Company brochure 2008



Orion

Orion Corporation is a Finnish stock exchange company which develops, manufactures and markets pharmaceuticals, active pharmaceutical ingredients and diagnostic tests for global markets. Orion has been building well-being for as many as 90 years. Orion's customers are healthcare service providers and professionals, such as doctors, pharmacies, hospitals, healthcare centres, clinics and laboratories.

Pharmaceuticals account for about 95% of Orion's net sales, of which a considerable part comes from proprietary patented pharmaceutical innovations. *Stalevo*® and *Comtess*®/*Comtan*®, for Parkinson's Disease, are the most significant globally marketed products for Orion.

Orion carries on intensive research with the aim of introducing new innovative treatments to global markets. The core therapy areas in Orion's product and research strategy are the central nervous system, cardiology and critical care, and hormonal and urological therapies. In global marketing, Orion enters into licensing partnerships with other pharmaceutical companies.

Orion has also a large portfolio of generic, off-patent prescription medicines, hospital treatments and self-care products. These products are sold mainly in Finland, other Nordic countries, the new EU countries and Germany. In animal health, Orion has the leading market position in its home territory, the Nordic countries. The business division Fermion produces active pharmaceutical ingredients for both Orion and other pharmaceutical companies.

Orion's diagnostic tests are used widely around the world to help in diagnosing patients and to contribute to the follow-up of treatment. The emphasis in this product sector is on easy-to-use and rapid point-of-care tests. The leading brand is the *QuikRead*® test for diagnosing infections.

Orion's strategy emphasises profitable growth and increased shareholder value, whilst keeping business risks under control. Orion is strengthening its European presence. The growth is promoted by product, product portfolio and company acquisitions as well as licence agreements, but the best long-term growth opportunities are seen in the proprietary products.

www.orion.fi

The Annual Report of the Orion Group for the year 2007 consists of this Company Brochure together with the Financial Statements 2007, a separate publication. The Financial Statements publication contains the Report by the Board of Directors including the financial statements, the business segment reviews, the dividend proposal and the Auditors' Report for 2007. Also a description of the governance of the Orion Group is provided, including the introductions of the members of the Board of Directors and the Executive Management Board of the Orion Group as on the start of 2008.

The information and the publications subject to the disclosure obligation of Finnish listed companies are provided and updated on the Orion Group website at www.orion.fi/investors.

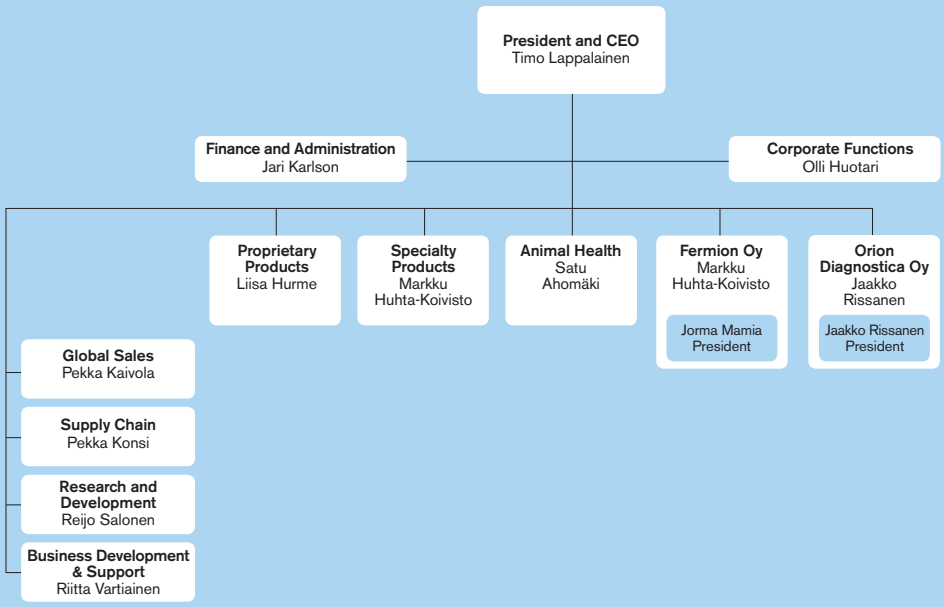
Orion in brief

Orion Corporation is the parent company of the Orion Group. The business ID code of Orion Corporation is FI 1999212-6 (VAT FI 19992126). Orion Corporation is domiciled in Espoo, Finland, with headquarters in Orionintie 1 A, FI-02200 Espoo. The website of the Orion Group can be found at www.orion.fi/english.

The business areas of the Orion Group are:

- pharmaceuticals (research, development, manufacturing and marketing), accounting for about 95% of the net sales in 2007.
- diagnostic tests (development, manufacturing and marketing), accounting for about 5% of the net sales in 2007.

ORION GROUP MANAGEMENT ORGANISATION





PHARMACEUTICALS BUSINESS

Orion develops, manufactures and markets pharmaceuticals and active pharmaceutical ingredients. A growing part of its net sales has stemmed from new, patented proprietary pharmaceutical innovations. The core therapy areas of the company's product and research strategy are diseases of the central nervous system, cardiovascular diseases and critical care as well as urological and oncological therapies.

The divisions of the Pharmaceuticals business are:

- Proprietary Products (patented prescription medicines)
- Specialty Products (off-patent prescription medicines and self-care products)
- Animal Health
- Fermion (active pharmaceutical ingredients)

The Proprietary Products business comprises the human medicines resulting from Orion's in-house R&D. These are the medicines for Parkinson's Disease (PD), *Stalevo*® and *Comtess*®/*Comtan*®, *Precedex*®, a sedative used in intensive care, *Simdax*® for acute decompensated heart failure and *Fareston*® for breast cancer. Proprietary products for human use made up about 45% of the net sales generated by the Pharmaceuticals business in 2007.

The Specialty Products business consists of a wide selection of off-patent products, or generics, and self-care products. The products accounted for about 38% of the net sales of the Pharmaceuticals business in 2007. A substantial part of the net sales from these products comes from Finland. The other Nordic countries are also important markets, as are the new EU countries as well as Germany.

The Animal Health business comprises veterinary medicines, in which Orion is a major Nordic player. These products made up about 10% of the net sales generated by the Pharmaceuticals business in 2007. Orion has developed four proprietary products for veterinary use: the sedatives *Domitor*®, *Dexdomitor*® and *Domosedan*®, and *Antisedan*®, which reverses the sedative effect.

Fermion is a fine chemicals company specialising in active pharmaceutical ingredients. It manufactures the active ingredients for Orion's proprietary drugs. In addition, it supplies pharmaceutical ingredients to a number of other pharmaceutical companies. Fermion's sales to external customers made up about 6% of the net sales generated by the Pharmaceuticals business in 2007.

DIAGNOSTICS BUSINESS

Orion Diagnostica develops, manufactures and markets in vitro diagnostic testing methods and systems. Its focus is on point-of-care tests which physicians and nurses use in doctors' offices and in small-scale laboratories. The leading brand in the product range is *QuikRead*®. The first application, now widely marketed around the world, is a CRP test for the rapid detection of bacterial infections in the body.

Other important diagnostic products are collagen tests that measure bone metabolism. In-house product development has also yielded hygiene tests, used in many business sectors.

COMPANY LOCATIONS

Head office and administration:
Orion's head office is located in the Mankkaa district of Espoo, Finland. Also the management of the business divisions and a large part of the production operations are in Espoo.

Research and development:
Pharmaceutical research centres are located in Espoo, Turku and Kuopio, Finland, and Nottingham, England. Orion Diagnostica's research units are located in Espoo and Oulu, Finland.

Marketing:
Orion has overseas marketing companies in Sweden, Norway, Denmark, Germany, the United Kingdom, Ireland, Switzerland, Hungary, Estonia and Latvia. In addition, the company has representative offices in most of the eastern European countries and a liaison office in Mumbai, India.

Production:
Orion manufactures pharmaceuticals in Espoo, Turku and Kuopio, Finland. Diagnostic products are manufactured in Espoo and Turku. Active pharmaceutical ingredients are produced in Hanko and Oulu, Finland.



ORION AS A LISTED COMPANY

Orion Corporation was listed on the OMX Nordic Exchange Helsinki as a new company on 3 July 2006, after the demerger of the old Orion.

The trading code of Orion's Class A share on the OMX Nordic Exchange Helsinki is "ORNAV" (ISIN Code FI0009014369) and that of the Class B share "ORNBV" (ISIN Code FI009014377). Based on its market capitalisation, Orion belongs to the Large Companies in the Healthcare segment of the OMX Nordic List.

Financial information on Orion is presented in a separate Financial Statements 2007 publication. Orion's website at www.orion.fi/investors offers all information and publications specified in the disclosure obligations of listed companies. Information on trading in Orion shares is also given in this section. Information on the company's ownership base and changes in it is also available on the website.

FINANCIAL OBJECTIVES

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

DIVIDEND POLICY

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

VISION AND MISSION

Orion is a European pharmaceutical and diagnostics company whose business operations focus on the development of innovative medicinal treatments and diagnostic tests for global markets. The aim is profitable growth and increased shareholder value, whilst keeping operational risks under control.

ORION'S MAIN STRENGTHS

Orion has a 90-year long expertise and experience of developing, producing and marketing pharmaceuticals.

Orion is Finland's largest company engaged in pharmaceutical research as measured by its annual investments in terms of euros as well as by the number of staff employed at its research units. Over the past 20 years, Orion's in-house pharmaceutical research has brought to market seven proprietary drugs. The core platforms of research expertise are receptors and enzymes related to selected therapy areas and, thereby, the mechanisms of the related active ingredients.

Internationally, Orion has leading expertise in the COMT enzyme, and it applies this knowledge in the drugs it develops for treating Parkinson's disease. Another key area are alpha$_2$ receptors of the central nervous system, from which platform Orion has developed and brought to market new chemical entities for both human and veterinary indications. Orion furthermore has achieved significant research results in the area of heart failure, primarily in research on the levosimendan molecule, having continuously built up expertise ever since the 1980s. In addition, Orion has a strong know-how concentration in the area of urological and oncological therapies.

Orion has a solid market share of about 9% of the sales of pharmaceuticals in Finland. Measured by numbers of packages sold, Orion is far and away the largest: nearly a third of the drug packages sold in Finnish pharmacies come from Orion. In the international markets, Orion is strongest in Parkinson's disease, for which the company has developed selegiline (Orion's trade names are *Eldepryl*® and *Movergan*®) and entacapone (*Comtess*®/*Comtan*®) as well as the optimised levodopa treatment *Stalevo*®.

In the field of diagnostics, Orion has strong speciality expertise relating to inflammatory diseases, hormones, specific proteins and bone metabolism.

Orion Group Values

Our values express how we can and want to commit ourselves to the things we do. With these values we have jointly defined what we desire from Orion as a working community. They are also very personal in respect of our individual relation to work and our colleagues. Our values are meant to be part of our daily life, and we are doing our best to work and live up to them.

MUTUAL TRUST AND RESPECT

We want to act so that we can trust each other and respect each other's work, thus creating a firm basis for co-operation. Trust springs from keeping promises, and respect from understanding the importance of one another's contribution to the whole process.

CUSTOMER FOCUS

We want to understand, anticipate and meet our customers' present and future needs. This presupposes that all of us closely co-operate and exceed the limits of normal work communities in order to bring our expertise to our customers.

INNOVATION

We want to create and develop innovative solutions and ways of working. This challenges each of us to explore new possibilities in our daily work, in co-operation with professionals from various fields and to bring our own expertise into our joint projects.

ACHIEVEMENT

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

QUALITY, RELIABILITY AND SAFETY

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

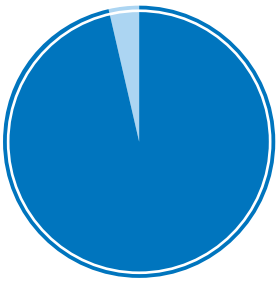
Net sales by business divisions 2007

- Proprietary Products 39%
- Specialty Products..... 35%
- Animal Health 10%
- Fermion..... 6%
- Other..... 4%
- Diagnostics..... 6%

Net sales by geographic segments 2007

- Finland 29%
- Scandinavia 14%
- Other Europe..... 35%
- North America 12%
- Other markets..... 10%

Operating profit by business segments 2007



- Pharmaceuticals segment .. 97%
- Diagnostics segment..... 3%

Year 2007 in figures

The table below provides selected key figures on Orion's financial performance. The details of the performance are specified in a separate publication, Orion Group Financial Statements 2007. The financial reports published by Orion are available at the company's website www.orion.fi/investors.

Key figures of the Orion Group

EUR million	2007	2006 * Proforma	Change %
Net sales	**683.6**	641.1	+6.6%
Operating profit (EBIT)	**194.0**	196.7	-1.4%
% of net sales	**28.4%**	30.7%	
Profit before taxes	**195.5**	197.3	-0.9%
% of net sales	**28.6%**	30.8%	
R&D expenses	**97.6**	84.1	+16.0%
% of net sales	**14.3%**	13.1%	
Capital expenditure	**35.3**	25.5	+38.1%
% of net sales	**5.2%**	4.0%	
Balance Sheet total	**589.5**	588.1	+0.2%
Equity ratio, %	**75.9%**	75.4%	
Gearing, %	**-19.3%**	-22.6%	
Interest-bearing liabilities	**4.0**	9.8	-58.9%
Non-interest-bearing liabilities	**138.1**	134.8	+2.5%
Cash and cash equivalents	**90.4**	110.0	-17.8%
ROCE (before taxes), %	**43.8%**	46.5%	
ROE (after taxes), %	**32.7%**	34.5%	
Earnings per share, EUR	**1.03**	1.03	-0.2%
Equity per share, EUR	**3.17**	3.14	+0.9%
Personnel at the end of the period	**3 176**	3 061	+3.8%

* The proforma figures for periods before the demerger on 1 July 2006 are based on comparable ones carved out from the financial statements of the demerged Orion.

CEO's greeting

ORION, THE NR.1 BRAND IN FINNISH HEALTHCARE

Orion moved into 2008 in excellent shape. We have spent the past year for the most part on the job, but we have also celebrated our 90-year history in many ways. The biggest party was for all Orion employees, taking joy in the fact that we at Orion stand behind the company's achievements and that by being committed to our work, we have customers who are committed to Orion.

Years ago, Orion's founding shareholders placed a strong emphasis on the value of our Finnish identity. Being Finnish has been a distinguishing characteristic of our company all these years, but it was not until our 90-year jubilee that we began to use the Key Flag emblem granted by the Association for Finnish Work. Although our products contain a great deal of ingredients sourced from our extensive international partner network, most of their added value is nonetheless generated in our own product development and supply chain. A pronounced feature of the pharmaceutical industry is networking and working together with partners. This is also the way Orion works.

I dare say that Orion has long been the leading brand in Finnish healthcare, and we want to retain this position in the years ahead as well.

ORION CAN MAKE THE GRADE BY BEING THE BEST

Only companies that continuously develop their productivity and seek new innovative ways to operate can succeed in the face of ever stiffer competition. Being average will not do. Instead, we must be competitive with the world's best organisations. We want the Orion name and brand to relate to quality and excellence. We want our customers to rely on our products as the best available alternative.

We want to be No. 1 as a partner too. For us, networking efficiently and wisely is a most strategic way of working. Over the past years, we have built partnerships far and wide in all our operations. Managing these alliances has indeed become one of Orion's areas of expertise.

In my view, our key competitive edge is to be found within the company, in our ways of working. Our strong holds are Orion's inbuilt, well-considered and insightful processes, which are hard for competitors to copy. Along with this, our management is dedicated to creating a good working atmosphere and encouraging an innovative spirit in everything we do.

Fostering innovation is vital for Orion's success, and that is why it is an integral part of the way we work each day at Orion.

ORION'S GROWTH STRATEGY MAPS OUT MULTIPLE OPTIONS

We have put in place at Orion an active organisation that has revitalised our product portfolio amongst others by product acquisitions. The fastest growing markets for us are the new EU countries and Russia.

Orion is also studying carefully its opportunities in the emerging economies on more distant continents. An important development focus at the present time is India, where towards the end of 2007 we established our first bridgehead with a view to tapping into the local networking possibilities for research and production.

Research and development investments have grown manyfold in a few years, and the requirements for documenting pharmaceutical development have also escalated year by year. The need for new medicinal treatments will not, however, go away or even diminish. Without them, medicinal healthcare will not make progress. The pharmaceutical companies have taken on the task of development work calling for wide innovative scope and involving large financial risks with potentially large financial gains, too. Orion wants to be a part of this process.

Actions to contain overall healthcare costs have restored generic drugs to the place they deserve. IMS Health estimates that sales of generics in 2008 will grow by about 14–15 per cent, against overall market growth at about 5–6 per cent. Within healthcare we need both new innovative drugs and good old drugs that have become well established through long years of use. A good drug does not deteriorate when it goes off patent.

Effective diagnoses and correct medication can have a major effect on total healthcare costs and productivity. Truly, medicines are among the most efficient investments within healthcare. However, in the public discussion about high costs, one major cost factor is often forgotten: people themselves and our personal possibility for reducing costs through our own lifestyle and by taking care of our own and others' well-being.

Espoo, 7 February 2008

Timo Lappalainen
President and CEO

Timo Lappalainen took over as President and CEO of Orion on 1 January 2008. He has worked in management positions in Orion's Pharmaceuticals business since 1999, most recently as head of the Proprietary Products and Animal Health divisions.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Oslo
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Vilnius
Minsk
BELARUS
POLAND
Warsaw
Kiev
UNITED KINGDOM
North Sea
DENMARK
Copenhagen
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SLOVAK.
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Sardinia
Sicily
GREECE
Athens
Madrid
Balearic Is
Valencia
SPAIN
PORTUGAL
Lisbon
Malaga
Mediterrane
MALTA
Tunis
TUNISIA

Strategy

Orion is seeking to strengthen its presence in Europe. Orion's goal is to speed up the growth of its Specialty Products and Proprietary Products businesses, but growth is also sought within Animal Health and Diagnostics. In countries where Orion has its own sales organisations, organic growth is speeded up through acquisitions of products, product portfolios and companies. In other market areas, Orion seeks close partnerships in order to achieve full European coverage for its products. The aim for Orion is to have Europe-wide control of the marketing authorisations and pricing procedures of the proprietary drugs, because the best long-term growth potential is seen within this product segment.

For Proprietary Products, focusing of research and development within selected therapy areas plays a central role. The emphasis is on the early phases of research and development. As a rule, the costs and risks of Phase 3 clinical research – the most extensive phase – are preferred to be shared with partners. Partnerships and networking are important all across the value chain, both in research and product development and in reaching global markets. Orion aims to increase the in-licensing of developmental molecules and networking. In research and product development, risks are managed by a balanced engagement in the development of new chemical entities and by managing the life cycles of the proprietary products already on the market. Fermion plays an important role as a manufacturer of the active ingredients for Orion's proprietary products and as a developer of their manufacturing processes.

Via active in-licensing Orion acquires new products for the Specialty Products business for the northern, central and eastern European markets.

In the Animal Health business, Orion's own presence covers the Nordic market area, the product range consisting of both Orion-originated and in-licensed products. Orion's innovative animal sedatives are sold by partners on a global scale. In carrying out its R&D activities in the human medicines field, Orion transfers the resultant synergy benefits into animal health with the aim of capitalising on opportunities in the life cycle management of proprietary human drugs.

Within Diagnostics, the needs of customers and markets in the fields of healthcare and industrial hygiene are met by offering innovative, cost-effective, easy-to-use and reliable tests. The flagship product line is QuikRead®. Orion aims to be a leading company in selected areas of point-of-care diagnostics in primary healthcare.

Business environment

In 2006, drug sales worldwide were about 643 billion US dollars, and they grew by about 7%. The United States' share of global drug sales is about 45%. Japan accounts for about 10% and the EU for about 35%. The audited statistics compiled by the American company IMS Health cover about 95% of drug sales worldwide, and they are based on trade between wholesalers and distributors, i.e. mainly on purchases by pharmacies and hospitals.

In the past 3–4 years, the growth rate has clearly levelled off in the USA and the major European markets, mostly in result of the variety of measures taken by governments to contain the medicinal costs. The fastest growing markets are now those of the new EU member states with renewing and increasingly diversifying product selections. China and India are large and fast-growing future markets. Pharmaceutical companies are seeing also manufacturing and product development opportunities in the emerging markets.

In countries with a high standard of living, people are increasingly susceptible to largely lifestyle illnesses, such as cardiovascular diseases, obesity, diabetes, alimentary disorders, asthma and various mental health problems. The sales statistics are topped by patent-protected compounds featuring new mechanisms of action. In 2006, the audited sales of the ten top-selling drugs amounted to about 60 billion US dollars, nearly 10% of all drug sales. The cholesterol drug Lipitor (atorvastatin) alone generated sales of over 13 billion dollars, about 2.2% of the world total. The ulcer medicine Nexium (esomeprazole) ranked second in the sales statistics with sales of 6.7 billion US dollars, followed by the asthma medicine Seretide/Advair (fluticasone and salmeterol) with about 6.3 billion US dollars.

There are hundreds of players in the pharmaceutical market, ranging from the big multinationals to very local companies. The world's largest pharmaceutical company is Pfizer, which had net sales in 2006 of over 48 billion US dollars. Frequent changes take place in the size ranking of players due to consolidation. Product portfolios often change owners too. Indeed, part of the new investigational compounds launched by the big pharma companies come via acquisitions and licensing arrangements.

Gauged by the yardstick of the global pharmaceutical market, Orion, with its ca. EUR 600 million in pharmaceutical sales, is a comparatively small player, but still ranks in the top 70. In the Finnish market, Orion has for decades been among the leaders. Over a hundred pharmaceutical companies are represented by a local marketing company in Finland, and about nine out of every ten euros of the Finnish pharmaceutical wholesales flow via the accounts of those companies. Orion attends to the healthcare of Finns by maintaining an extensive product range of reimbursable drugs and by ensuring that its products are always available at pharmacies.

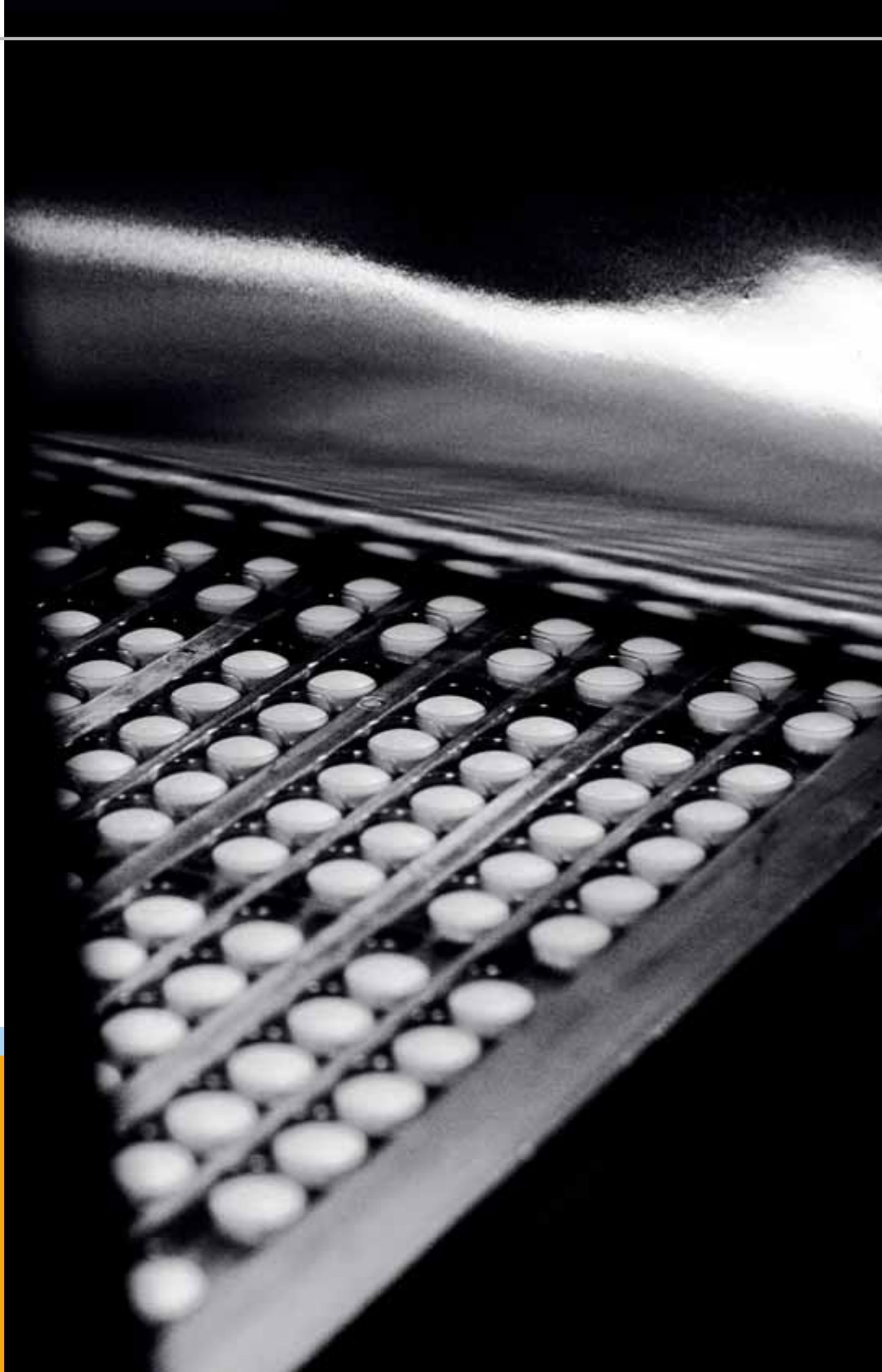
The global diagnostics market is estimated at about USD 33 billion. A few large players dominate the market for centralised automated laboratory systems. In recent years, the trend towards consolidation has also gained pace in the point-of-care test market. All in all, the field is very fragmented, and Orion Diagnostica is medium-sized player in the market. In certain product areas, it has a fairly strong position.

Drug prices and medicinal costs

In Finland, pharmaceutical companies can set the price on their products freely. But if the drug is to be reimbursable, a reasonable wholesale price is confirmed for it for a fixed period by the Pharmaceuticals Pricing Board, which operates under the Ministry of Social Affairs and Health. The retail price is set according to a price list that is confirmed by the Government and is the same in every pharmacy. The retail price includes the pharmacy's sales margin, value added tax of 8% as well as a so-called pharmacy fee.

Pharmaceutical wholesale prices in Finland were West Europe's sixth lowest in 2007. In retail prices of pharmaceuticals, however, Finland was West Europe's seventh most expensive country.

The proportion of drugs of total healthcare expenditure varies from country to country. The share of medicines of Finland's total healthcare costs are about 16%. Today, the growth of drug sales is due to new, more effective and better tolerated, but more expensive drugs protected by patents. Ageing of the population and increased outpatient care are also boosting demand.



Sales Representative Camilla Nyberg has been with Orion for twelve years.

Orion's customers are healthcare professionals

Orion's customers are healthcare service providers and professionals. Pharmaceuticals and diagnostic products are marketed primarily to physicians, veterinarians, pharmacies, public and private hospitals, healthcare and medical centres. Self-care products are also marketed to consumers. The main customers of Fermion are other pharmaceutical companies.

Extremely in-depth understanding of overall treatment concepts is required in the development and marketing of drugs. The communication must be based on clinically proven facts that have been approved for the summaries of product characteristics. Orion focuses on therapeutic areas in which specialist doctors are the main audience for product information. For instance, knowledge of the mechanism, effectiveness and effects of *Stalevo*® and *Comtess*®/*Comtan*® is important for neurologists treating Parkinson's patients, because the disease of every patient is different.

ORION STRENGTHENS ITS EUROPEAN PRESENCE

Orion's products are available in over one hundred countries. The company has own sales organisations in 16 European countries. Orion Diagnostica has subsidiaries in Scandinavia and an extensive network of importers and agents in other markets. In line with its strategy, Orion strengthens its presence in Europe by stepping up growth in the Pharmaceuticals business both organically and by means of acquisitions of products, product portfolios and companies. The greatest growth is being sought in the new EU countries and Russia, where the current marketing units constitute the basis for strengthening the company's presence.

Camilla Nyberg meets physicians in the Helsinki and Western Uusimaa district, informing them about the latest news on Orion's products for respiratory diseases and mental health problems.

When venturing into new territories, Orion first evaluates the special characteristics and operating patterns of the market, such as its pricing and reimbursement systems and principles for possible generic substitution. The operational structure is then set up and fitted to the local requirements. In those European countries where Orion does not have its own sales organisation, the company strives to engage in close co-operation with pharmaceutical companies having an established position in that territory. Orion nevertheless retains control of its distribution channel, product safety data, pricing procedures and brands.

GLOBAL AVAILABILITY VIA PARTNERS

Partnerships and networking play an important role in Orion's strategy. Orion ensures the widest possible market coverage for its proprietary drugs by entering into marketing agreements with pharmaceutical companies whose product portfolios are an ideal fit for Orion's product and which have strong and capable marketing resources. Orion receives an agreed proportion of the sales generated by partners and recognises this income in its net sales. The proportion depends on factors such as the partner's participation in the research costs and the division of the marketing costs between the parties.

The most significant partner for Orion is the Swiss company Novartis, one of the global giants in the pharmaceuticals business, which sells *Stalevo*® and *Comtan*®. Orion handles sales of *Stalevo*® and *Comtess*® in most of those European countries where it has its own sales organisations.

The marketing of the *Easyhaler*® asthma product family has been out-licensed to several regional partners, such as Hexal in Germany, Ranbaxy in the UK, Menarini in Italy and Abdi Ibrahim in Turkey. Orion's oncological products are marketed by Organon, Upsher-Smith, Pola, Nippon Kayaku and GTx. Pfizer is an important partner in veterinary drugs.

Orion, too, is an important marketing partner for a number of pharmaceutical companies in its own territory. An excellent example of successful co-operation is *Enanton*®, (leuproreline acetate), a treatment for prostate cancer marketed by Orion in the Nordic countries under the licence of the Japanese company Takeda. Also research and manufacturing collaboration is done with numerous research groups, universities and pharmaceutical companies. In fact, broad and multiscale networks of collaborative partnerships in research, manufacturing and marketing are very typical to pharmaceutical companies. Smart networking is beneficial for all parties.



Pharmaceutical distribution and marketing is regulated by law

The marketing of pharmaceuticals is regulated by legislation and complementary rules of the game that are jointly agreed by and for the industry and are written down in the *Code of Practice on the Promotion of Medicines* of EFPIA, the European Federation of Pharmaceutical Industries and Associations. The practices agreed by an individual country can be even more demanding, as they are in Finland, for example.

The Finnish Pharmaceuticals Act allows the promotion of medicines only on the basis of the facts given in the summary of the product characteristics. Prescription products can be promoted to healthcare providers only, physicians and pharmacies thus being the primary sources of pharmaceutical information for consumers. The *Pharmaca Fennica* database for physicians and pharmacies includes complete summaries of the product characteristics of all drugs approved for use in Finland. Finnish consumers can consult *Lääkeopas*, a generalised book based on this massive database. It features basic information on the most common drugs, and is available in pharmacies and bookstores.

The information society and information technology pose challenges to legislators. The Internet provides access to reliable but, unfortunately, also possibly wrong or biased information on pharmaceuticals. The Internet has also become a marketplace for booming trade in illegal counterfeit drugs with all their dark sides and risks. In illegal trade, the buyer alone is the one carrying the risk. The only absolutely safe outlet for buying pharmaceuticals is the pharmacy.

Eero Marin from Turku has suffered from Parkinson's Disease for over twenty years. A positive attitude gives him the strength to cope with everyday life.

Proprietary Products

At the core of Orion's growth strategy

The Proprietary Products division comprises the human medicines resulting from Orion's in-house R&D – the product group that Orion has identified as having the best long-term growth potential.

As a result of research begun in the 1980s, Orion has brought to market seven proprietary drugs, three of which are for veterinary use. While proprietary drugs accounted for only about 7 per cent of the net sales of Orion's Pharmaceuticals business in 1996, the figure was 28 per cent in 2000 and about 45 per cent in 2007. A particular boost to the growth has come from the medicines for Parkinson's Disease, i.e. *Stalevo*® and *Comtess*®*/Comtan*®, which are based on the entacapone molecule discovery. They are by far the brightest stars in Orion's product portfolio.

EXPERTISE IN PARKINSON'S DISEASE

Parkinson's Disease (PD) has become Orion's strongest area of expertise. Orion's first drug for PD was the MAO-B inhibitor selegiline, sold under the trade names *Eldepryl*® and *Movergan*®. Orion acquired the rights to this molecule at a very early development stage and it came onto the market in 1982.

Eero Marin's days are full of action. His hobbies include playing guitar, listening to music, sport and outdoor activities. His wife Raija helps with everyday tasks. As the disease progresses, Parkinson's patients need support in basic things like daily hygiene, dressing and eating.



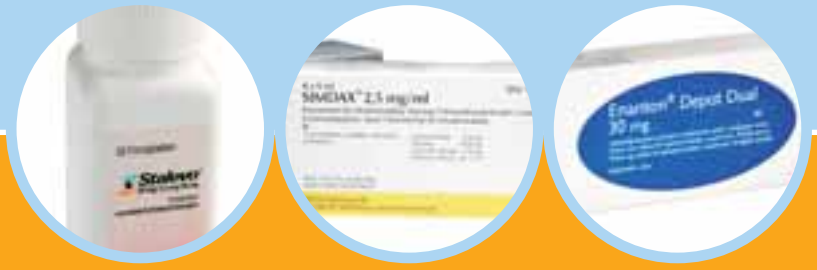
In 1998, Orion launched the COMT enzyme inhibitor entacapone in Europe, and a year later in the United States. Entacapone is a substance that enhances the effect of levodopa, the standard treatment for PD. Orion markets entacapone in Europe under the name Comtess, and in countries where Orion doesn't have its own sales organisation, it is sold under the name Comtan by the partner Novartis. Comtess/Comtan is Orion's first major globally sold drug.

In 2003, further research in entacapone resulted in the launch of Stalevo, an enhanced levodopa treatment containing the basic treatment levodopa and the enzyme inhibitors entacapone and carbidopa in one tablet, in optimised proportions. Favourable long-term clinical experience has established Stalevo as a standard medication for Parkinson's patients requiring levodopa therapy.

In the work with selegiline and entacapone Orion has accumulated globally unique expertise in the treatment of Parkinson's disease.

SPECIALIST DRUGS FOR INTENSIVE CARE AND CARDIOLOGY

One of the most challenging specialised areas of medical science is patient care in hospital intensive care and cardiac monitoring units. Orion has produced two notable drugs for this challenging field: levosimendan and dexmedetomidine. Orion's first proprietary drugs were the animal sedatives *Domosedan*®, *Domitor*® and their reversal, *Antisedan*®, which are used by veterinarians all over the world. The same alpha$_2$ receptor research later yielded dexmedetomidine (trade name *Precedex*®), which is used as a sedative for human patients in intensive care. Today, Hospira Inc. markets Precedex in the United States, Japan and several other countries outside Europe. Having reacquired the European rights for dexmedetomidine, Orion set a goal to introduce dexmedetomidine in Europe as well. A major Phase III clinical trial in 1,000 patients is under way for this purpose.



Orion's expertise in the field of cardiology has accumulated through in-house research since the 1980s. Levosimendan, trade name *Simdax*®, an intravenously administered hospital drug for acute decompensated heart failure for use in intensive care and cardiac monitoring wards, is available in about 40 countries but lacking marketing authorisation in countries with the largest sales potential. The global marketing and development rights to Simdax, excluding the Nordic countries, are held by Abbott.

THE ROLE OF UROLOGY AND ONCOLOGY IS INCREASING

The proprietary products included in Orion's portfolio for urology and oncology are *Fareston*® (toremifene) for breast cancer, and a family of hormone replacement therapies for treating menopausal symptoms. The majority of the sales of Fareston are generated in Japan, where it is marketed by Nippon Kayaku, and in the United States, where the marketing rights are held by GTx, Inc. GTx is also conducting further research in toremifene, for prostate cancer indications.

The hormone replacement therapies comprise a variety of products and treatment options sold under trade names such as *Indivina*®, *Divina*®, *Divitren*®, *Diviseq*® and *Divigel*®, marketed by several pharmaceutical companies under Orion's license. Divigel, a transdermally administered gel preparation, was launched in 2007 in both Japan and the USA as a product containing the lowest available dose of estradiol.

Orion is actively reconstructing its product portfolio by acquiring marketing rights for patent-protected drugs. Examples in point are the two new collaboration agreements closed in 2007 with the Indian-based company Aurigene and Oasmia of Sweden aiming at new approaches for Orion in the treatment of cancer.

Orion's products have belonged to the daily life in Finnish families for ninety years.



Specialty Products

Established treatments for a variety of uses

The Specialty Products unit comprises an extensive and diverse range of close to 300 products of generic prescription drugs, hospital medicines and self-care products for primary healthcare. Orion has developed the formulations of most of them in-house and also manufactures the majority of these products in its own plants. One of the most familiar examples for Finns is *Burana*® (ibuprofen), Finland's best-selling painkiller. The *Easyhaler*® range of inhaled asthma medicines is marketed by partners broadly across Europe. Non-medicinal products, such as the *Aqualan*® creams, and the multivitamin *Multivita*® are examples of highly relied non-medicinal Orion products sold by pharmacies and manufactured under the same strict criteria as ordinary medicines although they are not categorised as pharmaceuticals in the legal meaning.

Currently, about 70% of the Specialty Products net sales are generated in Finland, where Orion's solid market position is largely based on its extensive range of basic medicines covering almost all of the most common illnesses. Orion is the largest player in Finland both in terms of the wholesale value and the number of packages sold. In self-care products, Orion has had the greatest market share for years. In 2007, Orion products accounted for almost a quarter of the total wholesale value of self-care products.

A significant proportion of prescription drugs in Finland fall under the scope of generic substitution. The company aims for an affordable Orion alternative to always be available in pharmacies for a substitutable drug. As a Finnish player, Orion also has a unique competitive advantage: the ability to ensure uninterrupted availability and reliable supply for its entire product range.

As a result of active product development and in-licensing activity Orion is introducing an expanding range of favourably priced preparations for primary care in its European sales territories. In the Scandinavian markets, also self-care products offer good growth opportunities for Orion.

By establishing a broader presence for the Specialty Products division Orion is goal-orientedly building a working pattern that will enable Orion to market future proprietary drugs throughout Europe via its own sales organisations. With a credible presence in the market, Orion becomes an increasingly attractive partner for other pharmaceutical companies.

Easyhaler®

One example of the Specialty Products division's know-how is the reliable and easy-to-use *Easyhaler®* inhaler technology. The first Easyhaler was brought to market in 1994, and sales of the renewed and extended product family are boosted by an expanding network of international partners. Orion has already developed several formulations of respiratory drugs for the Easyhaler.

Pet owners are taking ever better care of their pets` wellbeing.

Animal Health

One of the leading players in the Nordic countries

Orion is one of the leading players in veterinary medicines in the Nordic countries. The product portfolio marketed by Orion includes both proprietary and generic drugs for livestock, domestic animals and pets. Products of several international manufacturers are represented in the versatile range. Pfizer, the world's largest in veterinary medicines, markets and sells Orion's animal sedatives outside the Nordic countries.

The proprietary drugs *Domosedan®*, *Dexdomitor®*, *Domitor®* and *Antisedan®* are major products for the Animal Health business. Domosedan is used for the sedation of large animals, mainly horses, for veterinary examinations and procedures. Domitor is the corresponding product for small animals, such as cats and dogs. Dexdomitor, which is currently being introduced into global markets, is the latest product in the family. Antisedan is an antibody to these sedatives, used for waking up animal patients quickly and safely after procedures.

Other veterinary products include prescription-free parasite drugs for cats and dogs, ketoprofene painkillers for cattle in particular, and the *Aptus®* well-being range.

Orion aims to maximise the outputs of human drug development by studying their opportunities in veterinary medicine too.

The Animal Health division accounts for about ten per cent of Orion's net sales. Growth is generated by sales of proprietary drugs as well as by expanding into eastern Europe.

Fermion's production facility in Hanko manufactures active ingredients for Orion's proprietary drugs and for other pharmaceutical companies.

Fermion

Active pharmaceutical ingredients

Fermion has a strategically important role in the Orion Group's Pharmaceuticals business, as it primarily manufactures the active ingredients for Orion's proprietary drugs – entacapone, levosimendan, toremifene, detomidine, medetomidine, dexmedetomidine and atipamezole. Fermion also manufactures and sells ingredients to other pharmaceutical companies.

In total, Fermion has high-standard documentations and manufacturing processes for about thirty active pharmaceutical ingredients, such as the cancer drugs methotrexate and azathioprine, as well as the antidepressant trazodone. Six per cent of it's pharmaceutical net sales.

It is strategically important for Orion to have a complete control of the entire supply chain for its proprietary products. Fermion has extensive special know-how in the manufacture of pharmaceutical substances. The company's process technologies and systems meet the strictest standards set by authorities on the production of active pharmaceutical ingredients. In its international customer relations, Fermion's key competitive advantages lie in its cutting-edge technology based on innovations, reliability of delivery, dependability, high quality and cost-effectiveness.

Fermion's production facilities are located in Hanko and Oulu, Finland. The company also has a pilot unit in Espoo, Finland, for testing and developing the production of new active pharmaceutical ingredients.

Orion Diagnostica

Point-of-care tests for primary healthcare and hygiene

Orion Diagnostica manufactures *in vitro* diagnostic tests and systems for diagnosing patients in hospitals, health centres and clinics. It is increasingly focusing on point-of-care tests, which physicians and nurses use to diagnose diseases and to monitor the effectiveness of treatment during patient consultations and in small-scale laboratories. Orion Diagnostica's products are marketed globally.

A correct and rapid diagnosis is to every patient's advantage and also benefits all other parties involved in healthcare. Physicians are able to start treating their patients quickly; and the diagnostic method used to evaluate and monitor the patient's condition and required treatment also notably affects the overall efficiency and cost of healthcare.

Diagnostic methods are moving towards easier-to-use, faster and more reliable tests, as well as the combination of diagnostics with suitable medication. The leading brand in Orion Diagnostica's product range is *QuikRead*®, and the CRP test is its most successful application. A blood sample taken from the fingertip is measured for its C-reactive protein (CRP) content, with a raised value often indicating bacterial infection. The results of the CRP test, combined with the patient's symptoms, help physicians decide whether the patient is suffering from a viral or bacterial infection, and whether or not a course of antibiotics is required.

The *UniQ*™ collagen tests that measure bone metabolism help physicians treat osteoporosis, among others. These tests are extremely sensitive. For example, even if evidence of change is not yet visible in bone density measurements, the ICTP collagen test can reveal metastatic tumours resulting from breast cancer. The PINP test, which measures bone formation, can also be used to monitor treatment of osteoporosis.

Some of Orion's diagnostic tests are used in highly automated hospital laboratories, including those for hormonal, bone, connective tissue, gastroenterological and specific protein assessment. Orion also engages in contract manufacturing of diagnostic products for other companies.

Examples of point-of-care products

Turbox® an analyser that measures proteins and can be used to assess 18 different proteins from plasma, blood or urine samples.

Diarlex® a test which reveals rota and adeno viruses from faecal samples.

Uricult® a urinary tract infection test which came onto the market 40 years ago as a pioneer and still enjoys stable demand.

Hygiene tests for a variety of industry sectors

Hygicult® tests are used for monitoring microbial loading in, for example, the food and cosmetics industries and in commercial kitchens.

Easicult® tests are used to measure microbial loading in industrial fluids and liquid fuels in order to optimise use and warehousing times. Easicult users include the paper industry, airlines and oil companies.

The Hygicult-On test is an easy and reliable method for monitoring hygiene in, for example, kitchens of institutional catering service providers.

Researchers Kari Vahervuo (front) and Bert Van Veen are engaged in formulation development at Orion's laboratories for pharmaceutical R&D in Espoo. In the picture they are investigating how to improve the dissolution of a poorly soluble pharmaceutical ingredient.



Research and product development

The focus in Orion's pharmaceutical R&D is on early research, i.e. preclinical as well as clinical Phases I and II, whereas the large-scale Phase III trials are preferred to be conducted together with partners selected for further development and marketing.

Orion invests an annual average of about 15% of its pharmaceutical net sales in research and product development, a work field of about 700 people.

Orion's R&D organisation has set a challenging goal for itself: to be the best R&D organisation by 2017. Characteristic of such an organisation is leadership which encourages innovation as well as the search for and application of all available intelligence, an organisational structure optimised to implement the strategy, and a strategy resulting in a balanced product portfolio and enabling the application of new technologies.

SCIENTIFIC EXPERTISE AND HIGH TECHNOLOGY ARE ORION'S STRENGTHS

Scientifically competent researchers make the platform for innovative and productive pharmaceutical research. Orion has the power and agility of a small company but also has all the resources and hands-on experience to conduct projects through all the research phases and to attend to the application and maintenance of marketing authorisations. The management of product life cycles is also a competence area. This means, for example, the identification of additional indications, or the development of new and more versatile formulations for administering the drug.

The profile of an investigational compound may sometimes prove to be less optimal for the intended purpose. Research will then continue using back-up molecules. Lead molecules and their back-ups are constructed using computer-assisted molecule modelling and structural design. Computer-assisted molecule screening and modelling have accelerated steps and increased efficiency in early research, because they not only reduce the mass screening workload of laboratories but also generate a greater variety of ideas on optimal molecule structures. It is also important that computer models can be continuously fine-tuned on the basis of information gleaned on the target protein and the structural effects of the substances being studied.

The level of technology at all of Orion's research facilities is competitive in global terms. New technologies are deployed if they can yield substantial added value to in-house research.

FOCUSED AREAS OF RESEARCH

Orion's core expertise areas in pharmaceutical research are selected target proteins, enzymes and receptors. One of the particular strengths Orion draws on is the knowledge it has gained on the structure of the target

proteins studied, their cellular mechanisms of action and the behaviour of the compounds in the body. Work focuses on indication areas for which research models that predict efficacy and safety have been developed over the years.

COMT enzyme
High-calibre scientific knowledge of the COMT enzyme (catechol-0-methyltransferase) and the role it plays in the treatment of Parkinson's Disease has played a key role in Orion's drive to go international and its growth into a company known for reliable treatments for Parkinson's. On this path, Orion is developing a new COMT inhibitor that is even more efficacious and longer-acting than entacapone.

Alpha$_2$ receptors
Research in adrenergic alpha$_2$ receptors, which belong to the large family of G protein-coupled receptors, has already yielded four proprietary drugs for Orion. Basic scientific research in this area has proceeded rapidly and the systematic development of new specific compounds acting on alpha$_2$ receptor subtypes is on the horizon. Orion is actively studying opportunities for the use of alpha$_{2c}$ receptors in the treatment of the symptoms of schizophrenia and depression, for instance.

Androgen receptor
Research in urological and oncological therapies focuses on hormonal nuclear receptors. In recent years, Orion's researchers have identified many active ingredients affecting the male hormone (androgen) receptor. In this area, Orion seeks to develop new treatments with testosterone-like favourable effects on muscle mass and bones, for instance, but without the unfavourable effect of enlarging the prostate. Unmet needs in this therapy area also offer potential for new prostate cancer treatments.

Diagnostic products
In diagnostics, Orion has strong specialist expertise in the development of easy-to-use and quick methods, especially in point-of-care testing of infectious diseases, hormones, specific proteins and bone metabolism. The transition in the product range to rapid point-of-care tests has strongly steered product development to meet the needs of customers that use those tests, i.e. minor clinics and doctor's offices. The leading product family in this area is the *QuikRead*® system, which is under intensive development at Orion. In focus are also tests like the unique *UniQ*™ collagen tests.

SIGNIFICANCE OF NETWORKING AND CO-OPERATION

When companies seek new ideas and research avenues to add to their existing development projects, networking with academic researchers and biotech companies becomes most important. Orion has an active and extensive collaboration with Finnish and foreign research groups. Examples of most recently established partnerships are those with the Indian-based Aurigene, the Swedish Oasmia and the Finnish Medeia, as well as Orion's decision to sponsor the FIMM, the newly established Institute for Molecular Medicine Finland.

Researcher Markku Kaija places samples in a micronisation device at Orion's R&D laboratory in Espoo.

Orion's pharmaceutical innovations

Detomidine (Domosedan®, a sedative for animals), **medetomidine** (Domitor®, a sedative for animals) and **dexmedetomidine** (Precedex®, a sedative for human patients in intensive care, and Dexdomitor®, a sedative for animals) affect numerous nervous systems via the adrenergic alpha$_2$ receptors. When the molecules bind to this receptor, they activate it causing a sedated condition in which also stress reactions and pain are alleviated. Atipamezole (Antisedan®) is their antibody. When atipamezole binds to the same alpha$_2$ receptors, it prevents their activation. The blocking of alpha$_2$ receptors increases nerve cell activity and awakens the patient.

Entacapone is Orion's most significant molecule innovation. It is a drug that enhances the effect of levodopa, the basic medication for treating Parkinson's Disease. It works by inhibiting the harmful effects of the COMT enzyme on levodopa. Entacapone acts in the Comtess® and Comtan® preparations, as well as in Stalevo®, which contains levodopa, entacapone and carbidopa in one tablet, the two latter substances enhancing the therapeutic effect of levodopa. Treatment with Stalevo and Comtess/Comtan extends the time when the symptoms are under control, and improves the patient's quality of life more than treatment with conventional levodopa, i.e. without COMT inhibition.

Levosimendan is the active ingredient in Simdax®, the heart failure drug used intravenously at cardiac monitoring and intensive care wards at hospitals. It is a compound that in the presence of calcium binds to the troponin C protein of the cardiac muscle. Levosimendan sensitises the heart muscle to the calcium contained in the muscle's cells and thus increases heart muscle contractility without raising the heart's oxygen consumption. In addition, it dilates veins by opening their potassium channels, thereby improving blood circulation to vital organs. Both mechanisms improve blood circulation to the body and tissue through the heart. Levosimendan is the active ingredient in Simdax®, the heart failure drug used intravenously at cardiac monitoring and intensive care wards at hospitals.

Toremifene is an antiestrogen developed by Orion. It is the active ingredient in the breast cancer drug Fareston®. Toremifene binds to the estrogen receptors of cancer cells, preventing the body's own estrogen from stimulating cancer cell growth. The American company GTx, Inc. is currently studying toremifene for prostate cancer indications.

Seamless cooperation between many professionals is required in the production of pharmaceuticals.

Supply Chain

The role of the Supply Chain organisation is to manufacture products and to ensure their deliveries to the customers at the right time as efficiently, economically and reliably as possible. About 950 people work in the supply chain and related quality assurance at Orion's plants in Espoo, Turku and Kuopio, Finland. Each plant specialises in certain types of products. The manufacture of diagnostic products has been partially integrated into the supply chain of pharmaceuticals.

SEAMLESS MANAGEMENT OF THE WHOLE CHAIN IS A MUST

Large amounts of capital are tied up in the Supply Chain functions. For this reason, it is important to run operations

Rational capacity utilisation is crucial for the cost-effectiveness of the supply chain.

under optimised control, with high cost effectiveness and capacity utilisation, and with rapid turnover of the stocks of materials and finished products. An information system providing complete control – from procurements, forecasts and the inventory status all the way to customer inventories – is an indispensable tool. Correct prediction is important in ensuring that wholesalers have enough products to meet demand.

Orion's production program includes about 300 products. They are sold in about 6,000 versions of packages. For instance, over two billion tablets are produced annually. In line with its strategy, Orion takes advantage of networking in production as well. It is rational to outsource the manufacturing of some products. For the same reason, Orion serves as a sub-contractor for other pharmaceutical companies. By rational allocation of the capacity we can significantly influence the cost-efficiency of the Supply Chain operations, a key competitive tool. Efficiency also means minimising the lead times of batches and the ability to rapidly switch a production line for another tablet strength or an entirely different product. For instance, the *Stalevo*® and *Comtess*®/*Comtan*® franchise includes many

tablet strengths and forms, and a great variety of packages for different markets.

The Supply Chain organisation also comprises the procurement function, which handles purchases of materials from external sources. The company seeks cost-efficient sourcing, relying on a few preferred providers for items such as technical and packaging materials. On the other hand, the number of sources for pharmaceutical ingredients is broad, because only a limited selection of substances is available from one supplier.

As Finland's leading pharmaceutical company, Orion has made contingency plans for societal emergencies. To ensure its operational viability under exceptional circumstances, Orion maintains reserve stocks of the most critical active ingredients, other substances required in drug manufacture and packaging materials in excess of its own requirements.

Only correctly taken medicines help

The product leaflet provides the most elementary information on the drug and its use. The patient can ask his/her attending physician or a pharmacy for more information. It is important to take the drug as prescribed and to store it in the right conditions. Drugs should not be used after their expiration date. Expired drugs should be taken to a pharmacy for disposal. Doubtful products should also be returned to the pharmacy, which will send it back to the manufacturer.

The quality of a drug is the outcome of a seamless chain

Orion is committed to developing and producing high-quality pharmaceuticals and diagnostic products that are used for diagnosing, treating and curing diseases, monitoring treatment and maintaining health. Due to its nature the business is subject to stringent supervision. Operations are guided by special legislation, numerous official regulations, comprehensive permits, licenses and reporting procedures as well as regular inspections by the pharmaceutical supervision authorities. Within the EU, the highest regulatory body in the pharmaceutical industry is the EMEA, European Medicines Agency, and its counterpart in the United States is the FDA, Food and Drug Administration. The medicinal authority in Finland is the National Agency for Medicines.

In addition to regulatory provisions, Orion's operations are guided by ethical principles concerning products and healthcare in general, as well as the values of Orion as a working community.

Quality along the entire chain of operations hinges on compliance with good practices based on EU provisions, process efficiency and functionality, the safety and consistent quality of products as well as delivery reliability.

THE MARKETING AUTHORISATION HOLDER CARRIES THE RESPONSIBILITY

As a drug manufacturer Orion is responsible for ensuring that its products fulfil the requirements of the Medicines Act and boast faultless quality. Manufacture and quality control must comply with the set provisions. Pharmaceutical manufacturers must also use production methods that comply with EU provisions. This applies to outsourced products too. When outsourcing, Orion settles on the responsibilities and technical details of the sub-contractor in specific quality agreements. Orion also verifies the appropriateness of the contract manufacturer's qualifications by making on-the-spot audits.

Each drug is available on the market under a product-specific marketing authorisation granted by a regulatory authority. In order to obtain marketing authorisation, the product must be demonstrated to be medicinally purposeful and safe, and it must fulfil the production and quality requirements set for active ingredients, pharmaceutical preparations and formulations in the official guidebook, the pharmacopoeia. Furthermore, its composition and other information must be appropriately documented and provided.

As the marketing authorisation holder, Orion is responsible for the quality and safety of its products as well as the compliance of its facilities and processes to the regulatory authorities.

FULL TRACEABILITY

Orion acquires active ingredients from suppliers whose operational quality has been verified. All the materials used in pharmaceutical manufacture and packaging are inspected before being approved for use in production. Pharmaceuticals are manufactured in validated processes in accordance with Good Manufacturing Practices. Each product batch is inspected and verified before market release. These procedures ensure the uncompromised safety and quality of the drugs. All materials and stages of manufacture, quality assurance and distribution can be seamlessly traced on the basis of the batch number on the product package. Orion maintains constant readiness to rapidly recall a product batch from both wholesale and retail distribution. All complaints and quality deviations are logged and examined thoroughly.

Extreme responsibility is required from the manufacturers and marketers. The safety of a drug is constantly monitored throughout the time it is on the market. Consistent follow-up and reporting to the authorities ensure that the benefits outweigh the adverse effects. Orion files all feedback on the quality of its products everywhere they are used, and evaluates this feedback systematically.

Building environmental well-being

Environmental aspects are an unseparable part of high-quality manufacture of pharmaceuticals and diagnostic tests. Orion takes environmental impacts into consideration in every stage of product development and manufacture. Also contract manufacturers, vendors and other partners are requested to comply with the same high standards of managing environmental affairs as Orion itself has. The compliance and appropriateness of the operations of partners are ensured by means of quality agreements, audits and other procedures. Orion continuously hones its environmental compliance to reduce the environmental load of its operations.

The company's safety policy also obligates to identify the environmental impacts of the decisions and solutions, to develop operations to preserve the diversity of nature, and to establish procedures in case of accidents.

EMISSIONS UNDER CONTROL

Orion's plants represent high technology. In its laboratories, manufacturing processes and quality assurance Orion uses up-to-date methods meeting the quality, safety and environmental requirements of pharmaceutical authorities, marketing partners and contract manufacturing customers. The company monitors the environmental impacts of its operations by measuring emissions and keeping track of waste and the volumes of substances and energy consumed. Despite increased production volumes, the company has kept its environmental compliance well under control: methylene chloride emissions have declined, recycling of waste has been stepped up, and relative energy consumption has decreased. Even hazardous waste is converted to energy.

Strict requirements have been set for the conditions and the cleanliness of the production premises. Manufacturing processes are as closed as possible to ensure the physical and microbiological purity of the products. The inflow and outflow air of the production facilities undergoes multi-stage changing and filtering. Volatile organic compounds emitted into the outdoor air are minimal. Emissions from chemical processes are controlled effectively with condensers and scrubbers. Solvent emissions are minimised using modern process technology and upgrading the manufacturing processes so that the need of volatile solvents is kept to a bare minimum.

CONVERTING WASTE INTO ENERGY

Solvents are the major focus of Orion's emissions control. Solvent emissions result from production phases like filtering, drying, granulation, tablet coating and the washing of process equipment. The most harmful solvent is methylene chloride, which has been successfully phased out in tablet production, but remains indispensable and irreplaceable in some of Fermion's processes. Methylene chloride emissions were, however, brought under effective control when the new solvent gas treatment facilities were taken into use at Fermion's Oulu and Hanko plants in late 2007. These facilities combust the solvent gases into non-hazardous compounds and also generate energy into Fermion's processes. In Hanko, about as little as 0.5 per cent of the solvents consumed evaporate into the air, while the permit allows 5.0 per cent. The corresponding limit at the Oulu plant is 15 per cent.

Orion provides environmental information on its website, www.orion.fi.

The year 2007 has been one for environmental investments. Fermion's plants in Hanko and Oulu have received modern facilities where the solvent and exhaust gas emissions are combusted and converted into energy for use in the production processes. This picture shows the solvent gas treatment facility at Hanko.

Orion offers inspiring and challenging career opportunities for specialists in many fields.

Orion is a working community of versatile professionals

Orion is a working community with about 3,200 members. Over 2,600 of the employees work at the Group's Finnish locations. A total of about 500 people in 16 countries work for the foreign subsidiaries and representative offices, most of them in marketing. Orion is the largest employer in its field in Finland. The hundreds of job titles of its staff cover the whole field, from research to manufacture, marketing and administration.

The average length of employment at Orion is 11.5 years. Of the personnel, approximately 23% are blue-collar workers and 77% clerical employees. About 93 per cent are in a permanent employment relationship. About one per cent of all employees work part-time.

The pharmaceutical industry offers the chance to work in an international environment and a great variety of challenging career opportunities for experts in different fields. Orion needs a wide range of specialists, ranging from the natural and medicinal sciences to business, mathematics, technology, IT and the humanities. Physicians, chemists, pharmacists, nurses and laboratory technicians have a good educational background for a job at Orion. The pharmaceutical industry trains some of its employees on its own, like sales representatives, for instance.

Orion wants and needs competent employees in order to succeed. The company's success is dependent on its ability to hire, develop, train and motivate professionally skilled personnel. Human resources management aims to ensure the competence, motivation and well-being of employees, the continuous development of the working community and precise resource planning.

Human resources management is based on Orion's values and the equitable and fair treatment of employees. In human resource matters, Orion complies with legislation, collective agreements, work safety regulations and other obligations without compromise.

FAR-SIGHTED DEVELOPMENT

Orion takes a long-term approach to the development of expertise and the working community. Orion's supervisors have participated in Group-wide coaching on Orion's approach to management for many years. The results of development efforts are tracked annually by means of regular working climate measurements and parameters of leadership and managerial work.

The professional skills of the employees are developed constantly and systematically. The personal needs are revisited in the regular appraisal discussions annually. Orion also has a mentoring programme in which top experts pass on information and experience – "tacit knowledge" – to younger colleagues. Expertise is also developed by means of career planning and purposeful job rotation. Career planning aims to nurture motivated and multi-skilled employees.

ENSURING WELL-BEING AT WORK IN MANY WAYS

Orion has a versatile toolkit for supporting the occupational well-being of its personnel. A particular life phases programme attends to the occupational fitness of people of all ages in different situations in life. Health checkups are performed by age group to evaluate occupational fitness and the need of measures to maintain it, such as "shape-up" courses that are sponsored by the company. In addition, Orion supports the motional and fitness activities of the personnel in many ways and maintains recreational facilities for its employees in different regions. Fitness vouchers are in active use. Systematic assessments of the workplace and risks are caried out to continuously develop working conditions.

OCCUPATIONAL SAFETY IS EVERYBODY'S CONCERN

At Orion, safety issues are led and supervised by a Group-level safety management team. It is responsible for the overall development of safety activities and sets development objectives for the safety committees for the different parts of the Group.

General instructions on safety and exceptional situations are provided in the Safety Guide, which underlines the obligation of all Orion employees to maintain safety and never to consciously violate safety instructions, endanger people's safety or damage property.

INFLUENCING OPPORTUNITIES AND CO-OPERATION

The management is in regular and uncomplicated dialogue with the personnel. The European Works Council (EWC) convenes each year bringing together the management and personnel representatives over national borders. Management and employee representatives meet at national and local councils numerous times a year. A representative of the employees is a member of the Executive Management Board of the Orion Group.

HUMAN RESOURCES POLICY FOSTERS EQUALITY

Orion respects human rights. Orion's human resources policy aims to promote gender and generational equality in the working community. A person may never be discriminated against on the basis of his or her age, gender, religion or ethnic background at any time while at Orion.

Orion Group personnel by country in December 2007

Finland total	2 675
Scandinavia	131
Germany	131
UK and Ireland	59
Other European countries	180
Foreign countries total	501
Orion Group total	**3 176**

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Orion Corporation

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Orion´s publications

The homepage provides a facility for subscribing Orion´s publications.
The publications can be also ordered by e-mail corpcom@orion.fi

www.orion.fi

Persons in pictures:

Page 2:	Warehouse worker Matti Piira
Page 3:	Graduate student Heidi Silvennoinen, operator Joni Mild
Page 4:	Research Associate Tiina Järvinen, operator Tuula Talasterä
Page 7:	Laboratory Technician Kirsi Haaja, graduate student Heidi Silvennoinen
Page 8:	Business Manager Stiina Ylikangas, Head of Study Management and Medical writing Eeva-Riitta Kultalahti, Group Controller Kari Kantola, Research Scientist Mikko Mäkelä
Page 11:	President and CEO Timo Lappalainen
Page 17:	Product Manager, Psychiatric Products Camilla Nyberg
Page 28:	Operator Kirsi Heinonen
Page 32:	Senior Specialist Kari Vahervuo, Senior Development Manager Bert Van Veen
Page 33:	Research Assistant Lari Saukko, graduate student Heidi Silvennoinen
Page 34:	Research Associate Satu Paalanen
Page 35:	Research Scientist Marko Kaija
Page 36:	Warehouse worker Matti Piira, Warehouse worker Ville Nyberg, Storekeeper Ossi Heikkinen
Page 37:	Packaging Technology Assistant Säde Lindell, granulation process operator Oke Kallio
Page 38:	Laboratory Technician Kirsi Haaja, operator Henriette Piiroinen
Page 39:	Operator Tuula Talasterä, Export shipper Kivo Pennanen
Page 40:	Laboratory Technician Kirsi Haaja
Page 44:	Research Associate Maria Laaksonen, Research Associate Tiina Järvinen, Warehouse worker Matti Piira, Group Controller Kari Kantola, Research Scientist Mikko Mäkelä
Page 46:	Granulation process operator Oke Kallio, Business Manager, Urology&oncology business Stiina Ylikangas, Head of Study Management and Medical writing Eeva-Riitta Kultalahti, Export shipper Kivo Pennanen
Page 47:	Product Manager, Psychiatric Products Camilla Nyberg, operator Tuula Talasterä, Driver Mauri Kaikkonen

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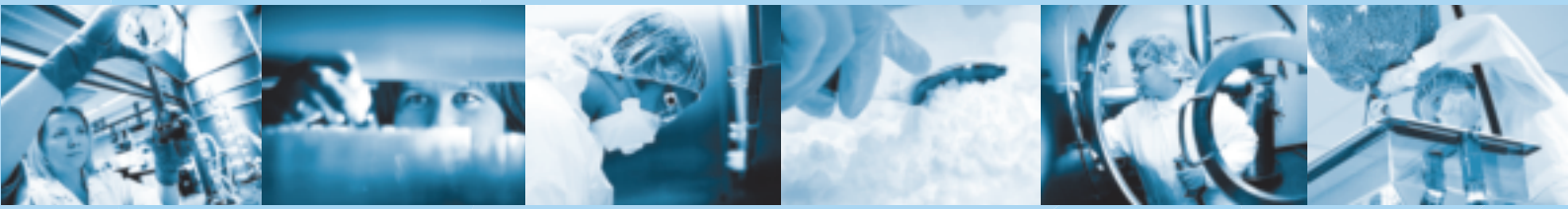
ORION

BUILDING WELL-BEING

Financial Statements 2007



Orion

Orion Corporation is a Finnish stock exchange company which develops, manufactures and markets pharmaceuticals, active pharmaceutical ingredients and diagnostic tests for global markets. Orion has been building well-being for as many as 90 years. Orion's customers are healthcare service providers and professionals, such as doctors, pharmacies, hospitals, healthcare centres, clinics and laboratories.

Pharmaceuticals account for about 95% of Orion's net sales, of which a considerable part comes from proprietary patented pharmaceutical innovations. *Stalevo*® and *Comtess*®/*Comtan*®, for Parkinson's Disease, are the most significant globally marketed products for Orion.

Orion carries on intensive research with the aim of introducing new innovative treatments to global markets. The core therapy areas in Orion's product and research strategy are the central nervous system, cardiology and critical care, and hormonal and urological therapies. In global marketing, Orion enters into licensing partnerships with other pharmaceutical companies.

Orion has also a large portfolio of generic, off-patent prescription medicines, hospital treatments and self-care products. These products are sold mainly in Finland, other Nordic countries, the new EU countries and Germany. In animal health, Orion has the leading market position in its home territory, the Nordic countries. The business division Fermion produces active pharmaceutical ingredients for both Orion and other pharmaceutical companies.

Orion's diagnostic tests are used widely around the world to help in diagnosing patients and to contribute to the follow-up of treatment. The emphasis in this product sector is on easy-to-use and rapid point-of-care tests. The leading brand is the *QuikRead*® test for diagnosing infections.

Orion's strategy emphasises profitable growth and increased shareholder value, whilst keeping business risks under control. Orion is strengthening its European presence. The growth is promoted by product, product portfolio and company acquisitions as well as licence agreements, but the best long-term growth opportunities are seen in the proprietary products.

www.orion.fi

Information to shareholders

Annual General Meeting of the Shareholders on Tuesday, 25 March 2008

The Annual General Meeting of the Shareholders of Orion Corporation will be held on Tuesday, 25 March 2008 at 14.00 p.m at the Amfi Hall of the Helsinki Fair Centre, 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 Articles of Association and Section 3 of Chapter 5 of the Companies Act as subject to the decision by the Annual General Meeting.
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 8 February 2008. 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 Monday, 17 March 2008 before 12.00 Finnish time.

Registrations in writing are requested to be mailed to Orion Corporation, Shareholder affairs, P.O.Box 65, FI-02101 Espoo, Finland, or by telefax to +358 10 426 2323. Registrations by phone will be received in +358 10 426 5252. 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 2007, a dividend per share of 1.00 euros shall be paid to Orion Corporation shareholders entered in the shareholder register maintained by the Finnish Central Securities Depository on the record date 28 March 2008. The date of the dividend payment is 4 April 2008. Shareholders having not registered their shares in the book-entry securities system by the record date for dividend payment shall receive the dividend payment only after registration of their shares in the system.

Orion's publications and their distribution

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 sending an e-mail to corpcom@orion.fi, the common e-mail address of the Communications office of the Orion Group.

Changes of shareholders' addresses

The shareholders are advised to notify about their address changes via the relevant bank.

Orion's calendar for 2008

Latest registration date for Annual General Meeting.....17 March 2008 at 12.00

Annual General Meeting.....25 March 2008

Record date for dividend payment.....28 March 2008

Dividend payment date.....4 April 2008

Interim Report 1–3/2008.....25 April 2008

Interim Report 1–6/2008.....5 August 2008

Interim Report 1–9/2008.....28 October 2008

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ABG Sundal Collier
www.abgsc.com

ABN AMRO Securities
www.abnamro.com

Blue Oak Capital
www.blueoakcapital.com

Credit Suisse Equity Research
www.credit-suisse.com

Danske Bank
www.danskebank.com

Dresdner Kleinwort
www.drkw.com

eQ Bank
www.eqonline.fi

Evli Bank
www.evli.com

Glitnir
www.glitnir.fi

Goldman Sachs International
www.gs.com

Handelsbanken Capital Markets
www.handelsbanken.fi

Landsbanki
www.landsbanki.com

Pohjola Bank
www.pohjola.fi

SEB Enskilda Equity Research
www.seb.fi

Standard & Poor's
www.standardandpoors.com

Öhman Equities
www.ohman.se

Analyst contacts are updated on www.orion.fi/investors.
Orion takes no responsibility of the analysts' opinions.

Annual Summary of Releases in 2007

Stock Exchange Releases in 2007

Publication date	Title
24.01.2007	Change in the Executive Management Board of the Orion Group as of 1 February 2007
24.01.2007	Share-based incentive plan for ca. 30 key persons in Orion
29.01.2007	Recommendation by the Nomination Committee concerning Board of Directors to be elected by the AGM of Orion Corporation
06.02.2007	Bulletin of Orion Corporation Financial Statements for 1 July–31 December 2006
06.02.2007	Orion Group Financial Review (proforma) 1–12/2006
06.02.2007	Orion updates progress with Simdax (i.v. levosimendan)
06.02.2007	Matters to be handled at Orion's AGM on 2 April 2007
01.03.2007	Orion Group Annual Report 2006 published
08.03.2007	Amendment to the Annual Report 2006 of Orion Corporation concerning holdings of Board members
02.04.2007	Decisions by the AGM of Orion Corporation on 2 April 2007
02.04.2007	Jukka Ylppö Vice Chairman of the Board of Directors of Orion Corporation. Compositions of Board committees
25.04.2007	Orion's partner discontinues development of levosimendan (Simdax) in the US
25.04.2007	Orion Group Interim Report 1–3/2007
06.08.2007	Orion Group Interim Report 1–6/2007
06.08.2007	Decision of the Board of Directors of Orion on repurchasing own shares
13.08.2007	Orion comments on ANDA filing of generic entacapone (Orion's proprietary drug Comtan®) in the United States
11.09.2007	New President and CEO for Orion Corporation as of 1 January 2008
13.09.2007	Orion sues generic drug companies in the U.S. to enforce patents for entacapone (Orion's proprietary drug Comtan®)
01.10.2007	Orion comments on ANDA filing of generic versions of Orion's proprietary drug Stalevo® in the United States
24.10.2007	Orion Group Interim Report 1–9/2007
24.10.2007	Orion Corporation's publication schedules for financial reporting in 2008
24.10.2007	Composition of the Nomination Committee of Orion Corporation
13.11.2007	Orion sues Sun Pharmaceuticals in the U.S. to enforce a patent for Stalevo®
15.11.2007	Appointments into Orion's Executive Management Board as of 1 January 2008
27.11.2007	Announcement by Orion Corporation in accordance with section 10 of chapter 2 of the Finnish Securities Market Act

Stock Exchange Announcements in 2007

18.01.2007	223,000 Orion A-shares converted into B-shares
26.01.2007	70,000 Orion A-shares converted into B-shares
19.04.2007	Changes in Orion's Articles of Association entered in the Trade Register on 19 April 2007
26.04.2007	905,839 Orion A-shares converted into B-shares
21.05.2007	532,051 Orion A-shares converted into B-shares
21.06.2007	335,315 Orion A-shares converted into B-shares
06.07.2007	100,000 Orion A-shares converted into B-shares
31.08.2007	398,000 Orion A-shares converted into B-shares
07.11.2007	171,347 Orion A-shares converted into B-shares
17.12.2007	260,000 Orion A-shares converted into B-shares

The stock exchange releases and announcements are available at www.orion.fi/investors.

Financial development 2004–2007

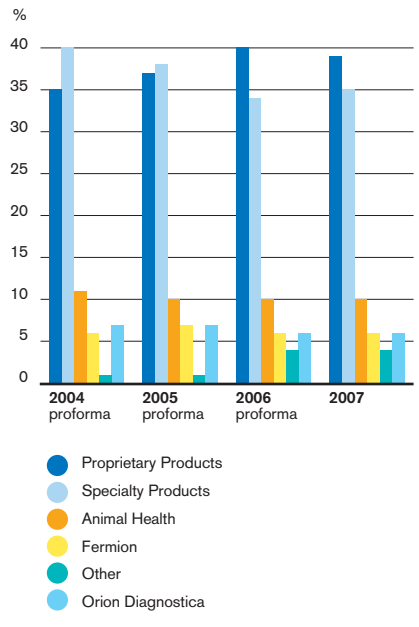
Orion's key figures for 2004–2007

	2004 Proforma	2005 Proforma	2006 Proforma	2007	Change %
Net sales, EUR million	553.0	585.6	641.1	**683.6**	+6.6%
Operating profit (EBIT), EUR million	105.3	155.2	196.7	**194.0**	-1.4%
% of net sales	19.0%	26.5%	30.7%	**28.4%**	
Profit before taxes, EUR million	104.1	154.3	197.3	**195.5**	-0.9%
% of net sales	18.8%	26.3%	30.8%	**28.6%**	
Income taxes, EUR million	30.8	40.4	52.2	**50.0**	-4.1%
Total dividends, EUR million	-	-	141.3	**141.3**	
Dividend payout ratio, %	-	-	97.1%	**97.1%**	
R&D expenditure, EUR million	78.4	80.1	84.1	**97.6**	+16.0%
% of net sales	14.2%	13.7%	13.1%	**14.3%**	
Capital expenditure, EUR million	19.6	23.7	25.5	**35.3**	+38.1%
% of net sales	3.5%	4.0%	4.0%	**5.2%**	
Balance Sheet total, EUR million	551.3	605.1	588.1	**589.5**	+0.2%
Equity ratio, %	54.1%	65.6%	75.4%	**75.9%**	
Gearing, %	2.2%	-28.7%	-22.6%	**-19.3%**	
Interest-bearing liabilities, EUR million	75.0	10.5	9.8	**4.0**	-58.9%
Non-interest-bearing liabilities, EUR million	179.9	197.8	134.8	**138.1**	+2.5%
Cash and cash equivalents, EUR million	68.4	124.5	110.0	**90.4**	-17.8%
ROCE (before taxes), %	24.8%	40.7%	46.5%	**43.8%**	
ROE (after taxes), %	19.7%	32.9%	34.5%	**32.7%**	
Earnings per share, (adjusted), EUR	0.55	0.83	1.03	**1.03**	-0.2%
Equity per share, EUR	2.22	2.86	3.14	**3.17**	+0.9%
Personnel at the end of the period	2 961	3 003	3 061	**3 176**	+3.8%
Wages and salaries, EUR million	116.3	118.7	123.7	**131.6**	+6.4%

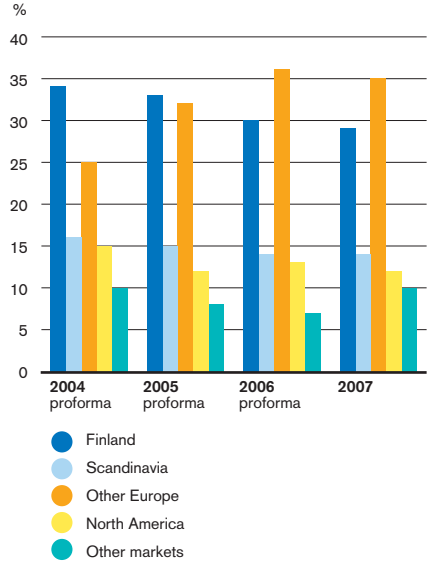
The proforma figures for periods before 1 July 2006 are based on the comparable ones carved out from the financial statements of the demerged Orion. Figures on dividends are calculated only for periods after the demerger.

The dividend figures for 2007 are based on the dividend proposed by the Board of Directors.

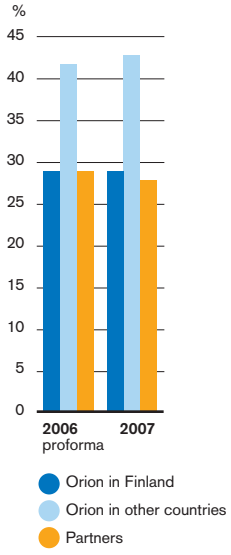
Net sales by business



Net sales by geographic segment



Net sales by sales network



Net sales by business unit

EUR million	2004 Proforma	2005 Proforma	2006 Proforma	2007	Change %
Pharmaceuticals	515.5	547.0	601.4	**643.3**	+7.0%
Proprietary Products	196.5	214.9	256.6	**270.8**	+5.5%
Specialty Products	218.9	224.3	218.7	**241.5**	+10.4%
Animal Health	58.6	59.5	63.3	**66.8**	+5.5%
Fermion	34.1	38.4	38.5	**38.1**	-1.0%
Other	7.4	9.9	24.2	**26.1**	+7.9%
Diagnostics	39.4	40.8	41.5	**42.0**	+1.2%
Group items	-1.9	-2.1	-1.8	**-1.7**	-4.6%
Group total	553.0	585.6	641.1	**683.6**	+6.6%

Operating profit by business segment

EUR million	2004 Proforma	2005 Proforma	2006 Proforma	2007	Change %
Pharmaceuticals	108.5	154.7	189.9	**199.0**	+4.8%
Diagnostics	5.8	6.3	6.6	**6.5**	-1.9%
Group items	-9.0	-5.7	0.2	**-11.4**	
Group total	105.3	155.2	196.7	**194.0**	-1.4%

Key figures for the Pharmaceuticals business

EUR million	2004 Proforma	2005 Proforma	2006 Proforma	2007	Change %
Net sales	515.5	547.0	601.4	**643.3**	+7.0%
Operating profit	108.5	154.7	189.9	**199.0**	+4.8%
% of net sales	21.0%	28.3%	31.6%	**30.9%**	
Capital expenditure	17.2	21.1	23.1	**32.5**	+40.7%
Net sales from proprietary products	194.1	227.2	275.2	**292.3**	+6.2%
R&D expenses	75.1	76.5	79.7	**93.4**	+17.1%
Personnel at the end of the period	2 643	2 665	2 742	**2 864**	+4.4%

Key figures for the Diagnostics business

EUR million	2004 Proforma	2005 Proforma	2006 Proforma	2007	Change %
Net sales	39.4	40.8	41.5	**42.0**	+1.2%
Operating profit	5.8	6.3	6.6	**6.5**	-1.9%
% of net sales	14.7%	15.4%	15.9%	**15.4%**	
Capital expenditure	1.4	1.8	1.4	**1.6**	+7.5%
Personnel at the end of the period	318	304	289	**283**	-2.0%

Net sales by annual quarters

EUR million	Q4/07	Q3/07	Q2/07	Q1/07	Q4/06	Q3/06	Q2/06 Proforma	Q1/06 Proforma
Pharmaceuticals	163.9	154.7	156.8	167.9	152.1	139.9	146.4	162.9
Diagnostics	10.5	9.4	10.3	11.8	10.4	9.5	10.4	11.2
Group items	-0.4	-0.3	-0.5	-0.5	-0.4	-0.4	-0.5	-0.5
Group total	**174.0**	**163.8**	**166.6**	**179.2**	**162.2**	**149.0**	**156.3**	**173.5**

Operating profit by annual quarters

EUR million	Q4/07	Q3/07	Q2/07	Q1/07	Q4/06	Q3/06	Q2/06 Proforma	Q1/06 Proforma
Pharmaceuticals	42.1	50.6	45.6	60.7	39.5	45.1	43.3	62.0
Diagnostics	0.1	1.3	1.8	3.2	0.6	1.5	1.7	2.8
Group items	-3.1	-2.2	-3.2	-2.9	-3.5	7.7	-2.1	-1.9
Group total	**39.1**	**49.6**	**44.3**	**61.1**	**36.6**	**54.3**	**42.9**	**62.9**

Geographical breakdown of net sales by annual quarters

EUR million	Q4/07	Q3/07	Q2/07	Q1/07	Q4/06	Q3/06	Q2/06 Proforma	Q1/06 Proforma
Finland	53.7	48.6	48.6	50.1	49.0	45.2	45.4	44.8
Scandinavia	24.3	23.8	25.3	24.1	23.4	21.2	24.2	22.5
Other Europe	57.5	56.0	57.5	63.7	58.4	52.8	52.7	69.6
North America	16.6	20.4	20.1	24.1	22.0	20.1	20.5	20.4
Other markets	21.9	15.0	15.1	17.1	9.4	9.7	13.4	16.2
Group total	**174.0**	**163.8**	**166.6**	**179.2**	**162.2**	**149.0**	**156.3**	**173.5**

Net sales of Orion's 10 best-selling medicinals

EUR million		2006 Proforma	2007	Change %
Stalevo	Parkinson's Disease	111.3	**126.9**	+14.0%
Comtess/Comtan	Parkinson's Disease	74.7	**73.3**	-1.9%
Dexdomitor*, Domitor, Domosedan and Antisedan	animal sedatives	26.3	**27.5**	+4.6%
Easyhaler	asthma	15.9	**17.3**	+9.1%
Divina series	menopausal symptoms	16.2	**15.9**	-1.8%
Burana	inflammatory pain	12.0	**15.6**	+29.2%
Simdax	heart failure	13.2	**15.1**	+14.5%
Enanton	prostate cancer	13.3	**12.9**	-2.9%
Calcimagon	osteoporosis	11.7	**11.7**	-0.4%
Marevan	anticoagulant	7.0	**8.3**	+19.6%
Total		301.4	**324.3**	+7.6%
Share of total pharmaceutical net sales		50%	**50%**	

* Dexdomitor has been included as a new product in the animal sedative product series and the comparison figures have been changed accordingly.

President and CEO's review

Year 2007 was the 90-year-old Orion's first full financial year after the demerger in summer 2006. In the light of the key metrics the performance was successful.

All the five business divisions are performing well, and their achievements are starting to reflect the strategy, in which networking throughout the entire chain of operations is one of the major recurring themes. We have adopted networking as a tool on a broad scale. Via in-licensing agreements with other pharmaceutical companies we have added about 50 new products mainly into the portfolios of the Specialty Products and Animal Health businesses to accelerate their growth. We have also licensed marketing rights for our own products to other companies. One excellent example is the expansion of the sales territory of the Easyhaler® franchise to Turkey, where the product was launched by Abdi Ibrahim, the country's largest pharmaceutical company and our long-term partner, in early 2008.

In the Proprietary Products business, the Parkinson's drugs Stalevo® and Comtess®/Comtan® are still our brightest stars. Along with the sales success of these brands, Orion has now joined the large ranks of pharmaceutical companies whose role is to defend their new chemical entities and their US patents against premature generic competition. It was only a question of time before our patents were challenged under US law. Orion will, of course, defend its rights for these products.

Our continued success in the highly competitive Finnish pharmaceutical market is a great achievement. We maintained Orion at the top with a 9 per cent market share, and with a sales growth rate that outperformed that of total pharmaceutical sales in the country. One of our important goals is to keep Orion as the Nr. 1 brand in Finnish healthcare.

In Animal Health, we became the leading marketer of veterinary pharmaceutical products in the Nordic countries. Hard work resulted in the successful launch of the Dexdomitor® sedative in Europe and the United States together with our long-term partner Pfizer.

STRIDE-PD, our large-scale clinical programme with Stalevo, is advancing on track. The new programmes that were started are MIDEX and PRODEX with dexmedetomidine in Europe and, in Animal Health, LEVET with levosimendan. One of the research partnerships initiated during the past year is the collaboration with the Indian company Aurigene, aiming to identify completely new medicinal approaches to treat cancers. Orion will have exclusive rights for the further development of compounds yielded by the collaboration.

Evolving product portfolios and the expanding market area are putting pressure on the management of the supply chain. Although the workload and production volumes are escalating, substantial productivity improvements have been achieved in our pharmaceutical production. Most of the manufacturing lines are working in two or three shifts, evidencing of high capacity utilization and multi-skilled professionalism of our personnel. Networking being a natural and smart approach for us, we carry out certain production phases on our own and outsource parts. Accordingly, we also do contract manufacturing for other pharmaceutical companies.

We have built Orion with a determined mind and big heart. The results we have achieved show that all the more than three thousand Orion employees are committed to the company's development objectives and the Europe-oriented growth strategy we adopted two years ago. In 2007, our strategy has demonstrated its viability in the Central and Eastern European markets giving us good reason to press on with our drive for growth.

I would like to thank my predecessor, Jukka Viinanen, for all the work he did during his close to eight years with the company. Under his lead, Orion went through a sweeping structural overhaul, transforming itself into a company focusing on pharmaceuticals and diagnostics.

I would like to extend my thanks to all Orion employees, who have once again shown highest commitment to developing the company for the benefit of patients and our customers. My thanks also go to our customers. It is a privilege to work with them and earn their trust each and every day.

Espoo, 7 February 2008

Timo Lappalainen
President and CEO

Report by the Board of Directors

On 1 July 2006, Orion demerged to form two new listed companies, the new Orion Corporation and Oriola-KD Corporation. The present Orion Corporation was formed from the demerged Orion's Pharmaceuticals and Diagnostics businesses.

The official comparative period for the financial year 2007 is 1 July–31 December 2006. For the sake of clarity, the proforma figures for the entire 2006 calendar year shall nevertheless be used as a rule in this Report by the Board of Directors. All the proforma figures prior to 1 July 2006 are based on the comparative figures that have been carved out from the demerged Orion's financial statements. In certain places, particularly in connection with the financial review, the comparative figures that are cited in addition to the proforma figures are those for the official comparative period for 2006. In these cases, the comparative period is stated separately. The proforma figures are unaudited.

Changes did not take place in the Group's reporting in the review period.

EVENTS IN THE REVIEW PERIOD

At the end of January, the Parkinson's drug Comtan® (entacapone) received a marketing authorisation in Japan and, after receiving a price and reimbursement decision, Novartis brought the product out on the market in July.

In April, Orion began co-operation with Aurigene Discovery Technologies, Ltd of India, a pharmaceutical research company, with the aim to discover new active ingredients for the treatment of cancers.

In April, Orion informed about the decision of its partner Abbott not to continue the development program of levosimendan (Simdax®) in the USA. Simdax is a product used for the treatment of acute decompensated heart failure.

In June, Orion concluded a research co-operation and option agreement with Medeia Therapeutics Oy of Finland. The companies will seek to develop new types of medicinal substances for neuro-degenerative diseases.

In June, Orion's Divigel® preparation (estradiol) received a marketing authorisation in the United States. The drug is used for treating menopausal hot flashes. In July, the market area for Divigel expanded further when it received a marketing authorisation in Japan.

In July, a marketing authorisation was received for the long-acting Enanton® (leuproreline acetate) in Finland and in September in Sweden. The drug is used in the treatment of advanced prostate cancer. The new strength extends the treatment cycle from three months to six months. Orion markets Enanton in the Nordic countries under licence from Takeda.

In August, the US Food Drug Administration (FDA) granted a marketing authorisation for a new 200 mg dosage strength of Stalevo® (levodopa, carbidopa, entacapone), thereby bringing greater flexibility to the medication of Parkinson's Disease patients treated with Stalevo. The new, higher strength tablet complements the 50, 100 and 150 mg tablet strengths of Stalevo that are already on the market.

In October, an explosion occurred at the Ekokem Oy Ab solvent gas treatment facility in Hanko, in the factory area of the Fermion API plant. One Ekokem employee died in the explosion, which occurred during a test running stage. The facility was restarted at the beginning of February 2008. Ekokem bears an independent responsibility for the investment, operation and operating costs of the treatment plant.

In December, the license for Calcimagon, an osteoporosis drug marketed in Germany, was terminated about one year before the intended expiry of the agreement. In relation to this, Orion received EUR 5.8 million as a one-time payment in the last quarter of 2007. The net sales for 2007 of the product amounted to EUR 11.7 million.

In December, Orion established a liaison office in Mumbai, India. The role of the office is to promote co-operation with Indian partners, to assist in assuring the quality of procured products and services and to identify new business opportunities for Orion in India.

The ANDAs concerning entacapone products filed with the US FDA by companies in the generics business are dealt with separately in the section "Litigations and claims for damages."

New generic products were in-licensed and launched throughout the year. Most of the product launches took place in Eastern Europe and Russia.

EVENTS AFTER THE BALANCE SHEET DATE

At the end of January 2008, Orion Corporation was informed by its marketing partner Novartis that a statistically significant positive result for the primary endpoint was obtained in the Phase III clinical FIRST-STEP study carried out by Novartis. The purpose of the study was to determine whether treatment with Stalevo provides better symptomatic benefit than conventional levodopa/carbidopa treatment in patients requiring to start levodopa treatment. The study in 423 patients with early Parkinson's Disease was conducted in the United States, Canada and six other countries.

FINANCIAL REVIEW

Net sales

The Orion Group's net sales for the financial year 2007 were EUR 683.6 million (EUR 641.1 million in 2006 and EUR 311.2 million in the period July–December 2006), an increase of 6.6% on the previous year. The net impact of foreign exchange rates, mainly the US dollar, was EUR 9.3 million negative.

The Pharmaceuticals business had net sales of EUR 643.3 million (2006: 601.4 million; July–Dec. 2006: 292.0), up 7.0% on the figure of the comparative year. Products from in-house R&D accounted for EUR 292.3 million of net sales (2006: 275.2), or 45% (2006: 46%). Net sales from the Parkinson's medicines Stalevo and Comtess/Comtan totalled EUR 200.1 million (2006: 186.0), or about 31% of the net sales by the Pharmaceuticals business (2006: 31%).

The Diagnostics business's net sales were EUR 42.0 million (2006: 41.5; July–Dec. 2006: 19.9), or at the level of the previous year. QuikRead® tests for diagnosing infections were again growth products, but the declined sales of the older product portfolio slowed down overall growth.

Financial performance

The Pharmaceuticals business's operating profit was EUR 199.0 million (2006: 189.9; July–Dec. 2006: 84.6), an increase of 4.8% on the figure of the comparative year. Investments in sales, marketing and research rose as planned. The operating profit includes an EUR 5.8 million item recorded in Other operating income related to the termination of the Calcimagon licensing agreement.

The Diagnostics business's operating profit was EUR 6.5 million (2006: 6.6; July–Dec. 2006: 2.1).

Operating expenses were EUR 279.7 (2006: 253.0; July–Dec. 2006: 126.7), an increase of 10.6% on the previous year. The largest individual item – Selling and marketing expenses – was EUR 143.1 million (2006: 128.9; July–Dec. 2006: 63.2), an increase of 11.0% on the previous year.

The Group's research and development expenditure amounted to EUR 97.6 million (2006: 84.1; July–Dec. 2006: 43.1), rising by 16.0% on the figure of the comparative year and accounting for 14.3% of the consolidated net sales (2006: 13.1%; July–Dec. 2006: 13.8%). Pharmaceutical research accounted for EUR 93.4 million (2006: 79.7) of the total.

Group profit before taxes was EUR 195.5 million (2006: 197.3; July–Dec. 2006: 91.4). Earnings per share were EUR 1.03 (2006: 1.03; July–Dec. 2006: 0.47). Equity per share was EUR 3.17 (2006: 3.14). The return on capital employed before taxes was 43.8% (2006: 46.5%) and the return on equity after taxes was 32.7% (2006: 34.5%). The Group's operating profit in 2006 included EUR 9.8 million in capital gains on the sale of real estate.

Balance Sheet and financial position

The Group's gearing was 19.3% negative (2006: -22.6%) and the equity ratio was 75.9% (2006: 75.4%).

Liabilities in the Balance Sheet at 31 December 2007 totalled EUR 142.1 million (2006: 144.6), of which EUR 4.0 million were interest-bearing liabilities (2006: 9.8). The Group's cash and cash equivalents amounted to EUR 90.4 million (2006: 110.0) and they were invested in short-term fixed-income instruments of financially sound banks and companies.

Cash flows

Cash flow from operating activities totalled EUR 154.7 million (2006: 141.4; July–Dec. 2006: 81.6), improving on the previous year. The operating profit declined somewhat, but it included more non-cash expense items than in the comparative year. Working capital increased by EUR 14.7 (2006: 18.6) million, which was slightly less than in 2006. Cash flow from investing activities was EUR 25.3 million negative (2006: EUR 10.9 million negative). Capital expenditure in 2007 was higher than in 2006, in addition to which the previous year's cash flows were improved by the sale of apartment houses. Cash flow from financing activities was EUR 148.5 million negative (2006: EUR 144.9 negative), nearly on a par with the figure of the comparative year, despite paying out higher dividends than a year earlier, and the repayment of long-term loans to the Orion Pension Fund. Cash flows in 2006 were affected by two significant non-recurring items. They were burdened by the repayment of short-term loans to the companies that were transferred to Oriola-KD in the demerger and, on the other hand, they were improved by the share capital increase and share issue due to the exercised stock options.

Capital expenditure

The Group's capital expenditure totalled EUR 35.3 million (2006: 25.5), of which EUR 22.4 million was used for machinery and equipment (2006: 16.6). No major investments are under way in the Group.

REVIEW OF THE BUSINESS SEGMENTS

Market review

Finland is Orion's most important single market area for pharmaceuticals. According to statistics collected by Finnish Pharmaceutical Data Ltd, Finnish wholesales of human pharmaceuticals rose by 5.8% to EUR 1,827 (1,727) million in 2007. The sales of self-care products increased by 8.9%, and hospital sales were up 8.4% on the previous year.

Orion's position as the leading marketer of pharmaceuticals in Finland was strengthened further. In 2007, wholesales of Orion's products for human use totalled EUR 163.8 million, up 7.4% on the previous year. This represents faster growth than that of the Finnish pharmaceutical market as a whole (5.8%) and Orion retained its status as market leader with a share of 9.0% (8.8%). Orion bolstered its market-leading position also in terms of the number of packages sold, with a market share of 28.3% (27.3%).

According to IMS Health pharmaceutical sales statistics for the 12-month period ending in September 2007, US wholesales of drugs for Parkinson's Disease – a core therapy area for Orion – totalled USD 1,188 (948) million, up about 25% on the comparative 12-month period. The exceptionally high growth rate is explained by the broadened indication of one dopamine agonist to the restless legs syndrome.

The five largest European markets for Parkinson's Disease drugs were Germany, the UK, France, Spain and Italy. Total sales of Parkinson's Disease drugs in these countries in the same 12-month period totalled EUR 788 (727) million, with an average market growth at about 8%.

The value of the global diagnostics market is estimated at about USD 33 billion. Several large players dominate the market for the equipment and test reagents used in centralised laboratories. The industry as a whole is very fragmented. Orion Diagnostica is a medium sized player, and holds a solid position in certain product areas.

Pharmaceuticals business

The net sales of the Pharmaceuticals business totalled EUR 643.3 (601.4) million in 2007. The approximately 7% rise on the previous

year was a result of strategic measures to increase sales through Orion's own sales network. Operating profit amounted to EUR 199.0 (189.9) million, up 4.8% on the previous year. The Pharmaceuticals business's EBIT margin was 30.9% (31.6%).

Proprietary Products

In 2007, net sales of the Proprietary Products business division totalled EUR 270.8 (256.6) million, an increase of 5.5% on the previous year. The sales of the products in focus – Stalevo, Simdax and the intensive care sedative Precedex® (dexmedetomidine) showed strong growth.

In 2007, the combined net sales of the Parkinson's Disease drugs Stalevo and Comtess/Comtan totalled EUR 200.1 (186.0) million. This represents a rise of 7.6% on the previous year and, as in 2006, accounts for almost one-third of the total net sales of the Pharmaceuticals business. The net sales from deliveries of Stalevo and Comtan to Novartis totalled EUR 116.2 (112.1) million, up 3.7% on the previous year. The net sales from Stalevo and Comtess generated by Orion's own sales organisation amounted to EUR 83.9 (73.9) million, up 13.6%.

The UK and Germany continued to exhibit especially buoyant growth in the sales of Parkinson's Disease drugs. Orion has achieved a solid market position in these countries. The net sales growth in Scandinavia was withheld by extensive parallel imports of Stalevo from other EU markets. Sales of Stalevo grew rapidly in Lithuania and Latvia once the drug was approved for reimbursement. In the US, a marketing territory of Novartis, the growth rate of the sales of Stalevo has continued stable. The marketing area of Comtan expanded in the summer of 2007 as the product was launched by Novartis in Japan.

In 2007, Upsher-Smith Laboratories, Inc. in the United States and Pola Chemical Industries, Inc. in Japan brought to market Divigel®, a hormone replacement product. Sales of Enanton®, which has been particularly successful in the Nordic countries, are boosted by the introduction of a six-month depot formulation.

Orion is not aware of Abbott's possible decisions or actions for receiving new marketing authorisations for Simdax in Europe. Orion is not aware of that there would have been progress in applying for such marketing authorisations so far.

Specialty Products

The net sales of the Specialty Products division totalled EUR 241.5 (218.7) million in 2007, up 10.4% on the previous year.

Finland is clearly still the division's largest single market area. Sales in Finland increased, and especially favourable performance was seen in self-care products. The painkiller Burana® (ibuprofen) was once again the top-selling self-care product and retained its position as market leader in its therapy group.

The net sales of Easyhaler® asthma medicines totalled EUR 17.3 (15.9) million, up 9.1% on the previous year. The sales picked up during the second half of 2007 as the product was gradually launched in new markets, such as Poland. The product is primarily sold through partners.

Expansion of the Speciality Products business to areas in Eastern Europe and Russia has progressed well, and the net sales have grown notably faster than the market on average. Of the major countries, the best sales growth was seen in Ukraine, Russia, the Czech Republic and Poland. The good development stemmed from both the success of existing products and launches of new generic ones. The emphasis of Orion's new launches has been in this region overall.

The licensing agreement concerning the osteoporosis drug Calcimagon in Germany ceased at the end of 2007. The net sales of the product totalled EUR 11.7 million in 2007. In the fourth quarter of 2007, Orion received EUR 5.8 million in compensation for the termination of the license. Orion continues in this therapy area by marketing Calcicare® for the same indication.

Orion signed more in-licensing agreements in 2007 than ever before. New products were added to the range of the Speciality Products and Animal Health divisions in particular.

Animal Health

The net sales of the Animal Health division totalled EUR 66.8 (63.3) million, up 5.5% on the previous year. Sales rose both through partners and Orion's own Nordic sales organisation. The establishment of sales and marketing organisations in Eastern Europe continued.

The net sales of animal sedatives – Dexdomitor® (dexmedetomide), Domitor® (medetomide), Domosedan® (detomidine) and Antisedan® (atipamezole) – continued to grow in 2007 and they were up 4.6%. The animal sedatives accounted for about 41% (42%) of the total net sales of drugs for veterinary use. The marketing of animal sedatives expanded into new areas in 2007. In February, Nippon Zenyaku Kogyo Co., Ltd. started selling Domitor and Antisedan in Japan. A new sedative, Dexdomitor, was also brought to market. Orion is responsible for selling Dexdomitor in the Nordic countries, and Pfizer elsewhere in Europe and in the United States.

Fermion

Fermion, which manufactures active pharmaceutical ingredients, generated EUR 38.1 (38.5) million in net sales in 2007. The net sales were at approximately the same level as in the previous year. The impact of intra-Group transactions, that is, deliveries of active ingredients for Orion's own use, has been eliminated from the net sales. A significant proportion of the division's net sales are generated in the United States, due to which they have suffered from the weakened US dollar. Fermion's deliveries for Orion's internal use have, however, increased significantly from those of 2006.

The ten best-selling pharmaceutical products

The net sales of Orion's ten best-selling drugs increased by 7.6% on the previous year and accounted for about 50% (50%) of the total net sales of the Pharmaceuticals business. The purchases by pharmacies of Burana® (ibuprofen) have returned to long-term average levels since the downswing experienced after the amendment of the Finnish Pharmaceuticals Act in 2006. Other growth products include Stalevo (14%), the heart failure drug Simdax (14.5%), the anticoagulant Marevan® (warfarin, 19.6%), and Easyhaler (9.1%).

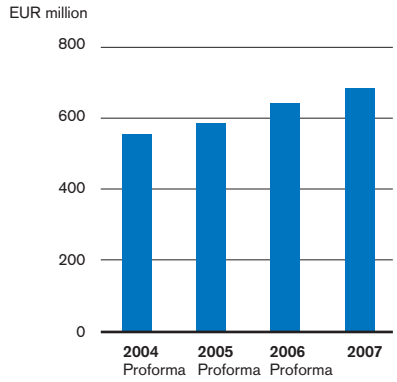
Products from in-house research

In 2007, the net sales of the products from in-house research totalled EUR 292.3 (275.2) million and accounted for 45% (46%) of the total net sales of the Pharmaceuticals business. Sales of almost all of Orion's proprietary products increased on the previous year, with 6.2% total growth for all products. Stalevo, Simdax and Precedex were the major growth products.

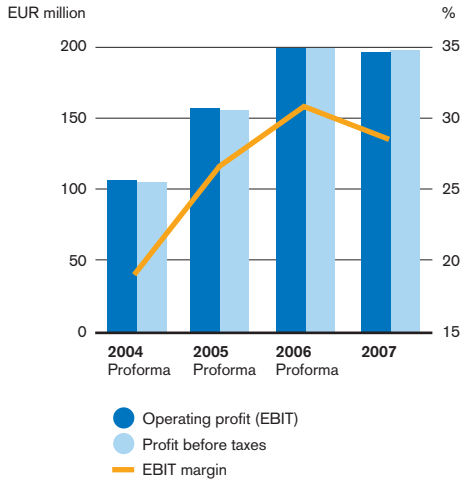
Research and development activity

The Group's R&D expenses totalled EUR 97.6 million (2006: 84.1, July–Dec. 2006: 43.1), of which the Pharmaceuticals business accounted for EUR 93.4 million (2006: 79.7; July–Dec. 2006: 40.6).

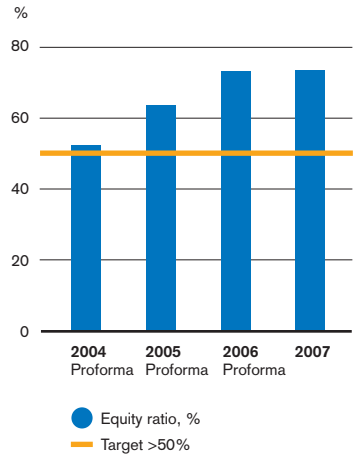
Net sales



Operating profit and profit before taxes



Equity ratio



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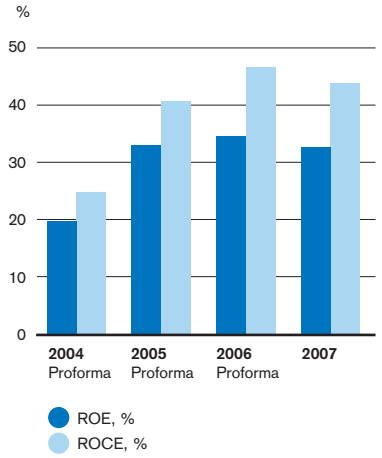
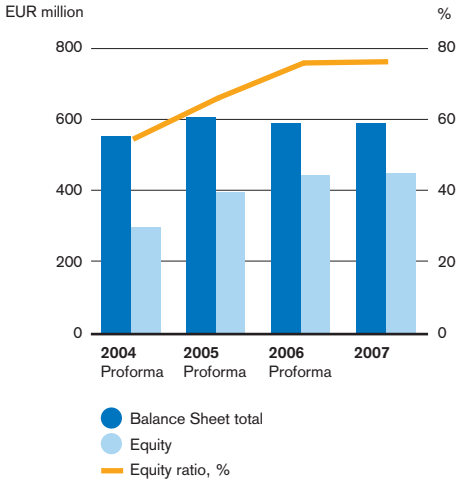
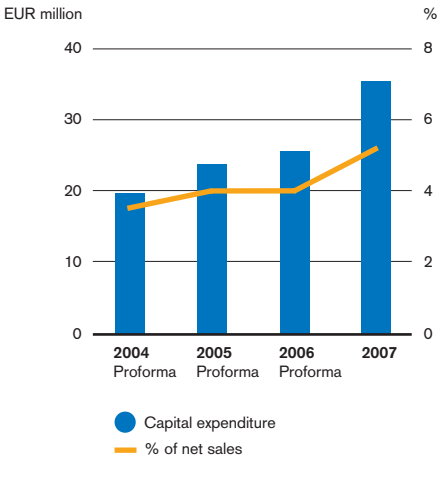


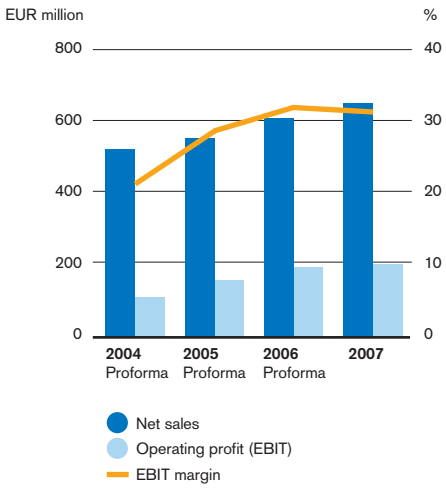
Balance Sheet total and equity



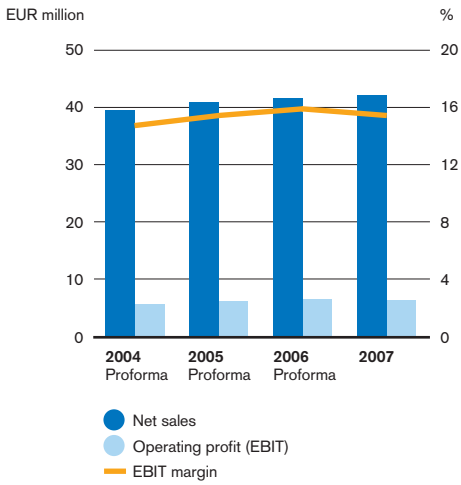
Capital expenditure



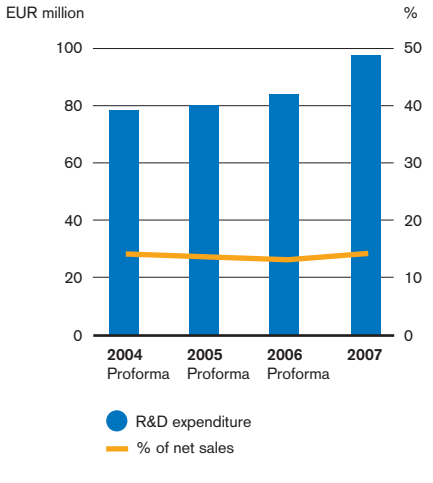
Net sales and operating profit of the Pharmaceuticals business



Net sales and operating profit of the Diagnostics business



R&D expenditure



R&D expenses were 14.3% (2006: 13.1%; July–Dec. 2006: 13.8%) of the Group net sales.

In accordance with its strategy, Orion aims to allocate its R&D resources in such a way that the best possible support is given to both the Proprietary Products and the Specialty Products businesses. R&D for Orion's proprietary drugs focuses on three core therapy areas: central nervous system, cardiology and critical care, and urology and oncology.

The emphasis of the Group's R&D being on early-phase research, Orion seeks partnerships for phase three clinical trials, and in particular in areas beyond the scope of European marketing authorisations. Orion expands its research portfolio through networking. Product life-cycle management is also a vital task of R&D.

The ongoing **STRIDE-PD** study is comparing Stalevo treatment with conventional levodopa/carbidopa treatment to determine whether Stalevo can delay the onset of involuntary movements, that is, dyskinesias, in Parkinson's patients. The trial – launched at the end of 2004 in cooperation with Novartis – is being conducted in 14 countries and involves 747 Parkinson's patients for a treatment period of almost three years. Its results are currently expected at the turn of 2008–2009.

FIRST-STEP, a Phase III clinical study conducted by Novartis, has given a statistically significant positive result for the primary endpoint. The aim of the study was to determine whether Stalevo treatment provides better symptomatic benefit than conventional levodopa/carbidopa treatment in patients with symptoms requiring to start taking levodopa. A total of 423 patients with early-stage Parkinson's disease participated in the study in the United States, Canada and six other countries.

In May 2007, Phase III clinical studies began with **dexmedetomidine** (Precedex®) in patients in intensive care as an infusion administered for over 24 hours. The programme aims to have the product registered in Europe. The product is already available in, for example, the United States and Japan as a sedative for patients in intensive care and is administrable as an infusion for a maximum of 24 hours. Two parallel studies are comparing dexmedetomidine with midazolam and propofol. Both are planned to involve 500 patients and are estimated to last two years.

Easyhaler® is a multi-dose dry-powder inhaler for administering medicines for asthma and chronic obstructive pulmonary disease. Easyhaler products are already available in over 20 countries. Orion is expanding this product family with the development of a new formulation combining budesonide as an anti-inflammatory agent and formoterol as a long-acting bronchodilator.

A research programme is under way in clinical Phase I for the development of a new **COMT enzyme inhibitor** that is even more efficient than entacapone, for Parkinson's disease.

The **LEVET** programme, which is studying the efficacy of levosimendan in the treatment of heart diseases in dogs, has progressed to the final research phase with an aim to receive marketing authorisations. Recruitment began in August 2007 for both the European and US arms of the programme.

In early research phase, Orion is investigating molecules affecting alpha$_2$ receptors in the central nervous system, and selective androgen receptor modulators (SARM), among others.

Diagnostics business

The net sales of Orion Diagnostica totalled EUR 42.0 (41.5) million in 2007. QuikRead® tests continued to exhibit strong sales growth. These tests are used for the detection of infections on the basis of the CRP content in a blood sample. Sales of dipslides, the Uricult® test for detecting urinary tract infections, and the industrial hygiene tests Hygicult® and Easicult® also progressed favourably during the year.

Sales continued to increase in Orion's Finnish and Scandinavian sales networks, as did exports to the Czech Republic and Slovakia in particular. Outside the Nordic countries, sales growth was hampered by both the weakened US dollar and the international trade restrictions placed on Iran.

The operating profit amounted to EUR 6.5 (6.6) million, representing an EBIT margin of 15.4% (15.9%).

CHANGES IN THE COMPANY'S MANAGEMENT

At the end of January 2007, the Board of Directors of Orion Corporation decided to change the management organisation of the Orion Diagnostica business division to enhance the role of the Board of Directors of Orion Diagnostica Oy in the management and decision-making of the diagnostics business. In the arrangement, Jaakko Rissanen, President of Orion Diagnostica Oy, stepped out from the Executive Management Board of the Orion Group. The President and CEO of Orion Corporation is representing the diagnostics business in the Executive Management Board as the Chairman of the Board of Orion Diagnostica Oy.

Jukka Viinanen, President and CEO of Orion Corporation until the end of 2007, will retire on 29 February 2008, serving as an advisor to the company's Board of Directors as of 1 January 2008 until his retirement. Timo Lappalainen, who previously was Senior Vice President in charge of the Proprietary Products and Animal Health business divisions, was appointed new President and CEO of Orion Corporation and Chairman of the Executive Management Board as of 1 January 2008.

Liisa Hurme, Senior Vice President of the Proprietary Products business division, and Satu Ahomäki, Senior Vice President of the Animal Health business division, were appointed to take over Timo Lappalainen's former duties respectively as of 1 January 2008. Both Liisa Hurme and Satu Ahomäki are members of the Executive Management Board as of the beginning of the year.

PERSONNEL

The average number of employees in the Group in 2007 was 3,160 (3,063). At the end of 2007, the Group had a total of 3,176 employees (3,061), of whom 2,675 worked in Finland (2,586) and 501 outside Finland (475).

Personnel in the Pharmaceuticals business grew by 122 employees from that of the end of December 2006. Personnel in the Diagnostics business decreased by six persons.

Salaries and remuneration paid during the financial year totalled EUR 131.6 million (2006: 123.7; July–Dec. 2006: 62.4).

LEGAL PROCEEDINGS

Legal proceedings against Wockhardt USA, Inc. and Wockhardt Limited

Orion Corporation has on 13 September 2007 filed a patent infringement lawsuit in the United States to enforce U.S. Patent No. 5,446,194 and U.S. Patent No. 5,135,950 against generic drug companies Wockhardt USA, Inc. and Wockhardt Limited, who seek to market generic entacapone (200 mg tablets) in the United States. Entacapone is the active ingredient in Comtan®, a product originated by Orion Corporation and marketed in the United States for the treatment of Parkinson's Disease by its exclusive licensee, Novartis.

Orion Corporation and Novartis will vigorously defend the intellectual property rights covering Comtan. By virtue of the legal proceedings, the realisation of generic competition regarding Comtan is neither certain nor imminent.

Legal proceedings against Sun Pharmaceutical Industries Inc. and Sun Pharmaceutical Industries Limited

Orion Corporation has on 13 November 2007 filed a patent infringement lawsuit in the United States to enforce its formulation patent, U.S. Patent No. 6,500,867, against Sun Pharmaceutical Industries Inc. and Sun Pharmaceutical Industries Limited, who seek to market generic versions of Stalevo® tablets (25/100/200 and 37.5/150/200 mg strengths of carbidopa/levodopa/entacapone) in the United States. Stalevo is an enhanced levodopa treatment originated by Orion Corporation and marketed in the United States by its exclusive licensee, Novartis, for the treatment of Parkinson's disease.

Orion Corporation and Novartis will vigorously defend the intellectual property rights covering Stalevo. By virtue of the legal proceedings, the realisation of generic competition regarding Stalevo is neither certain nor imminent.

Orion Corporation has been informed that Sun Pharmaceutical Industries Limited (Sun) has amended its Abbreviated New Drug Application (ANDA). Sun's amendment to its ANDA involves a Paragraph IV challenge to Orion's U.S. Patent No. 5,446,194. The ANDA review process has recently just begun and the realisation of generic competition is neither certain nor imminent. Orion is, together with Novartis, currently evaluating its legal options to protect its rights.

OUTLOOK FOR 2008

Net sales will grow slightly from 2007. Pharmaceutical sales via Orion's own sales network are expected to continue growing moderately in Finland and to continue showing growth outside Finland, where growth will nevertheless be slowed down by the expiry at the end of 2007 of the licence agreement for the Calcimagon osteoporosis drug that was marketed in Germany. In-market sales of Parkinson's drugs will show further growth, but at a slower rate than previously. The volume of Parkinson's drugs to be delivered to Novartis is forecast to grow slightly.

Marketing and research expenditure will increase moderately. Marketing expenses will be added in particular by the product launches by Orion's own units outside Finland. Research expenses will grow mainly due to the clinical studies that were started in the previous year. The patent litigations having started in United States will increase administrative expenses in 2008.

Operating profit excluding non-recurring items is estimated to grow slightly from 2007. Such non-recurring items include the one-off compensation for the termination of the Calcimagon licence agreement in 2007 and the patent litigation expenses in 2008.

R&D expenses will be slightly over EUR 100 million. **Capital expenditure** will be about EUR 40 million.

Preamble

No major regulatory changes affecting the market structure are expected to take place in Finland during 2008, which points to continued moderate market growth. Launches of new products will support Orion's growth in Finland. On the other hand, growth will be retarded by heavy price competition affecting substitutable prescription drugs in particular, which are important for Orion.

The growth in in-market sales of the Parkinson's drugs Stalevo and Comtess/Comtan in 2007 was under 15%, which is lower than in previous years. Growth is expected to slow further down slightly during 2008. Both Orion's own sales and deliveries to its marketing partner Novartis are anticipated to be in line with the overall market development for Parkinson's drugs. On the basis of current information, Novartis's stock levels are expected to remain unchanged in 2008.

Because the registrations and launches of new products are projects taking more than a year, the resources and other material inputs required for them for 2008 have been mostly planned in the previous year.

The majority of the expenses of pharmaceutical research are caused by the clinical phases. They are typically performed in clinics located in several countries. All the main clinical studies that were under way in 2007 will continue in 2008, and their cost level can thus be forecast fairly well.

The estimated costs of the patent litigations having started in the United States are based on the planned timetables and work. The costs resulting from the litigation will depend on a number of factors, which at the present stage are difficult to estimate precisely.

Near-term risks and factors of uncertainty relating to the outlook estimates

The company is not aware of any significant single risk factors relating to the earnings outlook for 2008.

The sales of individual products and, on the other hand, Orion's sales in individual markets may vary slightly according to the extent to which the ever-tougher price and other competition that has prevailed in the pharmaceutical markets in recent years specifically affects Orion's products. Deliveries to Novartis are based on timetables that are jointly agreed in advance. These can nevertheless change, for example, as a consequence of decisions by Novartis concerning adjustments of stock levels during the year. The litigations having started are not assumed to affect the sales of Comtan or Stalevo in the United States in 2008.

The most part of the exchange rate risk is related to the US dollar. Typically, less than 15% of Orion's sales come from North America. Only a small part of other sales is based on the US dollar.

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

Group financial objectives and dividend distribution policy

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

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

Shares and shareholders

Orion Corporation has two classes of shares, A and B, which are in the book-entry system maintained by Finnish Central Securities Depository Ltd (APK). APK is the Group's official keeper of the Shareholder Register. Both of Orion's share classes, A and B, are quoted on the OMX Nordic Exchange Helsinki in the Large Cap group under the Healthcare sector heading. Trading in both of the company's share classes commenced on 3 July 2006 under the trading codes ORNAV and ORNBV. Information on trading in the company's shares has been available since this date.

Each Class A share entitles its holder to twenty (20) votes at General Meetings, whereas each Class B carries one (1) vote. At a General Meeting, a shareholder can nevertheless not vote with more than 1/20 of the aggregate number of votes for the shares belonging to different classes and represented at the General Meeting. In addition, the Orion Pension Fund does not have the right to vote at General Meetings of Orion's shareholders.

Both share classes entitle the shareholder to the same rights to the company's assets and to dividends distributed.

Share capital

According to the Articles of Association, the minimum amount of all shares in the company is one (1) and the maximum amount is 1,000,000,000. The shares do not have any nominal value. The book counter value of the share is EUR 0.65.

Orion's share capital is EUR 92.2 million and the total number of shares is 141,257,828, of which 52,558,688 belonged to Class A and 88,699,140 to Class B at 31 December 2007. The aggregate number of votes conferred by both share classes was 1,139,872,900 at the end of the year.

Conversion of Class A shares to Class B shares

On the basis of the Articles of Association, a shareholder can demand the conversion of his or her Class A shares to Class B shares. During 2007, 2,995,552 Class A shares were converted to Class B shares, of which 431,347 were converted in the fourth quarter. In early 2008, a total of 98,020 shares have so far been converted.

Authorisations of the Board of Directors

Orion Corporation's Board of Directors has an authorisation granted by the Annual General Meeting on 2 April 2007 to buy back and transfer the company's own shares (treasury shares). On 6 August 2007, Orion's Board of Directors decided to exercise this authorisation to buy back a total of 350,000 Class B shares, but for the time being shares have not been bought back. The Board of Directors' authorisation to buy back and transfer shares is in force up to the close of the 2008 Annual General Meeting.

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

Shareholder structure

At the end of 2007, Orion had a total of 36,558 registered shareholders, of whom 94.5% were private individuals. They held 46.0% of the entire shares outstanding and had 57.8% of the total votes. There were 38.6 million nominee-registered shares, representing 27.3% of the shares and 5.6% of the votes. The company does not have treasury shares in its possession.

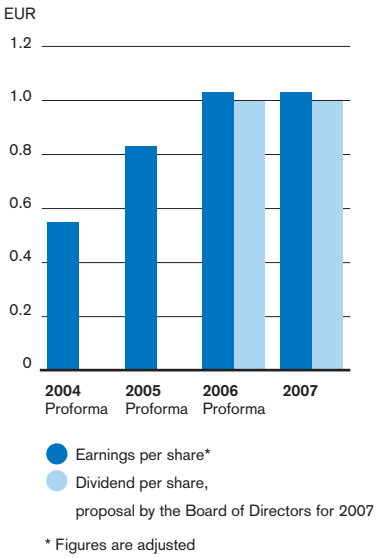
Flagging notifications

At the end of November, Capital Research and Management Company notified Orion Corporation, in accordance with Chapter 2, Section 9 of the Security Markets Act, that it had acquired for the mutual funds under its management an amount of Orion Corporation shares whereby the proportion of shares under its management had increased to more than one twentieth pursuant to Chapter 2, Section 9 of the Security Markets Act. Capital Research and Management Company stated that, following the purchases, it has under management 7,281,692 Orion Corporation Class B shares and that said shares represent 5.1549% of Orion Corporation's shares outstanding and 0.63161% of the total votes. According to the notification, Capital Research and Management Company is Orion's largest shareholder.

Management's shareholdings

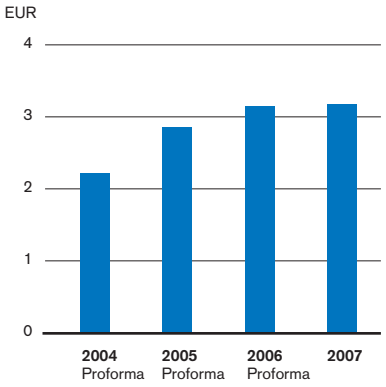
At the end of 2007, the members of the Board of Directors, the President and CEO and the members of the Executive Management Board owned a total of 2,460,742 Orion Corporation shares, or about 1.74% of the entire shares outstanding. The total number of votes conferred by these shares was 40,754,862, or about 3.58% of the total votes. The figures also include the holdings of minor-aged children and controlled entities. The company does not have stock option programmes that are in effect.

Earnings and dividend per share



* Figures are adjusted

Equity per share



Share-related key figures

	2006 Proforma	2007
Earnings per share, (adjusted), EUR	1.03	**1.03**
Equity per share, EUR	3.14	**3.17**
Dividend per share, EUR	1.00	**1.00**
Class A on 31 Dec., number of shares	55 554 240	**52 558 688**
Dividend yield, %	6.1%	**6.2%**
P/E ratio	15.94	**15.63**
Closing quotation on 31 Dec., EUR	16.42	**16.10**
Lowest quotation, EUR	11.45	**15.07**
Average quotation, EUR	14.87	**16.57**
Highest quotation, EUR	16.44	**20.49**
Turnover, % of average number of A-shares	2.9%	**7.2%**
Class B on 31 Dec., number of shares	85 703 588	**88 699 140**
Dividend yield, %	6.1%	**6.2%**
P/E ratio	15.97	**15.56**
Closing quotation on 31 Dec., EUR	16.45	**16.03**
Lowest quotation, EUR	11.51	**15.22**
Average quotation, EUR	14.61	**16.12**
Highest quotation, EUR	16.53	**20.53**
Turnover, % of average number of B-shares	43.8%	**110.5%**
A and B total on 31 Dec., number of shares	141 257 828	**141 257 827**
Average number of shares	141 257 828	**141 257 828**
Total number of shares traded, % of the share stock	27.5%	**70.9%**
Market capitalisation on 31 Dec., EUR million	2 322.0	**2 268.0**

On 1 July 2006 former Orion was demerged into two new listed companies, Orion and Oriola-KD. Therefore information on share trading and dividend is available only for periods after the demerger.

The dividend figures for 2007 are based on the dividend proposed by the Board of Directors.

Shareholdings of the Board of Directors on 31 Dec 2007

Board of Directors	A-shares	Change since 1 Jan 07 shares	B-shares	Change since 1 Jan 07 shares	A and B total	% of total shares	% of total votes
Matti Kavetvuo, Chairman	110 596	0	83 089	+1 586	193 685	0.14%	0.20%
Jukka Ylppö, Vice Chairman	1 357 456	-110 320	288 088	+1 096	1 645 544	1.16%	2.41%
Eero Karvonen	546 200	0	19 216	+793	565 416	0.40%	0.96%
Leena Palotie	0	0	3 216	+793	3 216	0.00%	0.00%
Vesa Puttonen	0	0	5 216	+793	5 216	0.00%	0.00%
Hannu Syrjänen	0	0	793	+793	793	0.00%	0.00%
Board of Directors total	**2 014 252**	**-110 320**	**399 618**	**+5 854**	**2 413 870**	**1.71%**	**3.57%**

Shareholdings by under-aged children and organisations or foundations controlled by the persons are also included.

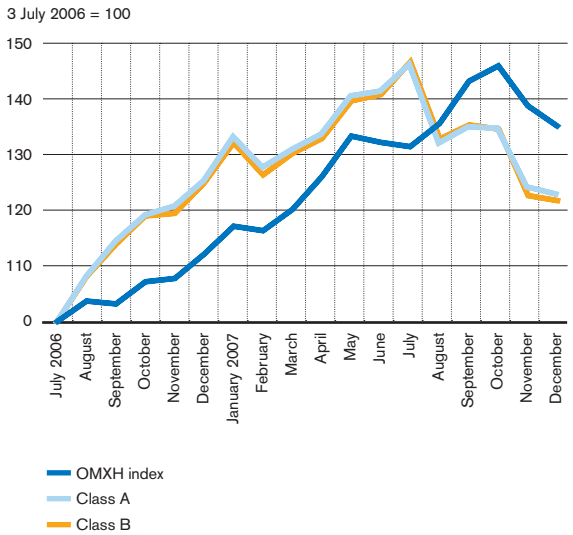
Shareholdings of the Executive Management Board on 31 Dec 2007

Executive Management Board	A-shares	Change since 1 Jan 07 shares	B-shares	Change since 1 Jan 07 shares	A and B total	% of total shares	% of total votes
Jukka Viinanen, CEO	0	0	6 000	0	6 000	0.00%	0.00%
Timo Lappalainen (President and CEO as of 1 Jan. 2008)	0	0	5 400	0	5 400	0.00%	0.00%
Markku Huhta-Koivisto	0	0	17 800	0	17 800	0.01%	0.00%
Olli Huotari	0	0	0	0	0	0	0
Pekka Kaivola	764	0	6 660	0	7 424	0.01%	0.00%
Jari Karlson	0	0	4 000	0	4 000	0.00%	0.00%
Pekka Konsi	428	0	2 784	0	3 212	0.00%	0.00%
Reijo Salonen	0	0	0	0	0	0	0
Riitta Vartiainen	36	0	3 000	0	3 036	0.00%	0.00%
Executive Management Board total	**1 228**	**0**	**45 644**	**0**	**46 872**	**0.03%**	**0.01%**

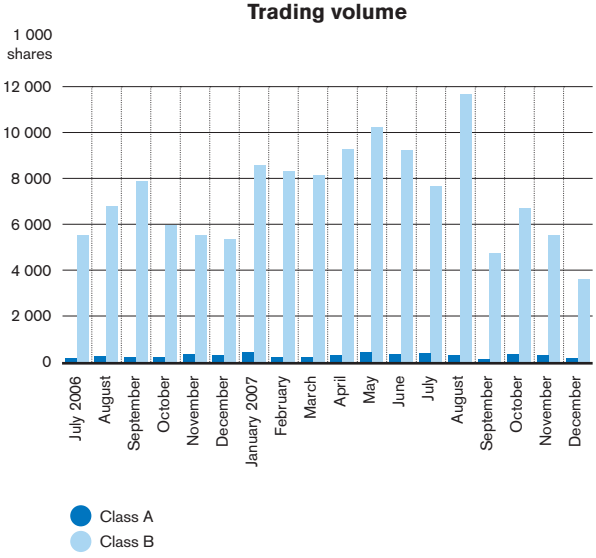
Shareholdings by under-aged children and organisations or foundations controlled by the persons are also included.

Updated information on the shareholdings of the Orion Group's insiders with a duty to declare is provided in the SIRE insider register that is maintained by Finnish Central Securities Depository Ltd, and they can be viewed at www.orion.fi/english/investors.

Share price development



Trading volume



Basic information on Orion's share classes on 31 Dec 2007

	Class A	Class B	A and B total
ISIN code	FI0009014369	FI0009014377	-
Trading code on OMX Nordic Exchange Helsinki	ORNAV	ORNBV	-
Reuters code	ORNAV.HE	ORNBV.HE	-
Bloomberg code	ORNAV.FH	ORNBV.FH	-
Share capital, EUR million	34.3	57.9	92.2
Counter book value of the share, EUR	0.65	0.65	-
Total number of shares	52 558 688	88 699 140	141 257 828
% of total share stock	37%	63%	100%
Minimum number of shares	-	-	1
Maximum number of shares	500 000 000	1 000 000 000	1 000 000 000
Votes per share	20	1	-
Total number of votes	1 051 173 760	88 699 140	1 139 872 900
% of total number of votes	92%	8%	100%
Total number of shareholders	13 237	29 091	36 558

Share capital 2006–2007

	2006	2007
Share capital on 31 Dec., EUR million	92.2	92.2
Class A, EUR million	36.3	34.3
Class B, EUR million	55.9	57.9
Total number of shares on 31 Dec.	141 257 828	141 257 828
Class A, shares	55 554 240	52 558 688
% of the total number of shares	39%	37%
Class B, shares	85 703 588	88 699 140
% of the total number of shares	61%	63%
Total number of votes on 31 Dec.	1 196 788 388	1 139 872 900
Number of shareholders on 31 Dec.	38 622	36 558
Share and bonus issues	-	-

Trading during 1 Jan–31 Dec 2007

	Class A	Class B	A and B total
Total number of shares traded	3 886 499	96 266 224	100 152 723
% of the total number of shares	7.2%	110.5%	70.9%
Closing quotation on 2 Jan. 2007, EUR	16.50	16.50	-
Lowest quotation, EUR	15.07	15.22	-
Average quotation, EUR	16.57	16.12	-
Highest quotation, EUR	20.49	20.53	-
Closing quotation on 31 Dec. 2007, EUR	16.10	16.03	-
Market capitalisation on 31 Dec. 2007, EUR million	846.2	1 421.8	2 268.0

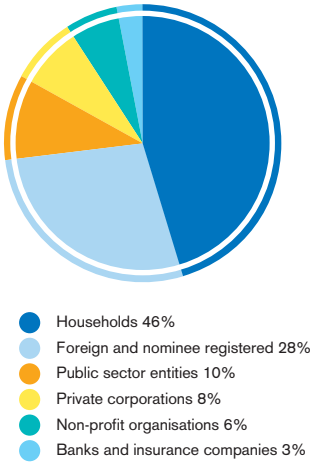
Ownership base by type of owner 31 Dec 2007

	No. of shareholders	%	Class A	%	Class B	%	A and B total	%	No. of votes	%
Private corporations	1 220	3.3	7 270 699	13.8	3 776 616	4.3	11 047 315	7.8	131 197 831	11.5
Banks and insurance companies	72	0.2	525 915	1.0	3 216 063	3.6	3 741 978	2.6	39 338 307	3.5
Public sector entities	39	0.1	7 498 026	14.3	5 871 450	6.6	13 369 476	9.5	155 831 970	13.7
Households	34 545	94.5	31 244 354	59.4	33 706 110	38.0	64 950 464	46.0	658 593 190	57.8
Non-profit organisations	541	1.5	4 191 225	8.0	4 488 983	5.1	8 680 208	6.1	88 313 483	7.7
Foreign and nominee registered	141	0.4	1 761 547	3.4	37 574 866	42.4	39 336 413	27.8	65 194 627	5.7
Joint and special accounts	0	0.0	66 922	0.1	65 052	0.1	131 974	0.1	1 403 492	0.1
Total	**36 558**	**100.0**	**52 558 688**	**100.0**	**88 699 140**	**100.0**	**141 257 828**	**100.0**	**1 139 872 900**	**100.0**

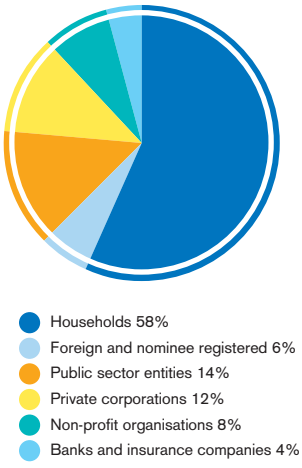
Ownership base by number of shares 31 Dec 2007

	Class A				Class B				A and B total			
No. of shares	No. of shareholders	%	No. of shares	%	No. of shareholders	%	No. of shares	%	No. of shareholders	%	No. of shares	%
1–100	2 132	16.1	129 417	0.2	4 410	15.2	316 785	0.4	5 669	15.5	395 119	0.3
101–1 000	6 719	50.8	2 959 969	5.6	17 054	58.6	7 728 096	8.7	20 349	55.7	9 126 448	6.5
1 001–10 000	3 890	29.4	11 409 215	21.7	7 072	24.3	19 235 167	21.7	9 411	25.7	27 660 698	19.6
10 001–100 000	438	3.3	11 563 239	22.0	508	1.7	12 135 258	13.7	1 034	2.8	26 131 165	18.5
100 001–1 000 000	48	0.4	10 575 994	20.1	42	0.1	10 359 301	11.7	81	0.2	20 701 935	14.7
1 000 001–	10	0.1	15 853 932	30.2	5	0.0	38 859 481	43.8	14	0.0	57 110 489	40.4
Total	**13 237**	**100.0**	**52 491 766**	**99.9**	**29 091**	**100.0**	**88 634 088**	**99.9**	**36 558**	**100.0**	**141 125 854**	**99.9**
Total shares issued			**52 558 688**	**100.0**			**88 699 140**	**100.0**			**141 257 828**	**100.0**
On waiting list			0	0.0			0	0.0			0	0.0
On joint account			66 922	0.1			65 052	0.1			131 974	0.1
On special accounts			0	0.0			0	0.0			0	0.0

Breakdown of shares by type of owner on 31 Dec 2007



Breakdown of votes by type of owner on 31 Dec 2007



Major shareholders* on 31 Dec 2007

Order by no. of shares held	Class A	Class B	No. of shares total	% of total shares	No. of votes total	% of total votes	Order by no. of votes
1. Capital Research and Management Company**	0	7 281 692	7 281 692	5.15%	7 281 692	0.64%	
2. Orion Pension Fund***	2 765 624	778 699	3 544 323	2.51%	(56 091 179)	(4.92%)	
3. Varma Mutual Pension Insurance Company	2 130 000	642 100	2 772 100	1.96%	43 242 100	3.79%	2.
4. Brade Jouko	255 800	29 600			5 145 600		
Brade Oy	251 970	6 200			5 045 600		
Medical Investment Trust Oy	1 300 000	324 955			26 324 955		
Lamy Oy	11 711	83 212			317 432		
Helsinki Investment Trust Oy	200 000	0			4 000 000		
Helsinki Securities Oy	41 609	4 500			836 680		
	2 061 090	448 467	2 509 557	1.78%	41 670 267	3.66%	3.
5. Etola Erkki	100 228	3 526			2 008 086		
Etra Trading Oy	2 329 720	0			46 594 400		
	2 429 948	3 526	2 433 474	1.72%	48 602 486	4.26%	1.
6. The Land and Watertechnology Foundation	1 034 860	0			20 697 200		
Tukinvest Oy	1 048 500	0			20 970 000		
	2 083 360	0	2 083 360	1.47%	41 667 200	3.66%	3.
7. Pension Insurance Company Ilmarinen Ltd	1 577 440	245 450	1 822 890	1.29%	31 794 250	2.79%	4.
8. The Social Insurance Institution	0	1 658 368	1 658 368	1.17%	1 658 368	0.15%	
9. Ylppö Jukka	1 247 136	288 088	1 535 224	1.09%	25 230 808	2.21%	5.
10. Saastamoinen Foundation	1 189 996	0	1 189 996	0.84%	23 799 920	2.09%	6.
11. Aho Juhani	226 100	0			4 522 000		
Kliinisen Kemian Tutkimussäätiö	92 472	0			1 849 440		
Helsingin Lääkärikeskus Oy	658 230	4			13 164 604		
	976 802	4	976 806	0.69%	19 536 044	1.71%	7.
12. The State Pension Fund	0	900 000	900 000	0.64%	900 000	0.08%	
13. The Finnish Cultural Foundation	321 946	554 620	876 566	0.62%	6 993 540	0.61%	
14. Ylppö Into	577 936	240 200	818 136	0.58%	11 798 920	1.04%	8.
15. OP-Delta Equity Fund	0	567 900	567 900	0.40%	567 900	0.05%	
15. Karvonen Eero	73 170	2 545			1 465 945		
EVK-Capital Ltd	473 030	16 671			9 477 271		
	546 200	19 216	565 416	0.40%	10 943 216	0.96%	9.
16. Mutual Insurance Company Pension Fennia	292 800	255 450			6 111 450		
Fennia Mutual Insurance Company	0	6 500			6 500		
Fennia Group	292 800	261 950	554 750	0.39%	6 117 950	0.54%	
17. Etera Mutual Pension Insurance Company	231 100	312 400	543 500	0.38%	4 934 400	0.43%	
18. Relander Gustaf	460 000	0	460 000	0.33%	9 200 000	0.81%	10.
19. Oriola Pension Fund	263 914	189 890	453 804	0.32%	5 468 170	0.48%	
19. Salonen Maritza	445 046	0	445 046	0.32%	8 900 920	0.78%	
20. Laakkonen Yrjö	419 000	25 000	444 000	0.31%	8 405 000	0.74%	
20 largest shareholders total	20 019 338	14 417 570	34 436 908	24.4%	414 804 330	36.4%	
Nominee registered holdings (excl. Capital Research and Management Company)	1 350 371	30 042 021	31 392 392	22.2%	57 049 441	5.0%	
Other	31 188 979	44 239 549	75 428 528	53.4%	668 019 129	58.6%	
All shareholders total	**52 558 688**	**88 699 140**	**141 257 828**	**100.0%**	**1 139 872 900**	**100.0%**	

* Major shareholders are grouped according to the Group's knowledge on direct holdings of individual shareholders, holdings of organisations or foundations controlled by the same shareholder and the holdings of companies belonging to the same group are stated both as aggregate amounts and specified by category. The holdings of under-aged children are not included in the table.

** The information is based on Capital Research and Management Company's notification on 21 November 2007 in accordance with the section 9 of chapter 2 in the Finnish Securities Market Act.

*** Not entitled to vote at General Meetings of the shareholders.

Risk management

Risk management constitutes a significant element of Orion's corporate governance (the so-called Corporate Governance guidelines) and is an integral and organic part of the company's responsibility structure and operative control principles.

The purpose of risk management in Orion is to identify, measure and manage the risks that may possibly threaten the company's operations and the achievement of the objectives set for the company. The definition of overall risk management processes, practical actions as well as responsibilities are developed by means of regular risk identification approaches covering the following areas:

- Strategic risks, including research and product development risks
- Operational risks, including sales and business risks, as well as those related to production, damages, safety and the environment
- Financial risks.

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, i.e. whether the product can ever be brought out on the market. This strategic risk is managed by the following means:

- The Group structure also includes business units other than those focusing on the development of proprietary original preparations. Such other units as balance the Group's operations are, among others, generic drugs, veterinary medicines and diagnostic tests.
- The pharmaceutical product range is maintained sufficiently extensive.
- The product development and marketing risks are shared by working in close cooperation with partners.

Proprietary drugs account for a considerable share of the Orion Group's net sales and earnings. Orion carries on intensive research with the aim of introducing new proprietary drugs in markets worldwide. The Group can not guarantee, however, that new products can be brought to market in accordance with expectations. Furthermore, changes can occur in the co-operation with partners, owing to industry consolidation, for example.

The scope of strategic risks also includes issues such as the sustainability of the company's governance and reporting principles. In line with the 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. It is fundamental to this trust that the most essential features and principles of the administrative model are disclosed and explained publicly.

In addition, the company inspires and enhances the trust shown by the surrounding society, its own stakeholders, the equity markets and shareholders by providing open, truthful and consistent information about its operations, events and financial status in a timely manner.

Research and product development risks

The development of proprietary drugs is associated with many factors of uncertainty. Typically, only about one out of ten investigational compounds that have progressed to the clinical phase enters the market. The major reasons to discontinue a development project are those related to the efficacy and safety of the drug candidate. This is why the pharmacological properties, and the efficacy and safety of an investigational compound are studied in research projects that progress phase by phase, and clinical trials with humans can only be conducted with the permission of regulatory drug authorities. The pharmacology and safety of a drug candidate 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.

In major research projects, the decision by Orion to progress from one research phase to the next is made by the Board of Directors. In minor research projects the decision is made by the executive management. The decisions are always based on a comprehensive analysis of the accumulated research results, and also considering the prevailing market situation. For the marketing authorisation application and the summary of product characteristics (SPC), all phases and results of the research are carefully documented for regulatory approval. Based on statutory requirements, the 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. This is why Orion shares the high financial risks of Phase III trials by conducting them together with another pharmaceuticals company which will also be a marketing partner for the drug.

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.

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 sale and marketing of pharmaceuticals generally calls for a fairly extensive network of sales representatives, and maintaining the sales force requires substantial fixed costs. Orion's business operations are built on the dual pillars of its own sales network in Northern and Eastern Europe, and sales worldwide via partners in co-operation. 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.

In areas where Orion carries on operations on its own, the sales must constantly be at a sufficiently high level in order to maintain profitability. This generally calls for a fairly extensive product portfolio.

Bringing a new proprietary product out on the market is particularly expensive for a relatively small company like Orion, especially if the company does not yet have operations in the country where the product is to be launched.

Credit loss risks

Orion's operations are very international, sometimes making it difficult to obtain reliable information on customers' solvency. Credit loss risk is nevertheless reduced by the fact that the clientele for the products is relatively small, and many of the customers are large and financially sound pharmaceutical companies or distributors. The trade receivables for an individual customer can nevertheless become relatively large from time to time. Orion has detailed procedures for the management of client credits and the follow-up and collecting of receivables. Owing to the nature of the clientele, actual credit losses have been very small.

Risks associated with pharmaceutical production

Pharmaceutical manufacturing is subject to regular inspections by the authorities. Pharmaceutical products must be safe and efficacious and they must meet the highest quality standards. Owing to these statutory requirements alone, close attention must be paid in the production to various safety and quality risks.

The appropriate quality of pharmaceuticals is ensured through systematic overall management of operations, covering all factors with direct or indirect impact on the quality. The operations are steered with comprehensive instructions and sufficient control of materials and preparations both before, during and after the production phases.

Legal, intellectual property rights and regulatory risks

Healthcare is a sector closely under regulatory control by authorities. The manufacture and distribution as well as research of pharmaceuticals call for obtaining licences from the authorities. The industry is also overseen by the competition authorities. Orion has clear operative rules and principles to ensure that all regulations are complied.

It is characteristic of the pharmaceutical industry that intellectual property rights are of pivotal importance. To ensure Orion's position, the patent situation of both products that are available for sale and those in the pipeline is monitored continuously worldwide. This is done to ensure that the rights to products developed by Orion are not infringed and to avoid situations in which Orion itself would infringe the patents or other intellectual property rights of others.

Patent protection is nevertheless of limited duration, and the expiry of a significant product's patent protection can have a negative impact on the Orion Group's operations, financial position or operational results. Nor does Orion have guarantees that patent protection will be obtained for new products in the pipeline to the desired extent or that the authorities will grant the marketing authorisations required for the products.

Product liability risks

As was observed above in the discussion of research and development risks, the launch of a new drug on the market calls for extensive phase-by-phase trials that delineate the drug's pharmacological properties, such as efficacy and safety. Starting the sales and marketing of a drug calls for marketing authorisation by the relevant drug authorities.

The adverse effects of a drug are subject to monitoring stipulated by the authorities even 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.

To provide for the financial impacts of product liability risk, the Orion Group's products and operations are insured with an operational and product liability insurance that also covers clinical studies, except for clinical studies carried out in the United States and Canada. The purpose of the insurance is to provide cover for any liability for damages on the part of the policyholder. The above-mentioned protection is limited, as is customary, in cash amount as well as by excluding certain types of loss events from the scope of the insurance. Thus excluded are certain products and active pharmaceutical ingredients, part of which also belongs to Orion's sphere of operations. These are nevertheless not estimated to increase Orion's product liability risk materially.

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 instructions concerning corporate safety. The objective of Orion's corporate security is to ensure the uninterrupted continuation of the 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 set out the principles applied in corporate security activities, also incorporating crisis management. Orion's information security objectives, as well as the most essential codes of conduct and responsibilities are defined in a specific information security policy.

Environmental risks

The guidelines concerning environmental safety contain detailed information about the procedures and responsibilities. Dedicated persons have been appointed for developing and monitoring environmental management issues within the Group. 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. The company has the environmental permits required for its operations.

Product procurement and company acquisition risks

Orion endeavours to expand the Company's operations by purchasing or in-licensing products that are under development or already available on the market or, possibly, by acquiring other pharmaceutical and biotechnology companies. In carrying out projects of this kind, the Company seeks to observe due care and diligence, and to utilise both internal and external expertise in the planning and implementation phases as well as when integrating acquired functions within the overall business. Product acquisitions and possible company acquisitions can involve customary acquisition liabilities or risks as well as other liabilities and risks connected with the nature and value of the assets purchased.

FINANCIAL RISKS

Financing 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 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, and the treasury operations are centrally managed and administered by the Treasury department of the Group.

Exchange rate risks

The fluctuations in the US dollar/euro exchange rate are playing an increasing financial role as the international operations and, the proportional contribution of the US dollar in particular continues to grow. The sales invoiced in US dollars are far greater than the purchases quoted in dollars.

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.

Agreements pursuant to Section 6.1, Paragraph 11 of Finnish Ministry of Finance Decree 153/2007

Orion has entered into marketing agreements with its marketing partner Novartis concerning the Comtess/Comtan and Stalevo drugs. These agreements contain change-of-control clauses pursuant to Section 6.1, Paragraph 11, of the Finnish Ministry of Finance's Decree 153/2007, according to which a party to an agreement has the right to terminate the agreement subject to certain conditions.

Corporate Governance

GENERAL GOVERNANCE PRINCIPLES

The operations and activities in Orion Corporation and its subsidiaries (the Orion Group) are based on compliance with laws and regulations issued there under, as well as with ethically acceptable operating practices. The tasks and duties of the different governance bodies of the Group are determined in accordance with legislation and the corporate governance principles of the Group.

In its governance, Orion Corporation follows the Corporate Governance Recommendation for companies listed on the OMX Nordic Exchange Helsinki, with the exception that the nomination committee set by the Board of Directors can be composed of also other persons than members of the Board.

An up-to-date presentation of the governance of the Orion Group is maintained on the homepage www.orion.fi/investors.

CORPORATE GOVERNANCE

The management system of the Orion Group consists of the Group level functions and Businesses. In addition, the system includes the organisation of the administration of the legal entities. For the steering and supervision of operations, the Group has a control system for all levels.

The management of the Group takes place at the Group level. The following are examples of areas belonging to the Group level:

- determination and follow-up of the Group strategy
- the basic organisation and the steering and supervision of the operations of the Businesses
- investment decisions (the budgets and the largest investment decisions)
- issues concerning the entire parent company and the Group.

The business operations of the Group take place in Businesses. The different Group-level functions provide services to the Businesses, each function being responsible for organising its own responsibility area Group-wide.

GROUP LEVEL

Parent company Orion Corporation

The parent company of the Group is Orion Corporation, whose shareholders exercise their decision-making power at the General Meeting of the Shareholders in accordance with the Companies Act and the Articles of Association.

The General Meeting of the Shareholders elects the members of the Board of Directors and decides on amendments in the Articles of Association, issuance of shares and acquisition of own shares, among other things.

Board of Directors

The Board of Directors of the parent company comprises at least five and at most eight members elected by the General Meeting of the Shareholders. The term of the members of the Board of Directors ends at the end of the Annual General Meeting of the Shareholders following the election. The General Meeting of the Shareholders elects the Chairman of the Board of Directors, and the Board of Directors elects the Vice Chairman of the Board of Directors, both for the same term as

the other members. A person who has reached the age of 67 may not be elected member of the Board of Directors.

The Board of Directors manages the operations of the company in accordance with the provisions of the law and the Articles of Association. The Board of Directors of the parent company also functions as the so-called Group Board of Directors. It handles and decides all the most important issues relating to the operations of the whole Group or any units irrespective of whether the issues legally require a decision of the Board of Directors. The Board of Directors may handle any issue relating to a company or unit of the Orion Group if deemed appropriate by the Board of Directors or the President of the parent company. The Board also makes sure that good corporate governance practices are followed in the Orion Group. The working order of the Board of Directors includes the list of the most important matters to be handled by the Board.

The Board of Directors has an **Audit Committee,** a **Compensation 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** which can be composed of also other persons than members of the Board.

President and CEO 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 manages the Group's business operations via the Businesses. Accordingly, the executives responsible for the Businesses report to the President and CEO. The President and CEO carries out the steering and supervision of the operations of the divisions with the assistance of the Executive Management Board and the Group level staff functions.

Executive Management Board

The Executive Management Board includes the President and CEO as Chairman, and other persons appointed by the Board of Directors as members. The Executive Management Board handles all important issues relating to the whole Group and its units, including all the matters of the Businesses of line functions that are to be handled by the Board of Directors. The President and CEO can, if considered appropriate, however, decide not to take a matter to the Executive Management Board.

Staff functions

The Group level staff functions participate in the steering and supervision of the operations of the units belonging to the Group as part of the management and control system. In this task they assist the President and CEO in the management of the Group. The staff functions are in charge of, among other things, the following Group level functions: finance, treasury, investor relations, human resources, legal affairs and intellectual property rights, communications, internal audit, and insider affairs.

BUSINESSES AND LINE FUNCTIONS

Businesses

The operations of the Group are organised into Businesses. Each Business is managed by an executive who is responsible for the operations and operative management of the unit and who reports to the President and CEO.

Line functions

The line functions provide function-specific support and services to all Businesses within the Group. The line functions are responsible for areas such as sales and marketing, supply chain, research and development, and business support.

Administration of legal entities

From the point-of-view of business operations, the Group subsidiaries operate in accordance with the Group's management system. In matters that are not directly subject to any Business or line function, the subsidiaries operate in accordance with instructions by the President and CEO of the parent company.

Control systems

The steering and supervision of the business operations and administration of the Group primarily take place by means of the management system described above.

For financial reporting the Group has a reporting system with the aim of providing the management of the Group and the units with sufficient and timely information to plan and manage the operations.

For the purpose of the supervision and steering of operations, the Group further has an internal auditing function 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 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 Articles of Association in question. The designated auditor of the parent company's auditor co-ordinates the audit of the subsidiaries of the Group in co-operation with the President and CEO and the Internal Audit of the Group.

Insiders

The Orion Group follows the insider guidelines issued by OMX Nordic Exchange Helsinki and the company's Guidelines for Insiders are based on these guidelines. The Group's permanent insiders comprise the insiders with the duty to declare their holdings in Orion's public insider register and other persons defined by the Company as permanent company-specific insiders in accordance with the company's own insider register. The insiders with the duty to declare comprise the members of the Board of Directors of Orion Corporation, the President and CEO, the designated auditor, the deputy auditor, and the members of the Executive Management Board. The permanent company-specific insiders comprise the persons designated by the company. The company maintains its insider register in the SIRE system of 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 OMX Nordic Exchange Helsinki.

The up-to-date public part of the NetSIRE register is accessible via www.orion.fi/investors.

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 **Compensation 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** which can comprise also other persons than members of the Board. In accordance with the **working order**, 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.

GENERAL MEETINGS OF THE SHAREHOLDERS

Annual General Meeting held on 2 April 2007

The Annual General Meeting of Orion Corporation was held on 2 April 2007 in Helsinki. In addition to the matters in accordance with section 10 of the Articles of Association and Section 3 of Chapter 5 of the Companies Act, the meeting handled the Board's proposals concerning amendments of the Articles of Association, authorisations to the Board of Directors to acquire and convey the company's own shares, and the election and remuneration of the Board of Directors and the auditors.

The Articles of Association were decided to be amended as proposed by the Board of Directors to be in line with the provisions set forth in the Companies Act that entered into force on 1 September 2006.

A dividend of EUR 1.00 per share was approved for 2006.

BOARD OF DIRECTORS AND BOARD COMMITTEES OF ORION CORPORATION

Composition of the Board of Directors and the Committees

Board of Directors:

Matti Kavetvuo, Chairman
Jukka Ylppö, Vice Chairman
Eero Karvonen
Leena Palotie
Vesa Puttonen
Hannu Syrjänen

Audit Committee:

Vesa Puttonen (Chairman)
Eero Karvonen
Jukka Ylppö

Compensation Committee:

Matti Kavetvuo (Chairman)
Vesa Puttonen
Hannu Syrjänen

R&D Committee:

Leena Palotie (Chairman)
Eero Karvonen
Matti Kavetvuo

Nomination Committee:

Timo Maasilta (Chairman)
Kari Jussi Aho
Erkki Etola
Petteri Karttunen
Matti Kavetvuo
Harri Sailas
Seppo Salonen
Jukka Ylppö

Individual introductions of the Board members are provided on www.orion.fi/investors.

In 2007, altogether 15 Board meetings were held, of which 2 were teleconferences. The average attendance of the members was 95.3%.

Committee meetings were held as follows:

- Audit Committee 5 meetings
- Compensation Committee 8 meetings
- R&D Committee 3 meetings
- Nomination Committee 2 meetings.

In the autumn of 2007, the Board of Directors conducted a self-evaluation in accordance with the Corporate Governance Recommendation.

Remuneration and benefits of the members of the Board of Directors

As an annual fee for the term of office of the Board of Directors, the Chairman shall receive EUR 68,000, the Vice Chairman shall receive EUR 47,000 and the other members shall receive EUR 34,000 each. As a fee for each meeting attended, the Chairman shall receive EUR 1,200, the Vice Chairman shall receive EUR 900 and the other members shall receive EUR 600 each. In accordance with previously adopted practice, the Chairman shall have a telephone as a fringe benefit, and the travel expenses of all Board members shall be paid in accordance with the travel policy of the company. The afore-mentioned fees shall also be paid to the Chairmen and to the members of the committees established by the Board.

Of the annual fee, 60% is paid in cash and 40% in Orion Corporation B-shares, which were acquired to the members on 13 April 2007 from the Stock Exchange in amounts corresponding to EUR 27,200 for the Chairman, EUR 18,800 for the Vice Chairman and EUR 13,600 for each of the other members. The part of the annual fee that is to be paid in cash corresponds to the approximate sum necessary for the payment of the income taxes on the fees was paid on 25 April 2007. The annual fees encompass the full term of office of the Board of Directors.

Remunerations paid to the Board of Directors in the financial year 2007

Board members	Total remuneration 2007 EUR	Proportion paid in B-shares No. of shares	Total remuneration 7–12/2006 EUR
Matti Kavetvuo, Chairman	99 680	1 586	87 960
Jukka Ylppö, Vice Chairman	59 000	1 096	-
Heikki Vapaatalo, Vice Chairman	9 900	-	62 716
Eero Karvonen	48 400	793	48 150
Leena Palotie	48 700	793	45 450
Vesa Puttonen	53 800	793	51 450
Hannu Syrjänen	43 000	793	-
Board of Directors, total	**362 480**	**5 854**	**295 726**

The figures comprise the remunerations for the Board meetings and the Committee meetings, including fringe benefits.

Auditors in 2007

The auditor of Orion Corporation is Ernst & Young Oy, the designated auditor being Pekka Luoma, Authorised Public Accountant. The Deputy Auditor is Päivi Virtanen, Authorised Public Accountant. The remunerations to the auditors are paid against invoicing.

Fees paid to the external Auditors

The fees paid to the auditors for audit services for 2006 came to a Group total of EUR 270,153, of which the domestic Group companies accounted for EUR 114,409 and the foreign subsidiaries for EUR 155,744. Additionally, a total of EUR 81,709 was paid for non-audit services provided by the auditors to the Group companies, of which the domestic Group companies accounted for 46,954 and the foreign subsidiaries for EUR 34,755. The fees paid to the auditor for auditing the parent company came to EUR 76,459 and for other assignments to EUR 46,954.

OPERATIONAL MANAGEMENT

President and CEO

In the financial year 2007, the President and CEO of Orion Corporation was Jukka Viinanen, who will retire on 29 February 2008, until which date he serves as an advisor to the Board of Directors, as of 1 January 2008. Timo Lappalainen was appointed as new President and CEO of Orion Corporation as of 1 January 2008.

Service contract of the President and CEO

According the terms of the service contract of the President and CEO in 2007, if the service contract of the President and CEO 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 and CEO'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 and CEO's initiative because of a breach of contract by the company, the President and CEO 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 and CEO resigns by his own request for other reasons than a breach of contract by the company. An additional pension insurance scheme has been taken for the President and CEO, the retirement age being 60 years and the pension amounting to 66% of the salary.

According the terms of the service contract of the President and CEO as of 1 January 2008, if the service contract of the President and CEO is terminated by the company's initiative, the notice period is 6 months. If the service contract is terminated by the President and CEO's own initiative, the notice period is 6 months, unless otherwise agreed. The service ends at the end of the notice period. If the service contract is terminated either by the company's initiative or by the President and CEO's initiative because of a breach of contract by the company, the President and CEO will be compensated with a total sum corresponding to the monetary salaries for 18 months, unless otherwise agreed. No such separate compensation will be paid if the President and CEO resigns by his own request for other reasons than a breach of contract by the company.

As of 1 January 2008, the retirement age of the President and CEO has been agreed to be 60 years, the target level of the pension being 60%.

Remuneration of the President and CEO

The compensation of the President and CEO is subject to the decision by the Board of Directors. The salaries, remuneration and bonuses paid to the President and CEO in 2007 totalled EUR 693,495, consisting of EUR 520,286 in salary and benefits and EUR 173,208 in bonuses.

Orion Group Executive Management Board

Until 31 December 2007, the composition of the Executive Management Board of the Orion Group was as follows:

- Jukka Viinanen, President and CEO of Orion Corporation, Chairman of the Executive Management Board, representing also Orion Diagnostica
- Markku Huhta-Koivisto, Senior Vice President, Specialty Products and Fermion
- Olli Huotari, Senior Vice President, Corporate Functions
- Pekka Kaivola, Senior Vice President, Global Sales
- Jari Karlson, Chief Financial Officer
- Pekka Konsi, Senior Vice President, Supply Chain
- Timo Lappalainen, Senior Vice President, Proprietary Products and Animal Health
- Reijo Salonen, Senior Vice President, Research and Development
- Riitta Vartiainen, Senior Vice President, Business Development and Support

Liisa Remes, Research Assistant, is a member as an employee representative.

Jukka Viinanen, President and CEO of Orion Corporation until the end of 2007, will retire on 29 February 2008, serving as an advisor to the company's Board of Directors as of 1 January 2008 until his retirement. Timo Lappalainen was appointed new President and CEO of Orion Corporation and Chairman of the Executive Management Board as of 1 January 2008. His previous positions were taken over by Liisa Hurme as Senior Vice President of the Proprietary Products business division, and Satu Ahomäki as Senior Vice President of the Animal Health business division as of 1 January 2008. Liisa Hurme and Satu Ahomäki are members of the Executive Management Board as of 1 January 2008.

Compensation system of the Group management

The compensation of the members of the Executive Management Board is subject to a decision by the Board of Directors or its Chairman. The compensation system for these persons consists of a monthly salary and a performance-based bonus. The bonuses are based on pre-defined profit targets as well as personal goals. There are no stock option plans in the company.

In January 2007, the Board of Directors of Orion Corporation decided on a new share-based incentive plan for ca. 30 key persons in the Orion Group. The aim of the plan is to encourage them to sustained efforts to increase shareholder value and to strengthen their commitment to the development of the company's operations. The plan is for 2007-2009. The incentives are granted for each year separately. The incentive for 2007 is determined on the basis of the growth of Orion's operating profit and separately agreed personal performance objectives. The incentive is paid in the form of the company's B-shares or cash, or both. The number of shares included in the plan shall not exceed 350,000, corresponding to about 0.25% of the total share stock of Orion Corporation. The recipient may not transfer the bonus shares during the first two years after the date of receipt, except for certain special circumstances.

The salaries, remunerations, benefits and bonuses paid to the President and CEO and the other members of the Executive Management Board for 2007 totalled EUR 2,515,210, of which the bonuses accounted for EUR 465,307.

The combined remuneration and benefits paid to the members of the Board of Directors and the Executive management Board for the financial year 2007 were EUR 2,877,690.

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

Consolidated Financial Statements (IFRS)

Consolidated Income Statement

EUR million	Note	1–12/2007	7–12/2006	1–12/2006 Proforma*
Net sales	1	**683.6**	311.2	641.1
Cost of goods sold		**-218.8**	-105.2	-205.2
Gross profit		**464.8**	205.9	435.8
Other operating income	2	**9.0**	11.6	13.8
Selling and marketing expenses	3, 4	**-143.1**	-63.2	-128.9
Research and development expenses	3, 4	**-97.6**	-43.1	-84.1
Administrative expenses	3, 4	**-39.0**	-20.4	-39.9
Operating profit		**194.0**	90.9	196.7
Financial income	5	**3.9**	1.8	3.5
Financial expenses	5	**-2.5**	-1.2	-3.0
Profit before taxes		**195.5**	91.4	197.3
Income tax expense	6	**-50.0**	-24.8	-52.2
Profit for the period		**145.4**	66.6	145.1
of which attributable to:				
Parent company shareholders		**145.4**	66.6	145.1
Minority		**0.0**	-0.0	0.0
Earnings per share for profit for the period attributable to parent company shareholders, EUR	7	**1.03**	0.47	1.03
Depreciation and amortisation	3	**31.6**	17.2	34.7
Employee benefits	4	**154.2**	73.3	145.8

*) Proforma figures are unaudited.

Consolidated Balance Sheet

ASSETS

EUR million	Note	2007	2006
Non-current assets			
Property, plant and equipment	8	**186.6**	187.1
Goodwill	9	**13.5**	13.5
Other intangible assets	9	**23.0**	21.9
Investments in associates	10	**0.1**	0.1
Available-for-sale investments	11	**0.9**	1.0
Pension asset	12	**48.6**	52.7
Deferred tax assets	13	**3.9**	1.4
Other non-current receivables	14	**4.0**	3.8
Non-current assets total		**280.6**	281.4
Current assets			
Inventories	15	**121.1**	107.2
Trade receivables	16	**82.9**	75.0
Other receivables	16	**14.4**	14.4
Cash and cash equivalents	17	**90.4**	110.0
Current assets total		**308.9**	306.6
Assets total		**589.5**	588.1

EQUITY AND LIABILITIES

EUR million	Note	2007	2006
Equity			
Share capital		**92.2**	92.2
Share premium		**17.8**	17.8
Expendable fund		**23.0**	23.0
Other reserves		**0.5**	0.5
Retained earnings		**313.8**	309.9
Equity of the parent company shareholders		**447.3**	443.5
Minority interest		**0.0**	0.0
Equity total	18	**447.3**	443.5
Non-current liabilities			
Deferred tax liabilities	13	**47.6**	51.5
Pension liability	12	**1.0**	0.9
Provisions	19	**0.2**	0.6
Interest-bearing non-current liabilities	20	**1.2**	7.5
Other non-current liabilities	21	**2.1**	1.8
Non-current liabilities total		**52.0**	62.3
Current liabilities			
Trade payables	22	**34.3**	29.2
Income tax liabilities		**3.4**	2.8
Other current liabilities	22	**49.5**	47.1
Provisions	19	**0.0**	0.9
Interest-bearing current liabilities	20	**2.9**	2.3
Current liabilities total		**90.1**	82.3
Equity and liabilities total		**589.5**	588.1

Consolidated Statement of Changes in Equity

EUR million	Share capital	Share premium	Expendable fund	Other reserves	Translation differences	Retained earnings	Equity of the parent company shareholders	Minority interest	Total
Equity on 1 July 2006	**92.2**	**17.8**	**23.0**	**0.5**	**-3.5**	**246.8**	**376.8**	**0.0**	**376.8**
Translation differences					0.1		0.1		0.1
Profit for the period						66.6	66.6	-0.0	66.6
Recognised income and expenses total					0.1	66.6	66.7	-0.0	66.7
Other changes				-0.0			-0.0	-0.0	-0.0
Equity on 31 Dec. 2006	**92.2**	**17.8**	**23.0**	**0.5**	**-3.4**	**313.3**	**443.5**	**0.0**	**443.5**
Available-for-sale investments and cash flow hedges				0.0			0.0		0.0
Translation differences					-0.7		-0.7		-0.7
Net unrealised gains recognised directly in equity				0.0	-0.7		-0.7		-0.7
Profit for the period						145.4	145.4		145.4
Recognised income and expenses total				**0.0**	**-0.7**	**145.4**	**144.8**		**144.8**
Dividend						-141.3	-141.3		-141.3
Share-based incentive plan						0.4	0.4		0.4
Other changes				-0.0		-0.1	-0.1	0.0	-0.1
Equity on 31 Dec. 2007	**92.2**	**17.8**	**23.0**	**0.5**	**-4.1**	**317.9**	**447.3**	**0.0**	**447.3**

Consolidated Cash Flow Statement

EUR million	Note	1–12/2007	7–12/2006	1–12/2006 Proforma*
Cash flow from operating activities				
Operating profit		**194.0**	90.9	196.7
Adjustments for:				
Depreciation and amortisation		**31.6**	17.2	34.7
Gain/loss on sale of property, plant and equipment and disposals		**-5.7**	-9.8	-9.8
Unrealised foreign exchange gains and losses		**-0.0**	0.7	-0.4
Change in pension asset and pension obligation		**4.2**	-3.5	-6.3
Change in provisions		**-1.3**	-0.2	-1.2
Other adjustments		**0.4**	-0.0	-1.1
		29.2	4.3	16.0
Change in working capital:				
Change in non-interest-bearing current receivables		**-9.6**	4.4	-2.4
Change in inventories		**-13.9**	3.2	-7.5
Change in non-interest-bearing current liabilities		**8.8**	14.9	-8.7
		-14.7	22.5	-18.6
Interest paid		**-2.1**	-1.5	-3.8
Interest received		**3.8**	1.7	3.5
Income taxes paid		**-55.5**	-36.3	-52.5
Net cash from operating activities		**154.7**	81.6	141.4
Cash flow from investing activities				
Purchases of property, plant and equipment and intangible assets		**-34.6**	-12.3	-22.8
Acquisition of subsidiary, net of cash		**-**	-	-1.2
Proceeds from sale of property, plant and equipment and intangible assets and proceeds from sale of available-for-sale investments		**9.3**	12.3	13.0
Net cash used in investing activities		**-25.3**	0.0	-10.9
Cash flow from financing activities				
Share issue and share capital increase based on the use of stock options		**-**	-	21.4
Net change in short-term loans		**-0.8**	-1.0	-47.5
Repayment of long-term loans		**-6.4**	-0.4	-0.6
Dividends paid and other distribution of profit		**-141.3**	0.0	-118.2
Net cash used in financing activities		**-148.5**	-1.4	-144.9
Net change in cash and cash equivalents		**-19.1**	80.2	-14.4
Cash and cash equivalents at the beginning of the period	17	**110.0**	29.8	124.5
Foreign exchange differences		**-0.5**	0.0	-0.1
Net change in cash and cash equivalents		**-19.1**	80.2	-14.4
Cash and cash equivalents at the end of the period	17	**90.4**	110.0	110.0

*) Proforma figures are unaudited.

Notes to the Consolidated Financial Statements

ACCOUNTING POLICIES FOR THE CONSOLIDATION

The Orion Group's first financial year was 1 July–31 December 2006, because the Group came into being on 1 July 2006 following the demerger of its predecessor Orion Group into the pharmaceuticals and diagnostics businesses as well as the pharmaceutical wholesale and distribution business. Orion Corporation was listed on OMX Nordic Exchange Helsinki on 3 July 2006.

The Orion Group Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) in force and passed in the EU at the Balance Sheet date, 31 December 2007.

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 fair value.

ADOPTION OF NEW STANDARDS AND INTERPRETATIONS

The following standards and interpretations that came into force in 2007, or amendments to them, which are of significance to the Group have been applied during the financial year. Application of these standards and interpretations has not, however, had material effects on the Consolidated Income Statement and Balance Sheet. The main effets were on the Notes to the Financial Statements.

- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 (amendment to standard) *Presentation of Financial Statements: Capital Disclosures*
- IFRIC 9 *Re-assessment of Embedded Derivatives*
- IFRIC 10 *Interim Financial Reporting and Impairment*

The following standards and interpretations as well as amendments to them have been published, but the Group has not applied them before their compulsory entry into force: IFRIC 11, *IFRS 2 – Group and treasury share transactions* and IFRIC 14 *IAS 9*, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements* will enter into force for the financial year commencing 1 January 2008. In the Group's preliminary estimation, adoption of the new and amended standard will not have material effects on the Consolidated Income Sheet and Balance Sheet. In addition, IFRS 8 *Operating Segments* will enter into force for the financial year commencing 1 January 2009, and according to preliminary estimates, the change may affect somewhat on the Group's segment reporting. Amendment to standard IAS 1 *Presentation of Financial Statements: Capital Disclosures* will enter into force for the financial year commencing after 1 January 2009, but it is not estimated to have any material impact on the Group's Consolidated Income Statement and Balance Sheet. Other standards and interpretations that have been published and will enter into force later on as well as changes to them are not of material significance for the Group.

CONSOLIDATION PRINCIPLES

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

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

FOREIGN CURRENCY TRANSACTIONS

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

The Income Statements of Group companies domiciled outside the EMU area are translated into euros using the average exchange rate during the reporting period whereas the Balance Sheets are translated using the exchange rate quoted at the Balance Sheet date 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, which is recorded under translation differences in equity. 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 are recognised in equity. The accumulated translation differences related to divested Group companies, which are recorded in equity, are recognised as gains or losses on transfers in 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 estimated 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 are anticipated to 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 IAS 38 are met. Due to approvals by the authorities required for pharmaceutical development projects and to other similar R&D-related uncertainties, the Group has not capitalised its internal R&D expenses.

Goodwill

Goodwill corresponds to that part of the acquisition cost which exceeds the Group's share of the fair value, at the date of purchase, of the net asset value of an acquired company. Goodwill is measured at cost less impairment losses. Goodwill is allocated to the cash generating units or unit groups. The goodwill in the Consolidated Balance Sheet has arisen prior to the adoption of IFRS by the demerged Orion Group and it corresponds to the carrying amount according to the previous financial reporting standards, which were used as the deemed cost when making the transition to IFRS on 1 January 2004.

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 selling price or a higher value in use, which is obtained by discounting the present value of the future cash flows from that asset item.

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

The test of impairment of goodwill is 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. An impairment loss on goodwill is not reversible.

GOVERNMENT GRANTS

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

LEASES

A lease agreement, on the basis of which the Group takes over a material part of the risks and rewards incident to ownership of assets, is classified as a finance lease. Finance leases are recorded in the Balance Sheet under assets and liabilities, primarily 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.

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

If the lessor retains the risks and rewards of ownership, the lease is treated as an operating lease, and the lease payments are recognised as an expense that is allocated evenly over the entire lease term.

The Group is not a lessor through finance leases.

EMPLOYEE BENEFITS

Pension liabilities

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

The Group's most important defined-benefit pension plans are in Finland, where statutory insurance under the Employees' Pensions Act (TyEL) has been arranged through the Orion Pension Fund for the Group's clerical employees and supplementary pension security for part of the clerical employees. The plans include the one outside Finland, the Norwegian subsidiary's (Orion Diagnostica as) plan that, however, is not material. In addition, Group management has pension plans of the defined-benefit type that are taken out with life insurance companies. The obligations under defined-benefit pension plans have been calculated separately for each plan. For disability

pension arranged through the Orion Pension Fund and based on Finnish employment legislation, the accounting treatment is according to Paragraph 130 of IAS 19. Pursuant to it, the cost of the disability benefit is recognised when an event causing the disability occurs. Accordingly, a liability for the disability pension obligation is not recorded to cover future events.

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 is the interest rate applied to low-risk financial instruments with a maturity that corresponds to that of the pension liability as closely as possible.

When the transition to IFRS was made, all actuarial gains and losses were recognised in the equity stated in the opening Balance Sheet in accordance with the exemption under IFRS 1. After this, any actuarial gains and losses, to the extent that they exceed the variation defined in IAS 19, will be recognised in the Income Statement and allocated over the average remaining term of service of the personnel. The variation is the larger of the following: 10% of the present value of the defined-benefit obligation, or 10% of the present value of the plan assets.

Share-based payments

The shares included in the share-based incentive plan approved by the Board of Directors and targeted at key employees are recognised as an expense in the Income Statement during the vesting period. The equity-settled portion is measured at fair value at the time of granting the benefit and an increase corresponding to the expense entry in the Income Statement is recorded in equity. The cash-settled portion is entered as a liability, which is measured at fair value at the Balance Sheet date. The assumed amount of the final number of shares and cash payments connected with them is updated at each Balance Sheet date. Changes in estimates are recorded in the Income Statement.

INVENTORIES

Inventories are presented in the Balance Sheet as the value of the expenses caused by purchase or production, or the lower net realisable value. The net realisable value is the estimated selling price obtainable through normal business, less the estimated expenses incurred for finalising the product and selling it. The cost is either based on the FIFO principle or computed using a standard cost calculation that is sufficiently close to the factual cost calculated on a 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 IAS 39 Financial Instruments: Recognition and Measurement as follows:

- Financial assets held for trading
- Loans and receivables
- Available-for-sale financial assets
- Other liabilities

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

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

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

Other (current) receivables include derivatives taken out for trading purposes, which are described in detail in the section Derivative financial instruments and hedge accounting.

Cash and cash equivalents include liquid debt instruments, bank deposits and the assets in bank accounts. Debt instruments are characterised by low risk and a maturity that is as a rule less than three months. Of cash and cash equivalents, bank deposits and the assets in bank accounts are classified under loans and receivables, and they are measured at amortised cost. Liquid debt instruments, which as a rule are short-term certificates of deposit and commercial papers issued by banks and corporates, are classified as available-for-sale financial assets. They are measured at fair value and the measurement result is recorded in equity.

Non-current interest-bearing liabilities include loans taken out by the Group as well as liabilities for 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 in interest-bearing current liabilities. Group loans and issued debt certificates are measured at amortised cost. Interest is 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 liabilities in the Balance Sheet.

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

The Group applies hedge accounting in accordance with IFRS to the electricity derivatives contracts entered into during the financial year 2007, hedging very probable forecast cash flows associated with electricity purchases. The change in the fair value of the effective portion of qualifying derivative instruments hedging a cash flow is recognised against the hedging reserve included in the equity. The valuation gains and losses recorded in equity are transferred to the Income Statement in the financial period during which the hedged electricity purchases are recorded in the Income Statement. The ineffective portion of the hedging relationship is recognised in the Income Statement under Other operating income and expenses.

PROVISIONS

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

A restructuring provision is made when the Group has compiled a detailed restructuring plan, launched its implementation or has informed the parties concerned.

INCOME TAXES

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

Deferred tax is computed on all temporary differences between the carrying amount and the taxable value. Deferred tax assets on confirmed tax losses of Group companies are imputed only to the extent that they can be exploited in the future. The largest temporary differences arise from by the depreciation of property, plant and equipment and defined-benefit pension plans. 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, which are paid by the partner as a contribution to cover the R&D expenses of a product under development and are tied to certain milestones in the research projects. Moreover, net sales also include royalties from the products licensed out by the Group.

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

CONTENTS OF THE FUNCTION-BASED INCOME STATEMENT

Cost of goods sold

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

Selling and marketing expenses

The expenses of the Selling & Marketing function comprise costs related to the distribution of products, the field sales, marketing, advertising and other promotional activities, including the related wages and salaries.

Research and development expenses

R&D expenses comprise wages and salaries, material, procurement of external services as well as other costs related to research and development.

Administrative expenses

Administrative expenses include general administrative expenses and costs related to corporate administration and Group management. The functions also bear the depreciation and amortisation of the assets they use as well as some administrative overheads in accordance with the matching principle.

ACCOUNTING POLICIES CALLING FOR MANAGEMENT'S JUDGEMENT AND MAIN UNCERTAINTIES RELATED TO THE ASSESSMENTS

When compiling the Financial Statements, management had to make certain estimates and assumptions concerning the future, which have an impact on the items included in the Financial Statements. The actual values may deviate from these estimates. The estimates are mainly related to impairment testing of asset items, the determination of receivables and liabilities related to defined-benefit pension plans, recognition of provisions as well as the determination of provisions and income taxes. Moreover, the application of accounting policies calls for the exercise of judgement.

Within the Group, the principal assumptions concerning the future and the main factors of uncertainty relating to estimates at the Balance Sheet date and which constitute a significant risk to a material change in the carrying values of assets and liabilities during the financial year are the following:

Impairment testing

Actual cash flows can differ from estimated discounted future cash flows because changes in the long-term economic life of the company's assets, the forecast selling prices of products, production costs and the discount rate applied in the calculations can lead to the recording of impairment losses.

Employee benefits

The Group has various pension plans to cover the retirement of its employees or to provide for the end of an employment relationship. In calculating the expenses and liabilities of employee benefits, various statistical and other actuarial factors are applied, such as the discount rate, the estimated return on pension plan assets, estimated changes in the future level of wages and salaries and staff turnover. The statistical factors applied can differ considerably from the actual trend because of, among other things, a changed general economic situation and the length of the staff's period of service. The effect of changes in actuarial assumptions is not recorded directly in Group earnings, since this could have a significant impact on the Group earnings for the financial year; rather, the effect of these changes is periodised over the remaining estimated period of service.

Income taxes

In preparing the Financial Statements, the Group estimates, in particular, the bases of recording tax assets. For this purpose, an estimate is made of how probable it is that the subsidiaries will generate taxable income against which unused tax losses or unused tax assets can be applied. The factors applied in making the forecasts can differ from the actual figures, and this can lead to expense entries for tax assets in the Income Statement.

1. Segment information

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

The segment assets and liabilities include items directly attributable to a segment and items which can be allocated on a reasonable basis. Group items include tax and financial items, items related to corporate functions and the eliminations of transfers between the segments. Capital expenditure comprises 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 presented in accordance with the countries where the clients are located. Assets and liabilities are presented in accordance with the country in which they are located.

Business segments:

	Pharmaceuticals business		Diagnostics business		Group items		Group total	
EUR million	1–12/ 2007	7–12/ 2006	1–12/ 2007	7–12/ 2006	1–12/ 2007	7–12/ 2006	1–12/ 2007	7–12/ 2006
Sale of goods	**624.3**	283.3	**42.0**	19.9			**666.3**	303.2
Rendering of services	**5.8**	4.6	**0.0**	0.0			**5.8**	4.6
Royalties and milestones	**11.5**	3.3	**0.0**	0.0			**11.5**	3.3
Sales to external customers	**641.6**	291.3	**42.0**	19.9			**683.6**	311.2
Sales to other segments	**1.7**	0.7	**0.0**	0.0	**-1.7**	-0.7		
Net sales	**643.3**	292.0	**42.0**	19.9	**-1.7**	-0.7	**683.6**	311.2
Operating profit	**199.0**	84.6	**6.5**	2.1	**-11.4**	4.2	**194.0**	90.9
Assets	**449.9**	430.0	**29.7**	31.2	**109.8**	126.8	**589.5**	588.1
Liabilities	**78.8**	72.1	**6.1**	5.5	**57.2**	66.9	**142.1**	144.6
Capital expenditure	**32.5**	11.8	**1.6**	0.8	**1.2**	0.8	**35.3**	13.4
Depreciation and amortisation	**29.1**	16.0	**1.9**	0.9	**0.6**	0.3	**31.6**	17.2
Cash flow from operating activities	**210.6**	117.1	**9.5**	4.2	**-65.4**	-39.7	**154.7**	81.6
Cash flow from investing activities	**-23.5**	-9.9	**-1.0**	-0.6	**-0.9**	10.5	**-25.3**	0.0
Cash flow from financing activities							**-148.5**	-1.4
Average number of personnel	**2 841**	2 749	**288**	290	**31**	30	**3 160**	3 069

Geographical segments:

	Finland		Scandinavia		Other Europe		North America		Other markets		Group total	
EUR million	1–12/ 2007	7–12/ 2006	1–12/ 2007	7–12/ 2006	1–12/ 2007	7–12/ 2006	1–12/ 2007	7–12/ 2006	1–12/ 2007	7–12/ 2006	1–12/ 2007	7–12/ 2006
Sales to external customers	**201.0**	94.2	**97.4**	44.6	**234.8**	111.2	**81.3**	42.0	**69.0**	19.1	**683.6**	311.2
Assets	**547.1**	554.7	**19.0**	17.0	**23.4**	16.4	**0.0**	0.0			**589.5**	588.1
Capital expenditure	**34.9**	13.0	**0.2**	0.2	**0.2**	0.1					**35.3**	13.4

The proforma segment figures are presented on page 8.

2. Other operating income

EUR million	1–12/2007	7–12/2006
Gains on sales of property, plant and equipment and intangible assets	**6.2**	10.0
Rental income	**1.0**	0.6
Other	**1.7**	1.1
Total	**9.0**	11.6

3. Depreciation, amortisation and impairment

Depreciation and amortisation by function:

EUR million	1–12/2007	7–12/2006
Cost of goods sold	**14.6**	8.5
Selling and marketing expenses	**3.3**	1.7
Research and development expenses	**7.6**	3.8
Administrative expenses	**6.2**	3.2
Total	**31.6**	17.2

Depreciation and amortisation by type of asset:

EUR million	1–12/2007	7–12/2006
Property, plant and equipment		
Buildings and constructions	**6.6**	3.3
Machinery and equipment	**18.2**	9.3
Other tangible assets	**0.2**	0.1
Total	**25.0**	12.7
Intangible assets		
Intangible rights	**4.7**	2.3
Other intangible assets	**1.9**	2.2
Total	**6.6**	4.5

During the financial year, there was no need to recognise impairment of property, plant and equipment or intangible assets.

The criteria applied for the depreciation and amortisation are provided in the "Accounting policies for the consolidation".

4. Employee benefits

EUR million	1–12/2007	7–12/2006
Wages and salaries	**130.5**	62.4
Pension costs		
Defined-contribution plans	**14.9**	7.1
Defined-benefit plans	**-4.6**	-2.0
Share-based incentive plan		
Equity-settled	**0.5**	-
Cash-settled	**0.7**	-
Other social security expenses	**12.3**	5.9
Total	**154.2**	73.3
Average number of personnel	**3 160**	3 069

The number of personnel by segment is shown under Note 1, Segment-specific information.
Management's employee benefits are shown under Note 28, Related party transactions.

Share-based payments

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

The shares included in the share-based incentive plan approved by the Board of Directors and targeted at key employees are recognised as an expense in the Income Statement during the vesting period. The equity-settled portion is measured at fair value at the time of granting the benefit and an increase corresponding to the expense entry in the Income Statement is recorded in equity. The cash-settled portion is entered as a liability, which is measured at fair value at the Balance Sheet date. The assumed amount of the final number of shares and cash payments connected with them is updated at each Balance Sheet date.

5. Financial income and expenses

EUR million	1–12/2007	7–12/2006
Financial income		
Interest income on loans and other receivables	**1.4**	0.5
Interest income on available-for-sale financial assets	**1.5**	0.8
Dividend income on available-for-sale financial assets	**0.0**	0.0
Exchange gains on financial assets and liabilities held for trading	**1.0**	0.5
Financial income total	**3.9**	1.8
Financial expenses		
Interest expenses on financial liabilities measured at amortised cost	**1.1**	0.6
Exchange losses on financial assets and liabilities held for trading	**1.3**	0.6
Other financial expenses	**0.1**	0.0
Financial expenses total	**2.5**	1.2
Financial income and expenses total	**1.4**	0.5
Exchange gains (+) and losses (–) above operating profit	**2.5**	**-0.9**

6. Income tax expense

EUR million	1–12/2007	7–12/2006
Current taxes	**56.5**	25.6
Adjustments for current taxes of previous financial years	**-0.1**	0.6
Deferred taxes	**-6.4**	-1.4
Total	**50.0**	24.8

Income tax reconciliation:

EUR million	1–12/2007	7-12/2006
Profit before taxes	**195.5**	91.4
Consolidated income taxes at Finnish tax rate	**50.8**	23.8
Use of previously unrecognised tax losses carried forward at foreign subsidiaries	**-0.6**	-0.5
Change in estimate of previously unrecognised tax losses	**-1.8**	-
Impact of different tax rates of foreign subsidiaries	**1.3**	0.4
Non-deductible expenses and tax exempt income	**0.4**	-0.3
Adjustments for current taxes of previous financial years	**-0.1**	0.6
Other items	**-0.0**	0.8
Income taxes total	**50.0**	24.8
Effective tax rate	**25.6%**	27.2%

7. Earnings per share

	1–12/2007	7–12/2006
Profit for the financial year attributable to parent company shareholders, EUR million	**145.4**	66.6
Average number of shares during the financial year (1,000)	**141 258**	141 258
Earnings per share, EUR	**1.03**	0.47

8. Property, plant and equipment

2007 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. 2007	6.5	224.1	257.2	3.7	3.4	494.9
Additions	0.0	3.6	17.3	0.1	6.7	27.7
Disposals	-0.2	-6.6	-5.7	-0.1	-0.0	-12.7
Transfers between Balance Sheet items		0.0	2.6		-2.6	
Translation differences			-0.1	-0.1		-0.2
Historical cost 31 Dec. 2007	6.2	221.1	271.2	3.6	7.5	509.7
Accumulated depreciation 1 Jan. 2007		-127.2	-178.4	-2.2		-307.8
Accumulated depreciation related to transfers and disposals		5.1	4.5	0.0		9.6
Depreciation for the financial year		-6.6	-18.2	-0.2		-25.0
Translation differences			0.1	0.0		0.1
Accumulated depreciation 31 Dec. 2007		-128.7	-192.0	-2.4		-323.1
Carrying amount 1 Jan. 2007	6.5	96.9	78.8	1.5	3.4	187.1
Carrying amount 31 Dec. 2007	6.2	92.4	79.2	1.2	7.5	186.6

2006 EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Historical cost 1 July 2006	6.6	224.9	252.4	3.7	4.1	491.7
Additions	0.0	1.3	8.4	0.0	0.8	10.6
Disposals		-2.7	-4.6	-0.0	-0.0	-7.4
Transfers between Balance Sheet items		0.6	0.9		-1.5	
Translation differences	-0.1		0.1	0.0		-0.0
Historical cost 31 Dec. 2006	6.5	224.1	257.2	3.7	3.4	494.9
Accumulated depreciation 1 July 2006		-125.6	-172.9	-2.1		-300.6
Accumulated depreciation related to transfers and disposals		1.6	3.9	0.0		5.5
Depreciation for the financial period		-3.3	-9.3	-0.1		-12.7
Translation differences			-0.0	-0.0		-0.0
Accumulated depreciation 31 Dec. 2006		-127.2	-178.4	-2.2		-307.8
Carrying amount 1 July 2006	6.6	99.3	79.5	1.6	4.1	191.2
Carrying amount 31 Dec. 2006	6.5	96.9	78.8	1.5	3.4	187.1

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. 2007					
Historical cost			7.0		7.0
Accumulated depreciation			-5.3		-5.3
Carrying amount			1.7		1.7

EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Total
31 Dec. 2006					
Historical cost			5.6		5.6
Accumulated depreciation			-4.3		-4.3
Carrying amount			1.2		1.2

The addition of the historical cost of property, plant and equipment includes EUR 1.4 million (2006 EUR 0.7 million) in assets leased through finance lease agreements.

9. Intangible assets

2007 EUR million	Intangible rights	Goodwill	Other intangible assets	Total
Historical cost 1 Jan. 2007	55.3	54.7	45.8	155.8
Additions	7.3		0.3	7.6
Disposals	-1.5			-1.5
Transfers between Balance Sheet items	-0.1		0.1	
Translation differences	-0.0		0.0	0.0
Historical cost 31 Dec. 2007	61.0	54.7	46.2	161.8
Accumulated amortisation 1 Jan. 2007 *)	-36.7	-41.2	-42.5	-120.4
Accumulated amortisation related to transfers and disposals	1.5		0.1	1.6
Amortisation for the financial year	-4.7		-1.9	-6.6
Translation differences	0.0			0.0
Accumulated amortisation 31 Dec. 2007	-39.8	-41.2	-44.3	-125.3
Carrying amount 1 Jan. 2007	18.6	13.5	3.3	35.4
Carrying amount 31 Dec. 2007	21.1	13.5	1.9	36.5

2006 EUR million	Intangible rights	Goodwill	Other intangible assets	Total
Historical cost 1 July 2006	52.8	54.7	45.8	153.3
Additions	2.8			2.8
Disposals	-0.3		-0.0	-0.4
Translation differences			-0.0	-0.0
Historical cost 31 Dec. 2006	55.3	54.7	45.8	155.8
Accumulated amortisation 1 July 2006 *)	-34.7	-41.2	-40.3	-116.2
Accumulated amortisation related to disposals	0.3			0.3
Amortisation for the financial period	-2.3		-2.2	-4.5
Accumulated amortisation 31 Dec. 2006	-36.7	-41.2	-42.5	-120.4
Carrying amount 1 July 2006	18.1	13.5	5.6	37.1
Carrying amount 31 Dec. 2006	18.6	13.5	3.3	35.4

*) Accumulated goodwill amortisation derives from before the transition to IFRS on 1 January 2004.

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

Impairment testing of goodwill and other assets

In the test for impairment, the goodwill of EUR 13.5 million originating from the acquisition of Farmos-Group Ltd. in 1990 is allocated to the cash generating units group.

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 4-year plans adopted by the Management. The cash flows after the forecast period, adopted by the Management, are 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, as well as the expected trends in them and in the diagnostic product markets. Actual cash flows may differ from estimated discounted cash flows.

The discount rate used is the weighted average cost of capital (WACC), in which the special risks connected with the unit have been taken into account. The discount rate for the financial year is 12.1% (2006 11.2%).

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

A change in any of the main variables used would, reasonably judged, not lead to a situation in which the recoverable amounts of a group of cash-generating units were lower than their carrying amount.

10. Investments in associates

EUR million	2007	2006
Carrying amount 1 July	**0.1**	0.1
Carrying amount 31 Dec.	**0.1**	0.1

Associated companies and affiliates of the Orion Group:

	Domicile	Ownership 2007 %	Ownership 2006 %
Hangon Puhdistamo Oy	Hanko	**50.0**	50.0
Regattalämpö Oy	Hanko	**42.6**	42.6

The line of business of Hangon Pudistamo 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.

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 the Balance Sheet.

11. Available-for-sale investments

The available-for-sale investments, with the asset value of EUR 0.9 million as per 31 December 2007 (2006 EUR 1.0 million), include shares and participations in unlisted companies. The shares and participations are stated at cost because their fair values cannot be determined reliably.

12. Pension asset and pension liability

The pension asset in the Balance Sheet is composed of the statutory and voluntary defined-benefit plan arranged through the Orion Pension Fund for the clerical employees in Finland. The pension liability comprises the voluntary defined-benefit plans for the Group management and the defined-benefit plans outside Finland.

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

EUR million	Pension asset 2007	Pension liability 2007	Pension asset 2006	Pension liability 2006
Present value of unfunded obligations	**-**	**0.5**	-	0.4
Present value of funded obligations	**149.7**	**3.9**	139.1	3.2
Fair value of plan assets	**-222.6**	**-2.9**	-227.0	-2.1
Surplus (–)/ Deficit (+)	**-72.9**	**1.5**	-87.8	1.5
Unrecognised net actuarial gains (+) or losses (–)	**24.3**	**-0.5**	35.1	-0.6
Net liability (+) / asset (–) recognised in the Balance Sheet	**-48.6**	**1.0**	-52.7	0.9

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

EUR million	1–12/2007	7–12/2006
Current service cost	**3.4**	1.3
Interest cost on benefit obligation	**6.5**	2.7
Expected return on plan assets	**-11.4**	-5.0
Actuarial gains (–) or losses (+) recognised in the period	**-3.1**	-1.1
Past service cost	**-**	0.0
Net expense (+) / income (–)	**-4.6**	-2.0

The actual return on plan asset was EUR 8.5 million in 2007 (EUR 25.9 million in 7–12/2006).

The benefit expense recognised in the Income Statement by function:

EUR million	1–12/2007	7–12/2006
Cost of goods sold	**-1.1**	-0.5
Selling and marketing expenses	**-0.9**	-0.3
Research and development expenses	**-1.8**	-0.8
Administrative expenses	**-0.8**	-0.4
Expense (+) / income (–)	**-4.6**	-2.0

The changes in the present value of the defined-benefit obligation:

EUR million	Pension asset 2007	Pension liability 2007	Pension asset 2006	Pension liability 2006
Defined-benefit obligation, beginning of the financial period	**139.1**	**3.7**	119.1	3.2
Current service cost	**2.8**	**0.6**	1.2	0.2
Past service cost	**-**	**-**	-	0.0
Interest cost	**6.3**	**0.2**	2.7	0.1
Actuarial losses (+) / gains (–)	**3.2**	**-0.1**	17.7	0.1
Transfer inside the plan	**1.5**	**-**	-	-
Exchange difference	**-**	**0.0**	-	-0.0
Benefits paid	**-3.4**	**-0.0**	-1.5	-0.0
Defined-benefit obligation, end of the financial period	**149.7**	**4.4**	139.1	3.6

The changes in the fair value of plan assets:

EUR million	Pension asset 2007	Pension liability 2007	Pension asset 2006	Pension liability 2006
Fair value of plan assets 1 Jan./1 July	**227.0**	**2.2**	201.4	1.8
Expected return	**11.3**	**0.1**	5.0	0.1
Actuarial gains (+) / losses (–)	**-4.5**	**-0.0**	20.9	-0.0
Contributions by employer	**-9.4**	**0.6**	1.2	0.3
Transfer inside the plan	**1.5**	**-**	-	-
Exchange difference	**-**	**0.0**	-	-0.0
Benefits paid	**-3.4**	**-0.0**	-1.5	-0.0
Fair value of plan assets 31 Dec.	**222.6**	**2.9**	227.0	2.1

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

	2007	2006
Loans and deposit insurances	**2%**	4%
Equities	**47%**	53%
Bonds	**29%**	25%
Commercial papers and certificates of deposits	**21%**	17%
Cash and cash equivalents	**1%**	1%
The fair value of total plan assets	**100%**	100%

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

The plan assets include in 2007 shares issued by the parent company Orion Corporation with a fair value of EUR 57.0 million, representing 24% of the plan assets (2006 EUR 61.5 million, representing 26% of the plan assets, and a loan of EUR 6.0 million given to Orion Corporation, representing 2.5% of the plan assets). The plan assets have been invested mainly within the EMU area.

Principal actuarial assumptions used in Orion Pension Fund:

	2007	2006
Discount rate	**5.2%**	4.5%
Expected return on plan assets	**5–8%**	5.0%
Future salary increase	**3.5%**	4.0%

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

Amounts for the current and previous period are as follows:

EUR million	Pension asset 2007	Pension liability 2007	Pension asset 2006	Pension liability 2006
Present value of the defined-benefit obligation	**-149.7**	**-4.4**	-139.1	-3.6
Fair value of plan assets	**222.6**	**2.9**	227.0	2.1
Surplus (+) / deficit (–)	**72.9**	**-1.5**	87.8	-1.5
Experience adjustments on plan liabilities, gains (+) or losses (–)	**-3.5**	**-0.0**	-4.1	0.0
Experience adjustments on plan assets, gains (+) or losses (–)	**-2.9**	**0.0**	20.9	-0.0

The Group expects to contribute EUR 0.6 million to its defined-benefit pension plans in 2008.

13. Deferred income tax assets and liabilities

Deferred tax assets:

EUR million	2007	2006
Pension obligation	**0.2**	0.1
Internal inventory margin	**1.7**	0.9
Tax losses	**1.8**	-
Other deductible temporary differences	**0.2**	0.3
Total	**3.9**	1.4

Deferred tax liabilities:

EUR million	2007	2006
Depreciation difference and provisions	**27.6**	29.9
Pension assets	**12.6**	13.7
Effects of consolidation and eliminations	**0.7**	0.7
Capitalised cost of inventory	**5.4**	6.0
Other taxable temporary differences	**1.2**	1.2
Total	**47.6**	51.5

Change in deferred tax arises from:

EUR million	2007	2006
Pension asset/obligation	**1.1**	-0.9
Internal inventory margin	**0.8**	-0.2
Change in estimate: tax losses previously not recognised	**1.8**	-
Depreciation difference and provisions	**2.2**	3.2
Consolidation measures	**0.1**	0.3
Capitalised cost of inventory	**0.6**	-1.0
Tax losses carried forward and other timing differences	**-0.1**	-0.1
Total	**6.4**	1.4

On 31 December 2007, the Group had a total of EUR 28.7 million (2006 EUR 35.2 million) in temporary taxes with no ensuing deferred tax asset recording in the Balance Sheet. These unrecognised deferred tax assets relate to tax losses from foreign subsidiaries, and the tax benefit included in assets is not probable. During the financial period, a deferred tax asset of EUR 1.8 million was recognised due to improved profitability of a subsidiary.

During the financial year, no income taxes were recognised directly under equity (7–12/2006 EUR 0.0 million).

14. Other non-current receivables

EUR million	2007	2006
Loan receivables due from associates	**0.1**	0.1
Other loan receivables	**0.7**	0.3
Pension deposit on behalf of personnel	**1.9**	1.6
Other non-current receivables	**1.3**	1.7
Total	**4.0**	3.8

The 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. The carrying amounts do not differ substantially from the fair value. The Pension deposit on behalf of personnel (EUR 1.9 million) is pledged to the employees.

15. Inventories

EUR million	2007	2006
Raw materials and consumables	**28.8**	17.7
Work in progress	**40.0**	32.0
Finished products/goods	**52.4**	57.5
Total	**121.1**	107.2

A total of EUR 1.9 million (7–12/2006 EUR 2.0 million) in impairment of inventories has been recorded as an expense for the financial year.

16. Trade and other receivables

EUR million	2007	2006
Trade receivables	**82.9**	75.0
Receivables due from associates	**0.1**	0.0
Prepaid expenses and accrued income	**9.1**	10.2
Derivative assets	**0.6**	0.3
Other receivables	**4.7**	3.8
Total	**97.3**	89.4

Ageing of trade receivables

EUR million	2007	2006
Not yet due	**69.6**	56.8
Past due 0–30 days	**10.5**	16.2
Past due 31–90 days	**2.3**	1.6
Past due more than 90 days	**0.5**	0.4
Total	**82.9**	75.0

The Balance Sheet value of trade receivables and other current receivables corresponds to the maximum amount of the credit risk for them. Impairment losses recognised on trade receivables and other receivables in the financial year amounted to EUR 0.0 million (7–12/2006 EUR 0.0 million).

Material items included in prepaid expenses and accrued income:

EUR million	2007	2006
Income tax receivable	**0.8**	1.2
Pending R&D contributions	**1.6**	1.4
Receivables from royalty income	**2.3**	1.5
Receivables from services	**0.8**	1.6
Other	**3.6**	4.6
Total	**9.1**	10.2

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	2007	2006
Cash at bank and in hand	**23.2**	15.0
Interest-bearing short-term investments	**67.2**	95.0
Total	**90.4**	110.0

Cash and cash equivalents include liquid debt instruments, bank deposits and the assets in bank accounts. Of cash and cash equivalents, bank deposits and the assets in bank accounts are classified under loans and receivables, and they are measured at amortised cost. Liquid debt instrumets, which as a rule are short-term certificates of deposits and commercial papers issued by banks and corporates, are measured at fair value and the measurement result is recorded in equity.

18. Equity

Changes in share capital

	A-shares	B-shares	Shares total	Share capital, EUR million
Shares 1 July 2006	56 397 540	84 860 288	141 257 828	92,2
Conversions of A-shares to B-shares in 7–12/2006	-843 300	+843 300		
Shares 31 Dec. 2006	55 554 240	85 703 588	141 257 828	92,2
Conversions of A-shares to B-shares in 1–12/2007	-2 995 552	+2 995 552	141 257 828	
Shares 31 Dec. 2007	52 558 688	88 699 140	141 257 828	92,2
Votes 31 Dec. 2007	1 051 173 760	88 699 140	1 139 872 900	

The minimum total number of shares in Orion Corporation is one (1) and the maximum total number is 1,000,000,000 shares. The shares have no nominal value. The so-called counter book value is EUR 0.65 per share.

At shareholders' meetings, each A-share provides twenty votes and each B-share one vote. Both series provide equal rights to the company's 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 Meetings of the Shareholders.

On 31 December 2007, the share capital of Orion Corporation was EUR 92.2 million (2006 EUR 92.2 million). The total number of shares was 141,257,858 of which A-shares accounted for 52,558,688 and B-shares for 88,699,140. All issued shares have been fully paid.

According to section 3 of the company's Articles of Association, a shareholder can require the conversion of his/her A-shares to B-shares. In 1–12/2007, the number of A-shares converted to B-shares was 2,995,552.

Orion Corporation's Board of Directors has an authorisation granted by the Annual General Meeting on 2 April 2007 to buy back and transfer the company's own shares (treasury shares). On 6 August 2007, the Board of Directors decided to exercise this authorisation to buy back a total of 350,000 Class B shares, but for the time being shares have not been acquired. The Board of Directors does not have an authorisation to increase the share capital or to issue bonds with warrants or convertible bonds or stock options.

After the closing of the books, the Board of Directors has proposed a dividend of 1.00 euros per share to be distributed.

Premium fund

EUR million	2007	2006
Premiun fund 1 Jan./1 July	**17.8**	17.8
Premium fund 31 Dec.	**17.8**	17.8

Expendable fund

EUR million	2007	2006
Expendable fund 1 Jan./1 July	**23.0**	23.0
Expendable fund 31 Dec.	**23.0**	23.0

The expendable fund belongs the distributable assets provided in the Companies Act.

Other reserves

Other reserves include the reserve fund and fair value reserve.

Translation differences

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

19. Provisions

EUR million	Pension provision	Restructuring provision	Other provisions	Total
1 Jan. 2007	0.5	0.4	0.6	1.5
Translation differences	-	0.0	-	0.0
Utilised during the year	-0.3	-0.4	-0.6	-1.3
Reversed unused provisions	-	-0.0	-	-0.0
31 Dec. 2007	0.2	0.0	-	0.2

EUR million	2007	2006
Non-current provisions	**0.2**	0.6
Current provisions	**0.0**	0.9
Total	**0.2**	1.5

Pension provision

The pension provision includes provisions made for unemployment pension expenses for persons made redundant in 2003–2005 who have not yet found work or received a decision on their unemployment pension. The provision is expected to materialise within the following 1 or 2 years.

Restructuring provision

The restructuring provision is mainly related to the operative reorganisation in 2004–2006. The provision is expected to materialise within the following year.

Other provisions

Other provisions included cost reservations made for the cleaning-up of polluted soil at the company's site in Espoo and claims related to terminated rental agreements and employment relationships.

20. Interest-bearing liabilities

EUR million	2007	2006
Non-current liabilities		
Pension loans	-	6.0
Finance lease liabilities	**0.9**	0.6
Other non-current liabilities	**0.3**	1.0
Total	**1.2**	7.5

EUR million	2007	2006
Current liabilities		
Finance lease liabilities	**0.9**	0.7
Other current liabilities	**2.0**	1.6
Total	**2.9**	2.3

Non-current interest-bearing liabilities include loans taken out by the Group as well as liabilities for 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 in current interest-bearing liabilities.

Interest-bearing liabilities are classified in other liabilities according to IAS 39. Group loans and issued debt certificates are measured at amortised cost. Interest is recognised in the Income Statement over the term of the liability, using the effective interest method.

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 (1%). Loans are carried at amortised cost. The next year's repayments of the non-current liabilities are included in the current interest-bearing liabilities. Pension loans in the previous financial period were granted without an amortisation plan, and their interest was determined on the basis of the interest assumption adopted by the Insurance Supervision Authority and the Ministry of Social Affairs and Health.

Maturity of minimum lease liabilities

Minimum lease payments:

EUR million	2007	2006
Within 1 year	**0.9**	0.7
Between 1 to 5 years	**0.9**	0.6
In more than 5 years	**0.0**	0.0
Total	**1.8**	1.3

Present value of minimum lease payments:

EUR million	2007	2006
Within 1 year	**0.9**	0.7
Between 1 to 5 years	**0.8**	0.5
In more than 5 years	**0.0**	0.0
Present value of minimum lease payments	**1.7**	1.2
Future finance charges	**-0.1**	0.1
Finance lease liabilities total	**1.8**	1.3

21. Other non-current liabilities

EUR million	2007	2006
Pension deposit on behalf of personnel	**1.9**	1.6
Other non-current liabilities	**0.2**	0.2
Total	**2.1**	1.8

22. Trade payables and other current liabilities

EUR million	2007	2006
Trade payables	**34.3**	29.2
Other current liabilities to associates	**0.3**	0.3
Accrued liabilities and deferred income	**42.5**	41.1
Derivative liability	**0.2**	0.1
Other current liabilities	**10.0**	8.4
Total	**87.2**	79.1

Material items included in accrued liabilities and deferred income:

EUR million	2007	2006
Liabilities from share-based incentive plan	**0.7**	-
Other accrued wage, salary and social security payments	**27.0**	27.3
Income tax liability	**3.4**	2.8
Other	**11.3**	11.1
Total	**42.5**	41.1

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

23. Categories of financial assets and liabilities as defined in IAS 39

EUR million	2007	2006
Hedging derivative contracts	**0.0**	-
Financial assets held for trading		
Derivative assets	**0.6**	0.3
Loans and other receivables		
Other non-current receivables	**4.0**	3.8
Trade receivables	**82.9**	75.0
Bank deposits	**26.7**	11.5
Other receivables	**0.3**	0.5
Available-for-sale financial assets		
Available-for-sale investments	**0.9**	1.0
Interest-bearing investments (within cash and cash equivalents)	**40.5**	83.5
Cash at bank and in hand	**23.2**	15.0
Financial assets, total	**179.1**	190.7
Financial liabilities held for trading		
Derivative liabilities	**0.2**	0.1
Financial liabilities measured at amortised cost		
Non-current interest-bearing liabilities	**1.2**	7.5
Other non-current liabilities	**2.1**	1.8
Trade payables	**34.3**	29.2
Current interest-bearing liabilities	**2.9**	2.3
Financial liabilities, total	**40.7**	40.9

Derivative contracts are included in other current receivables and other current liabilities of the Consolidated Balace Sheet.

24. Financial risk management

The objectives of the Group's financial risk management are to minimise the negative impacts of changes in financial markets 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.

24.1 Market risk

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

24.1.1 FOREIGN EXCHANGE RISK

Orion Corporation'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 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 compliant hedge accounting is not applied to derivatives hedging forecasted cash flows. The fair value changes of the derivative instruments hedging financial items are recorded through the Income Statement either as sales adjustment items or financial income or expense depending on whether, from an operational perspective, sales revenue or financial liabilities have been hedged.

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 compliant 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 the Income Statement.

Transaction risk

Transaction risk is monitored and hedged actively. The operational foreign exchange risk consists of Balance Sheet items. In addition, forecasted cash flows are also hedged.

	USD		Other	
EUR million	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
Net balance sheet risk	10.5	11.4	12.6	14.5
Forecasted net risk (12 months)	57.3	76.6	40.9	30.3
Net risk total	67.8	88.0	53.5	44.8
Hedges	-23.6	-30.8	-22.6	-23.2
Net risk total	44.2	57.2	30.9	21.6

Translation risk

Translation risk (the translation of country-specific profits and losses into the Group's domestic currency) is not hedged. On 31 December 2007, the Group had a total of EUR 21.4 million (2006 EUR 25.9 million) as equity in subsidiaries located in non-euro -countries.

Sensitivity analysis

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

		Impact on Income Statement		Impact on Balance Sheet	
EUR million		31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
USD	+/-10%	+/- 1.3	+/- 1.9	+/- 1.3	+/- 1.9

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

24.1.2 ELECTRICITY PRICE RISK

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

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

Hedge accounting under IAS 39 is applied to electricity price risk hedges. In applying hedge accounting to the cash flow, the amount recorded for the hedging instrument in the hedging fund in equity is adjusted according to IAS 39.96 so that it is the lower (in absolute figures) of the following two figures:

- the cumulative gain or loss accrued by the hedging instrument from its inception
- the cumulative change in the fair value of expected future cash flows of the item hedged, from the inception of the hedge.

The remaining portion of the profit or loss accrued by the hedging instrument represents the ineffective portion of the hedge and it is recorded through the Income Statement.

During the 2007 financial year, a fair value valuation of EUR 0.0 million for electricity hedges was recorded in equity. The notional values of the derivatives totalled EUR 0.6 million. No amount was recognised from equity to the Income Statement during the financial year, because the entered hedging contracts relate to the 2009 financial year, during which they are estimated to have an impact on the profit for the period.

24.1.3 INTEREST RATE RISK

On 31 December 2007, the Group's interest-bearing liabilities were EUR 4.0 million (2006 EUR 9.8 million). The Group's cash and cash equivalents were EUR 90.4 million (2006 EUR 110.0 million). 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 Group's profit for the period or equity.

24.2 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 for 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 Novartis, a marketing partner, and Oriola-KD Corporation, a pharmaceuticals distributor. The credit losses recorded through the Income Statement during the financial period have not been significant.

The maximum credit risk exposure at 31 December 2007 is the total amount of receivables in the Balance Sheet as well as the net fair values of derivatives, EUR 192.4 million (2006: EUR 204.1 million).

24.3 Liquidity risk

The Group seeks to maintain a good liquidity position in all situations by having sufficient overdrafts and credit limits and liquid assets. On 31 December 2007, the Group had no interest-bearing net debt. Financial liabilities comprise of trade payables, loans from Tekes (the Finnish Funding Agency for Technology and Innovation) and finance lease liabilities. EUR 0.9 million of finance lease liabilities are due within a year and EUR 0.9 million between one to five years. EUR 0.8 million of loans from Tekes are due within a year and EUR 0.2 million between one to two years. The maturity of trade payables is between 1 to 60 days.

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

24.4 Managing the capital structure

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

The Group's equity ratio in the review period and in the previous financial year was the following:

EUR million	2007	2006
Equity	**447.3**	443.5
Equity and liabilities, excluding advances received	**588.6**	588.0
Equity ratio	**75.9%**	75.4%

25. Contingent liabilities

Commitments and contingencies

EUR million	2007	2006
Contingent for own liabilities		
Mortgages on land and buildings	**25.5**	25.5
of which those to the Orion Pension Fund	**9.0**	9.0
Guarantees	**1.4**	1.8
Other	**0.3**	0.3

LEGAL PROCEEDINGS AND CLAIMS

Legal proceedings against Wockhardt USA, Inc. and Wockhardt Limited

Orion Corporation has on 13 September 2007 filed a patent infringement lawsuit in the United States to enforce U.S. Patent No. 5,446,194 and U.S. Patent No. 5,135,950 against generic drug companies Wockhardt USA, Inc. and Wockhardt Limited, who seek to market generic entacapone (200 mg tablets) in the United States. Entacapone is the active ingredient in Comtan®, a product originated by Orion Corporation and marketed in the United States for the treatment of Parkinson's Disease by its exclusive licensee, Novartis.

Orion Corporation and Novartis will vigorously defend the intellectual property rights covering Comtan. By virtue of the legal proceedings, the realisation of generic competition regarding Comtan is neither certain nor imminent.

Legal proceedings against Sun Pharmaceutical Industries Inc. and Sun Pharmaceutical Industries Limited

Orion Corporation has on 13 November 2007 filed a patent infringement lawsuit in the United States to enforce its formulation patent, U.S. Patent No. 6,500,867, against Sun Pharmaceutical Industries Inc. and Sun Pharmaceutical Industries Limited, who seek to market generic versions of Stalevo® tablets (25/100/200 and 37.5/150/200 mg strengths of carbidopa/levodopa/entacapone) in the United States. Stalevo is an enhanced levodopa treatment originated by Orion Corporation and marketed in the United States by its exclusive licensee, Novartis, for the treatment of Parkinson's disease.

Orion Corporation and Novartis will vigorously defend the intellectual property rights covering Stalevo. By virtue of the legal proceedings, the realisation of generic competition regarding Stalevo is neither certain nor imminent.

Orion Corporation has been informed that Sun Pharmaceutical Industries Limited (Sun) has amended its Abbreviated New Drug Application (ANDA). Sun's amendment to its ANDA involves a Paragraph IV challenge to Orion's U.S. Patent No. 5,446,194. The ANDA review process has recently just begun and the realisation of generic competition is neither certain nor imminent. Orion is, together with Novartis, currently evaluating its legal options to protect its rights.

26. Derivatives

Notional values of derivative instruments

EUR million	Notional value 31 Dec. 2007	Maturity 2008	2009	2010–	Notional value 31 Dec. 2006
Non-hedging					
Forward exchange contracts	66.7	66.7	-	-	58.5
Hedging					
Electricity forwards	0.6	-	0.6	-	-

Fair values of derivative contracts

EUR million	2007 Positive fair value	Negative fair value	Net fair value	2006 Positive fair value	Negative fair value	Net fair value
Non-hedging						
Forward exchange contracts	0.5	-0.2	0.3	0.3	-0.0	0.3
Hedging						
Electricity forwards	0.0	-	0.0	-	-	-

27. Operating leases

Group as lessee

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

EUR million	2007	2006
Within 1 year	**1.7**	1.9
Between 1 to 5 years	**2.3**	2.5
In more than 5 years	**0.5**	0.7
Total	**4.5**	5.2
Rents paid on the basis of operating leases 1–12/2007 (7–12/2006)	**1.9**	0.8

The other lease expenses mainly include expenses for the business premises rented abroad.

Group as lessor

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

28. Related party transactions

In 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 members of the Board of Directors of Orion Corporation, the members of the Executive Management Board, the immediate family members of the above persons, the companies controlled by the above persons, as well as the Orion Pension Fund.

Group companies on 31 Dec 2007

	Group Ownership, %	Share of votes, %	Parent Company Ownership, %	Share of votes, %
Pharmaceuticals business				
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 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
OOO Orion Pharma, Russia *)	100.00	100.00	-	-
OÜ Orion Pharma Eesti, Estonia	100.00	100.00	100.00	100.00
UAB Orion Pharma, Lithuania	100.00	100.00	100.00	100.00
Orion Export Oy, Espoo *)	100.00	100.00	100.00	100.00
Oy Lyocentre-Nordic Ab, Espoo *)	100.00	100.00	-	-
Saiph Therapeutics Oy, Espoo *)	100.00	100.00	100.00	100.00
Kiinteistö Oy Harmaaparta, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Kalkkipellontie 2, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Kapseli, Hanko	99.93	99.93	-	-
Kiinteistö Oy Nilsiänkatu 10, Helsinki	100.00	100.00	100.00	100.00
Kiinteistö Oy Pilleri, Hanko	70.39	70.39	-	-
Kiinteistö Oy Tonttuvainio, Espoo	100.00	100.00	100.00	100.00
Diagnostics business				
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	-	-

*) not engaged in any operating activities

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

Transactions with the related parties

The Group has 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's employment benefits

EUR million	1–12/2007	7–12/2006
Salaries and other short-term employee benefits	**2.5**	1.0
Post-employment benefits	**0.6**	0.2

Wages and salaries

EUR million	1–12/2007	7–12/2006
President and CEO	**0.7**	0.2
Members of the Board of Directors:		
Matti Kavetvuo, Chairman	**0.1**	0.1
Eero Karvonen	**0.0**	0.0
Leena Palotie	**0.0**	0.0
Vesa Puttonen	**0.1**	0.1
Hannu Syrjänen	**0.0**	-
Heikki Vapaatalo	**0.0**	0.1
Jukka Ylppö	**0.1**	-
Board of Directors total	**0.4**	0.3

The agreed retirement age of the parent company's President and CEO was 60, with the pension amounting to 66% of his salary. Moreover, executives of certain Group companies have the option to retire at 60–63 years of age, with the pension level at 60% of their salary.

Loans, guarantees and other sureties regarding the related parties

Orion Corparation has issued EUR 9.0 million worth of real estate mortgages to the Orion Pension Fund to cover the pension liability if necessary.

The Group has granted an interest-free loan of EUR 0.1 million to Hangon Puhdistamo Oy.

29. Events after the Balace Sheet date

At the end of January 2008, Orion Corporation was informed by its marketing partner Novartis that a statistically significant positive result for the primary endpoint was obtained in the Phase III clinical FIRST-STEP study carried out by Novartis. The purpose of the study was to determine whether treatment with Stalevo provides better symptomatic benefit than conventional levodopa/carbidopa treatment in patients requiring to start levodopa treatment. The study in 423 patients with early Parkinson's Disease was conducted in the United States, Canada and six other countries.

Key figures 1–12/2007

Financial development

EUR million and %	1–12/2007	7–12/2006
Net sales and profit		
Net sales	**683.6**	311.2
International operations	**482.6**	217.0
% of net sales	**70.6%**	69.7%
Depreciation and amortisation	**31.6**	17.2
Operating profit	**194.0**	90.9
% of net sales	**28.4%**	29.2%
Financial income and expenses	**1.4**	0.5
% of net sales	**0.2%**	0.2%
Profit before taxes	**195.5**	91.4
% of net sales	**28.6%**	29.4%
Income taxes	**50.0**	24.8
Profit available for parent company shareholders	**145.4**	66.6
Return on capital employed (ROCE)	**43.8%**	44.1%
Return on equity (ROE)	**32.7%**	32.5%
Balance Sheet		
Non-current assets	**280.6**	281.4
Current assets	**308.9**	306.6
Equity of the parent company shareholders	**447.3**	443.5
Minority interest	**0.0**	0.0
Non-current provisions	**0.2**	0.6
Liabilities	**142.1**	144.6
Interest-bearing liabilities	**4.0**	9.8
Non-interest-bearing liabilities	**138.1**	134.8
Balance Sheet total	**589.5**	588.1
Equity ratio	**75.9%**	75.4%
Gearing	**-19.3%**	-22.6%
Capital expenditure		
Capital expenditure	**35.3**	13.4
% of net sales	**5.2%**	4.3%
Research and development expenditure		
Research and development expenditure	**97.6**	43.1
% of net sales	**14.3%**	13.8%
Personnel		
Wages and salaries	**131.6**	62.4
Average number of employees	**3 160**	3 069

The proforma segment figures are presented on page 7.

Share-related key figures

			1–12/2007	7–12/2006
Earnings per share		EUR	**1.03**	0.47
Equity per share		EUR	**3.17**	3.14
Total dividends		MEUR	**141.3**	141.3
Dividend per share		EUR	**1.00**	1.00
Payout ratio		%	**97.1%**	212.8%
Dividend yield	A	%	**6.2%**	6.1%
Dividend yield	B	%	**6.2%**	6.1%
P/E ratio	A		**15.63**	34.94
P/E ratio	B		**15.56**	35.00
Closing quotation on 31 Dec.	A	EUR	**16.10**	16.42
Closing quotation on 31 Dec.	B	EUR	**16.03**	16.45
Average quotation	A	EUR	**16.57**	14.87
Average quotation	B	EUR	**16.12**	14.61
Lowest quotation	A	EUR	**15.07**	11.45
Lowest quotation	B	EUR	**15.22**	11.51
Highest quotation	A	EUR	**20.49**	16.44
Highest quotation	B	EUR	**20.53**	16.53
Market capitalisation on 31 Dec.		MEUR	**2 268.0**	2 322.0
Number of shares traded				
A-shares		1 000 pcs	**3 866**	1 651
% of average number of A-shares		%	**7.2%**	2.9%
B-shares		1 000 pcs	**96 266**	37 250
% of average number of B-shares		%	**110.5%**	43.8%
% of average number of all shares		%	**70.9%**	27.5%
Number of shares on 31 Dec.	A	pcs	**52 558 688**	55 554 240
	B	pcs	**88 699 140**	85 703 588
Total number of shares on 31 Dec.		pcs	**141 257 828**	141 257 828
Average number of shares in the period		pcs	**141 257 828**	141 257 828

The figures for the dividend for 1–12/2007 are based on the dividend proposal by the Board of Directors.

Calculation of the key figures

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

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

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

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

Earnings per share (EPS), EUR = $\frac{\text{Profit available for the parent company shareholders}}{\text{Average number of shares}}$

Equity per share, EUR = $\frac{\text{Equity of the parent company shareholders}}{\text{Number of shares on 31 December}}$

Dividend per share, EUR = $\frac{\text{Dividend for the financial period}}{\text{Number of shares on 31 December}}$

Payout ratio, % = $\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$

Effective dividend yield, % = $\frac{\text{Dividend per share}}{\text{Closing quotation of the financial period}} \times 100$

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

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

Market capitalisation, EUR million = Number of shares at 31 December x Closing quotation of the financial period

Parent Company Financial Statements (FAS)

Income Statement of the Parent Company

EUR million	Note	1–12/2007	7–12/2006
Net sales	1	**557.3**	252.7
Other operating income	2	**6.0**	12.8
Operating expenses	3, 4	**-375.2**	-174.7
Amortisation on goodwill	4	**-3.4**	-1.7
Depreciation and amortisation	4	**-21.2**	-11.9
Operating profit		**163.4**	77.2
Financial income and expenses	5	**21.6**	7.5
Profit before appropriations and taxes		**185.0**	84.7
Appropriations	6	**5.0**	11.2
Income taxes	7	**-44.7**	-22.8
Profit for the financial period		**145.3**	73.0

Balance Sheet of the Parent Company

Assets

EUR milion	Note	2007	2006
Non-current assets			
Intangible assets	8		
Intangible rights		**17.5**	14.3
Goodwill		**6.8**	10.2
Other capitalised expenditure		**1.8**	3.3
		26.1	27.8
Tangible assets	9		
Land		**3.5**	3.7
Buildings		**74.1**	76.8
Machinery and equipment		**51.3**	50.4
Other tangible assets		**0.7**	0.7
Advance payments and construction in progress		**5.0**	2.4
		134.5	134.0
Investments	10		
Shares and equity interest in Group companies		**86.1**	88.7
Other investments		**1.3**	1.3
		87.4	90.0
Currents assets			
Inventories	11	**83.5**	67.4
Non-current receivables	12	**0.5**	0.2
Trade receivables	13	**66.6**	63.0
Other current receivables	13	**10.3**	9.4
Investments	14	**67.2**	95.0
Cash and bank		**5.2**	3.2
Assets total		**481.5**	490.1

Liabilities

EUR million	Note	2007	2006
Share capital		**92.2**	92.2
Premium fund		**17.8**	17.8
Expendable fund		**23.0**	23.0
Retained earnings		**19.0**	87.3
Profit for financial year		**145.3**	73.0
Shareholders' equity	15	**297.4**	293.4
Appropriations	16	**72.8**	77.8
Provisions	17	**0.6**	1.4
Liabilities			
Non-current liabilities	18		
Pension loans		**-**	6.0
Other non-current liabilities		**0.2**	0.7
		0.2	6.6
Current liabilities	19		
Trade payables		**37.8**	27.4
Other current liabilities		**72.7**	83.5
		110.5	110.9
Liabilities total		**481.5**	490.1

Cash Flow Statement of the Parent Company

EUR million	1–12/2007	7–12/2006
Cash flow from operating activities		
Operating profit	**163.4**	77.2
Adjustments		
Depreciation and amortisation	**24.6**	13.6
Other adjustments	**-0.6**	-9.8
	24.0	3.8
Change in working capital*		
Change in non-interest-bearing current receivables	**-4.8**	8.5
Change in inventories	**-16.1**	6.2
Change in non-interest-bearing current liabilities	**13.3**	12.2
	-7.7	26.9
Interest paid	**-3.7**	-2.0
Dividends received**	**7.3**	0.4
Interest received**	**3.2**	1.3
Income taxes paid	**-46.0**	-27.8
Net cash from operating activities	**140.5**	79.9
Cash flow from investing activities		
Investments in intangible and tangible assets	**-26.8**	-9.0
Proceeds from sale of intangible and tangible assets	**2.3**	11.7
Investments in subsidiary shares	**-0.0**	-
Proceeds from sale of other shares	**0.1**	0.0
Loans made (+) / repayments of loan receivables (–)	**-0.1**	-0.2
Net cash used in investing activities	**-24.4**	2.5
Cash flow from financing activities		
Change in short-term loans	**5.6**	0.8
Proceeds from long-term loans	**-6.3**	-0.4
Dividends paid	**-141.3**	-0.0
Net cash used in financing activities	**-142.0**	0.4
Net change in cash and cash equivalents	**-25.9**	82.7
Cash and cash equivalents at the beginning of the period***	**98.3**	15.6
Net change in cash and cash equivalents	**-25.9**	82.7
Cash and cash equivalents at the end of the period***	**72.4**	98.3

*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.
**The dividends and interest paid by the subsidiaries and included in the cash flow from operating activities of the parent company.
***Besides cash and bank, the cash equivalents include marketable securities with a very low risk of change in value.

Notes to the Financial Statements of the Parent Company

The parent company of the Orion Group is Orion Corporation, business ID 19992126, domiciled in Espoo.

The first financial period of Orion Corporation was 1 July–31 December 2006. The company started operations as a new company continuing the pharmaceuticals and diagnostics businesses of the former Orion, which demerged on 1 July 2006. Orion Corporation was listed on the OMX Nordic Exchange Helsinki on 3 July 2006.

POLICIES FOR THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

The Financial Statements of the parent company Orion Corporation are 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	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, are capitalised and are normally depreciated over 5 years.

Land areas and revaluations are not depreciated according to plan. The production and office facilities have been revalued in the Orion Group in the 1970's and 1980's. The revaluations are based on separate valuation of the items.

Research and development expenses

R&D expenses are 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 are 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 are 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.

Moreover, the company has entered into derivative contracts in order to protect itself against the risk in electricity price fluctuations. The hedging instruments used are electricity derivative instruments that are quoted on Nord Pool. These derivative instruments hedge the forecasted cash flows. The changes in fair values are recognised when the derivatives are being settled and the hedged risks materialise.

Provisions

Commitments by the company to future expenses which are likely not to generate corresponding revenue are deducted as provisions from income. Similarly, the future losses which are likely to materialise, are 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 project. Moreover, the 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.

Share-based payments

The shares included in the share-based incentive plan for key employees approved by the Board of Directors are measured at fair value on the Balance Sheet date, and they are recognised as an expense in the Income Statement during the vesting period. The assumed amount of the final number of shares and cash payments connected with them is updated at each Balance Sheet date.

Pension arrangements

The pension security of the company's employees has been arranged through the Orion 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 Orion Pension Fund. Moreover, some executives have certain defined-benefit arrangements with pension insurance companies. The pension liability to the Orion Pension Fund is covered in full.

Income taxes

The item income taxes refer 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 are 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.

1. Net sales

Net sales by business area:

EUR million	1–12/2007	7–12/2006
Pharmaceuticals	**557.3**	252.7
Total	**557.3**	252.7

Net sales by market area:

EUR million	1–12/2007	7–12/2006
Finland	**194.1**	91.7
Scandinavia	**63.5**	28.1
Other European markets	**174.8**	81.8
North America	**65.1**	36.7
Other markets	**59.7**	14.4
Total	**557.3**	252.7

2. Other operating income

EUR million	1–12/2007	7–12/2006
Gains on sales of non-current assets	**0.4**	9.9
Service charges from Group companies	**3.2**	1.4
Rents received	**1.1**	0.6
Other	**1.3**	0.9
Total	**6.0**	12.8

3. Changes in provisions

EUR million	1–12/2007	7–12/2006
Change in provisions	**0.8**	-0.1
Total, increase (–) / decrease (+)	**0.8**	-0.1

4. Operating expenses, depreciation and amortisation

Operating expenses:

EUR million	1–12/2007	7–12/2006
Increase (–) or decrease (+) in inventories of finished and semi-finished products	**-6.1**	5.2
Production for own use	**-1.7**	-2.1
Raw materials and services		
Purchases during the financial year	**135.4**	50.8
Increase (–) or decrease (+) in other inventories	**-10.0**	0.9
External services	**19.7**	8.6
Total	**145.1**	60.4
Personnel expenses		
Wages and salaries	**86.3**	40.8
Pension expenses	**2.8**	5.7
Share-based incentive plan	**0.8**	
Other social security expenses	**6.7**	3.1
Total	**96.7**	49.5
Other operating expenses	**141.2**	61.6
Operating expenses total	**375.2**	174.7

Voluntary personnel expenses are recorded under Other operating expenses.

Depreciation and amortisation:

EUR million	1–12/2007	7–12/2006
Amortisation on goodwill	**3.4**	1.7
Other depreciation and amortisation	**21.2**	11.9
Total	**24.6**	13.6

Depreciation and amortisation by Balance Sheet items is presented under Notes 8–9.
Depreciation and amortisation principles are presented under Policies for the Financial Statements of the Parent Company.

Average number of personnel in the financial period	**2 254**	2 158

Share-based payments

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

The shares included in the share-based incentive plan for key employees approved by the Board of Directors are measured at fair value on the Balace Sheet date, and they are recognised as an expense in the Income Statement during the vesting period. The assumed amount of the final number of shares and cash payments connected with them is updated at each Balance Sheet date.

5. Financial income and expenses

EUR million	1–12/2007	7–12/2006
Dividend income from Group companies	**25.0**	7.8
Income from other investments held as non-current assets		
Dividend income from other shares and equity interests	**0.0**	0.0
Interest income from Group companies	**0.0**	0.0
Other interest and financial income		
Interest income from Group companies	**0.0**	0.0
Interest income from other companies	**2.3**	1.1
Other financial income	**0.9**	0.5
Reduction in value of investments held as non-current assets	**-2.7**	
Interest and other financial expenses		
Interest expenses to Group companies	**-1.9**	-0.7
Interest expenses to other companies	**-1.0**	-0.6
Other financial expenses	**-1.1**	-0.5
Total	**21.6**	7.5

Financial income and expenses:

EUR million	1–12/2007	7–12/2006
Dividend income	**25.0**	7.8
Interest income	**2.3**	1.1
Interest expenses	**-2.9**	-1.3

6. Appropriations

EUR million	1–12/2007	7–12/2006
Change in accumulated accelerated depreciation	**5.0**	11.2
Total, increase (–) / decrease (+)	**5.0**	11.2

7. Income taxes

EUR million	1–12/2007	7–12/2006
Current tax on ordinary operations	**-44.7**	-22.6
Adjustments for current tax of previous financial years	**0.0**	-0.2
Total	**-44.7**	-22.8

Deferred tax asset and liability

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

Deferred tax asset arises from:

EUR million	2007	2006
Provisions	**0.2**	0.4
Total	**0.2**	0.4

Deferred tax liability arises from:

EUR million	2007	2006
Accumulated appropriations	**18.9**	20.2
Revaluations	**4.3**	4.3
Total	**23.2**	24.5

8. Intangible assets on 31 Dec 2007

EUR million	Intangible rights	Goodwill	Other capitalised expenditure	Total
Acquisition cost 1 Jan. *)	42.4	68.3	44.6	155.2
Increase	7.0		0.3	7.3
Decrease	-0.1			-0.1
Transfers between Balance Sheet items	-0.1		0.1	
Acquisition cost 31 Dec.	49.3	68.3	44.9	162.5
Accumulated amortisation 1 Jan. *)	28.1	58.0	41.2	127.4
Accumulated amortisation related to decreases	-0.1			-0.1
Amortisation for the financial year	3.7	3.4	1.9	9.0
Accumulated amortisation 31 Dec.	31.8	61.4	43.2	136.4
Book value 31 Dec.	17.5	6.8	1.8	26.1
Accumulated accelerated amortisation 1 Jan.	2.2	0.0	1.2	3.5
Increase (+) / Decrease (–)	0.1		-1.0	-0.9
Accumulated accelerated amortisation 31 Dec.	2.4	0.0	0.2	2.6

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

9. Tangible assets on 31 Dec 2007

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. *)	3.7	158.4	161.6	1.7	2.4	327.7
Increase	0.0	2.6	11.7	0.0	4.3	18.6
Decrease	-0.2	-5.5	-4.4	-0.1		-10.3
Transfers between Balance Sheet items		0.0	1.6		-1.7	
Acquisition cost 31 Dec.	3.5	155.6	170.5	1.6	5.0	336.1
Accumulated depreciation 1 Jan. *)		81.6	111.2	1.0		193.8
Accumulated depreciation related to transfers and decreases		-4.3	-3.4	-0.1		-7.8
Depreciation for the financial year		4.1	11.4	0.1		15.5
Accumulated depreciation 31 Dec.		81.4	119.2	0.9		201.5
Book value, 31 Dec.	3.5	74.1	51.3	0.7	5.0	134.5
Accumulated accelerated depreciation 1 Jan.		40.1	34.2	0.0		74.3
Increase (+) / Decrease (–)		-2.5	-1.6	0.0		-4.1
Accumulated accelerated depreciation 31 Dec.		37.7	32.5	0.0		70.2

On 31 December, production machines accounted for EUR 21.1 million (2006 EUR 19.9 million) of the book value of machinery and equipment. Revaluation included in the acquisition cost of land is EUR 0.1 million (2006 EUR 0.1 million), and that in the acquisition cost of buildings is EUR 16.5 million (2006 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 Jan.

10. Investments on 31 Dec 2007

EUR million	Shares in Group companies	Receivables from Group companies	Other shares and holdings	Loan receivables *)	Total
Acquisition cost 1 Jan.	122.4	5.0	1.8	0.3	129.5
Increase	0.0	0.1			0.1
Decrease			-0.0		-0.0
Acquisition cost 31 Dec.	122.4	5.1	1.7	0.3	129.6
Accumulated revaluation 1 Jan.	38.5	0.2	0.8		39.5
Revaluation for the financial year		2.7			2.7
Accumulated revaluation 31 Dec.	38.5	2.9	0.8		42.2
Book value 31 Dec.	83.9	2.2	0.9	0.3	87.4

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

11. Inventories

EUR million	2007	2006
Raw materials and consumables	**23.4**	13.5
Work in progress	**21.6**	14.4
Finished products/goods	**37.7**	38.8
Other inventories	**0.9**	0.7
Advance payments	**-**	0.0
Total	**83.5**	67.4

12. Non-current receivables

EUR million	2007	2006
Non-current receivables from Group companies	**0.0**	0.0
Loan receivables from associates	**0.1**	0.1
Other loan receivables	**0.5**	0.2
Total	**0.5**	0.2

13. Current receivables

EUR million	2007	2006
Trade receivables	**56.0**	51.7
Receivables from Group companies		
Trade receivables	**10.6**	11.3
Loan receivables	**0.4**	0.0
Other receivables	**0.1**	0.0
Prepaid expenses and accrued income	**0.1**	0.0
Total	**11.1**	11.4
Loan receivables from associate	**0.0**	0.0
Other loan receivables	**0.2**	0.5
Other receivables	**2.7**	1.6
Prepaid expenses and accrued income	**6.8**	7.3
Total	**76.9**	72.4

Material items included in prepaid expenses and accrued income:

EUR million	2007	2006
Pending R&D contributions	**1.6**	1.2
Receivables from royalty income	**2.3**	1.8
Receivables from R&D services	**0.8**	1.5
Other	**2.3**	2.7
Total	**6.8**	7.3

14. Investments held as current assets

EUR million	2007	2006
Other securities: Interest instruments	**67.2**	95.0
Total	**67.2**	95.0

Difference between market value and book value:

EUR million	2007	2006
Market value	**67.5**	95.2
Corresponding book value	**-67.2**	-95.0
Accrued interest from interest instruments in prepaid expenses and accrued income	**-0.3**	-0.2
Difference	**0.0**	-0.0

15. Shareholders' equity

EUR million	2007	2006
Share capital 1 Jan. / 1 July	**92.2**	92.2
Share capital 31 Dec.	**92.2**	92.2

EUR million	2007	2006
Premium fund 1 Jan./1 July	**17.8**	17.8
Premium fund 31 Dec.	**17.8**	17.8

EUR million	2007	2006
Expendable fund 1 Jan./1 July	**23.0**	23.0
Expendable fund 31 Dec.	**23.0**	23.0

EUR million	2007	2006
Retained earnings 1 Jan./1 July	**160.3**	87.3
By decision of Annual General Meeting		
dividends distributed	**-141.3**	-
donations made	**-0.1**	-
Profit for the financial year	**145.3**	73.0
Retained earnings 31 Dec.	**164.3**	160.3

Parent company share capital by shares:

	2007	EUR million	2006	EUR million
A-shares (20 votes per share)	**52 558 688**		55 554 240	
B-shares (1 vote per share)	**88 699 140**		85 703 588	
Total	**141 257 828**	**92.2**	141 257 828	92.2

During 1 January–31 December 2007, a total of 2,995,552 A-shares were converted to B-shares. The corresponding figure for 1 July–31 December 2006 was 843,300. Futher information is shown under the consolidated notes 18. Equity.

16. Appropriations

EUR million	2007	2006
Accumulated accelerated depreciation	**72.8**	77.8
Total	**72.8**	77.8

17. Provisions

EUR million	2007	2006
Pension provisions	**0.6**	0.8
Other provisions	**-**	0.6
Other	**0.6**	1.4

18. Non-current liabilities

EUR million	2007	2006
Pension loans	**-**	6.0
Other non-current liabilities	**0.2**	0.7
Total	**0.2**	6.6

Liabilities due in five years' time or later:

EUR million	2007	2006
Pension loans	**-**	6.0
Total	**-**	6.0

19. Current liabilities

EUR million	2007	2006
Advance payments received	**0.0**	-
Trade payables	**26.3**	20.7
Liabilities to Group companies		
Trade payables	**11.5**	6.6
Other current liabilities	**36.5**	47.6
Accrued liabilities and deferred income	**0.1**	0.1
Total	**48.1**	54.3
Other current liabilities	**7.3**	6.3
Accrued liabilities and deferred income	**28.8**	29.6
Total	**110.5**	110.9

Material items included in accrued liabilities and deferred income:

EUR million	2007	2006
Income tax liability	**0.3**	1.6
Liabilities from share-based incentive plan	**1.0**	-
Other accrued wage, salary and social security payments	**20.6**	20.5
Accrued royalties	**2.5**	2.5
Price adjustments to be disbursed	**3.3**	3.3
Other	**1.1**	1.6
Total	**28.8**	29.6

Liabilities comprise:

EUR million	2007	2006
Non-current interest-bearing liabilities	**0.2**	6.6
Current interest-bearing liabilities	**38.3**	49.0
Current non-interest-bearing liabilities	**72.2**	61.9
Total	**110.6**	117.6

20. Information related to administrative body members

Salaries and remuneration paid to members of administrative bodies:

EUR million	1–12/2007	7–12/2006
President and CEO and members of the Board of Directors	**1.1**	0.8

No loans have been granted to the administrative body members.

Management pension commitments
The agreed retirement age of the Parent Company's President and CEO was 60, with the pension amounting to 66% of his salary. Moreover, executives of certain Group companies have the option to retire at 60–63 years of age, with the pension level at 60% of their salary.

Futher information is shown under consolidated notes 28. Related party transactions.

21. Guarantees

Guarantees for the Group's own liabilities:

EUR million	2007	2006
Mortages on real estate	**25.5**	25.5

Guarantees on behalf of the Group companies:

EUR million	2007	2006
Guarantees	**1.6**	2.0

Total guarantees:

EUR million	2007	2006
Mortgages on real estate	**25.5**	25.5
Guarantees	**1.6**	2.0

22. Contingent liabilities

EUR million	2007	2006
Outstanding payments pertinent to leasing agreements		
Beginning financial year	**1.5**	1.1
Following financial years	**1.5**	1.5
Total	**3.0**	2.6

The leasing agreements are made on customary terms.

Other liabilities of the company:

EUR million	2007	2006
Drug damage liability	**0.3**	0.3

23. Derivative contracts

EUR million	2007	2006
Currency forward contracts		
Fair value	**0.3**	0.3
Counter value in EUR	**66.7**	58.5
Electricity forwards		
Fair value	**0.0**	-
Counter value in EUR	**0.6**	-

24. Shares and equity interests in other companies

The Parent Company's holdings in other companies are presented in the Note 28. Related parties, in the Notes to the Consolidated Financial Statements.

Proposal by the Board of Directors for the distribution of profits for 2007

The distributable equity of the Parent Company amounts to EUR 187,390,536.33, of which the profit for the financial year accounts for EUR 145,338,612.40.

The Board of Directors proposes that the distributable equity of the parent company be used as follows:

• A dividend of EUR 1.00 per share be distributed on 141,257,828 shares	141,257,828.00 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	46,012,708.33 EUR
	187,390,536.33 EUR

No essential changes have taken place in the financial position of the company after the end of the financial period. The liquidity of the company is good and, according to the Board of Directors, the solvency of the company is not compromised due to the proposed dividends.

The Board of Directors submits these Financial Statements to the General Meeting of Shareholders for approval.

Espoo, 6 February 2008

Matti Kavetvuo
Chairman

Jukka Ylppö
Vice Chairman

Eero Karvonen

Leena Palotie

Vesa Puttonen

Hannu Syrjänen

Timo Lappalainen
President and CEO

Auditors' report

TO THE SHAREHOLDERS OF ORION CORPORATION

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Orion Corporation for the period 1 January–31 December 2007. The Board of Directors and the President and CEO have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on test basis evidence supporting the amounts and disclosures in the report and 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 the administration is to examine whether the members of the Board of Directors and the President and CEO 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 defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

PARENT COMPANY'S FINANCIAL STATEMENTS, REPORT OF THE BOARD OF DIRECTORS AND ADMINISTRATION

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Espoo, 6 February 2008

Ernst & Young Oy
Authorized Public Accountant Firm

Pekka Luoma
Authorized Public Accountant

Board of Directors

Matti Kavetvuo

Chairman
M.Sc. (Eng.), B.Sc. (Econ.)

b. 1944

Member and Chairman of the Board of Directors of Orion Corporation since 1 July 2006

Member and Chairman of the Board of Directors of the demerged Orion 2004–30 June 2006

Chairman of the Compensation Committee, member of the R&D Committee and 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 Directors of Metso Corporation and Marimekko Corporation
- Vice Chairman of the Board of Directors of Alma Media Corporation
- Member of the Board of Directors of Konecranes Plc

Jukka Ylppö

Vice Chairman
M.Sc. (Eng.), M.Sc. (Econ.)

b. 1955

Member of the Board of Directors of Orion Corporation since 2 April 2007

Member of the Audit Committee and the Nomination Committee

Primary career

Jukka Ylppö graduated from the Helsinki University of Technology in 1981. In 1990 he took the degree of M.Sc. (Econ.) at the Helsinki School of Economics. Jukka Ylppö has done his career in product development tasks at ABB Corporation since 1981. Presently he works as Senior Advisor in the development of control systems for industrial electric drives. His career has progressed through the following phases:

1999–2007
Senior Advisor in the development of control systems for industrial electric drives

1996–1998
Head of the development of a control system for a new thyristor supply unit

1993–1995
Development of new controls for direct-current drives

1991–1992
Automation system development engineer, Västrås, Sweden

1988–1990
Sales engineer of ship automation systems

1986–1987
Project manager of the development of analysers for paper making processes

1984–1985
Head of the development of control systems for direct-current drives

1982–1983
Product development engineer / power electronics

Eero Karvonen

M.Sc. (Eng.)

b. 1948

Member of the Board of Directors of Orion Corporation since 1 July 2006

Member of the Board of Directors of the demerged Orion 2004–30 June 2006

Member of the Audit Committee and the R&D Committee

Primary career

1986–
EVK-Capital Oy, Owner and Managing Director

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

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

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

Other current key positions of trust

- Member of the Board of Directors of Rocla Oyj

Leena Palotie

Professor, M.D., Ph.D.

b. 1952

Member of the Board of Directors of Orion Corporation since 1 July 2006

Member of the Board of Directors of the demerged Orion 2004–30 June 2006

Chairman of the R&D Committee

Primary career

2007–
Professor, Head of Human Genetics, Wellcome Trust Sanger Institute, Hinxton, Cambridge, UK

2007–
Research director, Institute for Molecular Medicine Finland FIMM, University of Helsinki and National Public Health Institute, Helsinki, Finland

2006–
Member of the USA National Academies of Sciences, Institute of Medicine

2005–
Visiting professor, Broad Institute of MIT and Harvard, USA

2005–
Member of the scientific council of the European Research Council (ERC)

2005–2007
President of the Human Genome Organisation (HUGO)

2003–2007
Academy Professor, Director of the Centre of Excellence in Disease Genetics of the Academy of Finland

2004–
Director of Nordic Center of Excellence in Disease Genetics

2002–
Coordinator of the large international genomics program 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 Program of Molecular Medicine, National Public Health Institute, Finland

Professor Palotie has published more than 450 scientific articles and 73 review articles and directed 67 doctoral theses in Finland and the United States.

Palotie has been named Woman of the Year and she has received several international scientific awards, e.g. the Medical Journalists' Award in Finland, the Matti Äyräpää Award of the Finnish Medical Association, the Anders Jahre Award, the Fernström Prize and the van Gysel Prize for Biomedical Research.

Professor Palotie is an honorary doctor of the University of Uppsala, Sweden, and the University of Joensuu, Finland.

Vesa Puttonen

Professor, D.Sc. (Econ.)

b. 1966

Member of the Board of Directors of Orion Corporation since 1 July 2006

Member of the Board of Directors of the demerged Orion 2004–30 June 2006

Chairman of the Audit Committee, member of the Compensation Committee

Primary career

2001–
Helsinki School of Economics, Professor in Finance

1999–2001
Conventum Fund Management, Managing Director

1998–1999
HEX Helsinki Exchanges, Senior Vice President

1996–1998
Helsinki School of Economics, Professor in Finance

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

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

1990–1992
The Academy of Finland, Project Researcher

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

Other current key positions of trust

- Chairman of the Board of Directors of Arvo Value Asset Management Ltd
- Member of the Board of Directors of Rocla Oyj, Oras Invest Ltd and HSE Executive Education Ltd

Hannu Syrjänen

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

b. 1951

Member of the Board of Directors of Orion Corporation since 2 April 2007

Member of the Compensation Committee

Primary career

2001–
President and CEO and Chairman of the Executive Management Group of SanomaWSOY Corporation

1999–2001
Member of the Executive Management Group of SanomaWSOY since 1999

1989–2001
President and CEO, Vice President, and Executive Vice President and Deputy CEO of Rautakirja Corporation

Other current key positions of trust

- Chairman of the Board of Directors of Ilmarinen Mutual Pension Insurance Company
- Member of the Board of Directors of SanomaWSOY Corporation
- Chairman in subsidiaries of SanomaWSOY: Rautakirja Corporation, Sanoma Corporation, SWelcom Oy and WSOY

Executive Management Board

Timo Lappalainen

M.Sc. (Eng.)
b. 1962

President and CEO, Chairman of the Executive Management Board

Timo Lappalainen began his career with Arthur Andersen & Co. in Chicago in 1987. He worked as a Consultant in health care and finance sectors until 1989 before returning to Finland, to Finvest Ltd. During the years of 1989–1993 in Finvest Ltd. Timo Lappalainen was responsible for Business Development. He also held the position of General Manager of a German unit of Finvest Ltd. From 1994 to 1999 he served with Leiras Oy (subsidiary of Schering AG) having the responsibility of several functions, international marketing and business development among others.

Timo Lappalainen joined Orion in 1999 as Senior Vice President, Business Development of Orion Pharma, being also in charge of the business unit's finance, licensing and IT. In 2003, he was appointed Executive Vice President of Orion Pharma with responsibility of the human pharmaceuticals business. In 2004, Animal Health business was added into his responsibilities. During the years of 2005–2007 he was responsible for Orion's Proprietary Products and Animal Health businesses. As of 1 January 2008 Timo Lappalainen was appointed President and CEO of Orion Corporation.

Timo Lappalainen has been Chairman of the Board of Finnzymes Oy since 2007. He was elected as a member of the Board of Directors of the Finnish Chemical Industry Federation and a deputy member of the General Assembly of the Confederation of Finnish Industries, EK as of the beginning of 2008. He was also elected as a member of the Council of the Helsinki Region Chamber of Commerce as of year 2008 and as a member of the Council of the Finnish Section of the International Chamber of Commerce (ICC Finland).

Satu Ahomäki

M.Sc. (Econ.)
b. 1966

Senior Vice President, Animal Health

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

As of 1 January 2008, Satu Ahomäki serves as Senior Vice President of the Animal Health business division and as a member of the Executive Management Board.

Markku Huhta-Koivisto

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

Senior Vice President, Specialty Products and Fermion

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

Huhta-Koivisto has been Senior Vice President, Specialty Products since November 2006.

Olli Huotari

Master of Laws, LL.M.
b. 1966

Senior Vice President, Corporate Functions, Secretary to the Board of Directors of Orion Corporation

In 1992–1995 Olli Huotari served as Legal Counsel in the law firm Asianajotoimisto Jouko Penttilä Oy, and in 1995–1996 he completed the degree of Master of Laws in International Commercial Law at the University of Kent at Canterbury, UK.

Olli Huotari joined Orion Group in 1996 as Legal Counsel in Corporate Administration. Since October 2002, he held the position of General Counsel of Orion Group. He has also been Secretary to the Board of Directors of Orion Corporation since October 2002.

As an auxiliary responsibility, Huotari attended in 2005–2006 to the responsibilities of Vice President, Human Resources of Orion Pharma and Corporate Vice President, HR development of the Orion Group.

As of 1 July 2006 Huotari has assumed the task of Senior Vice President in charge of Corporate Functions (Human Resources, Intellectual Property Rights, Legal Affairs and Communications) and Secretary to the Board of Directors of Orion Corporation.

Liisa Hurme

Ph. D.
b. 1967

Senior Vice President, Proprietary Products

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

As of 1 January 2008, Liisa Hurme serves as Senior Vice President of the Proprietary Products business division and as a member of the Executive Management Board.

Pekka Kaivola

Lic.Phil.
b. 1950

Senior Vice President, Global Sales

After working as an assistant at the University of Oulu since 1974, Pekka Kaivola joined Orion as a pharmaceutical sales representative in 1979. He was a Product Manager in 1982–1983.

From 1983 to 1987 Kaivola worked as a Marketing Manager with Pfizer Oy and between 1987 and 1989 as a Product Line Director at Suomen MSD Oy.

In 1989 he rejoined Orion as Sales Director of ethicals in Finland. In 1992, OTC products were added to his areas of responsibility and, in 1995, the products of Farmos. In 2002–2003 Kaivola was the Managing Director of Orion's marketing subsidiary in New Jersey, USA. After his return to Finland, he headed the marketing of the core therapy areas of Orion in 2003–2004.

Since 2004 Kaivola's area of responsibility was extended to include all of Orion's human pharmaceutical sales.

Pekka Kaivola is a member of the Trade Policy Committee of the Finnish Chemical Industry Federation and a member of the Confederation of Finnish Industries EK. He is a member of the Board of Pharma Industry, holding the position of Vice Chairman.

Jari Karlson

M.Sc. (Econ.)
b. 1961

Chief Financial Officer (CFO)

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

Jari Karlson joined Orion Group in August 2001 as Vice President, Finance for Orion Pharma. He was appointed Chief Financial Officer of Orion Group in 2002.

Pekka Konsi

M.Sc. (Eng.)
b. 1948

Senior Vice President, Supply Chain

After working as an Assistant at the Helsinki University of Technology and part-time at an engineering office, Pekka Konsi joined Orion in 1977. Initially he worked as a Technical Planning Manager and, as his areas of responsibility gradually grew, he was appointed Planning Director in 1988.

Since 1994 Pekka Konsi worked in Orion's pharmaceuticals production as Plant Manager of the Espoo and Kuopio plants. He was appointed Orion's Senior Vice President, Supply Chain as of November 2006.

Reijo Salonen

Docent, MD, PhD
b. 1956

Senior Vice President, Research and Development
Chief Medical Officer

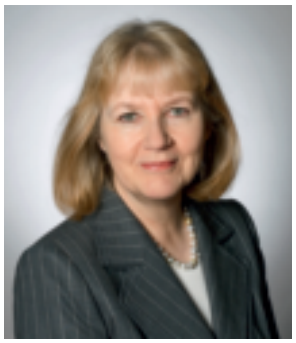
Reijo Salonen began his career at university hospitals in Finland, where he practised and taught Neurology from 1989–1995. In 1995 he joined GlaxoWellcome Finland as the Country Medical Director. In 1997 he was appointed Senior Medical Strategy Head, Neurology at GlaxoWellcome in the United States and in 1998 became Principal Medical Strategy Head in Neurology and Psychiatry. In 1999–2001 Salonen acted as Director, Medical Strategy and Communications in the Neurosciences Therapy Group. In 2001 he was appointed Vice President, Clinical Development, Neurology and GI at GlaxoSmithKline and his responsibilities expanded in 2002 when he was named Vice President, Clinical Development and Medical Affairs, Neurosciences at GlaxoSmithKline.

In 2004, Reijo Salonen joined Pfizer's Worldwide Development in the United States as Vice President, Neurology, Psychiatry and Ophthalmology. Later that year he was appointed Vice President and Worldwide Therapeutic Area Head Neurosciences where he was responsible for the global medical and development programmes for all of Neurosciences at Pfizer. He joined Orion Pharma as the Senior Vice President and Chief Medical Officer for the company in the fall of 2006.

Reijo Salonen received both his MD degree and PhD (in Neuroimmunology) from the University of Turku in 1983. He is Specialist in Neurology and has been Docent in Neuroimmunology at Turku since 1989.

Salonen is a Member of the Board of European Brain Council and of the American Society of Experimental Neurotherapeutics.

Reijo Salonen has been Senior Vice President, Research and Development and Orion's Chief Medical Officer since November 2006.



Riitta Vartiainen

M.Sc.
b. 1951

Senior Vice President, Business Development and Support

Riitta Vartiainen's career began in 1976 as a Product Expert of diagnostics with Tam Drug/Tamro Oy. She joined Orion as an Export Manager in 1980. In 1982–1988 she worked with Oy Alko Ab as a Product and Sales Manager of biotechnology products, responsible for domestic sales and exports.

In 1988 Riitta Vartiainen returned to Orion as a Marketing Manager of DNA diagnostics. In 1992 she was appointed as a Product Manager in charge of antimicrobials. Between 1995 and 2000 she worked as a Research Manager in the Levosimendan Project.

From 2000 onwards Riitta Vartiainen worked as a Project Leader on Easyhaler projects, and from 2002 in projects of Specialty Products. From 2004–2006 she was in charge of Orion's Specialty Products business. As of November 2006 she has led the Business Development and Support unit.

Liisa Remes

Research Assistant

Employee representative

Orion Corporation

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Orion's publications

The homepage provides a facility for subscribing Orion's publications.
The publications can be also ordered by e-mail corpcom@orion.fi

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This presentation includes forward-looking statements (statements that are not historical facts and relate to the future activities and performance) that involve risks and uncertainties. These forward-looking statements include statements about future strategies and the anticipated benefits of these strategies, and they are subject to risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of factors, including the possibility that Orion may decide not to implement these strategies, and the possibility that, even if the strategies are implemented, their anticipated benefits are not achieved.

Former Orion Corporation demerged on 1 July 2006 into two new companies, Orion Corporation and Oriola-KD Corporation. All financial information before that date presented here is based on information that has been carved-out from the financial statements of the demerged Orion Corporation. This historical financial information has, however, been prepared for illustrative purposes only and does not necessarily describe what the results of the Orion Group, or its financial position, changes in equity and cash flows would have been if the Orion Group had operated as a separate legal entity before 1 July 2006.


ORION
BUILDING WELL-BEING