset, in the same way as is the case for corresponding non-current assets in own use.

Employee benefits

Pension liabilities

The Group's pension arrangements are in line with each country's local regulations and practices. The pension arrangements of the Group companies comprise both defined contribution plans and defined benefit plans. The payments to the contribution plans are recognised as expenses in the Income Statement, allocating them to the financial year in question. In defined benefit plan arrangements, the Group's obligation is not limited to the payments made under the arrangement only, but the Group also covers actuarial and investment risks related to the pension arrangement in question.

The Group's major defined benefit arrangements are made in Finland where the Group's clerical employees have a statutory pension security under the Finnish Employees' Pension Act (TEL) arranged through the Orion Pension Fund, with some of the employees enjoying a supplementary pension scheme. Moreover, the Group executives have certain defined benefit arrangements with pension insurance companies. The defined benefit obligations have been calculated separately for each individual arrangement. The TEL-related national disability pension obligation is recognised when the disability event has taken place.

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

At the transition to IFRS standards, all actuarial gains and losses have been recognised in the equity of the opening Balance Sheet in accordance with the exemption under IFRS 1 standard. After this, any actuarial gains and losses, to the extent that they exceed the variation defined in IAS 19, will be recognised in the Income Statement, allocated over the average remaining term of service of the personnel. The variation is the larger of the following: 10% of the present value of the obligation resulting from the arrangement, or 10% of the present value of the funds involved in the arrangement.

Share-based payments

The Group has applied the IFRS 2 standard on share-based payments in cases in which options have been granted to the Group key persons after 7 November 2002, with no entitlement arising before 1 January 2005. Related to earlier option arrangements, the above has not been recognised as an expense in the Income Statement. Option rights have been measured at their fair value on the date of their issuance, recognised as an expense in the Income Statement and divided in even allotments over the period in which the right originates. The expense determined on the date of issuance is based on the Group's estimate of the number of options expected to give rise to entitlement at the end of the period in which the right originates. The fair value is determined using the Black-Scholes pricing model.

Inventories

Inventories are presented in the Balance Sheet as the value of the expenses caused by purchase or production, or the lower net realisable value. The net realisable value is the estimated sales price obtainable through normal business, less the estimated expenses incurred for finalising the product and selling it. The cost is either based on the FIFO principle or computed using a standard cost calculation that is sufficiently close to the factual cost calculated on FIFO basis.

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

Financial assets and liabilities

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

- Financial assets and liabilities recognised in the Income Statement at their fair value
- Loans and other receivables
- Available-for-sale financial assets
- Other liabilities

The classification is based on the acquisition purpose of the financial asset or liability and takes place upon the original acquisition. The financial instruments are recognised in the Balance Sheet on the trade date.

The available-for-sale investments included in the non-current assets under the Balance Sheet comprise unlisted shares and holdings, measured at their fair value. The measurement result of the fair value is recognised under equity. If it is not possible to define a reliable fair value of unlisted shares, they have been measured at their cost, less eventual impairment.

Other non-current receivables include loans given to associated or other companies. They have been measured at cost. Moreover, other non-current receivables also include receivables from assets leased under finance lease agreements.

Other current receivables include the derivative instruments, measured at their fair value through the Income Statement and defined in more detail under the heading Derivative financial instruments and hedge accounting.

Liquid assets include liquid debt instruments, bank deposits and the assets on the banking accounts. Debt instruments are characterised by low risk and maturity that is primarily less than three months. Liquid assets are measured at fair value through the Income Statement.

Interest-bearing non-current liabilities subject to interest include loans taken by the Group as well as the liabilities from the assets leased under finance lease agreements. The credit lines of the banking accounts in use, as well as debt certificates issued by the company are included under interest-bearing current liabilities subject to interest. Group loans and issued debt certificates are measured at amortised cost. Interests are recognised in the Income Statement over the term of the liability, using the effective interest method.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at their fair value, and are recognised under other current receivables and debts in the Balance Sheet. The Group has not applied IFRS hedge accounting to derivatives hedging Balance Sheet items in currencies other than the euro or forecasted cash flows, although they have been acquired for hedging purposes in accordance with the Group’s financial policy. The change in the value of these derivative instruments has been measured at their fair value, and the result has been recognised in the Income Statement either as a sales adjustment item or under financial income and expenses, depending on the operative hedging of the item in question.

The Group applies hedge accounting to derivatives hedging the net investments in foreign subsidiaries. The change in the fair value of the hedging derivative instruments, to the extent that the hedging criteria are satisfied, is recognised against the translation difference included in equity. The change in the value of the non-hedging part is recognised under financial income and expenses in the Income Statement. In hedge accounting, the Orion Group has documented the hedging relationship between the hedged object and the hedging instruments, as well as the Group’s risk management objectives and hedging strategy.

Provisions

A provision is recognised in the Balance Sheet when the Group has a legal or constructive obligation resulting from an earlier event, and such obligation can be reliably quantified.

Restructuring provision is made when the Group has compiled a detailed restructuring plan, launching its implementation or informing the parties concerned.

Income taxes

The Group income taxes include taxes based on the Group companies' operating profit for the financial year, tax adjustments for earlier financial years, as well as changes in deferred tax assets and liabilities. The income tax based on the taxable income of the financial period will be calculated on the basis of the valid tax rate in force in each country.

Deferred tax is computed on all temporary differences between carrying amount and taxable value. The deferred tax assets on adopted taxable losses of the Group companies are imputed only to the extent that they can be exploited in the future. The largest temporary differences are caused by the depreciation of property, plant and equipment and the defined pension benefit plans. The deferred taxes are computed using the tax rates defined by the authorities by the reporting date.

Recognition of sales

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

Income from the sale of goods is recognised when the major risks and benefits from the ownership of the goods have been taken over by the buyer. Income from services is recognised when the service has been performed. Milestone payments will be recognised when the R&D project has progressed to a phase in accordance with an advance agreement with the partner, thus originating the partner's obligation to pay their share. Royalties will be recorded on accrual basis in accordance with the licensing agreements.

Contents of function-specific Income Statement

Cost of goods sold

The cost of goods sold includes the wages and salaries, materials, procurement and other costs related to the manufacturing and procurement. 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.

Selling and distribution expenses

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. Selling and distribution expenses include those incurred for the dispatch and distribution of the products.

Research and development expenses

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.

Administrative expenses

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 in accordance with the matching principle.

Principles calling for Management discretion and main uncertainties related to the assessments

When compiling the Financial Statements, the Management had to make such assessments and hypotheses of the future as have an impact on the items included in the Financial Statements. The materialised values may deviate from such assessed values. The assessments are mainly related to the impairment testing of the asset items, measurement of share-based payments, volume of non-marketable inventories, determination of receivables and liabilities related defined pension benefit plans as well as recognition of provisions. Moreover, the application of accounting policies calls for special consideration.

1. Segment information

The Group's primary Segment Reporting form corresponds to its business segments. The business segments are based on the Group's internal organisational structure and intra-Group financial reporting. The business segments are Orion Pharma, Orion Diagnostica and the Wholesale and Distribution Division. Orion Pharma develops, manufactures and markets pharmaceuticals. Orion Diagnostica develops, manufactures and markets diagnostic tests. Specialised in pharmaceutical distribution and wholesale, Oriola and Kronans Droghandel constitute the Wholesale and Distribution Division.

The assets and liabilities include items directly attributable to a segment and items which can be allocated on reasonable basis. Group items include tax and financial items as well as items related to corporate functions. Investments are constituted by increases in property, plant and equipment and intangible assets.

The pricing between the segments is based on market prices.

The geographical segments correspond to the Groups' main markets. Net sales are divided by the countries in which the clients are located. Assets and liabilities are divided according to the country in which they are located.

Business segments

2005 EUR million	Orion Pharma	Orion Diagnostica	Wholesale and Distribution	Group items	Group total
Sale of goods	529.0	39.7	1 291.2		1 859.9
Sale of services	7.4	0.0	26.8		34.2
Royalties and milestones	7.2	0.0	0.5		7.7
Sales to external customers	543.6	39.7	1 318.5		1 901.8
Sales to other segments	3.3	1.1	12.3	-16.7	
Net sales	547.0	40.8	1 330.7	-16.7	1 901.8
Operating profit	154.7	6.3	26.9	-6.8	181.1
Assets	432.1	30.1	523.2	151.4	1 136.8
Liabilities	85.8	5.8	365.0	98.4	555.0
Capital expenditure	21.1	1.8	9.8	0.7	33.4
Depreciation and amortisation	32.6	2.0	12.4	0.8	47.7
Net cash from operating activities	175.5	8.6	43.1	-54.0	173.3
Net cash used in investing activities	-16.6	-1.4	-7.2	4.4	-20.8
Net cash used in financing activities					-98.6
Average number of personnel	2 649	313	1 562	34	4 558

2004 EUR million	Orion Pharma	Orion Diagnostica	Wholesale and Distribution	Group items	Group total
Sale of goods	486.1	38.4	1 372.8		1 897.3
Sale of services	6.5		21.7		28.2
Royalties and milestones	20.1	0.1	0.5		20.7
Sales to external customers	512.7	38.5	1 395.0		1 946.2
Sales to other segments	2.8	0.9	11.7	-15.4	
Net sales	515.5	39.4	1 406.7	-15.4	1 946.2
Operating profit	108.5	5.8	27.2	-9.3	132.2
Assets	428.5	30.2	568.6	108.2	1 135.5
Liabilities	78.1	5.1	401.3	171.3	655.8
Capital expenditure	17.2	1.4	8.4	1.0	28.0
Depreciation and amortisation	38.9	1.9	14.4	1.8	57.0
Net cash from operating activities	166.3	8.9	53.3	-43.2	185.3
Net cash used in investing activities	-11.7	-1.3	-6.5	-1.1	-20.7
Net cash used in financing activities					-197.8
Average number of personnel	2 681	321	1 578	34	4 614

Geographical segments

2005 EUR million	Finland	Scandinavia	Other Europe	North America	Other markets	Group total
Sales to external customers	727.5	822.8	265.9	52.5	33.1	1 901.8
Assets	773.5	327.8	35.4	0.0		1 136.8
Capital expenditure	30.5	2.0	0.9			33.4

2004 EUR million	Finland	Scandinavia	Other Europe	North America	Other markets	Group total
Sales to external customers	785.6	846.5	214.7	62.4	37.1	1 946.2
Assets	737.0	360.3	38.2	0.1		1 135.5
Capital expenditure	24.2	3.3	0.5			28.0

2. Other operating income

EUR million	2005	2004
Gains on sales of intangible and tangible assets	5.8	1.1
Contract income		0.7
Rental income	1.2	1.3
Other	3.1	3.9
Total	10.1	7.0

3. Depreciation, amortisation and impairment

Depreciation and amortisation by function

EUR million	2005	2004
Cost of goods sold	14.2	16.0
Selling and distribution expenses	12.5	18.9
Research and development expenses	7.3	7.0
Administrative expenses	13.9	15.2
Total	47.7	57.0

Depreciation and amortisation by type of asset

EUR million	2005	2004
Property, plant and equipment		
Buildings	8.7	12.0
Machinery and equipment	25.4	25.7
Other tangible assets	0.2	0.2
Total	34.3	37.9
Intangible assets		
Intangible assets	7.2	9.3
Other capitalised expenditure	6.2	9.9
Total	13.4	19.1

During the financial year, there was no need to recognise impairment of property, plant and equipment or intangible assets. For the criteria applied for the planned depreciations, please see the Policies for the Financial Statements.

4. Employee benefits

EUR million	2005	2004
Wages and salaries	161.4	159.5
Pension costs		
Defined contribution plans	16.9	15.7
Defined benefit plans	-4.3	1.0
Share options granted	0.2	0.0
Other social security plans	19.2	20.9
Total	193.4	197.2
Average number of personnel	4 558	4 614

Number of personnel by segment is shown under Note 1. Segment-specific information. Management's employee benefits are shown under Note 27. Related party transactions.

5. Financial income and expenses

EUR million	2005	2004
Financial income		
Interest income	2.4	2.3
Dividend income	0.0	0.3
Exchange gains	1.7	1.6
Total	4.1	4.3
Financial expenses		
Interest expenses	3.9	3.9
Exchange losses	1.1	2.1
Other financial expenses	0.1	0.4
Total	5.2	6.3
Financial income and expenses total	-1.0	-2.0
Exchange gains (+) and losses (-) above operating profit	-2.1	0.6

6. Income tax expense

EUR million	2005	2004
Current taxes	48.6	44.1
Adjustments for current taxes of previous financial years	0.1	0.7
Deferred taxes	-0.7	-6.7
Total	47.9	38.1

Income tax reconciliation

EUR million	2005	2004
Profit before taxes	180.0	130.2
Consolidated income taxes at Finnish tax rate	46.8	37.7
Losses of subsidiaries which no deferred tax is recognised	0.1	3.7
Use of tax losses carried forward	2.0	3.3
Effect of different tax rates of foreign subsidiaries	1.0	-0.1
Group items	0.5	-2.2
Change in tax rate		-4.5
Non-deductible expenses and tax exempt income	0.8	0.8
IFRS and other items	-3.3	-0.7
Income taxes total	47.9	38.1
Effective tax rate	26.62%	29.23%

7. Earnings per share

Earnings per share, EUR	2005	2004
Profit for the financial year available for parent company shareholders, EUR million	131.1	90.5
Average number of shares during the financial year (1,000)*	137 670	133 312
Earnings per share, EUR	0.95	0.68
Diluted earnings per share, EUR	2005	2004
Average number of shares during the financial year (1,000)*	137 670	133 312
Average impact of options outstanding (1,000)	1 514	322
Diluted average number of shares (1,000)	139 184	133 634
Diluted earnings per share, EUR	0.94	0.68

*The weighted average number of shares does not include shares held by the Group

The basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of shares outstanding during the year. Treasury shares are not included in the number of outstanding shares.

When calculating the diluted earnings per share, the dilution effect of all the diluting potential common stock obtained through the assumed share conversions is included in the weighted average number of shares.

The Group has diluting stock options, which increase the number of common stock. The stock options have a diluting effect only when the market price of the common stock exceeds the subscription price of the stock options. The dilution effect includes the number of shares, which would be issued free of charge, since it would not be possible to issue the corresponding amount of shares at market price with the funds obtained from the option exercise. The market price of the stock is the average price during the period (Note 18. Equity and share-based payments).

8. Property, plant and equipment

EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Historical cost, 1 Jan. 2005	13.4	293.8	298.0	4.1	2.5	611.7
Additions	0.0	3.4	20.7	0.1	4.3	28.5
Disposals	-0.0	-1.9	-8.9	-0.4		-11.1
Transfers between Balance Sheet items		0.2	2.2		-2.4	-0.0
Translation differences	-0.2	-1.3	-1.0	0.0	-0.0	-2.5
Historical cost, 31 Dec. 2005	13.1	294.2	311.0	3.8	4.4	626.6
Accumulated depreciation 1 Jan. 2005		-143.3	-188.7	-2.5		-334.5
Accumulated depreciation related to transfers and disposals		0.6	6.6	0.5		7.7
Depreciation for the financial year		-8.7	-25.4	-0.2		-34.3
Translation differences		0.4	0.6	-0.0		1.0
Accumulated depreciation, 31 Dec. 2005		-151.0	-206.9	-2.2		-360.1
Carrying amount 1 Jan. 2005	13.4	150.5	109.3	1.6	2.5	277.2
Carrying amount 31 Dec. 2005	13.1	143.2	104.1	1.6	4.4	266.4

EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Historical cost, 1 Jan. 2004	13.3	291.0	287.4	4.1	5.0	600.8
Additions	0.0	2.2	20.3	0.1	2.3	24.9
Disposals	-0.0	-0.2	-14.1	-0.1		-14.5
Transfers between Balance Sheet items		0.6	4.2	0.0	-4.8	-0.0
Translation differences	0.0	0.3	0.2			0.5
Historical cost, 31 Dec. 2004	13.4	293.8	298.0	4.1	2.5	611.7
Accumulated depreciation, 1 Jan. 2004		-131.5	-172.6	-2.4		-306.4
Accumulated depreciation related to transfers and disposals		0.2	9.7	0.1		10.0
Depreciation for the financial year		-12.0	-25.7	-0.2		-37.9
Translation differences		-0.1	-0.1			-0.2
Accumulated depreciation 31 Dec. 2004		-143.3	-188.7	-2.5		-334.5
Carrying amount 1 Jan. 2004	13.3	159.5	114.9	1.6	5.0	294.4
Carrying amount 31 Dec. 2004	13.4	150.5	109.3	1.6	2.5	277.2

Assets leased through finance lease agreements

Property, plant and equipment include assets leased through finance lease agreements:

EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Total
31 Dec. 2005					
Historical cost			7.5		7.5
Accumulated depreciation			-4.5		-4.5
Carrying amount			3.0		3.0

EUR million	Land and water	Buildings and construction	Machinery and equipment	Other tangible assets	Total
31 Dec. 2004					
Historical cost			6.0		6.0
Accumulated depreciation			-2.7		-2.7
Carrying amount			3.3		3.3

The addition of the historical cost of property, plant and equipment includes EUR 2.2 million (EUR 3.0 million) in assets leased through finance lease agreements.

9. Intangible assets

2005					
EUR million	Intangible assets	Goodwill	Group goodwill	Other capitalised expenditure	Total
Historical cost, 1 Jan. 2005	69.8	55.9	37.7	60.8	224.2
Additions	3.5	0.1		1.2	4.7
Disposals	-0.5	-0.4		-3.6	-4.6
Translation differences	-0.7	-0.0	-1.4		-2.2
Historical cost, 31 Dec. 2005	72.1	55.5	36.2	58.4	222.2
Accumulated amortisation, 1 Jan. 2005	-43.9	-42.2	-3.7	-39.0	-128.9
Accumulated amortisation related to transfers and disposals	0.4	0.3		0.3	0.9
Amortisation for the financial year	-7.2			-6.2	-13.4
Translation differences	0.5	0.0	0.1	0.0	0.7
Accumulated amortisation, 31 Dec. 2005	-50.2	-41.9	-3.6	-44.9	-140.7
Carrying amount 1 Jan. 2005	25.9	13.7	33.9	21.9	95.4
Carrying amount 31 Dec. 2005	21.9	13.6	32.6	13.4	81.5

2004					
EUR million	Intangible assets	Goodwill	Group goodwill	Other capitalised expenditure	Total
Historical cost, 1 Jan. 2004	71.8	55.9	37.4	56.8	222.0
Additions	3.7	0.0		4.3	8.1
Disposals	-5.8	0.0		-0.4	-6.2
Transfers between Balance Sheet items	-0.0			0.1	0.0
Translation differences	0.1		0.2	-0.0	0.3
Historical cost, 31 Dec. 2004	69.8	55.9	37.7	60.8	224.2
Accumulated amortisation, 1 Jan. 2004	-40.1	-42.3	-3.7	-29.5	-115.5
Accumulated amortisation related to transfers and disposals	5.5	0.0		0.3	5.9
Depreciation for the financial year	-9.3	-0.0		-9.9	-19.1
Translation differences	-0.1			0.0	-0.1
Accumulated amortisation, 31 Dec. 2004	-43.9	-42.2	-3.7	-39.0	-128.9
Carrying amount 1 Jan. 2004	31.8	13.7	33.7	27.4	106.5
Carrying amount 31 Dec. 2004	25.9	13.7	33.9	21.9	95.4

Besides goodwill, the Group has no other intangible assets with indefinite useful lives.

Impairment testing of goodwill

In the test for impairment, the Group goodwill of EUR 32.6 million is allocated to the cash generating unit of KD. The goodwill of EUR 13.5 million originating from the acquisition of Farnos-Group Ltd. in 1990 is allocated to the group of Orion Pharma's cash generating units.

The recoverable amount of the above goodwill is defined on the basis of the value-in-use calculations. The cash flow forecasts used in the calculations are based on the detailed 5-year plans adopted by management. The cash flows after the forecast period, adopted by the management, have been calculated assuming that the trend continues unchanged.

The plans, in turn, are based on the growth of the pharmaceutical markets, the market shares in the pharmaceutical sales and distribution businesses, as well as the expected trends in them and in the other healthcare product markets. Moreover, the growth of KD's future cash flows is influenced by the relatively low investments in proportion to depreciation.

The discount rate used is the weighted average pre-tax cost of capital (WACC), defined for the divisions. The discount rate for the financial year is 7.6% for KD and 9.0% for Orion Pharma.

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

10. Investments in associates

EUR million	2005	2004
Carrying amount 1 Jan.	0.1	0.1
Disposals	-0.0	
Carrying amount 31 Dec.	0.1	0.1

Associated companies and affiliates of the Orion Group

		2005	2004
	Domicile	Ownership, %	Ownership, %
Hangon Puhdistamo Oy	Hanko	50.0	50.0
Regattalämpö Oy	Hanko	42.6	42.6
Planeetankadun paikoitus Oy	Espoo		29.5
Medidata Oy	Helsinki	33.3	33.3

The line of business of Hangon Puhdistamo Oy is wastewater treatment for its shareholder companies. The line of business of Regattalämpö Oy is to provide real estate services for the apartment houses owned by its shareholder companies. Currently, Medidata Oy is not engaged in any operating activities.

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

11. Available-for-sale investments

The available-for-sale investments, with the asset value of EUR 1.1 million as per 31 December 2005 (EUR 1.1 million as per 31 December 2004), include shares and participations in unlisted companies.

12. Pension and other post-employment benefit plans

Finland

The funded status and amounts recognised in the balance sheet for the defined benefit plans:

EUR million	2005	2005	2004	2004
	Pension asset	Pension obligation	Pension asset	Pension obligation
Present value of unfunded obligations		0.4		0.3
Present value of funded obligations	151.0	1.2	133.0	0.8
Fair value of plan assets	-249.8	-0.8	-210.3	-0.5
	-98.8	0.8	-77.3	0.5
Unrecognised net actuarial gains (+) or losses (-)	40.1	-0.4	23.8	-0.1
Liability (+)/asset (-) recognised in the balance sheet	-58.7	0.5	-53.6	0.4

The plan assets includes shares issued by Orion Corporation with a fair value of EUR 77.0 million in 2005 (EUR 58.6 million in 2004).

The benefit expense recognised in the income statement for the defined benefit plans:

EUR million	2005	2004
Current service cost	3.4	2.9
Interest cost on benefit obligation	6.4	6.7
Expected return on plan assets	-10.5	-9.1
Net actuarial gains (+) or losses (-)	-1.3	
	-2.0	0.5
Transfer inside the plan	-2.8	
Expense (+)/income (-)	-4.8	0.5

Actual return on plan asset is EUR 40.2 million in 2005 (EUR 33.9 million in 2004).

The benefit expense recognised in the income statement by function:

EUR million	2005	2004
Cost of goods sold	-0.4	0.1
Selling and distribution expenses	-2.3	0.2
Research and development expenses	-1.3	0.1
Administrative expenses	-0.8	0.1
Total	-4.8	0.5

Changes in assets/liabilities recognised in the balance sheet for the defined benefit plans:

EUR million	2005 Changes in assets	2005 Changes in liabilities	2004 Changes in assets	2004 Changes in liabilities
1 Jan.	53.6	0.4	58.2	0.4
Contributions paid	0.0	-0.3	4.4	-0.2
Expenses recognised in the income statement	5.1	0.3	0.2	0.2
31 Dec.	58.7	0.5	53.6	0.4

Principal actuarial assumptions:

	2005	2004
Discount rate	4.25%	4.75%
Expected return on plan assets	5.0%	5.0%
Future salary increase	4.0%	4.0%

Outside Finland

The future status and amounts recognised in the balance sheet for the defined benefit plans:

EUR million	2005	2004
Present value of funded obligations	4.5	3.9
Unrecognised net actuarial gains (+) or losses (-)	-0.7	-0.5
Liability recognised in the balance sheet	3.8	3.4

Benefit expense recognised in the income statement for the defined benefit plans:

EUR million	2005	2004
Current service cost	0.3	0.4
Interest cost	0.2	0.2
Net actuarial gains (+) or losses (-)	0.0	
Amounts recognised in the income statement	0.4	0.6

Benefit expense recognised in the income statement by function:

EUR million	2005	2004
Selling and distribution expenses	0.3	0.5
Administrative expenses	0.1	0.1
Total	0.4	0.6

Changes in the liability recognised in the balance sheet for the defined benefit plans:

EUR million	2005	2004
1 Jan.	3.4	2.9
Contributions paid	0.4	0.6
Expenses recognised in the income statement	-0.1	-0.1
31 Dec.	3.8	3.4

Principal actuarial assumptions:

	2005	2004
Discount rate	5.0%	5.4%
Future salary increase	3.0%	3.0%

13. Deferred income tax assets and liabilities

Deferred tax assets

EUR million	2005	2004
Pension obligation	1.1	1.1
Internal inventory margin	0.8	1.8
Tax losses carried forward		1.4
Other deductible temporary differences	0.9	1.0
Total	2.7	5.2

Deferred tax liabilities

EUR million	2005	2004
Depreciation difference and other untaxed reserves	40.7	44.5
Pension assets	15.3	13.9
Effects of consolidation and eliminations	1.3	1.8
Other taxable temporary differences	7.3	12.5
Total	64.6	72.7

Change in deferred tax arises from:

EUR million	2005	2004
Pension asset/obligation	-1.3	-1.6
Internal inventory margin	-1.0	1.0
Tax losses carried forward	-1.4	-3.1
Depreciation difference and other untaxed reserves	3.8	7.8
Consolidation measures	0.5	0.2
Tax losses carried forward and other timing differences	0.1	2.5
Total	0.7	6.7

On 31 December 2005, the Group had a total of EUR 46.8 million (EUR 47.6 million in 2004) of temporary taxes with no ensuing deferred tax asset recording in the Balance Sheet. These unrecognised deferred tax assets relate to tax losses from foreign subsidiaries and the tax benefit included in assets is not probable.

During the financial year, no income taxes were recognised directly under equity.

14. Other non-current receivables

EUR million	2005	2004
Finance lease receivables	0.5	0.4
Loan receivables due from associates	0.1	0.1
Other loan receivables	0.7	0.7
Pension deposit on behalf of personnel	1.0	0.6
Other receivables	2.5	2.8
Total	4.9	4.8

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

Maturity of finance lease receivables:

EUR million	2005	2004
Within one year	0.3	0.1
Within 1-5 years	0.6	0.5
Gross investment in the lease	0.9	0.6

Present value of minimum lease payments receivable

EUR million	2005	2004
Within one year	0.2	0.1
Within 1-5 years	0.5	0.4
	0.8	0.5
Unearned financial income	0.1	0.1
Gross investment in the lease	0.9	0.6

15. Inventories

EUR million	2005	2004
Raw materials and consumables	18.5	16.4
Work in progress	28.6	28.5
Finished products/goods	234.8	254.1
Total	281.9	299.1

A total of EUR 7.4 million of impairment of inventories has been recorded as expense for the financial year 2005 (EUR 5.5 million in 2004).

16. Trade and other receivables

EUR million	2005	2004
Trade receivables	259.9	268.2
Receivables due from associates	0.0	0.0
Finance lease receivables	0.3	0.1
Prepaid expenses and accrued income	13.4	15.5
Derivative assets	0.2	1.9
Other receivables	6.3	6.3
Total	280.0	292.1

Material items included in prepaid expenses and accrued income

EUR million	2005	2004
Income tax receivable	2.2	5.2
Pending R&D contributions	1.0	1.1
Accrued Interest income	0.2	0.0
Other	10.0	9.1
Total	13.4	15.5

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

17. Cash and cash equivalents

EUR million	2005	2004
Cash at bank and in hand	29.7	25.8
Interest bearing short term investments	129.8	81.1
Total	159.5	106.9

18. Equity and share-based payments

Changes in share capital

	A-shares number	B-shares number	Shares total	Share capital EUR million
1 Jan. 2004	30 002 129	37 516 292	67 518 421	114.8
1 Jan. – 18 Aug. 2004	Conversion of A-shares to B-shares	-367 800	+367 800	
17 Sep. 2004	Bonus issue	+29 634 329	+37 884 092	+67 518 421
17 Sep. – 31 Dec. 2004	Conversion of A-shares to B-shares	-785 050	+785 050	
31 Dec. 2004	58 483 608	76 553 234	135 036 842	229.6
1 Jan. – 14 Jan. 2005	Conversion of A-shares to B-shares	-100 000	+100 000	
26 Jan. 2005	Shares subscribed with the 1998 A/B options		+1 438 862	+1 438 862
26 Jan – 31 Mar 2005	Conversion of A-shares to B-shares	-172 600	+172 600	
1 Apr 2005	Invalidation of own shares	-417 864	-1 370 000	-1 787 864
1 Apr – 4 May 2005	Conversion of A-shares to B-shares	-713 000	+713 000	
16 May 2005	Shares subscribed with the 1998 A/B options		+4 176 008	+4 176 008
17 May – 31 Dec. 2005	Conversion of A-shares to B-shares	-562 254	+562 254	
11 Nov. 2005	Shares subscribed with the options 1998 A/B and 2001C		+22 000	+22 000
31 Dec. 2005	56 517 890	82 367 958	138 885 848	236.1
31 Dec. 2005	Votes	1 130 587 800	82 367 958	1 212 725 758

EUR million	2005	2004
Parent company share capital, 31 Dec.	236.1	229.6
Elimination of the revaluation of subsidiary shares in the consolidated Financial Statements	-111.7	-111.7
Consolidated share capital, 31 Dec.	124.4	117.9

The minimum share capital of the Company 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 nominal value of each share is 1.70 euros. A maximum number of 120,000,000 of the shares are class A shares and a maximum number of 180,000,000 shares are class B shares.

At shareholders' meetings, each A-share provides twenty (20) votes and each B-share one (1) vote. Both series provide equal rights to company assets and dividends. A shareholder may not vote with a larger number of votes than 1/20 of the aggregate total number of votes carried by shares belonging to the different classes of shares represented at the General Meeting of the Shareholders.

The share capital of Orion Corporation was on 31 December 2005 EUR 236.1 million (31 December 2004 EUR 229.6 million). The total number of Orion Corporation shares on 31 December 2005 was 138,885,848 (135,036,842) of which A-shares accounted for 56,517,890 (58,483,608) and B-shares for 82,367,958 (76,553,234). Both share classes are quoted on the Helsinki Stock Exchange. All issued shares have been fully paid.

According to section 3 of the company's Bylaws a shareholder can require the conversion of his A-shares to B-shares. In 2005 the number of A-shares converted to B-shares was 1,547,854 (1,152,820).

By decision of the Annual General Meeting of Shareholders on 22 March 2005 the own shares held by the company were invalidated on 1 April 2005. Altogether 417,864 Orion Corporation A-shares and 1,370,000 Orion Corporation B-shares were invalidated.

After the closing of the books the Board of Directors has proposed a dividend of 0.85 euros per share to be distributed.

The Board of Directors of Orion Corporation has an authorisation by the Annual General Meeting to acquire and convey the company's own shares until 22 March 2006. The authorisation has not been utilized by the time of publishing this Annual 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 the 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, or otherwise conveying or invalidating them.

The Board of Directors has no existing authorisation by the Shareholders' Meeting to raise the share capital or to issue a bond loan, convertible loan or stock options.

Share issue

EUR million	2005	2004
Share issue, 1 Jan.	15.6	
Shares subscribed with option rights	43.4	15.6
Transferred to share capital and premium fund	-58.7	
Share issue, 31 Dec.	0.3	15.6

Premium fund

EUR million	2005	2004
Premium fund, 1 Jan.	1.1	4.2
Transferred to share capital (Bonus issue 17 Sept. 2004)		-3.1
Invalidation of own shares 1 April 2005	3.0	
Shares subscribed with options	49.1	
Premium fund, 31 Dec.	53.2	1.1

Other reserves

Other reserves include the reserve fund and the fund for share-based payments.

Translation differences

The translation differences include those created through the translation of the financial statements of foreign divisions. They also include the income and losses generated by the hedging of the net investments made in foreign units.

Share-based payments

Stock Option Plans

Orion stock option plan 1998 was issued to the entire personnel of Orion Corporation and it ended on 30 April 2005.

With the 1998 options 1,438,862 new B-shares were subscribed for at the end of 2004 and they were entered into the trade register on 26 January 2005. In January – April 2005 altogether 4,176,008 new B-shares were subscribed for and they were entered into the trade register on 16 May 2005.

The new shares subscribed for during spring 2005 were listed on 17 May 2005 on the Helsinki Stock Exchange as “Orion B New” shares. The new share class was merged with the old Orion B-shares as of 31 December 2005.

The Orion stock option plan 2001 was issued to the key persons of Orion Corporation. The options have been allocated to about 100 persons. Should an option holder cease to be employed for any other reason than death or retirement, such person shall offer to the Company free of charge the options for which the share subscription period had not begun at the last day of employment.

Due to the bonus issue in September 2004 the terms of the stock option plans were amended so that each stock option entitles to subscribe for two B-shares.

From the share subscription price of options 2001A/B shall, as per the dividend record date, be deducted the amount of cash dividend distributed. From the share subscription price of options 2001C and 2001D shall be deducted only the amount of special dividend, which differs from the Company’s normal dividend distribution policy as determined by the Board of Directors.

The current option holders have altogether 1,177,760 options. With the current options outstanding, the share capital can increase by up to EUR 4,004,384 and the number of shares by 2,355,520 new B-shares, representing 1.7% of the total number of Orion shares and for 0.2% of the total number of votes.

In October 2005 a total of 22,000 new B-shares were subscribed with stock options 2001 and the new shares were entered into the trade register on 11 November 2005. In December 2005 a total of 34,480 new B-shares were subscribed and the new shares were entered into the trade register on 27 January 2006.

In consequence of the demerger of Orion Corporation approved by the Extraordinary General Meeting on 19 December 2005, also the new timelines for the option plan 2001 entered into force. The share subscription period for options 2001D started on 2 January 2006. The share subscription period for all options in the 2001 Plan ends on 31 May 2006. The last possible trading day with the options on the Helsinki Stock Exchange is 23 May 2006. The share subscription windows are 31 March 2006 and 31 May 2006.

Option	Subscription ratio	Subscription price per share	Subscription period
1998A/B	1:2	10.27 EUR	2.5.2001–30.4.2005 2)
2001A/B 1)	1:2	10.27 EUR	1.10.2003–31.5.2006 3)
2001C	1:2	8.835 EUR	1.10.2005–31.5.2006
2001D	1:2	8.860 EUR	2.1.2006–31.5.2006

1) The subscription price for one share before deduction of dividend distributed for year 2005

2) The subscription period for options 1998A started on 2 May 2001 and for options 1998A on 2 May 2003. The options were merged into options 1998A/B on 2 May 2003.

3) The subscription period for options 2001A started on 1 October 2003 and for options 2001B on 1 October 2004. The options were merged into options 2001A/B on 1 October 2004.

Changes in options outstanding during 2004 and 2005

Options (number)	Options 2005	Number of shares based on options 2005	Options 2004	Number of shares based on options 2004
1 Jan.	3 493 919	6 987 838	4 365 850	8 731 700
Option rights granted			78 000	156 000
Used for share subscription	2 116 244	4 232 488	719 431	1 438 862
Transferred back to the company	25 000	50 000	230 500	461 000
Lapsed	174 915	349 830		
31 Dec.	1 177 760	2 355 520	3 493 919	6 987 838

Application of the IFRS 2 standard

The Group has applied the IFRS 2 Share-based Payments standard in such cases, where options have been granted to key persons of the Group after 7 November 2002 and have not been freely transferable before 1 January 2005. Option programs previous to the above mentioned date have not been recognized in the profit and loss statement. The options have been valued at their fair market value on the grant date and they have been recognised in the profit and loss statement as accruals during the vesting period. The expense defined at the grant date is based on the Group's estimate of the number of options, which are assumed to create a right at the end of the vesting period. The fair market value is calculated using the Black-Scholes options pricing model.

6,000 options 2001C and 6,000 options 2001D were granted on 1 September 2003. At the grant date the subscription price for the options 2001C was 21.91 euros and for the options 2001D it was 21.96 euros. The Orion B-share's market price of 16.00 euros was used in the fair value estimate. The fair value of the options was not significant at the grant date.

Due to the bonus issue on 17 September 2004 the terms of the stock option plans were amended so that each stock option entitles to subscribe for two B-shares. The subscription price of the options was adjusted accordingly.

39,000 options 2001C and 39,000 options 2001D were granted on 12 October 2004. At the grant date the subscription price for the options 2001C was 8.835 euros and for the options 2001D it was 8.86 euros. The Orion B-share's market price of 11.30 euros and the volatility of 12.5% were used in the fair value estimate. From the share subscription price of options 2001C and 2001D shall be deducted only the amount of special dividend, which differs from the Company's normal dividend distribution policy as determined by the Board of Directors. An annual dividend estimate of 0.50 euros per share was used in the fair value estimate. At the grant date the subscription period for the options ended at 31 October 2007. The fair value estimate of the options was EUR 270 000 at the grant date.

19. Provisions

EUR million	Pension provisions	Restructuring provision	Other provisions	Total
1 Jan. 2005	1.6	2.9	1.4	5.9
Translation differences		0.0	0.0	0.0
Increases in provisions	0.1		0.3	0.4
Utilised during the year	-0.2	-2.3	-0.5	-2.9
31 Dec. 2005	1.5	0.6	1.3	3.4

EUR million	2005	2004
Current provisions	2.4	5.2
Non-current provisions	1.0	0.8
Total	3.4	5.9

Pension provision

The pension provisions include provisions made for unemployment pension expenses for persons made redundant in 2001-2005 who have not yet found work or received a decision on their unemployment pension. The provision is expected to materialise within the following 2 or 3 years.

Restructuring provision

The restructuring provisions are mainly related to the operative reorganisation in France in 2004. The provision is expected to materialise within the following 2 years.

Other provisions

Other provisions are made for compensation claims related to product complaints, termination of leases or corporate acquisitions.

20. Interest-bearing liabilities

EUR million	2005	2004
Non-current		
Pension loans	20.1	52.1
Finance lease liabilities	1.4	1.5
Other non-current liabilities	1.8	2.2
Total	23.3	55.8

EUR million	2005	2004
Current liabilities		
Advances received	29.7	29.7
Finance lease liabilities	1.7	1.9
Other non-current liabilities	1.3	33.2
Total	32.8	64.8

Repayment schedule of non-current liabilities

EUR million	2005	2004
Within one year	0.6	0.7
1-5 years	3.2	3.7
More than five years	20.1	52.1
Total	23.8	56.4

The long-term liabilities of the Orion Group are euro denominated with the exception of finance lease liabilities. Pension loans have been granted without an amortisation plan, and their interest is determined on the basis of the interest assumption adopted by the Insurance Supervision Authority and the Ministry of Social Affairs and Health. All other interest-bearing liabilities are product development loans from Tekes, the Finnish Funding Agency for Technology and Innovation, with an interest lower than the market interest (0–1%). Besides the next year's repayments of the long-term loans, the current interest-bearing liabilities also include eventual bank account credit limits.

Maturity of finance lease liabilities

Minimum lease payments

EUR million	2005	2004
Within one year	1.8	1.9
Within 1-5 years	1.4	1.7
	3.2	3.6

Present value of minimum lease payments

EUR million	2005	2004
Within one year	1.7	1.9
Within 1-5 years	1.4	1.5
	3.1	3.4
Future finance charges	0.1	0.2
Finance lease liabilities total	3.2	3.6

21. Other non-current liabilities

EUR million	2005	2004
Pension deposit on behalf of personnel	1.0	
Other non-current liabilities	0.2	0.2
Total	1.2	0.2

22. Trade payables and other current liabilities

EUR million	2005	2004
Trade payables	342.2	373.3
Other current liabilities to associates	0.4	0.4
Accrued liabilities and deferred income	63.7	53.1
Derivative liability	0.6	0.6
Other current liabilities	18.6	25.1
Total	425.5	452.5

Material items included in accrued liabilities and deferred income

EUR million	2005	2004
Accrued wage, salary and social security payments	32.8	31.5
Income tax liability	4.5	2.6
Other	26.4	19.0
Total	63.7	53.1

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

23. Financial risk management objectives and policies

The objectives of the Group's financial risk management are to minimise the negative impacts of changes in financial markets to the Group's earnings as well as to ensure sufficient liquidity. Financial risks are divided into market, credit and liquidity risks. The Group's main risks are foreign exchange risk and credit risk.

The main financial risk management guidelines are defined in the Group Treasury Policy, which is approved by the Board of Directors. The Treasury Management Group is responsible for the implementation of the Treasury Policy. The Group's finance management is centralised to the Group Treasury Department.

Market risk

The market risk includes foreign exchange risk and interest rate risk. The Group does currently not have investments in equities or equity funds.

Foreign Exchange Risk

Orion Pharma's international operations account for a major share of the Group's foreign exchange risk. Especially the continuous growth of the proportion of trade with the US has increased the significance of the fluctuations in the foreign exchange rate between

the US dollar and the euro. Sales invoiced in US dollars are markedly greater than purchases made in US dollars. The impact of exchange rates on the financial result of the Wholesale and Distribution division is minor.

The foreign exchange position is monitored mainly for the following 12 months. According to the foreign exchange hedging principles, the Group seeks to hedge trade receivables and trade payables in full and forecasted currency flows are hedged in the range of 0-50%. The hedging is based on the Group's net currency position. Currency forward contracts with maturities up to 12 months are used as hedging instruments and they are treated as cash flow hedges. IAS 39 hedge accounting is not applied to derivatives hedging forecasted cash flows. The fair value changes of the derivative instruments hedging forecasted cash flows are recorded under financial assets at fair value through income statement on exchange gains and losses above operating profit.

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

Equity items of Group companies denominated in foreign currencies are hedged as appropriate. The equity of Kronans Drohgandel denominated in Swedish krona (SEK) is hedged fully with currency forward contracts under the IAS 39 hedge accounting rules for net investments in foreign entities (Note 25. Derivatives).

Interest Rate Risk

The Group's interest-bearing liabilities were EUR 56.0 million on 31 Dec. 2005, of which the pension loan from Orion Corporation Pension Fund was EUR 20.1 million (Note 20. Interest-bearing liabilities). The Group's cash and cash equivalents were EUR 159.5 million (Note 17. Cash and cash equivalents). The Group's excess liquidity has been invested in short-term interest-bearing instruments. The change in the interest rates does not have a significant impact on the fair values of the investment or funding portfolios.

Credit Risk

The Group Treasury Policy defines the requirements for the credit-worthiness of the counterparties for the financial investments and derivatives contracts. Limits have been set for investments and counterparties for the derivatives contracts, and they are regularly maintained and monitored. Investments are made in interest-bearing instruments, which are available for sale and mainly up to three months. The Group Customer Credit Policy defines the requirements for the credit-worthiness of the customers. The Group's account receivables are generated by a large number of customers worldwide. The most significant single customers are Orion Pharma's marketing partner Novartis and the Swedish pharmacy company Apoteket AB. The credit losses recorded through the income statement during the financial period have not been significant.

Liquidity Risk

The Group seeks to maintain a good liquidity position in all situations by having sufficient overdrafts and credit limits and liquid assets. The Group did not have interest-bearing net debt on 31 Dec. 2005. To ensure the Group's liquidity the financial investments are made mainly in short term available for sale euro-nominated interest-bearing instruments with good credit-worthiness. Liquidity is also ensured by bank account credit limits and Orion Corporation's commercial paper program of EUR 100 million.

24. Commitments and contingencies

EUR million	2005	2004
Contingent for own liabilities		
Mortgages on land and buildings	54.4	83.3
Of which those to the Orion Pension Fund	21.3	49.6
Mortgages on company assets	71.3	74.2
Guarantees	4.2	3.3
Other	0.3	0.3
Contingent for liabilities of other parties		
Guarantees	0.1	0.1

Legal proceedings and claims

In November 2005 a failure was detected in the methotrexate manufacturing equipment at the Oulu plant of Fermion Oy, the Orion Corporation subsidiary and manufacturer of active pharmaceutical ingredients. As a result of the failure, certain commercial batches had been contaminated with small amounts of water containing ethylene-glycol. The competent authorities as well as customers who had been supplied with methotrexate batches containing ethylene-glycol water have at the time been informed of the incident. The incident has resulted in recalls of certain defective methotrexate products as well as claims for damages related to the defective methotrexate batches. The total amount of the damage claims possibly resulting from the incident has been estimated not to exceed approximately seven million euros (EUR 7,000,000). The company considers the damages resulting from the incident to be at least for the most part covered by the company's liability insurance, such that the amount to be covered by the company itself, including the deductible and invoiced materials, are estimated to be limited to approximately two million euros (EUR 2,000,000). At the year end closing for 2005, a cost reservation of EUR 800,000 was recorded for the incident.

25. Derivatives

2005 EUR million	Positive fair value	Negative fair value	Nominal values
Hedge of net investments in foreign operations		-0.1	29.4
Currency forwards/swaps	0.2	-0.6	81.4

2004 EUR million	Positive fair value	Negative fair value	Nominal values
Hedge of net investments in foreign operations		-0.1	30.6
Currency forwards/swaps	1.8	-0.4	88.8

26. Operating leases

Group as lessee

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

EUR million	2005	2004
Within one year	2.0	3.7
Within 1-5 years	2.2	2.3
Total	4.2	6.0
Rents paid on the basis of operating leases	5.8	6.1

The other lease expenses mainly include expenses for the business premises rented abroad. The terms and conditions of the leases are normal, and the duration of the leases vary on a case by case basis.

Group as lessor

Rental income is under item 2. Other revenue from operating activities. The rental income mainly includes rents from the personnel for the apartments in real estate owned by the Group.

27. Related party transactions

In the Orion Group, the related parties are deemed to include the parent company Orion Corporation, the subsidiaries as well as associated and affiliated companies, the Orion Corporation Board members, the Orion Group management, the Presidents of Oriola Oy and Kronans Droghandel AB, the immediate family members of the above persons, the companies controlled by the above persons, as well as the Orion Pension Fund.

	Group		Parent company	
	Ownership, %	Share of votes, %	Ownership, %	Share of votes, %
Orion Pharma				
Parent company Orion Corporation				
Fermion Oy, Espoo	100.00	100.00	100.00	100.00
Interorion AG, Switzerland *)	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	100.00	100.00
Orion Pharma AB, Sweden	100.00	100.00	100.00	100.00
Orion Pharma AG, Switzerland	100.00	100.00	100.00	100.00
Orion Pharma AS, Norway	100.00	100.00	100.00	100.00
Orion Pharma 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
OÜ Orion Pharma Eesti, Estonia	100.00	100.00	100.00	100.00
Saiph Therapeutics Oy, Espoo *)	100.00	100.00	100.00	100.00
Kiinteistö Oy Harnaaparta, 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 Nilsiäkatu 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
Orion Diagnostica				
Orion Diagnostica Oy, Espoo	100.00	100.00	100.00	100.00
Orion Diagnostica AB, Sweden	100.00	100.00		
Orion Diagnostica as, Norway	100.00	100.00		
Orion Diagnostica Danmark A/S, Denmark	100.00	100.00		
Wholesale and Distribution				
Oriola				
Oriola Oy, Espoo	100.00	100.00	100.00	100.00
As Oriola, Estonia	100.00	100.00		
Oriola A/S, Denmark	100.00	100.00		
Oriola AB, Sweden	100.00	100.00		
SIA Oriola Riga, Latvia	100.00	100.00		
UAB Oriola Vilnius, Lithuania	100.00	100.00		
Panpharmacy Oy, Espoo	100.00	100.00		
Panpharmacy OÜ, Estonia	100.00	100.00		
SIA Gimenes Centra Aptieka, Latvia *)	100.00	100.00		
Panfarma AB, Sweden *)	100.00	100.00		

	Group		Parent company	
	Ownership, %	Share of votes, %	Ownership, %	Share of votes, %
KD				
Orion Holding Sverige AB, Sweden	100.00	100.00	100.00	100.00
Kronans Droghandel AB, Sweden	69.39	69.39		
Kronans Droghandel ADB AB, Sweden	69.39	69.39		
KD Pharma Distribution AB, Sweden *)	69.39	69.39		

*) The companies are not engaged in any operating activities.

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.

Transactions with the related parties

The Group has had no significant business transactions with the related parties, except for the pension expenses resulting from the defined benefit plans with the Orion Pension Fund.

Management benefits

EUR million	2005	2004
Salaries and other short-term employee benefits	1.9	2.1
Termination benefits		0.4
Post employment benefits	0.3	0.2

Wages and salaries

EUR million	2005
President and CEO	0.5
Members of the Board	
Matti Kavetvuo, Chairman	0.1
Erkki Etola, Vice Chairman	0.1
Heikki Hakala	0.0
Eero Karvonen	0.1
Leena Palotie	0.0
Vesa Puttonen	0.1
Olli Riikkala	0.1
Heikki Vapaatalo	0.1
Total	0.4

Stock options as on 31 December 2005

	Stock options 2001
President of Orion Corporation	50 000
Group management team	106 000
Presidents of the business divisions	20 000
Members of the Board	8 000
Total	184 000

The agreed retirement age of the parent company's President is 60, with the pension amounting to 66% of his salary. The agreed retirement age of the parent company's Executive Vice President is 60, with the pension amounting to 60% of his salary. Moreover, the Presidents and executives of certain Group companies have the possibility to retire at 60-63 years of age, with the pension level at 60% of their salary.

Loans, guarantees and other contingencies regarding the related parties

For the loans given by the Pension Fund to the Group companies and the respective terms, please see item 20. Interest-bearing liabilities. The parent company has issued EUR 9.5 million worth of real estate mortgages to the Pension Fund as a contingency for the pension loans and EUR 11.9 million to cover the pension liability.

The Group has granted an interest-free loan of EUR 0.1 million to Hangon Puhdistamo Oy. The agreed repayment period is 4 years, with equal annual amortisations.

28. Transition to IFRS

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.

Unaudited Orion Group Opening Balance Sheet on the transition date 1 January 2004 and the Balance Sheet of 31 December 2004 in accordance with IFRS and their differences from the corresponding Balance Sheets based on FAS

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

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

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 has 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 EUR -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 group 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 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.

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 Pension Fund. Hence, no corresponding obligation of unknown disability benefits arises in the 1/2004 Balance Sheet.

The 1/2004 Balance Sheet includes pension asset of EUR 58.2 million resulting from the employee benefits arranged through the Orion 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 the 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 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.

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
IFRS1: First-time Adoption/revaluations	-11.8	-11.3
IFRS2: Share-based payments/stock options	0.0	
IFRS3: Business combinations/goodwill	5.9	
IFRS adjustments total	46.1	40.9
Retained earnings, IFRS	326.5	484.2

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 equity belonging to the shareholders of the parent company. Additionally, the reserve for treasury shares has been deducted from the consolidated shareholders' equity.

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 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.

Function-based Income Statements 2004 according to FAS and IFRS, with adjustments

EUR million	IAS/IFRS standard	FAS 2004	IFRS adjustment	IFRS 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, IAS 17	-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 2004 available for parent company shareholders, FAS	85.4
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 2004 available for parent company shareholders (IFRS)	90.5

Financial development 2001–2005

Key figures of the Orion Group

EUR million and %	2001 FAS	2002 FAS	2003 FAS	2004 FAS	2004 IFRS	2005 IFRS
Net sales and profit						
Net sales	970.8	1 628.6	2 261.5	1 944.3	1 946.2	1 901.8
Change on the previous year, %	+2.5%	+67.8%	+38.9%	-14.0%		-2.3%
International operations	422.8	864.4	1 270.4	1 160.6	1 160.6	1 174.3
% of net sales	43.6%	53.1%	56.2%	59.7%	59.6%	61.7%
Change on the previous year, %	+10.1%	+104.4%	+47.0%	-8.6%		+1.2%
Depreciation and amortisation	42.6	54.1	67.5	60.3	57.0	47.7
Operating profit	116.4	97.5	89.9	129.2	132.2	181.1
% of net sales	12.0%	6.0%	4.0%	6.6%	6.8%	9.5%
Change on the previous year, %	+1.6%	-16.2%	-7.8%	+43.8%		+37.0%
Financial income and expenses	+7.2	+1.6	-0.9	-1.5	-2.0	-1.0
% of net sales	+0.7%	+0.1%	-0.0%	-0.1%	-0.1%	-0.1%
Profit before taxes	123.6	99.1	89.0	127.7	130.2	180.0
% of net sales	12.7%	6.1%	3.9%	6.6%	6.7%	9.5%
Change on the previous year, %	-1.5%	-19.8%	-10.2%	+43.5%		+38.3%
Income taxes	41.3	36.3	19.2	40.7	38.1	47.9
Profit available for parent company shareholders	90.0	69.4	71.7	85.4	90.5	131.1
Return on capital employed (ROCE)	17.5%	13.8%	13.2%	22.1%	21.0%	29.9%
Return on equity (ROE)	12.5%	9.4%	11.5%	17.1%	16.7%	24.9%
Balance Sheet						
Non-current assets	388.3	522.1	431.0	399.7	437.4	415.4
Current assets	560.2	887.7	795.7	677.5	698.1	721.4
Equity of the parent company shareholders	677.6	672.7	578.1	434.3	461.7	564.6
Minority interest		12.8	19.7	18.0	18.0	17.2
Non-current provisions	3.1	0.9	3.3	5.4	5.2	2.4
Liabilities	270.9	724.4	628.9	624.9	655.8	555.0
Interest-bearing liabilities	52.0	134.2	76.4	119.9	120.6	56.0
Non-interest-bearing liabilities	218.9	590.2	552.5	505.0	535.2	499.0
Total assets	948.5	1 409.8	1 226.7	1 077.2	1 135.5	1 136.8
Equity ratio	72.6%	48.9%	49.4%	42.4%	43.6%	52.6%
Gearing	-24.7%	-9.1%	-10.8%	3.0%	2.8%	-17.8%
Capital expenditure						
Capital expenditure	79.2	155.6	41.9	28.0	28.0	33.4
% of net sales	8.2%	9.6%	1.9%	1.4%	1.4%	1.8%
Capital expenditure excl. shares	79.2	94.4	41.9	28.0	28.0	33.4
% of net sales	8.2%	5.8%	1.9%	1.4%	1.4%	1.8%
Research and development expenditure						
Research and development expenditure	83.9	109.5	85.9	70.5	77.9	79.5
% of net sales	8.6%	6.7%	3.8%	3.6%	4.0%	4.2%
Personnel						
Wages and salaries	163.9	172.6	185.2	159.5	159.5	161.4
Average number of employees	5 456	5 621	5 573	4 614	4 614	4 558

Share-related key figures

			2001	2002	2003	2004	2004	2005
			FAS	FAS	FAS	FAS	IFRS	IFRS
Earnings per share, adjusted	EUR		0.63	0.46	0.49	0.64	0.68	0.95
Diluted earnings per share	EUR					0.64	0.68	0.94
Equity per share, adjusted	EUR		5.02	4.91	4.22	3.12	3.43	4.06
Total dividends	MEUR		74.3	161.9	249.2	74.1	74.1	118.1
Dividend per share	EUR		1.10	0.93	1.00	0.55	0.55	0.85*
Special dividend per share	EUR			1.50	2.74			-
Dividend per share, adjusted	EUR		0.55	0.46	0.50	0.55	0.55	0.85*
Special dividend per share, adjusted	EUR			0.75	1.37			-
Payout ratio, adjusted	%		88.0%	261.3%	381.6%	85.9%	80.9%	89.5%*
Payout ratio excl. special dividend, adjusted	%		88.0%	100.0%	102.0%	85.9%	80.9%	89.5%*
Dividend yield, adjusted	A	%	5.5%	11.4%	22.1%	4.6%	4.6%	5.4%*
Dividend yield, adjusted	B	%	5.5%	11.4%	22.0%	4.6%	4.6%	5.4%*
P/E ratio, adjusted	A		15.92	23.01	17.30	18.83	17.72	16.42
P/E ratio, adjusted	B		15.92	22.90	17.37	18.61	17.51	16.46
Share price on 31 Dec.	A	EUR	19.90	21.40	16.95	12.05	12.05	15.60
Share price on 31 Dec.	B	EUR	19.90	21.30	17.02	11.91	11.91	15.64
Price on 31 Dec., adjusted	A	EUR	9.95	10.70	8.48	12.05	12.05	15.60
Price on 31 Dec., adjusted	B	EUR	9.95	10.65	8.51	11.91	11.91	15.64
Average share price, adjusted	A	EUR	9.93	11.64	8.62	10.87	10.87	15.01
Average share price, adjusted	B	EUR	10.22	11.69	8.19	10.95	10.95	15.43
Lowest share price, adjusted	A	EUR	8.63	9.78	6.50	8.60	8.60	11.25
Lowest share price, adjusted	B	EUR	8.80	9.85	6.50	8.52	8.52	11.60
Highest share price, adjusted	A	EUR	12.50	13.25	12.31	12.50	12.50	21.01
Highest share price, adjusted	B	EUR	12.60	13.35	10.84	12.31	12.31	20.89
Market capitalisation on 31 Dec., adjusted	MEUR		1 343.6	1 423.0	1 131.9	1 595.1	1 595.1	2 169.7
Number of shares traded, adjusted								
A-shares	1 000 pcs		7 354	7 194	11 166	10 521	10 521	9 272
% of adjusted average number of A-shares	%		10.9%	11.2%	18.6%	17.9%	17.9%	16.2%
B-shares	1 000 pcs		16 274	27 690	40 198	69 259	69 259	109 233
% of adjusted average number of B-shares	%		24.1%	39.0%	55.0%	93.1%	93.0%	135.6%
% of adjusted average number of all shares	%		17.5%	25.9%	38.5%	59.9%	59.8%	86.1%
Number of shares on 31 Dec.	A	pcs	33 414 163	30 586 429	30 002 129	58 483 608	58 483 608	56 517 890
	B	pcs	34 104 258	36 931 992	37 516 292	76 553 234	76 553 234	82 367 958
of which held by the Group	A	pcs		167 798	208 932	417 864	417 864	
	B	pcs		685 000	685 000	1 370 000	1 370 000	
Number of shares on 31 Dec., without own shares	A	pcs	33 414 163	30 418 631	29 793 197	58 065 744	58 065 744	56 517 890
	B	pcs	34 104 258	36 246 992	36 831 292	75 183 234	75 183 234	82 367 958
Adjusted total number of shares without own shares	pcs		67 518 421	66 665 623	66 624 489	133 248 978	133 248 978	138 885 848
Adjusted total number of shares, annual average	pcs		135 036 842	134 898 944	133 252 726	133 248 978	133 312 340	137 669 960
Adjusted total number of shares on 31 Dec.	pcs		135 036 842	133 331 246	133 248 978	133 248 978	133 248 978	138 885 848
Diluted number of shares, annual average	pcs							139 183 885
Diluted number of shares on 31 Dec.	pcs							139 779 918

*) The figures for dividend per share for 2005 are based on the dividend proposal by the Board of Directors.

Principles for calculating the key figures and ratios

$$\text{Return on capital employed (ROCE), \%} = \frac{\text{Profit before taxes + interest and other financial expenses}^{1)}}{\text{Total assets – non-interest-bearing liabilities (annual average)}} \times 100$$

$$\text{Return on Equity (ROE), \%} = \frac{\text{Profit for the period}^{2)}}{\text{Equity of the parent company shareholders + minority interest (annual average)}^{3)}} \times 100$$

$$\text{Equity ratio, \%} = \frac{\text{Equity of the parent company shareholders + minority interest}^{3)}}{\text{Total assets – advances received}} \times 100$$

$$\text{Gearing, \%} = \frac{\text{Interest-bearing liabilities – Cash and cash equivalents}}{\text{Equity of the parent company shareholders + minority interest}^{3)}} \times 100$$

$$\text{Earnings per share (EPS), EUR} = \frac{\text{Profit available for the parent company shareholders}^{4)}}{\text{Adjusted average number of shares – treasury shares}}$$

$$\text{Diluted earnings per share, EUR} = \frac{\text{Profit available for the parent company shareholders}^{4)}}{\frac{\text{Adjusted number of shares} + \frac{\text{Number of shares assuming full exercise of share options outstanding} \times \text{Subscription price of shares with options}}{\text{Market price of share}} - \text{Number of shares assuming full exercise of share options outstanding}}}$$

$$\text{Equity per share, EUR} = \frac{\text{Equity of the parent company shareholders}^{4)}}{\text{Adjusted number of shares on 31 December – treasury shares}}$$

$$\text{Dividend per share, EUR} = \frac{\text{Dividend for the financial year}}{\text{Adjusted number of shares on 31 December – treasury shares}}$$

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

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

$$\text{Price/Earnings ratio (P/E), \%} = \frac{\text{Adjusted closing quotation of the financial year}}{\text{Adjusted earnings per share}} \times 100$$

$$\text{Adjusted average share price, EUR} = \frac{\text{Total EUR-denominated share turnover – treasury shares}}{\text{Adjusted average number of shares traded during the financial year}}$$

$$\text{Market capitalisation, EUR million} = \text{Number of shares at 31 December, excluding treasury shares} \times \text{Adjusted closing quotation of the financial year}$$

¹⁾ FAS 2001–2004: Profit before extraordinary items and taxes + interest and other financial expenses

²⁾ FAS 2001–2004: Profit before extraordinary items – taxes on ordinary operations

³⁾ FAS 2001–2004: Shareholders' equity + minority interest

⁴⁾ FAS 2001–2004: Profit before extraordinary items +/- minority interest – taxes on ordinary operations

FAS 2001–2004: When calculating the key indicators, the own shares held by the Company have been deducted from the shareholders' equity and the number of shares

Parent Company Financial Statements (FAS)

Parent Company Income Statement

EUR million	Note	2005	2004
Net sales	1)	461.9	431.5
Other operating income	2)	12.3	7.5
Operating expenses	3), 4)	-326.2	-307.8
Amortisation on goodwill	4)	-3.4	-3.4
Depreciation and amortisation	4)	-24.7	-30.7
Operating profit		119.8	97.1
Financial income and expenses	5)	25.2	17.8
Profit before appropriations and taxes		144.9	114.9
Appropriations	6)	7.2	7.1
Income taxes	7)	-34.2	-36.4
Profit for the financial year		117.9	85.6

Parent Company Balance Sheet

ASSETS

EUR million	Note	2005	2004
Non-current assets			
Intangible assets	8)		
Intangible assets		13.8	15.6
Goodwill		13.6	17.1
Other capitalised expenditure		7.8	15.5
		35.2	48.2
Tangible assets			
Tangible assets	9)		
Land		3.9	3.9
Buildings		80.9	85.1
Machinery and equipment		52.2	55.1
Other tangible assets		0.8	0.8
Advance payments and construction in progress		1.3	1.0
		139.1	145.9
Investments			
Investments	10)		
Shares and equity interest in Group companies		258.1	256.2
Other investments		5.1	4.1
Own shares			18.7
		263.2	279.0
Currents assets			
Inventories	11)	61.5	53.7
Non-current receivables	12)	0.6	0.6
Trade receivables	13)	65.8	58.0
Other current receivables	13)	11.5	13.0
Investments	14)	105.7	50.2
Cash and bank		7.4	3.8
Assets total		690.0	652.4

LIABILITIES

EUR million	Note	2005	2004
Share capital		236.1	229.6
Share issue		0.3	15.6
Premium fund		53.2	1.1
Reserve for own shares			18.7
Retained earnings		11.7	0.3
Profit for the financial year		117.9	85.6
Shareholders' equity	15)	419.2	350.9
Appropriations	16)	83.9	91.0
Provisions	17)	1.8	1.9
Liabilities			
Non-current liabilities	18)		
Pension loans		6.0	37.8
Other non-current liabilities		1.4	1.9
		7.3	39.7
Current liabilities	19)		
Advances received			3.9
Trade payables		28.8	24.4
Other current liabilities		149.0	140.7
		177.8	168.9
Liabilities total		690.0	652.4

Parent Company Cash Flow Statement

EUR million	Note	2005	2004
Cash flow from operating activities			
Operating profit		119.8	97.1
Adjustments			
Depreciation and amortisation		28.2	34.1
Other adjustments		-5.4	-0.2
		22.8	33.8
Change in working capital	1)		
Change in non-interest-bearing current receivables		-2.6	5.1
Change in inventories		-7.7	3.6
Change in non-interest-bearing current liabilities		38.3	20.3
		27.9	28.9
Interest paid		-6.7	-3.6
Dividends received	2)	26.2	18.0
Interest received	2)	4.8	4.4
Income taxes paid		-31.5	-29.2
Net cash from operating activities		163.3	149.5
Cash flow from investing activities			
Investments in intangible and tangible assets		-13.1	-16.7
Proceeds from sale of intangible and tangible assets		6.7	1.5
Investments in subsidiary shares			-1.9
Investments in other shares		-0.0	-0.4
Proceeds from sale of other shares		0.0	0.2
Loans made (-) / repayments of loan receivables (+)		-1.0	1.7
Net cash used in investing activities		-7.3	-15.6
Cash flow from financing activities			
Share issue		43.4	15.6
Change in short-term loans		-33.7	50.8
Proceeds from long-term loans			20.0
Repayments of long-term loans		-32.5	-0.9
Dividends paid		-74.2	-251.4
Net cash used in financing activities		-96.9	-165.8
Net change in cash and cash equivalents			
		59.1	-32.0
Cash and cash equivalents at the beginning of the period	3)	54.0	86.0
Net change in cash and cash equivalents		59.1	-32.0
Cash and cash equivalents at the end of the period	3)	113.1	54.0

- 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's working capital at their gross value.
- 2) The dividends and interest paid by the subsidiaries and included in the cash flow from operating activities of the parent company.
- 3) Besides cash in hand and at banks, the cash equivalents include marketable securities with a very low risk of change in value.

Notes to the Parent Company Financial Statements

The parent company of the Orion Group is Orion Corporation, business ID 01122835 and domiciled in Espoo.

Policies for the financial statements

The financial statements of the parent company Orion Corporation have been drawn up following the Finnish Accounting Act, as well as other dispositions and regulations related to the compilation of the financial statements.

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 the 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 policies are applied to the accumulated depreciation.

The economic lives of various asset 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 items which generate or maintain income for three years or longer, have been capitalised and are normally depreciated over 5 years.

Land areas and revaluations have not been depreciated according to plan. Production and office facilities have been revaluated in the Orion Group in the 1970's and 1980's. The acquisition cost of the subsidiary shares was revalued 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 have incurred.

Inventories

The inventories 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 at the probable sales price or reacquisition cost.

Investments held as current assets

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

Receivables and liabilities denominated in foreign currencies

The valuation of the receivables and liabilities is based on the rates quoted by the European Central Bank on the day on which the accounts were closed. The resulting translation gains or losses have bearing on the profit for the financial year. Translation gains and losses related to business operations have been recorded as adjustment of sales and purchases while those related to financing activities are recognised under financial income and expenses.

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 the currency derivatives 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 derivatives for hedging balance sheet items is recorded in the income statement so that the fair value of currency derivatives hedging trade receivables is recorded in the net sales, while the fair value of derivatives hedging loans and receivables related to financial operations is recorded in the financial items. The fair value losses for currency derivatives hedging off-balance sheet items have been recorded in the financial items, but in accordance with the prudence principle, no fair value gains have been recorded, since the off-setting impacts of the derivative instruments and the hedged items have not been documented.

Provisions

Commitments by the company to future expenses 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

The net sales include income from the sale of goods and services, with adjustments for indirect taxes, discounts and conversion differences resulting from sales in foreign currencies. The net sales also include milestone payments based on contracts with marketing partners, paid by the partner as a contribution to cover the R&D expenses of a product under development and tied to certain milestones in the research process. Moreover, net sales also include the royalties on the products licensed out by the company.

Income from the sale of goods is recognised when the major risks and benefits from the ownership of the goods have been taken over by the buyer. Income from services is recognised when the service has been performed. Milestone payments are recognised when the investigational product has progressed to a phase agreed with the partner, thus triggering the partner's obligation to pay the agreed sum. Royalties are recorded on accrual basis in accordance with the licensing agreements.

Pension arrangements

The pension security of the company's employees is arranged 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 the pension fund. Moreover, some executives have certain defined benefit arrangements with pension insurance companies. The pension liability to the pension fund is covered in full.

Income taxes

The item income taxes refers to the taxes imposed on the basis of taxable profit, including the tax adjustments pertaining to the previous financial years.

The financial statements do not include any deferred tax liabilities or assets, but the Notes to the Statements include all deferred tax liabilities and assets recognisable in the Balance Sheet. These deferred tax liabilities or assets have been calculated on the temporary difference between the tax assessment and the Financial Statements, using the tax rate confirmed for the upcoming taxation years at the time of the Financial Statements. The possible impact of the revalued subsidiary shares on the taxes has not been estimated because these shares will not be realised in the reasonably foreseeable future.

1. Net sales

Net sales by business area

EUR million	2005	2004
Pharmaceutical industry	461.9	431.5
Total	461.9	431.5

Net sales by market area

EUR million	2005	2004
Finland	188.4	182.0
Scandinavia	53.1	54.6
Other European markets	163.7	124.1
North America	35.3	46.3
Other markets	21.4	24.5
Total	461.9	431.5

2. Other operating income

EUR million	2005	2004
Gains on sales of non-current assets	5.6	0.8
Contract income		0.7
Service charges from Group companies	4.0	2.9
Rents received	1.4	1.5
Other	1.3	1.7
Total	12.3	7.5

3. Changes in provisions

EUR million	2005	2004
Change in provisions	0.1	0.2
Total (increase - / decrease +)	0.1	0.2

4. Operating expenses, depreciation and amortisation

Operating expenses

EUR million	2005	2004
Increase (-) or decrease (+) in inventories of finished and semi-finished products	-5.2	-2.3
Production for own use	-2.3	-0.8
Raw materials and services		
Purchases during the financial year	110.2	88.7
Increase (-) or decrease (+) in other inventories	-2.6	5.9
External services	17.7	17.2
Total	125.3	111.8
Personnel expenses		
Wages and salaries	74.5	69.5
Pension expenses	7.9	3.1
Other social security expenses	7.1	6.8
Total	89.6	79.4
Other operating expenses	118.7	119.7
Operating expenses total	326.2	307.8

Voluntary personnel expenses are recorded under other operating expenses.

Depreciation and amortisation

EUR million	2005	2004
Amortisation on goodwill	3.4	3.4
Other depreciation and amortisation	24.7	30.7
Total	28.2	34.1

Depreciation and amortisation by Balance Sheet items is presented under items 8-9.

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

	2005	2004
Average number of personnel	2 059	2 015

5. Financial income and expenses

EUR million	2005	2004
Dividend income from Group companies	26.2	21.9
Income from other investments held as non-current assets		
Dividend income from other shares and equity interests	0.0	0.3
Interest income from Group companies	0.0	0.1
Other interest and financial income		
Interest income from Group companies	0.0	0.5
Interest income from other companies	1.6	1.2
Other financial income	2.7	2.2
Reduction in value of investments held as non-current assets		-2.3
Interest and other financial expenses		
Interest expenses to Group companies	-1.6	-1.1
Interest expenses to other companies	-2.5	-2.1
Other financial expenses	-1.5	-2.9
Total	25.2	17.8

Financial income and expenses include:

EUR million	2005	2004
Total dividend income	26.2	22.2
Total interest income	1.7	1.8
Total interest expenses	-4.0	-3.2

6. Appropriations

EUR million	2005	2004
Change in accumulated accelerated depreciation	7.2	7.1
Total (increase - / decrease +)	7.2	7.1

7. Income taxes

EUR million	2005	2004
Current tax on ordinary operations	-34.3	-35.8
Adjustments for current tax of previous financial years	0.1	-0.6
Total	-34.2	-36.4

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

EUR million	2005	2004
Provisions	0.5	0.5
Total	0.5	0.5

Deferred tax liability arises from

EUR million	2005	2004
Accumulated appropriations	21.8	23.7
Revaluations	4.3	4.3
Total	26.1	28.0

8. Intangible assets on 31 December 2005

EUR million	Intangible rights	Goodwill	Other capitalised expenditure	Total
Acquisition cost, 1 Jan. *)	36.6	68.3	48.0	152.8
Increase	2.1		0.2	2.4
Decrease	-0.2		-3.6	-3.8
Transfers between Balance Sheet items	0.0		0.0	0.0
Acquisition cost, 31 Dec.	38.5	68.3	44.6	151.3
Accumulated depreciation and amortisation, 1 Jan.*	20.9	51.2	32.5	104.6
Accumulated depreciation and amortisation related to transfers and decreases	-0.1		-0.4	-0.5
Depreciation and amortisation for the financial year	3.9	3.4	4.6	12.0
Accumulated depreciation and amortisation, 31 Dec.	24.7	54.6	36.8	116.1
Book value, 31 Dec.	13.8	13.6	7.8	35.2
Accumulated accelerated depreciation, 1 Jan.	3.7	-0.0	3.4	7.1
Increase (+)/decrease (-)	-0.8	0.0	-0.7	-1.5
Accumulated accelerated depreciation, 31 Dec.	2.8	0.0	2.7	5.6

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

9. Tangible assets on 31 December 2005

EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost, 1 Jan.*	3.9	160.6	154.9	1.7	1.0	322.1
Increase	0.0	1.2	9.0	0.1	1.0	11.3
Decrease	-0.0	-1.8	-3.1			-4.9
Transfers between Balance Sheet items		0.1	0.6		-0.8	-0.0
Acquisition cost, 31 Dec.	3.9	160.1	161.4	1.8	1.3	328.5
Accumulated depreciation and amortisation, 1 Jan.*		75.5	99.8	1.0		176.3
Accumulated depreciation and amortisation related to transfers and decreases		-0.6	-2.4			-3.0
Depreciation and amortisation for the financial year		4.2	11.9	0.1		16.2
Accumulated depreciation and amortisation, 31 Dec.		79.1	109.2	1.0		189.4
Book value, 31 Dec.	3.9	80.9	52.2	0.8	1.3	139.1
Accumulated accelerated depreciation, 1 Jan.		43.4	40.5	0.0		84.0
Increase (+)/Decrease (-)		-1.9	-3.8	0.0		-5.7
Accumulated accelerated depreciation, 31 Dec.		41.5	36.7	0.0		78.3

On 31 Dec., production machines accounted for EUR 21.2 million of the book value of machinery and equipment. Revaluation included in the acquisition cost of land is EUR 0.1 million and in the acquisition cost of buildings EUR 16.5 million.

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

10. Investments on 31 December 2005

EUR million	Shares in Group companies *)	Receivables from Group companies	Shares and holdings in associated companies	Other shares and holdings	Loan receivables **)	Own shares	Total
Acquisition cost, 1 Jan. *	294.7	3.6	0.0	1.8	0.4	18.7	319.1
Increase	1.9	1.4		0.0			3.3
Decrease		-0.4	-0.0		-0.0	-18.7	-19.1
Acquisition cost, 31 Dec.	296.6	4.6		1.8	0.3		303.3
Accumulated revaluation, 1 Jan.	38.5	0.8		0.8			40.1
Accumulated revaluation, 31 Dec.	38.5	0.8		0.8			40.1
Book value, 31 Dec.	258.1	3.8		1.0	0.3		263.2

*) Revaluation of the shares of Oriola Oy EUR 111.7 million is included in the acquisition cost of shares in Group companies.

***) The loan receivable is an equity loan receivable in accordance with the Companies Act.

The difference between market value and book value of listed shares

EUR million	2005	2004
Own shares		
Market value		21.3
Corresponding book value		-18.7
Difference		2.6

11. Inventories

EUR million	2005	2004
Raw materials and consumables	14.1	11.5
Work in progress	11.9	11.5
Finished products/goods	34.8	30.0
Other inventories	0.7	0.7
Advance payments		0.0
Total	61.5	53.7

12. Non-current receivables

EUR million	2005	2004
Loan receivables	0.1	
Other loan receivables	0.6	0.6
Total	0.6	0.6

13. Current receivables

EUR million	2005	2004
Trade receivables	32.0	25.5
Receivables from Group companies		
Trade receivables	33.8	32.5
Loan receivables	0.2	
Other receivables	0.0	0.0
Prepaid expenses and accrued income	0.0	0.2
Total	34.0	32.7
Loan receivables	0.1	0.0
Other receivables	1.9	2.0
Prepaid expenses and accrued income	9.3	10.8
Total	77.3	71.0

Material items included in prepaid expenses and accrued income

EUR million	2005	2004
Income tax receivable	1.8	4.7
Pending R&D contributions	2.2	1.3
Other	5.4	4.8
Total	9.3	10.8

14. Investments held as current assets

EUR million	2005	2004
Other securities: Interest instruments	105.7	50.2
Total	105.7	50.2

Difference between market value and book value

EUR million	2005	2004
Market value	105.9	50.2
Corresponding book value	-105.7	-50.2
Difference	0.2	-0.0

15. Shareholders' equity

EUR million	2005	2004
Share capital, 1 Jan.	229.6	114.8
Bonus issue, 17 Sept. 2004		114.8
Invalidation of own shares, 1 April 2005	-3.0	
Shares subscribed with option rights	9.6	
Share capital, 31 Dec.	236.1	229.6

EUR million	2005	2004
Share issue, 1 Jan.	15.6	
Shares subscribed with option rights	43.4	15.6
Transferred to share capital and premium fund	-58.7	
Share issue, 31 Dec.	0.3	15.6

EUR million	2005	2004
Premium fund, 1 Jan.	1.1	4.2
Transferred to share capital (Bonus issue 17 Sept. 2004)		-3.1
Invalidation of own shares, 1 April 2005	3.0	
Shares subscribed with option rights	49.1	
Premium fund, 31 Dec.	53.2	1.1

EUR million	2005	2004
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.		

EUR million	2005	2004
Reserve for own shares, 1 Jan.	18.7	15.2
Reversal of reduction in value		3.6
Invalidation of own shares, 1 April 2005	-18.7	
Reserve for own shares, 31 Dec.		18.7

EUR million	2005	2004
Retained earnings, 1 Jan.	85.9	249.5
By decision of Annual General meeting		
dividends distributed	-74.1	-249.1
donations made	-0.1	-0.1
Profit for the financial year	117.9	85.6
Retained earnings, 31 Dec.	129.6	85.9

Parent company share capital by shares

	2005 pcs	2005 EUR million	2004 pcs	2004 EUR million
A-shares (20 votes per share)	56 517 890	96.1	58 483 608	99.4
B-shares (1 vote per share)	82 367 958	140.0	76 553 234	130.2
Total	138 885 848	236.1	135 036 842	229.6

During the year 2005, a total of 1 547 854 Orion Corporation A-shares were converted to B-shares. The corresponding figure for 2004 was 1 520 650.

Further information is shown under the consolidated notes 18. Equity and share-based payments.

16. Appropriations

EUR million	2005	2004
Accumulated accelerated depreciation	83.9	91.0
Total	83.9	91.0

17. Provisions

EUR million	2005	2004
Pension provisions	1.8	1.9
Total	1.8	1.9

18. Non-current liabilities

EUR million	2005	2004
Pension loans	6.0	37.8
Other non-current liabilities	1.4	1.9
Total	7.3	39.7

Liabilities due in five years' time or later

EUR million	2005	2004
Pension loans	6.0	37.8
Total	6.0	37.8

19. Current liabilities

EUR million	2005	2004
Advances received		3.9
Trade payables	20.0	15.5
Liabilities to Group companies		
Trade payables	8.8	8.9
Other current liabilities	103.5	70.1
Accrued liabilities and deferred income	0.0	0.3
Total	112.3	79.3
Other current liabilities	6.7	38.8
Accrued liabilities and deferred income	38.8	31.4
Total	177.8	168.9

Material items included in accrued liabilities and deferred income

EUR million	2005	2004
Accrued wage, salary and social security payments	19.6	18.1
Accrued royalties	2.9	2.6
Price adjustments to be disbursed	6.9	5.8
Adjustment of sales revenues related to goods in transit	6.5	0.1
Other	2.9	4.9
Total	38.8	31.4

Liabilities comprise

EUR million	2005	2004
Non-current interest-bearing liabilities	7.3	39.7
Current interest-bearing liabilities	104.8	103.3
Current interest-free liabilities	73.0	65.6
Total	185.2	208.6

20. Information related to administrative body members of Group companies

Salaries and remuneration paid to members of administrative bodies

EUR million	2005	2004
Group company Presidents and Vice Presidents	0.5	0.6
Members of the Boards of Directors	0.3	0.4
Total	0.8	1.0

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 is 60 and his pension is 60% of the salary. Moreover some parent company Presidents have the possibility to retire at 61-63 years of age, with the pension amounting to 60% of their salaries.

Further information is shown under the consolidated notes 27. Related party transactions.

21. Guarantees

Loans secured through mortgages on real estate

EUR million	2005	2004
Non-current pension loans		25.1
Real estate mortgaged as security for the above		28.1
Total real estate mortgaged as security for loans		28.1

Other guarantees for the Group's own liabilities

EUR million	2005	2004
Mortgages on real estate	25.5	25.7

Guarantees on behalf of Group companies

EUR million	2005	2004
Mortgages on real estate	9.5	9.4
Guarantees	9.5	8.6
Total	18.9	18.0

Total guarantees

EUR million	2005	2004
Total mortgages on real estate	35.0	63.2
Total guarantees	9.5	8.6

22. Contingent liabilities

EUR million	2005	2004
Outstanding payments pertinent to leasing agreements		
Beginning financial year	1.2	1.6
Following financial years	0.8	0.9
Total	2.1	2.5

The leasing agreements are made on customary terms.

Other company liabilities

EUR million	2005	2004
Drug damage liability	0.3	0.3

23. Currency derivatives

EUR million	2005	2004
Equity hedge currency forward contracts:		
Fair value	-0.1	-0.1
Counter value in EUR	29.4	30.6
Other currency forward contracts:		
Fair value	-0.4	1.4
Counter value in EUR	80.0	86.4

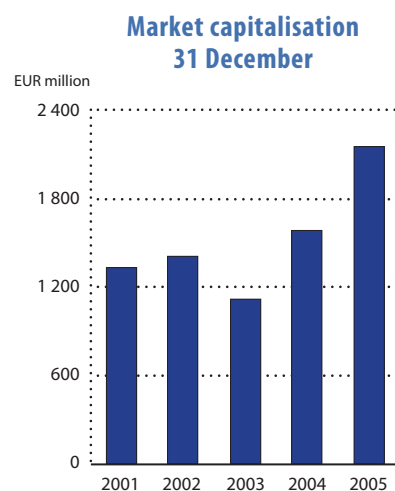
24. Shares and equity interests in other companies

For the parent company's ownership in other companies, please see the Notes to the consolidated Financial Statements, item 27 Related parties.

Share Capital and Shareholders

Share capital

Orion Corporation has two classes of shares, A and B. Both shares are quoted on the Helsinki Stock Exchange (trading codes ORNAS and ORNBS). At General Meetings of Shareholders, each Class A share provides twenty (20) votes and each Class B share one (1) vote. Both classes confer equal rights to company assets and dividends. The nominal value of the share is EUR 1.70.



31 December 2005	Class A	Class B	A and B total
Share capital	96.1 MEUR	140.0 MEUR	236.1 MEUR
Minimum share capital			127.5 MEUR
Maximum share capital			510.0 MEUR
Total number of shares	56 517 890 pcs	82 367 958 pcs	138 885 848 pcs
Share of total share stock	40.7 %	59.3 %	100.0 %
Nominal value of share	1.70 EUR	1.70 EUR	
Votes per share	20 votes	1 vote	
Lot size	100 pcs	100 pcs	
Trading code on the Helsinki Stock Exchange	ORNAS	ORNBS	

The 4,176,008 new B-shares subscribed in 2005 with options of the year 1998 Stock Option Plan were listed on the Helsinki Stock Exchange during 17 May -31 December 2005 as "Orion B

New" (ORNBS0105) and they were combined with the ordinary Class B on 31 December 2005. In the above table they are included in the B-shares.

Share capital of Orion Corporation 2001-2005

EUR million	2001	2002	2003	2004	2005
Share capital	114.8	114.8	114.8	229.6	236.1
Class A (ORNAS)	56.8	52.0	51.0	99.4	96.1
Class B (ORNBS)	58.0	62.8	63.8	130.2	140.0
Share issues:					
Bonus issue	-	-	-	(1:1) 114.8	-
Number of shareholders	28 340	28 637	30 700	31 111	36 699

According to section 3 of the company's articles of association, a shareholder can require the conversion of his/her A-shares into B-shares. In the course of 2005, altogether 1,547,854 A-shares were converted to B-shares.

After the review period, the share capital increase corresponding to the 34,480 new B shares subscribed with options 2001 A/B and C in December 2005 has been entered in the trade register. At the date of the disclosure of these financial statements, the company's share stock consists of 56 517 890 A-shares and 82 402 438 B-shares, the share capital being about EUR 236.2 million.

Treasury shares

The own shares held by the company were invalidated on 1 April 2005. The total amount held was 1,787,864, of which A-shares accounted for 417,864 and B-shares for 1,370,000. The share capital was reduced by about EUR 3.0 million, correspondingly.

Authorisations of the Board of Directors

The Board of Directors of Orion Corporation has an authorisation by the year 2005 Annual General Meeting to acquire and convey the company's own shares until 22 March 2006. The authorisation has not been utilised by the time of publishing this Report. The acquisition shall be done so that the aggregate nominal value of the own shares held 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, or for otherwise conveying or invalidating them.

The Board of Directors has no existing authorisation by the Shareholders' Meeting to raise the share capital or to issue a bond loan, a convertible loan or stock options.

Ownership base

On 31 December 2005, Orion Corporation had a total of 36,699 registered shareholders. The number of nominee-registered shares in the book-entry system was 28,976,366, representing 20.9% (22.4%) of the total shares and 6.6% (5.5%) of the total votes. The number of nominee-registered shares decreased by 4.4% from the

year-start. At the year-end, nominee registrations accounted for 4.7% of the total A-shares and 31.9% of the total B-shares.

Private persons represented 93.7% of all the shareholders. About 47.9% of the total shares and 56.1% of the total votes were held by private persons and households.

No flaggings have been brought to the attention of the company in the course of 2005 or after, until the disclosure of the financial statements.

Management interests on 31 December 2005

At the end of 2005, the members of the Board of Directors, the President as well as the Presidents of the business divisions owned altogether 3,291,820 shares in Orion Corporation, representing 2.4% of the total share stock and 62,144,548 votes, or 5.1% of the total votes. Their holdings include also those held by under-aged children and organisations or foundations of which the person has control. The total number of stock options 2001 held by the afore-mentioned members of the management was 94,000, with which their shareholding in the company can increase by up to 188,000 B-shares, representing 0.1% of the total share stock and 0.0% of the total votes as on 31 December 2005.

The holdings of Orion shares and options by the members of the Board of Directors and the Group management on 31 December 2005 are itemised in the Corporate Governance section of the Annual Report 2005. Up-to-date information about the holdings of the Orion Group insiders with the duty to declare is available on the homepage www.orion.fi/investors, provided by the insider register maintained in the SIRE system of the Finnish Central Securities Depository Ltd. in accordance with the requirements of the Finnish Securities Market Act.

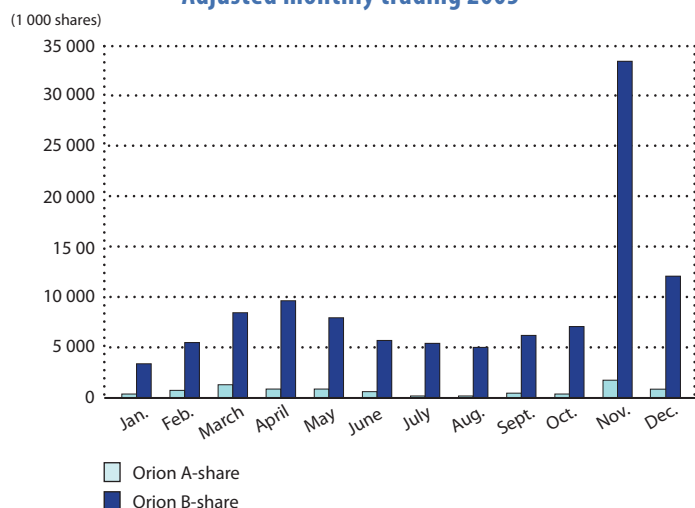
Trading in Orion Corporation shares in 2005

	Class A	Class B	A and B total
Total number of shares traded (excl. treasury shares)	9 272 358 pcs	109 233 905 pcs	118 506 236 pcs
Share of total stock	16.2 %	135.6 %	86.1 %
Lowest quotation	11.25 EUR	11.60 EUR	
Highest quotation	21.01 EUR	20.89 EUR	
Closing quotation on Jan. 3	12.14 EUR	12.27 EUR	
Closing quotation on 31 Dec.	15.60 EUR	15.64 EUR	
Market capitalisation on 31 December 2005	881.7 MEUR	1 288.0 MEUR	2 169.7 MEUR

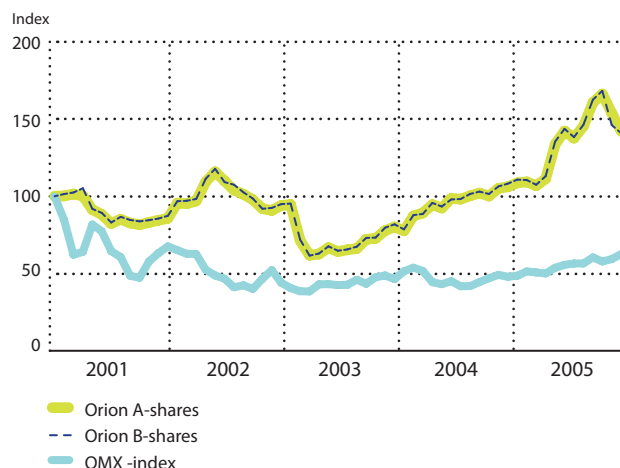
At the end of 2005, the closing quotation of the A-share was EUR 15.60, which was 29.5% higher than the closing quotation of EUR 12.05 at the end of 2004. The closing quotation of the B-share was EUR 15.64, which was 31.3% higher than the closing

quotation of EUR 11.91 at the end of 2004. The year-end 2005 market capitalisation was EUR 2,169.7 million (EUR 1,595.1 million, treasury shares excluded), up by 36.0%.

Adjusted monthly trading 2005



Adjusted monthly average share price on the Helsinki Stock Exchange



Dividend policy and dividend

In its proposal for the distribution of dividends, the Board of Directors considers not only the amount of distributable profits but also the medium and long-term investment and other financial needs of the Group.

In 2005, Orion's shareholders received a dividend of EUR 0.55 per share on the earnings of 2004. The total dividends paid came to EUR 74.1 million, the payout ratio being 80.9%.

Stock Option Plan 1998

The company's Stock Option Plan 1998 ended on 30 April 2005. The share capital increase of about EUR 2.4 million based on the total of 1,438,862 new B-shares subscribed with the options 1998A/B in the course of 2004 was entered in the trade register on 26 January 2005. The shares were listed on the Helsinki Stock Exchange as of 26 January 2005 together with the old B-shares and they were entitled for dividends on 2004.

On 16 May 2005, a share capital increase of EUR 7.1 million was registered, based on the altogether 4,176,008 new B-shares subscribed with options 1998A/B in January-April 2005. These new B-shares were listed on the Helsinki Stock Exchange as of 17 May 2005 as "Orion B New" (ORNBSN0105). The shares were combined with the ordinary B-shares on 31 December 2005 and they are entitled for dividends on 2005.

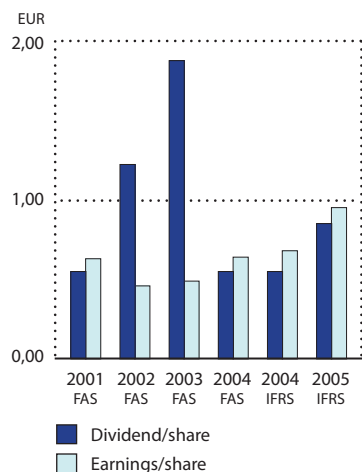
Stock Option Plan 2001

The Stock Option Plan 2001 contains altogether 1,800,000 stock options, each entitling to subscribe for two Orion B-shares. The options have been allocated to about 100 key persons of the Group. The current total number of options 2001A-D outstanding is 1,177,760, based on which the share capital of Orion Corporation can increase by up to EUR 4,004,384 and the number of shares by up to 2,355,520 new B-shares, representing 1.7% of the total number of Orion shares and for 0.2% of the total number of votes.

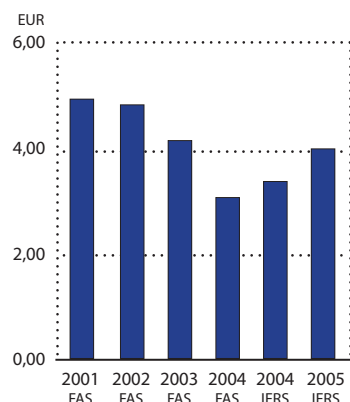
The options 2001A/B, 2001C and 2001D are traded on the Helsinki Stock Exchange. Options 2001C were listed on 3 October 2005. Due to the demerger of Orion Corporation, the terms of the plan were changed in November 2005 so that the subscription period for options 2001D began already on 2 January 2006 and that the subscription period for all the options of the plan ends on 31 May 2006.

The last trading day with the options on the Helsinki Stock Exchange is 23 May 2006. The subscription window dates for the shares subscribed are 31 March and 31 May. The share capital increases based on the subscriptions will be registered within one month from the window date.

Adjusted earnings and dividend per share



Adjusted shareholders' equity per share



Stock option	Trading code	Subscription ratio	Subscription price of one B-share	Subscription period
Orion 2001A/B	ORNBSEW101	1:2	EUR 10.27	1.10.2003–31.5.2006
Orion 2001C	ORNBSEW301	1:2	EUR 8.835	1.10.2005–31.5.2006
Orion 2001D	ORNBSEW401	1:2	EUR 8.86	2.1.2006–31.5.2006

The share subscription price with options 2001A/B is decreased by each future dividend paid per share, effective as on the record date, whereas the share subscription price for options 2001C and 2001D can only be reduced by possible special dividends that differ from the company's normal dividend distribution policy.

If the AGM 2006 approves the dividend proposed for 2005, the share subscription price for options 2001A/B will decrease to EUR 9.42 on 24 March 2006, the record day of the dividend payment.

Trading in stock options 2001A/B and C and 1998A/B in 2005

	2001A/B	2001C	1998A/B
Total number of options traded	676 760 pcs	69 400 pcs	4 396 173 pcs
Lowest quotation	4.80 EUR	11.03 EUR	1.32 EUR
Highest quotation	22.00 EUR	22.50 EUR	4.20 EUR
Closing quotation on 3 Jan.	5.50 EUR		2.43 EUR
Closing quotation on 31 Dec.	12.00 EUR	13.50 EUR	

Share subscriptions with the options

In October 2005, altogether 22,000 new B-shares were subscribed with options 2001A/B and 2001C. These shares were entered in the trade register and listed on the Helsinki Stock Exchange on 11 November 2005.

In December 2005, altogether 34,480 new B-shares were subscribed, of which 80 with options 2001A/B and 34,400 with options 2001C. The corresponding share capital increase was registered on 27 January 2006, and the new B-shares were listed on the Helsinki Stock Exchange on 30 January 2006 together with the old B-shares (ORNBS).

Shareholders by type of owner on 31 December 2005

	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	12 569	95.3	57.2	27 435	93.4	41.6	34 381	93.7	47.9
Corporations and partnerships									
Government and municipal corporations	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Private corporations and partnerships	382	2.9	13.5	1 224	4.2	5.9	1 489	4.1	9.0
Housing associations	2	0.0	0.0	7	0.0	0.0	8	0.0	0.0
Banks and insurance companies	22	0.2	1.9	74	0.3	6.5	84	0.2	4.6
Public entities	11	0.1	14.0	50	0.2	7.6	53	0.1	10.2
Associations and foundations	151	1.1	7.8	457	1.6	6.0	535	1.5	6.7
Foreign shareholders	53	0.4	0.9	118	0.4	0.3	149	0.4	0.6
Total	13 190	100.0	95.2	29 365	100.0	68.0	36 699	100.0	79.0
Nominee registrations			4.7			31.9			20.9
Shares not transferred to the book-entry system or not subscribed to			0.1			0.1			0.1
			100.0			100.0			100.0

Shareholders by the number of shares held on 31 December 2005

Nr. of shares held	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	1 840	13.9	113 898	0.2	3 758	12.8	283 988	0.3	4 742	12.9	347 803	0.3
101–500	4 520	34.3	1 270 547	2.2	11 480	39.1	3 348 672	4.1	13 867	37.8	4 035 938	2.9
501–1 000	2 336	17.7	1 757 856	3.1	6 156	21.0	4 748 960	5.8	7 138	19.5	5 491 780	4.0
1 001–10 000	3 980	30.2	11 611 081	20.5	7 385	25.1	20 101 277	24.4	9 789	26.7	28 804 327	20.7
10 001–50 000	397	3.0	7 995 329	14.1	492	1.7	9 908 816	12.0	948	2.6	18 999 507	13.7
50 001–100 000	59	0.5	4 106 204	7.3	41	0.1	2 867 147	3.5	106	0.3	7 355 512	5.3
100 001–500 000	45	0.3	9 484 859	16.8	48	0.2	10 144 742	12.3	89	0.2	18 441 141	13.3
Over 500 000	13	0.1	20 111 076	35.6	5	0.0	30 898 422	37.5	20	0.1	55 276 866	39.8
Total	13 190	100.0	56 450 850	99.9	29 365	100.0	82 302 024	99.9	36 699	100.0	138 752 874	99.9
Shares not transferred to the book-entry system or not subscribed to			67 040	0.1			65 934	0.1			132 974	0.1
Shares total			56 517 890	100.0			82 367 958	100.0			138 885 848	100.0

Orion Corporation had a total of 36,699 registered shareholders in the book-entry securities system on 31 December 2005.

The number of nominee-registered shares was 28,976,366, representing 20.9% of the total shares and 6.6% of the total votes.

Major shareholders of Orion Corporation on 31 December 2005

By number of shares held	A-shares	B-shares	Total shares	% of total shares	Votes	% of total votes	By number of votes
1. Orion Corporation Pension Fund *)	3 629 408	1 293 568	4 922 976	3.54%	(73 881 728)	(6.09%)	
2. Brade Jouko	335 900	29 600			6 747 600		
Brade Oy	344 300	90 000			6 976 000		
Medical Investment Trust Oy	1 300 000	481 300			26 481 300		
Lamy Oy	514 900	218 700			10 516 700		
	2 495 100	819 600	3 314 700	2.39%	50 721 600	4.18%	1.
3. Varma Mutual Pension Insurance Company	2 220 000	464 700	2 684 700	1.93%	44 864 700	3.70%	3.
4. Etola Erkki	100 228	3 526			2 008 086		
Oy Etra Ab	2 329 720	86 000			46 680 400		
	2 429 948	89 526	2 519 474	1.81%	48 688 486	4.01%	2.
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	1.50%	41 667 200	3.44%	4.
6. Pension Insurance Company Ilmarinen Ltd	1 529 202	175 450	1 704 652	1.23%	30 759 490	2.54%	5.
7. The Social Insurance Institution	0	1 659 568	1 659 568	1.19%	1 659 568	0.14%	
8. Ylppö Jukka	1 247 136	286 992	1 534 128	1.10%	25 229 712	2.08%	6.
9. Saastamoinen Foundation	1 189 996	0	1 189 996	0.86%	23 799 920	1.96%	7.
10. Aho Juhani	200 000	2 000			4 002 000		
Kliinisen Kemian Tutkimussäätiö	92 472	0			1 849 440		
Helsingin Lääkärikeskus Oy	658 230	4			13 164 604		
	950 702	2 004	952 706	0.69%	19 016 044	1.57%	8.
11. The Finnish Cultural Foundation	321 946	630 437	952 383	0.69%	7 069 357	0.58%	
12. Ylppö Into	577 936	240 200	818 136	0.59%	11 798 920	0.97%	9.
13. The State Pension Fund	0	800 000	800 000	0.58%	800 000	0.07%	
14. Nordea Bank Finland Ltd	2 013	647 041	649 054	0.47%	687 301	0.06%	
15. Laakkonen Reino death estate	475 590	90 900	566 490	0.41%	9 602 700	0.79%	
16. OP-Delta Equity Fund	79 600	481 000	560 600	0.40%	2 073 000	0.17%	
17. Karvonen Eero	73 170	1 752			1 465 152		
EVK-Capital Ltd	473 030	671			9 461 271		
	546 200	2 423	548 623	0.40%	10 926 423	0.90%	10.
18. Mutual Insurance Company Pension Fennia	41 000	488 150			1 308 150		
Mutual Insurance Company Fennia	0	12 000			12 000		
Fennia Group	41 000	500 150	541 150	0.39%	1 320 150	0.11%	
19. Relander Gustaf	523 100	0	523 100	0.38%	10 462 000	0.86%	
20. Salonen Maritza	454 546	0	454 546	0.33%	9 090 920	0.75%	
20 largest total	20 796 783	8 183 559	28 980 342	20.9%	424 119 219	35.0%	
Nominee registrations	2 664 256	26 312 110	28 976 366	20.9%	79 597 230	6.6%	
Other	33 056 851	47 872 289	80 929 140	58.2%	709 009 309	58.4%	
All shareholders total	56 517 890	82 367 958	138 885 848	100.0%	1 212 725 758	100.0%	

*) The shares held by the Orion Pension Fund are not entitled to vote at shareholders' meetings.

Proposal by the Board of Directors for the distribution of profits for 2005

The non-restricted equity in the consolidated Balance Sheet on 31 December 2005 amounts to EUR 385.9 million, of which EUR 254.9 million are distributable. The non-restricted equity of the Parent Company is EUR 129,603,546.32, the profit for the financial year accounting for EUR 117,902,763.13.

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 0.85 per share be distributed on 138,920,328 shares	118 082 278.80 EUR
• Donations to medical research and other non-profit purposes, according to a decision by the Board of Directors	120 000.00 EUR
• To be retained on the profit and loss account	11 401 267.52 EUR
	<hr/>
	129 603 546.32 EUR

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

Espoo, 9 February 2006

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

Auditor's report

To the shareholders of Orion Corporation

We have audited the accounting records, the financial statements and the administration of Orion Corporation for the period 1.1 – 31.12.2005. The Board of Directors and the Managing Director have prepared the Report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that includes parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration of the parent company.

We have conducted the 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. An audit includes 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 the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine that the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies' Act.

Consolidated financial statements

In our opinion the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated result of operations as well as of the financial position. The consolidated financial statements can be adopted.

Parent company's financial statements and administration

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

Espoo, 10 February 2006

Ernst & Young Oy
Authorised Public Accountants

Pekka Luoma

Review of the Segments

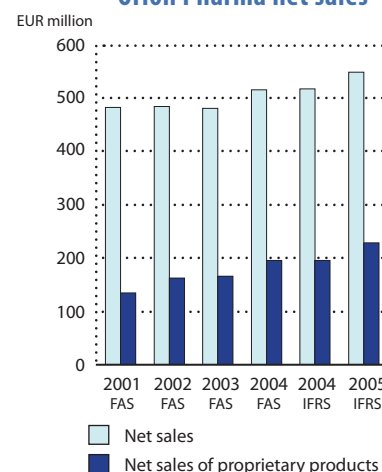
Orion Pharma

Business: research and development, manufacture and marketing of pharmaceuticals

Key figures

EUR million	2005	2004	Change %
Net sales	547.0	515.5	+6.1%
Operating profit	154.7	108.5	+42.5%
% of net sales	28.3 %	21.0 %	
Capital expenditure	21.1	17.2	+23.0%
Net sales from proprietary products	227.2	194.1	+17.1%
R&D expenditure	76.5	75.1	+1.8%
Personnel at the end of the period	2 665	2 643	+0.8%

Contribution of the proprietary products to Orion Pharma net sales



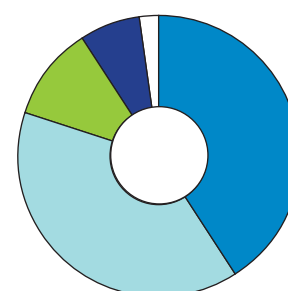
Description of operations

Orion Pharma develops, manufactures and markets pharmaceuticals and active pharmaceutical ingredients. In addition, Orion Pharma carries on intensive research with the aim of bringing new proprietary products to the international market. A growing part of its net sales comes from new patented products discovered in-house. The core therapy areas of the company's product and research strategy are central nervous system diseases, cardiovascular diseases and critical care as well as hormonal and urological therapies.

The breakdown of Orion Pharma's net sales among the business areas is as follows:

EUR million	2005	2004	Change %
Proprietary Products	214.9	196.5	+9.3%
Specialty Products	224.3	218.9	+2.5%
Animal Health	59.5	58.6	+1.6%
Fermion	38.4	34.1	+12.7%
Other	9.9	7.4	+33.7%
Total	547.0	515.5	+6.1%

Breakdown of Orion Pharma net sales 2005



In the **Proprietary Products** business, Orion Pharma focuses on the development of innovative drug treatments for international markets. Since early 1980s, the research activity has already yielded seven commercialised proprietary products. Licencing agreements are concluded with other pharmaceutical companies, whereby they obtain product-specific rights for Orion's products for agreed marketing territories.

The COMT enzyme inhibitor Comtess[®]/Comtan[®] (entacapone) that is used together with levodopa in treating Parkinson's Disease was launched in Europe in 1998 and in the United States in 1999. Comtess is the brand name used by Orion, whereas Comtan is used by Novartis, the marketing partner for the product. In 2003, Orion Pharma, together with Novartis, launched a follow-up development, Stalevo[®], which combines the standard treatment levodopa with entacapone and carbidopa, the two enzyme inhibitors that enhance its effect, in a single tablet. Within Orion Pharma's current product range, Stalevo and Comtess/Comtan are the largest-selling franchise. Orion's own marketing territory for Comtess and Stalevo covers Germany, UK and Ireland, Finland and Scandinavia, and numerous eastern European countries. Novartis is the marketer elsewhere, including the USA, the largest single market.

Simdax[®] (levosimendan), which is used as an intravenous in-hospital treatment of acutely decompensated heart failure, is available in about 40 countries since 2000, but has not yet been registered in countries with major potential. The marketing and development rights to the product are held by Abbott Laboratories, in accordance with a renewed licence agreement concluded in 2004. An orally administered formulation of levosimendan is being developed by Orion's own R&D organisation, for chronic heart failure.

Orion Pharma's first proprietary products were the DDA animal sedative product family Domosedan[®] (detomidine), Domitor[®] (medetomidine) and Antisedan[®] (atipamezole), which are used by veterinarians worldwide and marketed by Pfizer Animal Health. The same alpha 2 research platform has yielded also Precedex[®] (dexmedetomidine), which is used as a sedative for patients in intensive care in the US and Japan, marketed by Hospira.

The breast cancer drug Fareston[®] (toremifene), which is an antiestrogen, received marketing authorisation in the United States in 1997. The product's largest sales area is Japan, where it is marketed by Nippon Kayaku, and in the United States, where GTx, Inc. has the marketing rights.

Orion Pharma's portfolio of proprietary products also includes a range of hormone replacement therapies for treating menopausal symptoms. These consist of several products with different compositions.

Specialty Products is the business unit for generic drugs, which lack patent protection. This group includes a broad and

versatile selection of branded prescription generics, either developed in-house or in-licensed, hospital drugs as well as over-the-counter preparations. Products like the Easyhaler[®] inhaler family of asthma medicines, as well as the pain-killing anti-inflammatory Burana[®] (ibuprofen) are included in this category. A substantial part of the net sales generated by these products comes from the Finnish market.

Orion Pharma Animal Health is a major Nordic player as a marketer of veterinary medicines, which generate about 11 per cent of Orion Pharma's total net sales. The versatile product range includes the animal sedatives developed by Orion in-house, as well as a considerable number of other products – including those in-licensed from Pfizer Animal Health – for which Orion Pharma has marketing rights covering all the Nordic countries. Orion Pharma has a leading market position within veterinary medicines in its home market in the Nordic countries in terms of market shares based on product sales.

Fermion, which is specialised in active pharmaceutical ingredients, is a fine chemicals company that is part of the Orion Pharma Division. It manufactures all the active ingredients for Orion Pharma's proprietary products. In addition, it supplies pharmaceutical ingredients to a number of pharmaceutical companies outside the Orion Group. Fermion has high-quality, officially evaluated and validated manufacturing processes for some thirty different active ingredients and it is a preferred supplier of pharmaceutical ingredients to a number of pharmaceutical companies. Sales by Fermion to external customers account for about 7 per cent of Orion Pharma's net sales.

Strategy

The strategy for Orion Pharma emphasises profitable growth and balanced risks. Profitable growth is achieved by leveraging the worldwide growth potential of proprietary products resulting from the in-house research and development and by expanding the marketing of Specialty Products to new areas. Partnerships and networking are important especially in research and in the marketing of proprietary drugs. The value of the products is maximised by means of highly efficient life cycle management.

In its pharmaceutical research, Orion concentrates on selected diseases in its core therapy areas, i.e. central nervous system,

cardiology and critical care and hormonal diseases. Operations are geared to discovering and researching new drug candidates and the early phases of clinical trials. The increasing financial risk of more advanced research projects are shared by means of licence agreements with other pharmaceutical companies, generally no later than from the beginning of Phase 3 clinical trials. This reduces the risks related to failed projects, but on the other hand, also the potential revenues are shared with the marketing partners.

Orion Pharma's strategy is also geared to balancing business risk by maintaining the above-described four business areas, all of which have a slightly differing risk profile. Over the past years, the company has sought to ensure that all the business areas can develop their own operations, nevertheless bearing in mind that over the long term, proprietary products have clearly the greatest development potential.

The ten best-selling products generated almost half of the net sales. EBIT margin was over 28%

The net sales and operating profit of Orion Pharma showed steady development throughout the year. Net sales increased by a modest 6.1% but were now composed of product sales only, while the comparative year included EUR 14.1 million in milestone payments from partners. The net sales generated by the 10 best-selling products grew by 15.3% to EUR 264.0 (228.9) million and their share of the total rose to about 48% (44%). Net sales from proprietary products rose by 17.1% to EUR 227.2 (194.1) million, representing 42% (38%) of the total net sales. The majority of the volume is within the Proprietary Products

business unit, but also the animal sedatives, which belong to the Animal Health business, and Easyhaler, which belongs to the Specialty Products business, are included in the figures.

Operating profit rose by 42.5%, boosted by the favourable development of both sales and costs. The comparable operating profit, from which the impact of the previous year's milestone payments has been eliminated, improved by as much as 64%.

Stalevo and Comtess/Comtan accounted for 27% of the net sales

The proprietary Parkinson's Disease products **Stalevo** (levodopa, entacapone, carbidopa) and **Comtess/Comtan** (entacapone) generated EUR 145.3 million, or 27% of the total net sales. Supplies to Novartis accounted for EUR 78.8 (63.0) million of the total, up by 25%. Orion's own marketing organisation brought in the rest of the total, i.e. EUR 66.4 (52.6) million, up by 26%.

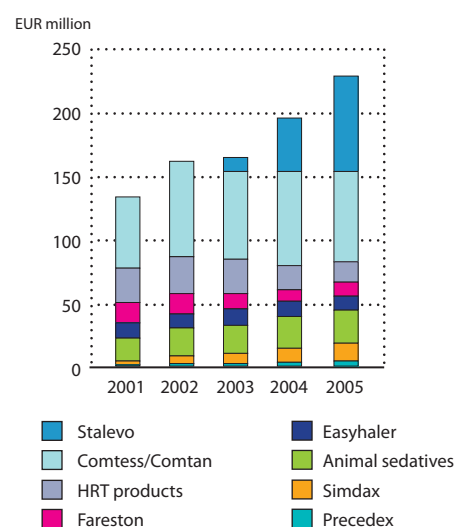
In November 2005, Stalevo's share of the total wholesales of Parkinson's Disease medicines in the USA was about 9% and that of Comtan about 8%. In the course of 2005, the geographical marketing area of Stalevo expanded by 16 additional countries. In Europe, it has been launched in all key markets, and also reimbursement has been granted to it except in Italy. In 2005, sales started also in eastern European markets. Today, marketing authorisations for Stalevo have been received in 64 countries.

The role of Stalevo in the treatment of Parkinson's Disease patients has become steadily stronger, whereby the combined sales of entacapone products have grown. According to the

10 best-selling brands of Orion Pharma

EUR million	2005	2004	Change %
Stalevo (Parkinson's Disease)	74.7	41.7	+79.2%
Comtess / Comtan (Parkinson's Disease)	70.6	73.9	-4.5%
Domitor, Domosedan, Antisedan (animal sedatives)	26.0	25.0	+4.0%
Burana (inflammatory pain)	17.4	14.1	+23.4%
Divina series (menopausal symptoms)	16.2	18.8	-13.9%
Simdax (heart failure)	13.7	10.7	+28.8%
Enanton (prostate cancer)	13.6	13.3	+1.7%
Easyhaler (asthma)	10.9	12.0	-8.9%
Fareston (breast cancer)	10.7	8.9	+19.7%
Calcimagon (osteoporosis)	10.2	10.5	-2.7%
Total	264.0	228.9	+15.3%
Share of Orion Pharma total net sales	48%	44%	

Contribution of the proprietary products to Orion Pharma net sales, by products 2001–2005



moving annual total (MAT) sales statistics of IMS Health, the global MAT 11/2005 in-market sales of the total franchise came to EUR 287 million, of which Stalevo accounted for EUR 141 (66) million and Comtess/Comtan for EUR 146 (151) million.

In November 2005, the combined market share of the two products of all Parkinson's Disease medicines was as follows: Germany about 15%, Sweden 19%, Finland 31% and the USA 17%. In the USA, the MAT 11/2005 in-market sales of Stalevo and Comtan were EUR 112 (95) million, representing a market share of 17% of all Parkinson's Disease medicines. After many years of anticipation, also Italy granted reimbursement to Comtan, which soon turned the sales curve upwards. A new drug application is under review in Japan, and a decision is anticipated towards the end of 2006.

More than 680.000 patient years have already accumulated from the clinical use of Stalevo and Comtess/Comtan, which remarkably well displays their efficacy and safety. Among the new treatments developed for Parkinson's Disease, no directly competing alternative for Stalevo has been introduced and is not even foreseeable.

Fareston (toremifene), the breast cancer product, is mainly sold in Japan, under a license held by Nippon-Kayaku. The sales in the USA have turned to growth after the marketing rights were transferred to GTx, Inc., in late 2004.

The new formulations introduced for **Enanton**[®] (leuproreline acetate), a treatment for prostate cancer, have accelerated the sales of the product all over the Nordic countries. The product is marketed here by Orion under the license of Takeda.

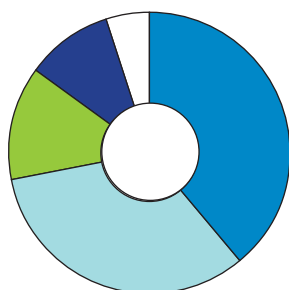
Specialty Products, Animal Health and Fermion

In Finland, the domestic market, Orion's market share in 2005 was 9.9%. The wholesales of Orion's products grew by 7% to about EUR 172 million, with which Orion is the second largest player in the Finnish market for pharmaceuticals. In over-the-counter products, Orion is the leading marketer with almost 26%, or EUR 52 million, of the total sales and with a growth of over 17% from the previous year. Measured in units sold, Orion's share was close to 37%. Of the total sales of substitutable prescription products, Orion's preparations accounted for about 9% in terms of euros but close to 25% of units sold, up by about 8%. As a provider of medicines for hospitals, Orion was one of the two companies at the top, with sales of EUR 29 million and a market share of over 7%. In the Finnish in-market sales statistics, the best-selling Orion product was repeatedly Burana (ibuprofen), a pain killer, now with sales of EUR 17.2 million and up by 25%.

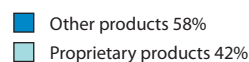
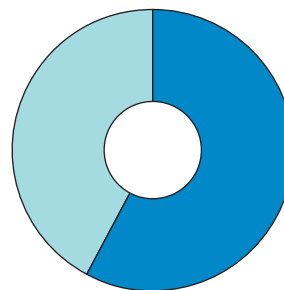
The **Easyhaler inhaler** family for the treatment of asthma comprises four members based on Orion's own formulations of generic substances. The net sales are mainly composed of royalties received from the marketing partners for these products, such as Hexal in Germany, Meda in Sweden, Norway and Denmark, and Ranbaxy in England. Budesonide and formoterol are being launched to the market as new choices in the Easyhaler franchise.

Orion Pharma Animal Health generated about 11% of the total Orion Pharma net sales. Almost half of the total veterinary product sales came from the proprietary franchise of animal sedatives. The sales of these products have progressed very favourably since the expansion of the marketing territory

Net sales of Orion Pharma by geographic segments 2005



Breakdown of Orion Pharma net sales 2005



covered by Pfizer Animal Health. **Fermion** continued to allocate a major proportion of the fine chemicals production capacity for Orion Pharma's proprietary active substances. The supply of active ingredients to other pharmaceutical manufacturers accounted for about 7% of the total Orion Pharma net sales, with intra-Group transactions eliminated.

Pharmaceutical research and development

R&D expenses were EUR 76.5 (75.1) million for the financial year, and they represented 14% (15%) of Orion Pharma's net sales. Orion Pharma endeavours to spend about 15-17 per cent of its net sales annually on pharmaceutical research and development. This corresponds to the average international level. Research costs are booked directly as expenses and financed from the cash flows from operations. About a quarter of the division's staff, over 600 employees, belong to the research and development organisation.

Orion Pharma is focusing its R&D activities on the early research of new drug candidates and the first clinical phases. As a rule, Orion Pharma shares with its partners the leadership as well as costs and risks of the costly multinational Phase III clinical trials.

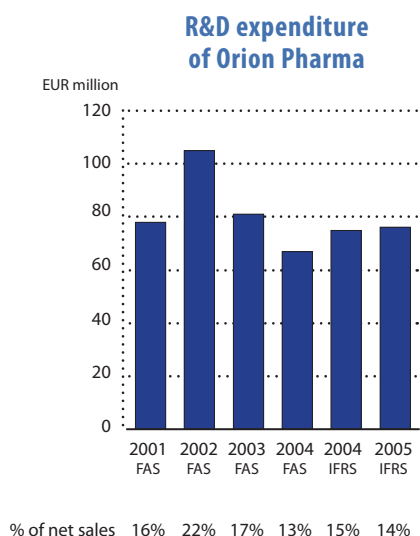
Orion Pharma's R&D effort focuses on central nervous system disorders, cardiovascular diseases and critical care, and hormonal and urological therapies. The deepest expertise is connected with the COMT enzyme – especially with its role in the treatment of Parkinson's disease – on alpha 2 receptors of the central nervous system, calcium in the heart muscle, as well as estrogen and androgen receptors in hormonal therapies.

The following is an overview of the main ongoing pharmaceutical research projects, by core therapy area.

Central Nervous System (CNS)

In the broad category of central nervous system diseases, Orion Pharma's specialty area is Parkinson's Disease. **Entacapone**, developed by Orion Pharma, is a substance that enhances the effect of levodopa, the standard treatment for Parkinson's disease. The effect of entacapone is based on inhibiting the COMT enzyme (catechol-0-methyl transferase). Comtess and Comtan, the first preparations containing entacapone, were launched in 1998. Stalevo, a follow-up development, in which entacapone, levodopa and carbidopa are combined in the same tablet, came out on the market in the latter half of 2003. Stalevo and Comtess/Comtan are Orion's biggest products to date in terms of sales.

Orion Pharma together with its partner Novartis is presently conducting a major Phase 3 study on Parkinson's Disease, **STRIDE-PD**, seeking to investigate if, when used as an initial therapy, Stalevo medication can delay the onset of motor complications, i.e. dyskinesias. Dyskinesias can manifest themselves in the form of uneven or jerky movements, which are different in kind from the tremors generally associated with Parkinson's Disease. In the study, patients who are given Stalevo are compared with those who are treated with conventional levodopa/carbidopa medication. STRIDE-PD is one of the largest research programmes carried out so far on patients suffering from Parkinson's disease. The study got under way in late 2004. It comprises 70 centres in 14 countries, and involves altogether 740 patients, each to be treated at least two years. As the last patients were recruited in early 2006, results will be available in the first half of 2008.



The studies with with the current formulation of Stalevo in the treatment of restless legs were terminated for commercial reasons.

An application for marketing authorisation for Comtan was filed by the marketing partner Novartis in Japan in the spring of 2005. A decision is anticipated towards the end of 2006.

In non-clinical CNS research, Orion is seeking to develop a **new COMT inhibitor** exhibiting an even better efficacy and a longer-lasting effect than entacapone, for Parkinson's disease.

Also underway in the central nervous system area is a study relating to the pharmacology of alpha 2 receptors, a platform having yielded the already marketed animal sedatives detomidine and medetomidine, and their reversal, atipamezole as well as **dexmedetomidine** (Precedex®), which is used as a sedative for patients in intensive care in the US and Japan. Abbott Laboratories and Hospira have developed dexmedetomidine under licence from Orion Pharma. In autumn 2005 Orion Pharma started a Phase 2-type study in Switzerland and Finland on the use of dexmedetomidine as a long-term sedative for patients in intensive care, with an infusion administered over a period longer than 24 hours. The objective of the programme is to have the product registered in the EU.

ORM-10921, based on an in-house molecule invention of Orion Pharma, exhibits an alpha 2C receptor antagonist mechanism, which has shown interesting results in non-clinical research models of schizophrenia. It is now in Phase 1 clinical trials that mainly examine its pharmacological properties in use with healthy volunteers. The progress of the studies has been slowed down due to findings whose impacts are currently being explored.

Cardiovascular diseases

The results of the clinical studies conducted with **levosimendan** (Simdax®) for obtaining marketing authorisations in the US and certain European countries were reported at the AHA Scientific Seminars 2005 in mid November 2005. In the REVIVE II and SURVIVE trials, a total of over 1,900 patients suffering from acute heart failure were treated and monitored. Abbott Laboratories, the license holder, is discussing revisions to the summary of the product characteristics, SPC, with the Swedish Medical Products Agency, Läkemedelsverket, to reflect data from the studies. Sweden is the reference member state in the mutual recognition procedure (MRP), the new drug approval procedure applied to Simdax in the EU. Abbott is also meeting with the regulatory authorities of other European countries,

such as France, Germany and the UK, where Simdax is not yet approved, to discuss the process for regulatory authorisation. For the U.S. regulatory approval process, Abbott is finalising the data analysis, continuing discussions with the FDA, and is exploring options for next steps in the U.S.

In the **REVIVE II** trial carried out in the US, the efficacy of levosimendan on symptoms was compared with placebo in about 600 patients. The results showed that patients with acute decompensated heart failure who received a single infusion of levosimendan in addition to standard therapy significantly outperformed those patients who received standard therapy alone. The primary endpoint of the study was a composite of clinical signs and symptoms over five days as assessed by patients and their physicians.

More patients improved and fewer patients worsened when treated with levosimendan. Levosimendan patients also had a reduced average length of initial hospital stay. REVIVE II was not primarily designed to assess mortality. A secondary endpoint was mortality at 90 days for which there was no statistically significant difference between the treatment arms, although there were a greater number of deaths in the levosimendan arm.

The main aim of the **SURVIVE** trial which was carried out in Europe was to show whether levosimendan therapy reduces the mortality of patients suffering from acute decompensated heart failure. In this study in about 1,300 patients levosimendan was compared to dobutamine. The patients were followed up for 180 days. The results showed that levosimendan resulted in statistically non-significant but consistently lower mortality compared with dobutamine through the six months of follow-up.

The large-scale Phase 3 clinical trials with Simdax were taken over by Abbott Laboratories under the renewed licensing agreement concluded in April 2004. Abbott also received expanded marketing rights to the product. The product is already approved in over 40 countries.

The rights to the non-injectable formulation of levosimendan are retained by Orion Pharma. Orion Pharma is examining an orally administered formulation of levosimendan for the treatment of severe chronic heart failure in **PERSIST**, a Phase 2 trial in about 300 patients. Results of this study will be reported in the summer of 2006.

The possible benefits of levosimendan in animals are also being investigated. In the **CLEVET** programme that is aiming for international marketing authorisations, the efficacy of levosimendan is being studied in the treatment of heart diseases in dogs.

Hormonal and urological therapies

The American company GTX, Inc. is carrying out Phase 3 clinical trials with **toremifene** (GTX's trade name is Acapodene™), an antiestrogen developed by Orion Pharma, for the prevention of prostate cancer. In addition, GTX is currently conducting Phase 3 trials with toremifene for the treatment of osteoporosis. The target group in these trials is patients already suffering from prostate cancer and receiving conventional cancer therapy.

Orion Pharma has developed a product family of hormone replacement therapies that have been on the market for a number of years and comprise several products. Orion Pharma has, however, reduced its spending on the research and further development of this product segment due to a sharp decline in the world market after findings reported a few years ago that hormone replacement therapies increase the risk of breast cancer.

Orion Pharma's early stage research portfolio contains a number of identified active compounds affecting the androgen receptor. In this research segment, Orion Pharma is seeking to develop new hormonal therapies with testosterone-like favourable effects on muscle mass and bones but without the unfavourable effect of causing prostate hyperplasia. The drug candidate **arcarine**, which progressed to Phase 1 clinical trials in late 2005, appears to have properties of this type.

Development of Specialty Products

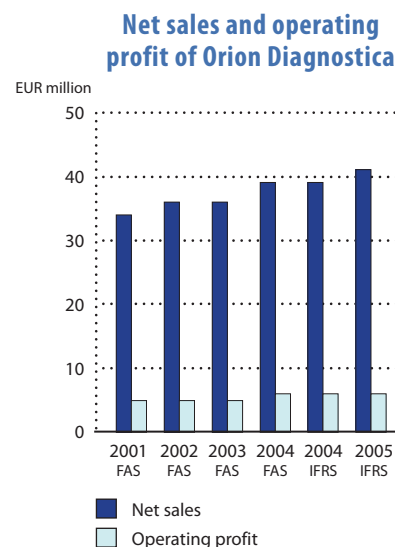
An increasing part of the R&D resources have been allocated to the maintenance and further development of the portfolio marketed as Specialty Products. **Giona Easyhaler**® (budesonide) and **Formoterol Easyhaler**® (formoterol) have received marketing authorisations in nine EU countries through the MRP procedure, in collaboration with the local marketing partners.

Orion Diagnostica

Business: diagnostic tests and test systems, hygiene tests

Key figures

EUR million	2005	2004	Change %
Net sales	40.8	39.4	+3.4%
Operating profit	6.3	5.8	+8.3%
% of net sales	15.4%	14.7%	
Capital expenditure	1.8	1.4	+26.6%
Personnel at the end of the period	304	318	-4.3%



Description of operations

Orion Diagnostica develops and manufactures In vitro diagnostic testing methods and systems. It focuses on point-of-care tests used by physicians and nurses use in patient consultations and in small-scale laboratories. The leading brand in the product range is **QuikRead®**. The first application now widely marketed around the world is an easy-to-use rapid CRP test measuring concentration of C-reactive protein (CRP) in a blood sample. A clearly elevated CRP concentration usually indicates bacterial infection. The use of the QuikRead technical platform is expanding to new test applications resulting from Orion Diagnostica's in-house product development. Other important diagnostic products are the **UniQ™** collagen tests for measuring bone metabolism, as well as various hormone markers.

Hygiene tests, which are broadly used in a variety of sectors of business and industry, constitute another important product category. The main product in this group is the **Hygicult®** test.

Orion Diagnostica has shifted the focus of its product programme strongly to new generation families of point-of-care and rapid testing. The products are manufactured in Finland, but their markets are predominantly international. Operations abroad account for more than 80 per cent of the company's net sales.

Strategy

Orion Diagnostica concentrates on selected point-of-care and rapid test families characterised by a high degree of innovation. As part of this thrust, in 2005 Orion Diagnostica centralised its production operations in Turku and Espoo and closed the plant in Oulunsalo.

Net sales and profitability

In the course of the year, Orion Diagnostica carried out a relatively heavy efficiency improvement programme in order to re-balance the excess production capacity caused by the slackened demand for the company's matured products. The new product generations based on in-house R&D were increasingly emphasised in the product portfolio and the sales efforts, bringing in an increasing share of the net sales and profits.

Particularly good net sales growth was achieved by the own sales organisation encompassing Finland and the Scandinavian markets. The best sales growth among the markets of direct exports was shown by China, Japan, Germany, Italy and Slovenia. Profitability was on a good level throughout the year. Operating profit rose by 8.3% from the previous year.

In 2005, Orion Diagnostica received a new quality certificate, ISO 13485:2003, which is requested by an increasing number of countries for products approvable for sales. The company has already been certified to comply with the ISO 9001:2000 quality standard, since 1995. An FDA 510(k) approval was received in the spring of 2005 for the UniQ PINP collagen test, which can be used for the diagnosis and treatment follow-up of post-menopausal osteoporosis.

Wholesale and Distribution

Key figures of the Wholesale and Distribution Segment

EUR million	2005	2004	Change %
Invoicing	2 392.2	2 464.3	-2.9%
Pharmaceutical distribution and wholesale	2 124.8	2 228.2	-4.6%
Marketing and sale of healthcare products	267.4	236.1	+13.3%
Net sales	1 330.7	1 406.7	-5.4%
Pharmaceutical distribution and wholesale	1 093.3	1 197.1	-8.7%
Marketing and sale of healthcare products	237.5	209.6	+13.3%
Operating profit *)	26.9	27.2	-1.1%
Pharmaceutical distribution and wholesale	18.1	21.4	-15.4%
Marketing and sale of healthcare products	8.8	7.4	+19.5%
Group items	0.0	-1.5	
Operating profit, % of invoicing	1.1%	1.1%	
Capital expenditure	9.8	8.4	+15.8%
Personnel at the end of the period	1 530	1 554	-1.5%

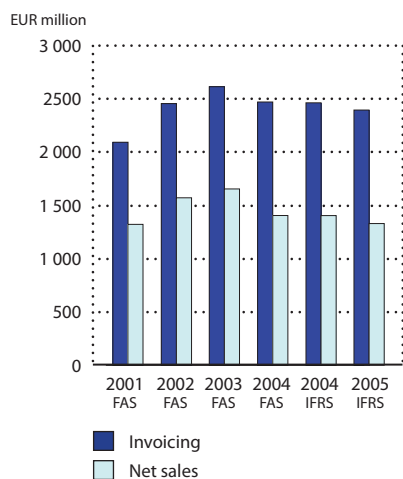
*) The operating profit does not include calculatory intra-Group cost-charges.

The figures for 2004 include an additional depreciation of EUR 1.8 million on the improvement of former leasehold warehouses.

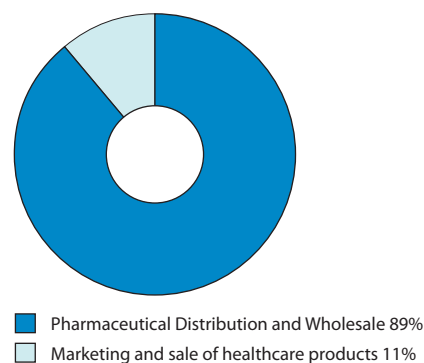
Invoicing of the Wholesale and Distribution segment decreased somewhat from the comparative year due to changes in the composition of principals in Finland and Sweden and the change of one Swedish distribution contract to a fee-for-service one. Also operating profit was lower than in the comparative period, due to the above-mentioned factors and accelerated price competition between the pharmaceutical wholesalers. The Healthcare Equipment and Supplies businesses performed unevenly.

Seasonal and principal-specific fluctuations are characteristic to the single-channel pharmaceutical wholesales in Finland and Sweden. Substitutable products and new patented products are introduced constantly. These fluctuations have a direct impact on the invoicing and distribution fees of the pharmaceutical wholesalers. After two years of very sluggish market growth, the market in Sweden has been showing somewhat stronger growth during the past year. In Finland, the growth has been slowing down and is anticipated to slow down further.

Invoicing and net sales of Wholesale and Distribution



Breakdown of the invoicing of Wholesale and Distribution 2005



The present Wholesale and Distribution Division of the Orion Group will constitute the new Oriola-KD Group resulting from the demerger in the summer of 2006. As an independent listed company, Oriola-KD Corporation will develop its strategies from its own starting points. It will also have better development opportunities than its businesses do in their current position as members in the present Orion Group.

Description of operations

The Wholesale and Distribution Division comprises two companies focusing on the wholesale and distribution of drugs and healthcare products: Oriola Oy and Kronans Droghandel AB (KD) and their subsidiaries. The Division was established in summer 2002, after Orion's ownership in KD had risen to 69.4% via a share acquisition. The companies' major customers are pharmacies, hospital pharmacies, and both public and private sector healthcare service providers, to which Oriola and KD supply the products of their principals and a varied range of related logistics services. Oriola and KD's principals and goods suppliers are pharmaceutical companies and manufacturers of healthcare equipment and supplies.

The service coverage of both companies extends from one end of the logistic chain to the other – from the imports forwarding to customer deliveries – and in addition to the products their services include the related cash and information flows. Both companies have decades of history and experience in their field of business, and both companies have an integrated and established role in the nation-wide healthcare system of their home countries. This is reflected in the aspects of their social responsibility as well.

Oriola distributes pharmaceuticals in Finland and the Baltic countries. In Lithuania, it offers warehousing and logistics services to pharmaceutical manufacturers and importers but does not sell products to pharmacies. According to the 2005 sales statistics of the Finnish Association of Pharmaceutical Distributors (ATY), Oriola's market share of Finnish pharmaceutical wholesale was about 41 %. The market share in the Baltic states is about 4-5%.

Oriola's Healthcare Equipment and Supplies business provides a fairly comprehensive range of equipment instruments and supplies for hospitals, laboratories and dentistry, including

medical imaging systems. In terms of market share, the company is Finland's leading marketer in many of its special product sectors. Oriola has a market share of about 15 per cent in hospital and laboratory products, about 35 per cent in the medical imaging business, and over 50 per cent in the dental care segment. The Healthcare Equipment and Supplies business generates a substantial share of Oriola's operating profit. The total market for healthcare products in the area comprising Finland, Sweden, Denmark and the Baltic countries is about 3 billion euros annually. The structure of the markets varies a great deal in different product groups and different geographical areas.

KD is a Swedish pharmaceutical distributor. On the basis of the 2005 statistics compiled by the Swedish Läkemedelsstatistik (Pharmaceutical Statistics), KD had a market share of about 47 % in the country. KD also provides distribution and logistic services to marketers of healthcare products. Operations are divided into three segments: logistics services that are sold to healthcare supply manufacturers nationwide, healthcare distribution services that are sold to the public sector in certain areas and home distribution. In its operations, KD places an emphasis on maintaining its independence from product manufacturers in order to offer its customers the neutral-partner services they require.

Oriola's administration and central warehouse are located in Espoo. In addition, it has regional outlets in Finland in the cities of Seinäjoki, Oulu and Kuopio. Apart from Finland, Oriola has subsidiaries in Sweden, Denmark and all the Baltic countries. KD's administration is located at the company's central warehouse in Mölnlycke near Gothenburg. In addition, KD has a distribution centre in Enköping. The distribution centre in Malmö is being closed in the first quarter of 2006.

The patterns of pharmaceutical wholesale and retail in Finland, Sweden and the Baltic countries

Pharmaceutical wholesale in Sweden was about EUR 2.7 billion in 2005 and that in Finland about EUR 1.7 billion. In both countries, there are only two full-line pharmaceutical wholesalers, and the distribution pattern employed is so-called single-channel, meaning that each pharmaceutical

manufacturer/importer agrees on the distribution of its products with only one pharmaceutical wholesaler. In Finland, the single-channel pattern is based on agreements made between the pharmaceutical company and the wholesaler. In Sweden, the pattern is based on the market structure created by the pharmacy monopoly, and it the exemption granted by the competition authorities. In countries with long transportation distances, the solution is efficient in terms of logistics and costs.

The wholesale value of the pharmaceutical market in the Baltic countries was about EUR 0.6 billion in 2005. The distribution pattern is multi-channel, and there are numerous distributors sharing the market.

Business operations are based on distribution contracts with principals

Contractual relationships are of central importance to the business operations of the Orion Group's Wholesale and Distribution Division. In the pharmaceutical wholesale trade in Finland and Sweden, all relationships with principals are based on bilateral distribution agreements. Contract periods in pharmaceutical wholesale are generally short, only about a calendar year at a time, even though the business relationships with many principals have in actual fact been long. However, when a principal changes over to another distributor, or the parties have negotiated a new agreement, the first contract period of the new agreement is often longer than one year. Changes by principals from one wholesaler to another take place yearly and are reflected in the distributors' net sales, market shares and operating margins. There are also differences in the individual agreements. Under an agreement in which the distributor owns its principal's entire stock, sales revenues from products are recorded in invoicing and net sales. In consignment trade and agency agreements, only the share of the distribution fee is recorded in the distributor's net sales.

Agreements concerning the marketing and sale of healthcare products are likewise generally in force for only a year at a time, even though business relationships with the principals are usually long; one of the underlying reasons is that in-depth product expertise is required in the sales and technical service. The first contract period in an agreement made with a new goods supplier is often longer than a year.

Strategy

The strategy of the wholesale business is based on an understanding of the operating environment and the needs of both principals and customers, on quality, reliability, cost-effectiveness, flexibility and productivity in all business areas. Both of the business lines are core businesses.

The strategic objective for Oriola and KD is to be the preferred partner of both their principals and customers in procuring, marketing and selling pharmaceuticals and healthcare equipment and supplies in the market area formed by Finland, Scandinavia and the Baltic countries. The companies are seeking to achieve profitable growth in pharmaceutical distribution and wholesale as well as in the marketing of healthcare equipment in their geographical market areas. In addition, the possibilities of expanding the business in Russia and the other Baltic Rim countries are explored. A further objective is to raise the net sales and operating profit of the healthcare products business in their present market area through both organic growth and acquisitions. Business operations will be extended also vertically, to the retail trade in pharmaceuticals and healthcare products in countries where this is possible and deemed appropriate.

The acquisition of a majority holding in KD in 2002 made co-operation possible between Oriola and KD in pharmaceutical distribution in the areas of marketing for principals, information technology and logistics. Synergy benefits have since been mutually exercised for improving the operational efficiency and productivity. KD also serves as the logistic partner for the products marketed by Oriola in Sweden.

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

Key figures

EUR million	2005	2004	Change %
Invoicing	1 016.9	1 008.8	+0.8%
Invoicing of Pharmaceutical Distribution and Wholesale	870.6	875.0	-0.5%
Invoicing of Healthcare Equipment and Supplies	146.3	133.8	+9.3%
Net sales	609.2	663.4	-8.2%

Pharmaceutical distribution and wholesale

The development of the invoicing and net sales of Oriola's distribution operations were influenced by lost principals as well as certain structural factors. In June, the Aventis part of the products distributed for Sanofi-Aventis were lost to the competitor. As of the start of 2006, the products of Paranova came over to Oriola. Net sales from products marketed to pharmacies and veterinarians increased. Reformi-Keskus posted lower net sales than in the previous year. The combined operating profit of these units declined, consequently.

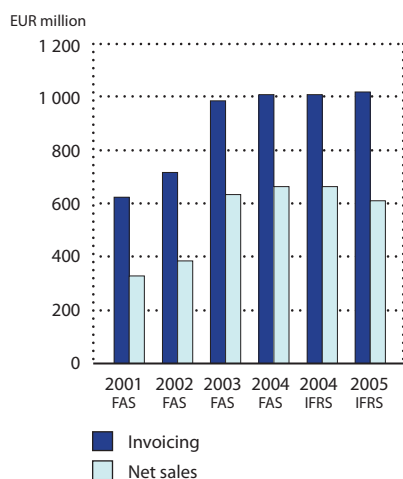
In Estonia, Latvia and Lithuania, Oriola continued showing an overall positive performance. Operations were expanded to the retail business in healthcare products via the establishment of the first retail outlet for pharmaceuticals and healthcare consumables in the centre of Tallinn, Estonia. The step was taken as an initial measure to ensure the continuity of the

company's pharmaceutical wholesale business in the Baltic multichannel market to which also pharmacy chains are typical.

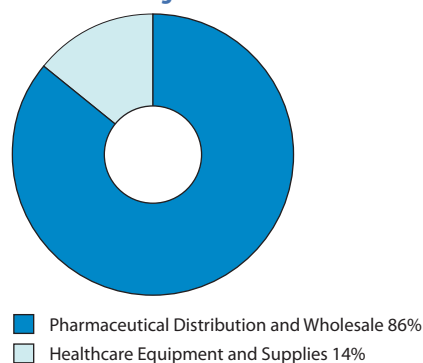
Marketing and sale of healthcare products

As a whole, Oriola's healthcare products business showed good development of invoicing and sales. Sales of hospital and laboratory products went on showing positive progress. The Danish business of Rüsç Danmark ApS that was acquired in February 2005 developed according to plan. The medical imaging business especially improved performance considerably from the previous year. The dental products business posted lower net sales than in the comparative year, which was reflected in the profitability too. Heavy cost-saving measures have led to an improvement in the operative situation of the business in Sweden, but the volumes sold suffered from a terminated agency contract. In Finland, the dental business grew in line with the average growth of the sector.

Invoicing and net sales of Oriola



Breakdown of Oriola's invoicing 2005



Business: wholesale and distribution of pharmaceuticals, healthcare logistic services

Key figures

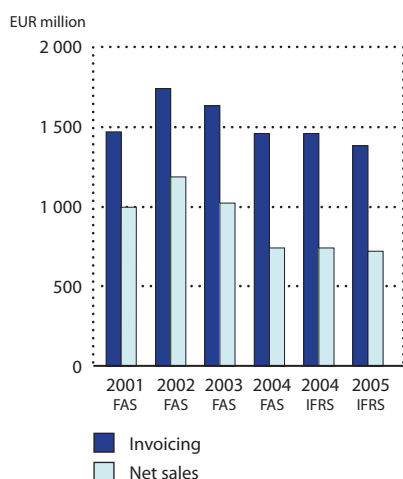
EUR million	2005	2004	Change %
Invoicing	1 383.0	1 460.2	-5.3%
Invoicing of Pharmaceutical Distribution	1 254.2	1 353.2	-7.3%
Invoicing of Healthcare Logistics	128.8	107.0	+20.4%
Net sales	722.1	744.2	-3.0%

KD's invoicing suffered from the afore-mentioned contract-technical changes as well as the increased market share gained by parallel-importers and generic products distributed by the competitor.

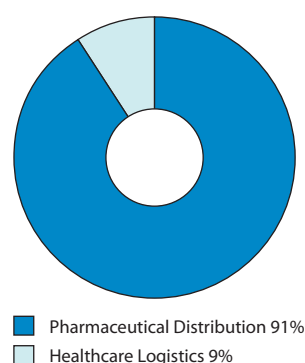
Earnings generated by pharmaceutical distribution were lower than in the comparative year in consequence of a slight drop in the market share as well as the increasingly heavy price competition between the two distributors for contracts with principals. In May 2005, KD won the distribution contract for the Sanofi products of Sanofi-Aventis, whereas Roche shifted to

the competitor in January 2006. The profitability of healthcare logistic services has continued showing improvement but certain operations here are still unsatisfactory. The operational area of the logistic services for hospitals and clinics volumes was extended to encompass additional counties, whereby also the volumes increased. The preparations for shutting down the regional distribution center in Malmö have progressed smoothly. Also, operations located in leased premises in the Gothenburg region are being concentrated into KD's main site in Mölnlycke as soon as rental agreements are terminated.

Invoicing and net sales of KD



Breakdown of KD's invoicing 2005



Demerger of present Orion into two new companies

The proposal by the Board of Directors concerning the demerger of Orion Corporation into two separate listed companies was approved by the Extraordinary General Meeting held on 19 December 2005. According to the Demerger Plan signed by the Board of Directors on 7 November 2005, Orion Corporation will be demerged into two separate public listed companies, new "Orion Corporation" and "Oriola-KD Corporation". The planned registration date of the demerger is 30 June 2006. On the effective date, the present Orion Corporation will be dissolved and the two new companies will start operations. The new Orion Corporation and Oriola-KD Corporation will be listed on the Helsinki Stock Exchange on or about 3 July 2006.

An overview of the Demerger Plan is given in the following summary. The full **Demerger Plan** and the **Demerger Prospectus**, which was published on 12 December 2005, are available on the homepage of Orion at www.orion.fi/investors.

The following is a brief summary of the demerger according to the Demerger Plan.

Demerger

Orion will demerge so that all of Orion's assets and liabilities are transferred, without a liquidation procedure, to two public limited liability companies, new Orion and Oriola-KD, and the present Orion will cease to exist as a legal entity.

Corporate name: **Orion Corporation**
Business ID: 19992126
Address: Orionintie 1 A, 02200 Espoo
Domicile: Espoo, Finland

Corporate name: **Oriola-KD Corporation**
Business ID: 19992150
Address: Orionintie 5, 02200 Espoo
Domicile: Espoo, Finland

Purpose of the demerger

In the demerger, the businesses of the present Orion Group are differentiated as follows:

1. Orion Pharma and Orion Diagnostica form a new Orion Group, which concentrates on the development, manufacture and marketing of pharmaceuticals and diagnostic products. The parent company of the Group is "Orion Corporation".
2. Oriola and KD, the current Wholesale and Distribution Division, form the Oriola-KD Group, which concentrates on pharmaceutical distribution and wholesale as well as the marketing and sale of healthcare products. The parent company of the Group is "Oriola-KD Corporation".

The Board of Directors of Orion believes that the arrangement will create increased shareholder value by means of clarified business structures and by improved operational transparency. The separation of the Wholesale and Distribution Division into an independent company will result in the formation of two new companies with strong balance sheets and clearly differentiated businesses which will be able to develop their operations based on their own strategic focuses. As an independent company, Oriola-KD will also have greater operational freedom and development potential than it currently does as a part of the Orion Group.

Implementation of the demerger

The Demerger will enter into force when it has been entered in the Finnish Trade Register.

The planned time for registering the implementation of the demerger is 30 June 2006. When the demerger enters into force, Orion's assets and liabilities will be transferred, in accordance with the Demerger Plan, as a universal succession to the new Orion and Oriola-KD, the incorporation filings will enter into force, and the present Orion will be dissolved without a liquidation procedure.

Accordingly, public trading in the shares of the new companies could commence on 3 July 2006 on the Helsinki Stock Exchange. If the demerger is registered after 30 June 2006, all actions pertaining to the registration will be postponed accordingly.

Demerger consideration to Orion's shareholders

As a demerger consideration, Orion's shareholders will receive shares in the new companies so that each Class A share of the present Orion entitles the holder to one (1) Class A share of the new Orion and one (1) Class A share of Oriola-KD, and each Class B share of the present Orion entitles the holder to one (1) Class B share of the new Orion and one (1) Class B share of Oriola-KD.

The demerger consideration will be distributed within the book-entry system so that on the effective date of demerger, the Orion shares entered in Orion's shareholder register and shareholders' book-entry accounts are converted into shares in the new companies in the aforementioned proportion. The procedure will not require any measures on the part of shareholders.

The shares in the present Orion that are not transferred into the book-entry will be converted into demerger consideration in a joint book-entry account with Finnish Central Securities Depository Ltd.

Board of Directors and management

The members of the Boards of Directors of New Orion and Oriola-KD, the chairmen of the Boards and the auditors will be elected at Orion's Annual General Meeting on 21 March 2006. The proposals for the compositions of the Boards of Directors as well as the auditors are provided in the invitation to the AGM.

It is proposed to advise the Board of Directors of the new Orion to appoint Jukka Viinanen as President and CEO of the new Orion Corporation.

It is proposed to advise the Board of Directors of Oriola-KD to appoint Eero Hautaniemi as President and CEO of Oriola-KD Corporation.

Financial information is provided in the Demerger Prospectus

Financial information about the new companies is provided in the Demerger Prospectus in the form of combined carve-out data derived from the Orion Group's consolidated financial statements 2002-30 September 2005.

The listing particulars, to be published in mid June 2006, will provide additional carve-out financial data about the companies.

Share capital and counter book value of shares of new companies

The share capital of Oriola-KD is EUR 147.9 million. The share capital of the new Orion can be EUR 50.0 - 2,000.0 million. The exact amount will be determined at the effective date of the demerger.

The counter book value of the new companies' shares will be determined by dividing the share capital at the demerger date by the number of shares.

Shareholder rights

Shares of the new companies will entitle their holders to full shareholder rights as from the effective date of the demerger.

Each Class A share entitles its holder to 20 votes and each Class B share entitles its holder to one vote at General Meetings. A shareholder may, however, not cast more than 1/20 of the total number of votes of the different-class shares represented at General Meetings.

The Articles of Association of the new companies were confirmed by the EGM on 19 December 2005, in association with the approval of the demerger plan.

Trading in the shares of the new companies

The new Orion and Oriola-KD will apply for listing of their respective shares on the Helsinki Stock Exchange as from or about 3 July 2006. The trading codes will be decided at a later date.

Distribution of Assets and Liabilities to the new companies

In general, all the assets and liabilities of the present Orion related to the wholesale of pharmaceuticals and other healthcare products will be transferred to Oriola-KD Corporation:

- Shares in Oriola Oy and Orion Holding Sverige AB
- Certain real estate in Espoo and Oulu
- EUR 2,000,000 funds in cash
- Guarantees given by Orion Corporation on behalf of the wholesale businesses
- Possible other unknown assets and liabilities related to the wholesale business.

All other known and unknown assets and liabilities of the present Orion are transferred to the new Orion Corporation.

Oriola Oy and Orion Holding Sverige AB will not distribute dividend or otherwise distribute any assets or grant group contributions to Orion before the demerger. The profit accrued in the wholesale business will be left to the Oriola-KD Group.

Employees

The employees of the present Orion Corporation will transfer to the new Orion as old employees with the same terms of employment as previously. The employees employed in tasks related to the wholesale business of Orion shall, however, transfer to Oriola-KD Corporation as old employees with the same terms of employment as previously.

Mutual relationships of the new companies after the demerger

After the demerger, the principal contractual relationship between the new Orion Group and the Oriola-KD Group will be based on the distributorship agreement for Orion Pharma's products. Apart from possible minor temporary arrangements concerning administrative services, no other essential relationships involving contracts, debts or receivables between the new companies are envisaged after the demerger.

Orion Pension Fund

The Orion Pension Fund will also be demerged into two new pension funds in a procedure in accordance with the Pension Funds Act and decided upon by the Board of Directors of the Orion Pension Fund and the employer companies. The Orion Pension Fund is a joint pension fund with Orion Corporation, Oriola Oy, Orion Diagnostica Oy and Fermion Oy as the employers. In the demerger of the Orion Pension Fund, the pension liabilities of Oriola Oy's employees will be transferred to one new pension fund to be established and the pension liabilities of the present Orion, Orion Diagnostica Oy and Fermion Oy to the other pension fund and, furthermore, the investment assets of the Orion Pension Fund will be divided between the new pension funds in proportion to the shares of pension liabilities assumed by each of them. The Insurance Supervisory Authority will supervise the benefits of the pension beneficiaries in the demerger of Orion Pension Fund.

Corporate Governance in the Orion Group

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.

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.

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.

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.

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 insiders with the duty to declare and the permanent company-specific insiders. The members of the Board of Directors, the President and CEO, the Deputy CEO, the designated auditor, the deputy auditor and the Presidents of Orion Pharma, Orion Diagnostica, the Wholesale and Distribution Division, Oriola Oy and Kronans Droghandel AB are insiders with the duty to declare. The permanent company-specific insiders comprise the persons designated by the company. 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.

Related parties

The Orion Group's related parties consist of Orion Corporation (parent company), its subsidiaries, associated companies, joint ventures, members of Orion Corporation's Board of Directors, members of the Orion Group's Group Management Team, the Presidents of Oriola Oy and Kronans Droghandel AB, close relatives of the aforementioned persons, organisations or foundations controlled by the aforementioned persons and the Orion Corporation Pension Fund.

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.

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.

Risks related to competing generic drugs

A characteristic feature of the pharmaceutical industry is that manufacturers of generic drugs seek to bring their own medicines, which are generally cheaper than the original manufacturer's products, to market at the earliest possible stage. This can be done, for example, by trying to use the courts to circumvent the original manufacturer's patents or other intellectual property rights well before they are due to expire. These actions can result in high litigation and other expenses for an originator and may lead to significant losses in sales if the manufacturer of generic drugs obtains a marketing authorisation to sell its own products. In developing its products Orion endeavours to protect them efficiently and over a wide area, whilst defending the rights of its products diligently both by itself and together with its marketing partners.

Downward pressure on the prices of pharmaceuticals

Downward pressure on the prices of pharmaceuticals is caused not only by normal price competition but by a number of factors that are as a rule brought about by national governments and decisions of the authorities as each nation seeks to curb mounting drug costs. Among these factors are generic substitution and changes that are taking place in rules concerning it as well as cuts in drug prices and reimbursement. Another factor that is depressing prices is parallel imports in the EU area. Orion seeks to respond to these factors by maintaining a sufficiently versatile product range, continuously boosting cost-effectiveness and correctly channelling its development and sales resources.

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. Pharmaceutical wholesaling is a business that in practice is wholly based on contractual relationships with principals. The agreement periods in pharmaceutical wholesaling as well as trade in healthcare equipment and supplies are generally short, lasting only for about a calendar year at a time, though business relationships with many principals have, in fact, been of long standing. 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.

Legal, intellectual property rights and regulatory risks

Healthcare is a sector closely under regulatory control by authorities. The manufacture and distribution of drugs as well as pharmaceutical research call for obtaining licences from the 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.

Product liability risks

The launch of a new drug on the market calls for extensive phase-by-phase trials that delineate the drug's pharmacological properties, efficacy and safety. Starting the sales and marketing of a drug calls for marketing authorisation by the relevant drug authorities. The adverse effects of a pharmaceutical are subject to monitoring stipulated by the authorities also after it comes out on the market. By means of the above-described trials and pharmaceutical production methods, Orion seeks to ensure in advance that its products do not involve any such adverse effects as might lead to a liability to pay compensation for claims against the products or that a major product might have to be withdrawn from the market.

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

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.

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. Over half of the net sales of the Wholesale and Distribution Division are in Swedish kronor, but the impact of exchange rates on the profits is practically insignificant. 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%.

Interest risks

Historically, the Orion Group has had very low interest-bearing liabilities, and the excess liquid assets have been invested in short-term interest instruments. Hence, the Group profits are not materially influenced by changes in interest rate levels.

Board of Directors, President and Group Management Team

Composition of the Board of Directors and the Committees as of 22 March 2005

Board of Directors

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

Committees set by the Board

Audit committee

Vesa Puttonen (Chairman)
Eero Karvonen
Olli Riikkala.

Salary committee

Matti Kavetvuo (Chairman)
Erkki Etola
Heikki Vapaatalo.

R&D committee

Leena Palotie (Chairman)
Eero Karvonen
Heikki Vapaatalo.

Nomination committee

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

Board meetings held in 2005

In 2005, altogether 17 Board meetings were held, three of which were conference calls. The average attendance of the members at the meetings was about 94%.

Board Committee meetings held in 2005

In 2005, the number of meetings held by the Board committees was as follows:

Audit committee	5 meetings
Salary committee	4 meetings
R&D committee	3 meetings
Nomination committee	4 meetings.

Auditors in 2005

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.

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 Mr. Jukka Viinanen, 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.

The agreed retirement age of the President is 60, with the pension amounting to 66% of the President's salary.

According to the terms of the service contract of Mr. **Eero Hautaniemi**, President and CEO of the Wholesale and Distribution Division as of 2 January 2006, Mr. Hautaniemi is entitled to terminate his agreement with Orion Corporation if Oriola-KD Corporation does not become a publicly traded company or if Oriola-KD Corporation's Board of Directors

does not appoint him as the President and CEO of Oriola-KD Corporation. In this event he will be indemnified with a total sum corresponding to his salary for 18 months.

Remuneration and benefits of the members of the Board of Directors, the President and CEO and other members of the Group Management Team

By decision of the AGM 2005, the annual fee to the Chairman of the Board is EUR 64,800, to the Vice Chairman EUR 45,600 and to the other members EUR 32,400 each. Of the annual fee, 60% is paid in cash and 40% in Orion B-shares. The B-shares were acquired to the Board members from the Helsinki Stock Exchange on 5 April 2005. Additionally, EUR 1,500 is paid to the Chairman, EUR 1,125 to the Vice Chairman and EUR 750 to the other members for each meeting attended. The chairmen of the board committees are also paid EUR 1,500 for each meeting held, the committee members receiving EUR 750 for each meeting attended.

In 2005, the following remunerations and benefits were paid to the Board of Directors for work on the Board and in the committees

Board members	Remunerations in 2005 in cash, EUR	Portion of the annual fee paid in B-shares, number of shares
Matti Kavetvuo, Chairman	93 720	2 163
Erkki Etola, Vice Chairman	67 867	1 522
Heikki Hakala, until 22 March 2005	1 260	
Eero Karvonen	53 110	1 081
Leena Palotie	48 420	1 081
Vesa Puttonen	51 123	1 081
Olli Riikkala, as of 22 March 2005	58 650	1 081
Heikki Vapaatalo	53 660	1 081
Board of Directors, total	427 810	9 090

Remuneration, benefits and bonuses paid out to the President of Orion, the Presidents of the Business Divisions and the other members of the Group Management Team in 2005 totalled EUR 1,855,551 (2,085,031), of which EUR 275,724 (413,455) were paid as bonuses. In addition, they received EUR 49,730 (136,563) from the sale of stock options.

The salaries, remuneration and bonuses paid to President and CEO Jukka Viinanen in 2005 totalled EUR 540,779 (499,436) consisting of EUR 423,391 (397,511) in salary and benefits and EUR 117,388 (101,925) in bonuses.

The total remuneration and benefits paid out to the Board of Directors and the President of Orion, the Presidents of the

Business Divisions and the members of the Group Management Team were EUR 2.3 (2.4) million.

Fees paid to the external auditors in 2005

The fees paid to the auditors for audit services for 2005 came to a Group total of EUR 410,000 (456,000), of which the domestic Group companies accounted for EUR 157,000 (178,000) and the foreign subsidiaries for EUR 253,000 (278,000). Additionally, a total of EUR 306,000 (135,000) was paid for non-audit services provided by the auditors to the Group companies. The domestic Group companies accounted for EUR 264,000 (87,000) and the foreign subsidiaries for 42,000 (48,000) of the total. The fees paid to the auditor for auditing the parent company came

to EUR 86,000 (118,000) and for other assignments to EUR 264,000 (70,000).

Shareholding and stock options of the Board of Directors and the Group Management

The numbers of shares and stock options issued by Orion and owned by members of the Board of Directors and the Group Management Team and the Presidents of the Business Divisions at 31 December 2005 are shown in the table below. The number of shares stated also includes shares owned by under-aged children and by organisations or foundations controlled by the persons. Each option in the 2001 Stock Option Plan entitles the holder to subscribe for two Orion B-shares.

	A-shares 31 Dec. 2005	B-shares 31 Dec. 2005	Stock options 2001 31 Dec. 2005
Board of Directors			
Erkki Etola	2 429 948	89 526	0
Eero Karvonen	548 076	4 579	8 000
Matti Kavetvuo	110 596	81 503	0
Leena Palotie	0	2 423	0
Vesa Puttonen	0	4 423	0
Olli Riikkala	6 000	1 081	0
Heikki Vapaatalo	500	2 431	0
Board of Directors, total	3 095 120	185 966	8 000
Group Management Team and the Presidents of the Divisions			
Jukka Viinanen	0	6 000	50 000
Olli Huotari	0	0	12 000
Jari Karlson	0	0	30 000
Elina Heliö, as of 1 Aug. 2005	0	0	0
Jaakko Rissanen	0	0	16 000
Pauli Torkko	2 000	0	40 000
Heikki Vuonamo	0	1 333	8 000
Group Management Team 2005, total	2 000	7 333	156 000
Presidents in the Wholesale and Distribution Division			
Eero Hautaniemi (as of 1 Jan. 2006)	0	0	0
Marianne Dicander Alexandersson	0	0	0
Risto Kanerva	2 392	2 342	20 000

Members of the Board of Directors



Matti Kavetvuo

Chairman

b. 1944
M.Sc. (Eng.), M.Sc. (Econ.),
Honorary Mining Counsellor

Member and Chairman of the
Board of Directors of Orion
Corporation since 2004

Chairman of the Salary
Committee, member of the
Nomination Committee

Primary career

2000-2001 President and CEO
of Pohjola Insurance Group,
retired 2001

1992-1999 President and CEO
of Valio Ltd

1985-1991 President and CEO
of Orion Corporation

1979-1984 President of
Instrumentarium Corporation

Other current key positions of trust

Chairman of the Board of
Metso Corporation and
Suominen Corporation

Vice Chairman of the Board of
Alma Media Corporation and
Kesko Corporation

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



Erkki Etola

Deputy Chairman

b. 1945
M.Sc. (Eng.)

Member of the Board
of Directors of Orion
Corporation since 1995

Member of the Salary
Committee, member of the
Nomination Committee

Primary career

1978- Managing Director of
Tiiviste-Group Oy

1976- Managing Director of
Oy Etola Ab

1974- Managing Director of
Oy Etra Ab

1974- Managing Director of
Tiivistekeskus Oy

1973-1974 Oy Etra Ab, Head
of Department

1970-1973 Oy Etra Ab,
Product Manager

Other current key positions of trust

Deputy Chairman of the
Board of Directors of
Stockmann plc

Member of the Supervisory
Board of Varma Mutual
Pension Insurance Company



Eero Karvonen

b. 1948
M.Sc. (Eng.)

Member of the Board
of Directors of Orion
Corporation since 2004

Member of the Audit
Committee, member of the
R&D Committee

Primary career

1986- EVK-Capital Oy,
owner and Managing
Director

1980-1986 Rintekno Oy,
process engineer, Division
Manager and Technology
Manager for biochemical
and pharmaceutical process
engineering

1975-1980 VTT Technical
Research Centre of Finland,
biotechnical laboratory,
researcher

1974-1975 Helsinki
University of Technology,
Senior Assistant in industrial
microbiology



Leena Palotie

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

Member of the Board of Directors of Orion
Corporation since 2004

Chairman of the R&D Committee

Primary career

2005- Member of the Scientific Council of
the European Research Council (ERC)

2005- President of the Human Genome
Organisation (HUGO)

2003- Academy Professor, Director of the
Centre of Excellence in Disease Genetics of
the Academy of Finland

2004- Director of the Nordic Centre of
Excellence in Disease Genetics

2002- Coordinator of the large
international genomics programme of the
EU, GENOMEUTWIN

1998-2002a founding Chairman of the
Department of Human Genetics and
Professor of Genetics at the University of
California, Los Angeles, USA

1991-1998, 2002- Professor of Medical
Genetics and Molecular Medicine,
University of Helsinki and National Public
Health Institute, Finland

1995-1998 Member of the National Council
of Science and Technology of Finland

1995-1997 Chairman of the Medical
Research Council of the Academy of Finland

1996-1998 Chairman of the European
Medical Research Council

1987-1991 Director of the Research
Programme of Molecular Medicine,
National Public Health Institute, Finland

Dr. Palotie is the recipient of several
international scientific awards. She has
published more than 400 scientific articles
and directed over 60 doctoral theses in
Finland and the United States. Dr. Palotie
has been named Woman of the Year and she
has received the Medical Journalists' Award
in Finland, the Matti Äyräpää Award of the
Finnish Medical Association and the Nordic
Anders Jahre Award. She is an honorary
doctor of the University of Uppsala, Sweden,
and the University of Joensuu, Finland.



Vesa Puttonen

b. 1966
D.Sc. (Econ.)

Member of the Board of Directors of Orion Corporation since 2004

Chairman of the Audit Committee

Primary career

2001- Helsinki School of Economics, Professor in Finance

1999-2001 Conventum Fund Management, Managing Director

1998-1999 HEX Helsinki Exchanges, Senior Vice President

1996-1998 Helsinki School of Economics, Professor in Finance

1993-1996 Helsinki School of Economics, Assistant Professor in Accounting and Finance

1992-1993 Turku School of Economics and Business Administration, Associate Professor in

Accounting and Finance

1990-1992 The Academy of Finland, Project Researcher

1989-1990 University of Vaasa, Assistant in Accounting and Finance

Other current key positions of trust

Chairman of the Board of Enabla Ltd, JOKO Executive Education Ltd and Arvo Asset Management Ltd

Member of the Board of Oras Ltd



Olli Riikkala

b. 1951
M.Sc. (Eng.), M.Sc. (Econ.),
MBA (Claremont Graduate University, California, USA)

Member of the Board of Directors of Orion Corporation since 2005

Member of the Audit Committee

Primary career

2004- GE Healthcare - Information Technologies, Senior Advisor

2003- GE Healthcare, Senior Executive

1997-2004 Instrumentarium Corporation, Managing Director

1979- employed with Instrumentarium Corporation, holding several management tasks involving profit responsibility from 1982 onwards

Other current key positions of trust

Chairman of the Board of Helvar Merca Oy Ab, Comptel Corporation, PaloDex Group Oy

Member of the Board of Efore Plc, Fiskars Corporation, Tietoenator Corporation, Clinical Research Institute Helsinki University Central Hospital Ltd, Biomedicum Helsinki Foundation



Heikki Vapaatalo

b. 1939
Professor Emeritus, MD, Specialist in clinical pharmacology

Member of the Board of Directors of Orion Corporation since 2002

Member of the Salary Committee, member of the R&D Committee

Primary career

1992-2002 University of Helsinki, Professor of Pharmacology

2000-2001 Orion Corporation, Member of the Supervisory Board

1975-1992 University of Tampere, Professor of Pharmacology

1972-1974 University of Oulu, Associate Professor of Pharmacology

1983-1984 University of Tampere, Medical Faculty, Vice Dean

1985-1986 University of Tampere, Medical Faculty, Dean

1995-2002 University of Helsinki, Medical Faculty, Vice Dean

2001-2003 Finnish Medical Society Duodecim, Vice Chairman of the Board

1992-1994 Finnish Medical Society Duodecim, Delegation Chairman

1983-1985 Finnish Pharmacological Society, Chairman

1980-1981 Medical Society of Tampere, Chairman

Other current key positions of trust

Chairman of the Board of Medical Investment Trust Ltd, Oy Medifactum Ab and the Orion Corporation Research Foundation

Member of the Board of United Laboratories Ltd

Group management

Jukka Viinanen, President and CEO

b. 1948

M.Sc. (Eng.)

President and CEO of Orion Corporation, Chairman of the Management Team, President of the Orion Pharma Business Division. Mr. Viinanen is intended to be appointed President and CEO of the new Orion Corporation, as of the effective date of the demerger.

Before joining the Orion Group in June 2000, Jukka Viinanen made a long career with the Neste Group in the Finnish oil and petrochemical industry. He started in Pekema Oy, a plastics industry company, as a production engineer in 1973. Later 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, he became President and Chief Operating Officer of Neste Corporation, a position he held until 1999.

Jukka Viinanen is Chairman of the Board of Directors of Rautaruukki Corporation.

Pauli Torkko

b. 1947

Licentiate in Science (Econ.)

Executive Vice President of Orion Corporation, member of the Group Management Team

Pauli Torkko joined the Orion Group from his position as 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. From 1984 until 2002 he was Executive Vice President of Orion Corporation, with the responsibility for Group Finance and Administration. Between 1987 and 2000, Mr. Torkko was a member of the Board of Directors of Orion Corporation. Mr. Torkko headed the Wholesale and Distribution Division as of September 2002 until the end of 2005. Currently he works in the Orion Group management in tasks relating to investment affairs, M&A arrangements and preparations for the listing of Oriola-KD.

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.

Elina Heliö

b. 1972

Master of Laws

Vice President, Human Resources, Orion Pharma, Corporate VP, HR development of Orion Group, member of the Group Management Team

Elina Heliö joined Orion Group in 2001, when she was appointed as the Employment Support Manager at Orion Pharma Research & Development. In 2003-2004 she acted as Senior Human Resources Specialist and in 2004-2005 as Human Resources Manager at Orion Pharma. In 1997-1998 Heliö served as a clerk at the Kuopio District Court. In 1998-1999 she acted as Consultative Lawyer at the Finnish Association of Graduates in Economics and Business Administration and in 1999-2001 as Employment Manager at Oy AGA Ab.

Elina Heliö was appointed to her current position as from 1 July 2005. During her child-care leave until the end of August 2006, her duties will be attended to as an auxiliary responsibility of Olli Huotari, General Counsel of the Orion Group and Secretary of the Board of Directors of Orion Corporation.

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, member of the Group Management Team

Olli Huotari joined the Orion Group in 1996 as Legal Counsel in Corporate Administration. In 1992-1995 he served as Legal Counsel in the law firm Asianajotoimisto Jouko Penttilä Oy, and in 1995-1996 he completed the degree of Master of Laws in International Commercial Law at the University of Kent, Canterbury, UK. Mr. Huotari has been in his current position since October 2002. As an auxiliary responsibility, he attends to the responsibilities of Vice President, Human Resources of Orion Pharma and Corporate Vice President, HR development of the Orion Group until the end of August 2006.

Jari Karlson

b. 1961

Master of Science, Economics

CFO of the Orion Group and Orion Pharma, member of the Group Management Team

Jari Karlson joined the Orion Group in August 2001 as Vice President, Finance for Orion Pharma. Before joining Orion he worked in the Kuusakoski Group as Corporate Controller, responsible for financial and management accounting. In 1990-1999 Mr. Karlson held the positions of Controller, Director of planning for the Europe and Asia region and Director, Finance,

Europe, in Genencor International Inc. In 1988-1989 he worked as a financial controller for the Biochem division of Cultor.

Jaakko Rissanen

b. 1960

Master of Philosophy

President of Orion Diagnostica Oy, member of the Group Management Team

Jaakko Rissanen joined the Orion Group in 1990 when he started in Orion Diagnostica as Product Manager, Sales and Marketing, Finland. In 1996-1998 Mr. Rissanen worked as Product Manager of the Specific Proteins Business Division and as from 1998 he held the position of Vice President of Sales and Marketing, Finland.

Jaakko Rissanen is a member of the Board of Directors of the Association of Laboratory and Health Care Product Suppliers and the Federation of Finnish Commerce.

Heikki Vuonamo

b. 1948

Master of Arts, Political Sciences, Bachelor of Science, Economics

Corporate Vice President, Communications, member of the Group Management Team

Before joining Orion in February 2003, Heikki Vuonamo made a long career in the Finnish financial press. In 1976-1980 Mr. Vuonamo was journalist with Talouselämä, a Finnish weekly business magazine. In 1980-1981 he worked as PR Officer for Rank Xerox Oy. He returned to his previous job at Talouselämä between 1981 and 1985. In 1985-1991 Vuonamo held the position of Managing Editor and Editor-in-Chief of Tietoviikko, and in 1991-2002 Editor-in-Chief of Tekniikka & Talous.

Eero Hautaniemi

b. 1965

M.Sc. (Econ.)

President and CEO of the Wholesale and Distribution Division and member of the Group Management Team as of 2 January 2006

At its meeting held on 10 October 2005, the Board of Directors of Orion Corporation appointed Eero Hautaniemi to serve as President and CEO of the Wholesale and Distribution Division of the Orion Group as of 2 January 2006, with a purpose to be appointed President and CEO of Oriola-KD Corporation as of the effective date of the demerger.

Eero Hautaniemi joined Orion from the post of President of GE Healthcare Finland Oy. During his 15-year-long career since 1990 in the service of Instrumentarium, now GE Healthcare Finland Oy, he has established a broad and versatile track record within financial and operational business management in the

listed multinational healthcare company that has experienced major structural changes and strong growth. In 2003-2004 Mr. Hautaniemi was General Manager of the Oximetry, Supplies and Accessories Business Area of GE Healthcare IT. As of November 2004 until October 2005, he was President of GE Healthcare Finland Oy.

Other Management staff

Risto Kanerva

b. 1959

Doctor of Science in Pharmacy

President of Oriola Oy

Risto Kanerva joined the Orion Group in 1987, assuming the responsibilities of Regional Sales Manager at Oriola Oy. From 1988 to 1991 he was Director at the Oriola Oulu local branch and from 1991 to 1992 he managed the same functions at Oriola Espoo. From 1993 to 1995 he was Unit Manager in charge of logistics. Mr. Kanerva took over the Oriola Distribution and Wholesale Sector in 1996 and became Senior Vice President of Oriola Oy in 1997. As from the beginning of the year 2004, he is the President of Oriola Oy.

Risto Kanerva is a Board member of Apteekkitavaratukkukauppiat ry (Finnish Association of Pharmaceutical Distributors) as from 1995, and became Vice Chairman of the Board in 2004. In summer 2005, he was elected Deputy Chairman of GIRP – The European Association of Pharmaceutical Wholesalers. He is also a member of the Board of Suomen Tukkukauppiain Liitto (Association of Finnish Wholesalers).

Marianne Dicander Alexandersson

b. 1959

M.Sc. (Chemical Engineering)

President of Kronans Droghandel AB

Marianne Dicander Alexandersson worked as a sales representative at Pharmacia 1983-1986. In 1986-1994 Alexandersson worked at ICI Sweden, first developing the marketing operations of engineering plastics, then as Nordic Quality Manager. In 1994-1997 she was Organisation Development Manager at Volvo AB. She joined KD in 1997 as Head of Operational Development, Quality, Environment and Competence Development. In 2001 she progressed to the position of Manager of Pharmaceutical Distribution, and on 1 July 2003 she took over as President of KD.

Marianne Dicander Alexandersson is a member of the Board of Directors of Castellum AB.

Division Management

Orion Group Management Team as of 2 January 2006

Jukka Viinanen, Chairman
Eero Hautaniemi
Elina Heliö
Olli Huotari
Jari Karlson
Jaakko Rissanen
Pauli Torkko
Heikki Vuonamo

Division Management Boards

Orion Pharma

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

Wholesale and Distribution

Jukka Viinanen, Chairman
Pauli Torkko
Eero Hautaniemi (as of 23 Jan. 2006)
Marianne Dicander Alexandersson
Risto Kanerva
Jari Karlson

Oriola

Pauli Torkko, Chairman (until 23 Jan. 2006)
Eero Hautaniemi, Chairman (as of 23 Jan. 2006)
Risto Kanerva
Voitto Pajulehto

Orion Diagnostica

Jukka Viinanen, Chairman
Jari Karlson
Pekka Malinen
Jaakko Rissanen

Division Management Teams

Orion Pharma

Jukka Viinanen	President
Timo Lappalainen	Senior Vice President and Deputy to the President, Human Pharmaceuticals
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	Project manager, personnel representative

Wholesale and Distribution

Eero Hautaniemi	President
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
Pekka Malinen	Vice President, Business Administration
Sirkku Holttinen	Vice President, Production
Markus Sivonen	Vice President, Sales
Paul Mundill	Vice President, R&D
Jukka Nykänen	Vice President, Marketing
Anne Heikkilä	Laboratory assistant, personnel representative
Esa Rosman	Responsible of technics, personnel representative

Corporate Administration

Jukka Viinanen	President, Group CEO
Jari Karlson	Chief Financial Officer, Finance and Administration
Kari Kantola	Group Controller
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
Elina Heliö	Corporate Vice President, Human Resources Development (aux. resp.)

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