



Orion Group Financial Statement Release for 2011

Orion's net sales in 2011 totalled EUR 918 million (EUR 850 million in 2010), up by 8% on the previous year.

- Operating profit was EUR 283 (254) million.
- Profit before taxes was EUR 282 (253) million.
- Equity ratio was 64% (63%).
- ROCE before taxes was 49% (45%).
- ROE after taxes was 43% (41%).
- Basic earnings per share were EUR 1.49 (1.31).
- Cash flow per share before financial items was EUR 1.10 (1.26).
- Board's proposal for dividend per share is EUR 1.30 (1.20) per share.
- Board proposes that EUR 0.12 (0.06) per share be distributed from the distributable equity as a repayment of capital.
- Orion estimates that net sales in 2012 will be at similar level to 2011 and operating profit at similar level to 2010.

ORION'S KEY FIGURES FOR THE REVIEW PERIOD

	Q4/11	Q4/10	Change %	2011	2010	Change %
Net sales, EUR million	236.1	214.9	+9.9%	917.9	849.9	+8.0%
International operations, EUR million	174.3	153.9	+13.2%	677.2	620.7	+9.1%
% of net sales	73.9%	71.6%		73.8%	73.0%	
Operating profit, EUR million	59.6	52.6	+13.2%	282.9	254.2	+11.3%
% of net sales	25.2%	24.5%		30.8%	29.9%	
Profit before taxes, EUR million	59.5	52.4	+13.7%	282.0	252.6	+11.6%
% of net sales	25.2%	24.4%		30.7%	29.7%	
Income tax expense, EUR million	14.3	15.7	-9.0%	72.4	67.9	+6.6%
R&D expenses, EUR million	25.4	26.6	-4.5%	87.5	85.5	+2.3%
% of net sales	10.8%	12.4%		9.5%	10.1%	
Capital expenditure, EUR million	12.9	11.3	+14.5%	49.5	39.2	+26.4%
% of net sales	5.5%	5.2%		5.4%	4.6%	
Assets total, EUR million				779.1	745.8	+4.5%
Equity ratio, %				64.2%	62.7%	
Gearing, %				-6.9%	-12.2%	
Interest-bearing liabilities, EUR million				88.7	110.0	-19.4%
Non-interest-bearing liabilities, EUR million				190.5	168.4	+13.1%
Cash and money market investments, EUR million				123.0	167.2	-26.4%
ROCE (before taxes), %				49.4%	45.0%	
ROE (after taxes), %				43.3%	40.7%	
Basic earnings per share, EUR	0.32	0.26	+23.3%	1.49	1.31	+13.5%
Diluted earnings per share, EUR	0.32	0.26	+23.3%	1.49	1.31	+13.5%
Cash flow per share before financial items, EUR	0.33	0.45	-26.0%	1.10	1.26	-13.0%
Equity per share, EUR				3.55	3.32	+6.9%
Proposed dividend per share, EUR ¹⁾				1.30	1.20	+8.3%
Personnel at the end of the period				3,425	3,131	+9.4%
Average personnel during the period				3,328	3,137	+6.1%
Personnel expenses, EUR million				186.0	170.3	+9.2%

¹⁾ In addition, the Board of Directors proposes to the Annual General Meeting that EUR 0.12 (0.06) per share be distributed from the reserve for invested unrestricted equity as a repayment of capital.

President and CEO Timo Lappalainen's review

"Strong year for Orion"

"Our net sales and operating profit were higher than in the previous year.

"Deliveries of our Parkinson's drugs to Novartis continued to grow in the past year. However, as anticipated, total in-market sales of the product family and sales of Stalevo[®] and Comtess[®] through Orion's own marketing were slightly lower. Sales from the rest of our product range grew well throughout the year. We succeeded in further strengthening our market position because in many markets our growth was faster than growth of the overall pharmaceuticals market. This was true of Finland too, where the pharmaceuticals market as a whole resumed growth after several years of contraction.

"One event important for Orion's future was in September, when the European Commission granted centralised marketing authorisation for the intensive care sedative *dexdor*[®] (dexmedetomidine). Launching of the product and launch preparations in various parts of Europe towards the end of the year progressed as planned. Dexmedetomidine (Precedex[®]) sold by our partner Hospira has performed well in recent years, especially in the United States, and we believe that in the coming years it will bring us considerable sales in Europe too, where we will generally be marketing it ourselves.

"Our research projects started later in the previous year progressed as planned in 2011. They included Phase I and II clinical trials with an alpha 2_c receptor antagonist, an androgen receptor antagonist and a new more effective levodopa product, and projects to broaden the Easyhaler[®] product family into combination products. Last year we also entered into some collaboration agreements important for our future. We began extensive collaboration with the US company Endo Pharmaceuticals for discovery, development and commercialisation of assets in oncology, and in the summer we entered into an agreement with Nycomed for marketing Easyhaler[®] combination products under development.

"A fire at Orion's manufacturing plant in Turku in November caused some problems in deliveries of certain products late in the year, especially in Finland. Although we were able to restart production even faster than anticipated, we will not achieve normal delivery reliability in the first months of the current year. Nevertheless, the overall financial effects of the accident are expected to remain relatively small.

"In 2012 the first generic competitors for our Parkinson's drugs will enter the markets. As a result, we estimate that our net sales will be at similar level to the previous year and our operating profit at similar level to 2010. More information on the outlook estimate and the basis for it can be found on pages 6–7 of this report."

Events in 2011

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

On 28 January Orion and Endo Pharmaceuticals Inc. announced that they had signed a novel collaboration agreement for the discovery, development and commercialisation of assets in oncology.

On 22 July Orion Diagnostica strengthened its research and product development base by acquiring new early-phase technology through purchasing all the shares of English technology company GeneForm Technologies Ltd.

On 4 August Orion announced that it had entered into a collaboration agreement with Nycomed for co-marketing of Easyhaler[®] combination products for treatment of asthma and chronic obstructive pulmonary disease in the major European countries, and an exclusive licensing and distribution arrangement in the Middle East and North Africa region.

On 21 September Orion announced that it had been informed that the European Commission had granted centralised marketing authorisation for Orion's intensive care sedative *dexdor*[®] (dexmedetomidine).

On 25 October Orion announced that Mrs. Virve Laitinen, M.Sc. (Tech.), MBA, has been appointed Senior Vice President responsible for the Supply Chain line function and member of the Executive Management Board of the Orion Group, as of 1 January 2012.

On 22 November production at Orion's manufacturing plant in Turku was halted due to a fire.

On 21 December Orion announced that most production at its manufacturing plant in Turku had resumed following the fire in November.

Events after the period

On 7 February Orion announced that study results received early in 2012 on a budesonide-formoterol formulation product under development for broadening the range of the Easyhaler[®] product family were promising, but yet insufficient for submission of an application for marketing authorisation. The Company will continue development of the product in 2012.

News conference and teleconference

A news conference and teleconference on the published results will be held today, Tuesday 7 February 2012, at 13:30 EET in Hotel Kämp, address: Pohjoisesplanadi 29, Helsinki. President and CEO Timo Lappalainen will give a brief presentation in English on the financial review.

The event can be followed live as a webcast accessible via the Orion website at <http://www.orion.fi/en/>. After the presentation, questions can be asked by telephone in Finnish and English.

The teleconference code is **910481** and to participate in the teleconference please call:

from United States: +1 866 803 8344
from other countries: +44 (0)20 7162 0125

News conference recordings

A recording of the webcast of the event in English can be viewed through a link on the Orion website later today. A recording of the presentation by the President and CEO in Finnish will be available on the Orion website later today.

Financial report material

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

Dates in Orion Calendar 2012

Deadline for registering for Annual General Meeting	Thursday 15 March 2012 at 10:00
Annual General Meeting	Tuesday 20 March 2012 at 14:00 in Helsinki
Record date for dividend distribution	Friday 23 March 2012
Dividend payment date	Wednesday 4 April 2012
Interim Report January–March 2012	Tuesday 24 April 2012
Capital Markets Day in Helsinki	Thursday 24 May 2012
Interim Report January–June 2012	Tuesday 31 July 2012
Interim Report January–September 2012	Tuesday 23 October 2012

The Annual Report 2011 will be published on the Company's website at the latest in week 10/2012.

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

For additional information about the financial review:

Jari Karlson, CFO, tel. +358 10 426 2883

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

Financial review 2011

Net sales

The Orion Group's net sales in January–December 2011 were up by 8% at EUR 918 million (EUR 850 million in 2010). Foreign exchange rates had no significant effect on net sales in the review period.

The Pharmaceuticals business's net sales were up by 8% at EUR 871 (806) million. The products based on in-house R&D accounted for EUR 420 (397) million, or 48% (49%) of the Pharmaceuticals business's net sales. Net sales of Orion's Parkinson's drugs were up by 6% at EUR 267 (253) million, which is 31% (31%) of the Pharmaceuticals business's net sales. The net sales of other products in the portfolio (excluding Parkinson's drugs) were up by 9% at EUR 604 (554) million.

The Diagnostics business's net sales were up by 8% at EUR 50 (46) million.

Operating profit

The Orion Group's operating profit was up by 11% at EUR 283 (254) million.

The Pharmaceuticals business's operating profit was EUR 288 (252) million, up by 14% on the comparative period. The fixed costs of the business operations were as anticipated higher than in the comparative period.

The Diagnostics business's operating profit was EUR 4.9 (6.1) million, down by 20% on the comparative period due to a decrease in margins on products and higher fixed costs.

Operating expenses

The Group's sales and marketing expenses were up by 8% at EUR 205 (189) million. The expenses include EUR 6 (3) million of intangible asset impairment charges recorded on product rights.

R&D expenses were up by 2% at EUR 88 (86) million and accounted for 10% (10%) of the Group's net sales. Pharmaceutical R&D expenses amounted to EUR 81 (80) million. Research projects are reported in more detail under Pharmaceuticals in the Business Reviews.

Administrative expenses were EUR 41 (39) million.

Other operating income and expenses increased profit by EUR 3 (1) million. They comprise items arising mainly from foreign exchange hedges. The figure for the comparative period also includes EUR 4 million profit from the sale of a real estate company in the second half of 2010.

Group's profit

The Group's profit before taxes totalled EUR 282 (253) million. Basic earnings per share were EUR 1.49 (1.31) and diluted earnings per share were EUR 1.49 (1.31). Equity per share was EUR 3.55 (3.32). The return on capital employed before taxes (ROCE) was 49% (45%) and the return on equity after taxes (ROE) 43% (41%).

Financial position

The Group's gearing was -7% (-12%) and the equity ratio 64% (63%).

The Group's **total liabilities** at 31 December 2011 were EUR 279 (278) million. At the end of the period, interest-bearing liabilities amounted to EUR 89 (110) million, including EUR 66 (88) million of long-term loans.

The Group had EUR 123 (167) million of **cash and cash equivalents** at the end of the period, which are invested in short-term interest-bearing instruments issued by financially solid financial institutions and corporations.

The share premium fund was reduced by transferring EUR 17,797,958.60 into the reserve for invested unrestricted equity. The reduction was based on a decision by the Annual General Meeting on 31 March 2011.

Cash flow

Cash flow from operating activities was slightly lower than in the comparative period at EUR 199 (209) million. Operating profit improved in 2011, but the amount tied up into working capital was EUR 15 million more than in the comparative period at EUR 43 (28) million. The increase of trade receivables was mainly due to greater sales at the end of the year than in the previous year and a change in the payment schedules of certain distribution agreements. Receivables overdue increased only a little during the year. Income taxes paid were EUR 79 (50) million, up by EUR 29 million on the comparative period. The increase was due to the improvement in profits and the timing of tax payments for the financial year 2010.

Cash flow from investing activities was EUR -44 (-31) million. **Cash flow from financing activities** was EUR -200 (-182) million. This change was due to the higher dividend than in the previous year.

Capital expenditure

The Group's capital expenditure totalled EUR 50 (39) million. This comprised EUR 30 (23) million on property, plant and equipment, EUR 19 (15) million on intangible assets and EUR 0 (1) million on investments.

Outlook for 2012

Net sales will be at similar level to 2011.

Operating profit will be at similar level to 2010.

The Group's capital expenditure will be about EUR 50 million excluding substantial corporate or product acquisitions.

Basis for outlook

Price competition in the Finnish market will persist in 2012. However, product launches will continue to support Orion's position as market leader.

The generic competition commencing in April 2012 in the United States will decrease sales of Orion's Parkinson's drugs in 2012. In 2011 US markets accounted for about EUR 60 million of the net sales of Orion's Parkinson's drugs. Elsewhere in the world generic competition is not expected to have a material impact on sales of these products in the current year.

Marketing expenditure will be similar to the previous year. Because the registrations and launches of new products are projects that take more than a year, the increases in resources and other inputs required in 2012 were planned mainly during the previous year.

Research and development costs will be slightly higher than in 2011. They are partly the Company's internal fixed cost items, such as salaries and maintenance of the operating infrastructure, and partly external variable costs. External costs arise from, among other things, long-term clinical trials, which are typically performed in clinics located in several countries. The most important clinical trials scheduled for 2012 are either ongoing from the previous year or at an advanced stage of planning, therefore their cost level can be estimated rather accurately.

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

Near-term risks and uncertainties relating to the outlook

The Company is not aware of any significant risk factors relating to the earnings outlook for 2012. The effects of commencement of generic competition on Orion's Parkinson's drugs have been taken into account in the outlook estimate.

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

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

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

Financial objectives

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

The principal means of achieving these objectives are:

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

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

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

Dividend policy

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

Proposal by the Board of Directors for distribution of profit: dividend per share EUR 1.30

The parent company's distributable funds are EUR 247,690,842.07, including EUR 197,005,059.17 of profit for the financial year.

The Board of Directors proposes that a dividend of EUR 1.30 per share be paid from the parent company's distributable funds. No dividend shall be paid on treasury shares held by the Company on the dividend distribution record date. On the day when the profit distribution was proposed, the number of shares conferring entitlement to receive dividend totalled 140,844,074, on which the total dividend payment would be EUR 183,097,296.20. The Group's payout ratio for the financial year 2011 would be 87.2% (91.6%). The dividend payment date would be 4 April 2012, and shareholders registered in the Company's shareholder register on 23 March 2012 would be entitled to the dividend payment.

The Board of Directors further proposes that EUR 250,000 be donated to medical research and other purposes of public interest in accordance with a separate decision by the Board and that EUR 64,343,545.87 would remain in the equity.

Proposal by the Board of Directors for distribution of equity: EUR 0.12 per share

The Board of Directors proposes to the Annual General Meeting of Orion Corporation to be held on 20 March 2012 that EUR 0.12 per share be distributed from the reserve for invested unrestricted equity as a repayment of capital. The repayment of distributable equity would be paid to the shareholders registered in the Company's shareholder register maintained by Euroclear Finland on 23 March 2012, the record date for dividend distribution. The payment date would be 4 April 2012.

Shares and shareholders

On 31 December 2011 Orion had a total of 141,257,828 (141,257,828) shares, of which 44,993,218 (47,563,565) were A shares and 96,264,610 (93,694,263) B shares. The Group's share capital was EUR 92,238,541.46 (92,238,541.46). At the end of 2011 Orion held 413,754 (516,654) B shares as treasury shares. On 31 December 2011 the aggregate number of votes conferred by the A and B shares was 995,715,216 (1,044,448,909) excluding treasury shares.

At the end of 2011, Orion had 57,188 (58,686) registered shareholders.

Voting rights conferred by shares

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

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

Conversion of shares

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. In 2011 a total of 2,570,347 shares were converted.

Trading in Orion's shares

Orion's A shares and B shares are quoted on NASDAQ OMX Helsinki in the Large Cap group under the Healthcare sector heading under the trading codes ORNAV and ORNBV. Trading in both of the Company's

share classes commenced on 3 July 2006, and information on trading in the Company's shares has been available since this date.

On 31 December 2011 the market capitalisation of the Company's shares excluding treasury shares was EUR 2,126 million.

In 2011 a total of 4,585,668 Orion A shares and 77,594,384 Orion B shares were traded on NASDAQ OMX Helsinki. The total value of traded shares was EUR 1,322 million. During the year, 10% of A shares and 82% of B shares were traded. The average turnover in Orion's shares was 58%.

The price of Orion's A shares decreased by 7% and the price of the B shares decreased by 8% during 2011. On 31 December 2011 the closing quotation was EUR 15.18 for the A shares and EUR 15.05 for the B shares. The highest quotation for Orion's A shares in 2011 was EUR 18.05 and the lowest quotation was EUR 13.10. The highest quotation for the B shares in 2011 was EUR 18.14 and the lowest quotation was EUR 13.19.

Orion shares are traded also on various alternative trading platforms. The volume of Orion's A shares traded on the NASDAQ OMX Helsinki Stock Exchange represented approximately 94% of the total volume of Orion's class A shares traded in 2011. The volume of Orion's B shares traded on the NASDAQ OMX Helsinki Stock Exchange represented approximately 51% of the total volume of Orion's class B shares traded in 2011. (Source: Fidessa Fragmentation Index).

Authorisations of the Board of Directors

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

The Board of Directors is authorised to decide on conveyance of no more than 500,000 Orion Corporation B shares held by the Company. Such shares held by the Company can be conveyed either against or without payment. Such shares held by the Company can be conveyed by selling them in public trading on NASDAQ OMX Helsinki; in a share issue placement to the Company's shareholders in proportion to their holdings at the time of the conveyance regardless of whether they own A or B shares; or in a share issue placement deviating from shareholders' pre-emptive rights if there is a weighty financial reason, such as the development of the capital structure of the Company, using the shares to finance possible corporate acquisitions or other business arrangements of the Company, financing capital expenditure or as part of the Company's incentive plan. The share issue placement can be without payment only if there is an especially weighty financial reason in the view of the Company and to the benefit of all its shareholders. The amounts paid for shares in the Company conveyed shall be recorded in a distributable equity fund. The Board of Directors shall decide on other matters related to the conveyance of shares held by the Company. The authorisation was exercised as described below under the heading "Share-based Incentive Plan". On 31 December 2011 the Board of Directors had outstanding authorisation to convey 397,100 Orion Corporation B shares held by the Company.

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

Share-based Incentive Plan

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

On 1 March 2011 Orion transferred altogether 102,900 Orion Corporation B shares held by the Company as a share bonus for 2010 to the key persons employed by the Group and belonging to the Share-based Incentive Plan of the Group. The transfer was based on the authorisation by the Annual General Meeting on

24 March 2010. The price per share of the transferred shares was EUR 16.7488, which was the volume weighted average quotation of Orion Corporation B shares on 1 March 2011. The total transaction price of the transferred shares was therefore EUR 1,723,452.

Share ownership

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

At the end of 2011 Orion had a total of 57,188 (58,686) registered shareholders, of whom 95% (95%) were private individuals holding 50% (52%) of the entire share stock and 65% (65%) of the total votes. There were altogether 44 (36) million nominee-registered shares, which is 31% (26%) of all shares, and they conferred entitlement to 6% (5%) of the votes.

At the end of 2011 Orion held 413,754 (516,654) B shares as treasury shares, which is 0.3% (0.4%) of the Company's total share stock and 0.04% (0.05%) of the total votes.

Notification threshold

On 26 September 2011 Orion announced that the total number of Orion Corporation B shares owned by mutual funds under the management of Capital Research and Management Company had increased to more than one-twentieth (1/20) of the total number of Orion Corporation shares. According to the notification, the mutual funds under the management of Capital Research and Management Company owned 7,196,174 Orion Corporation B shares, which was 5.09% of Orion's share stock and 0.71% of the total votes.

On 7 November 2011 Orion announced that a conversion of shares on 7 November 2011 in accordance with the Articles of Association of Orion Corporation resulted in the aggregate number of votes conferred by Orion Corporation shares owned by Erkki Etola and by a company controlled by him exceeding one-twentieth (1/20) of all Orion Corporation votes. According to the notification, Erkki Etola and a company controlled by him owned 2,500,000 Orion Corporation A shares, which was 1.77% of Orion's share stock and 5.00% of the total votes.

Management's shareholdings

At the end of 2011, the members of the Board of Directors owned a total of 2,334,458 Orion Corporation shares, of which 1,915,836 were A shares and 418,622 B shares. At the end of 2011, the President and CEO owned 33,050 Orion Corporation shares, which were all B shares. The members of the Executive Management Board (excluding the President and CEO) owned a total of 101,853 Orion Corporation shares, of which 428 were A shares and 101,425 were B shares. Thus, Orion's executive management held 1.76% of all shares and 3.90% of the total votes. The figures also include the holdings of controlled entities.

The Company does not have stock option programmes.

Management

Changes in Executive Management Board

Pekka Kosi, Senior Vice President responsible for the Supply Chain line function and member of the Executive Management Board of the Orion Group, left the Executive Management Board at the end of 2011. He retired in January 2012.

Virve Laitinen, M.Sc. (Tech.), M.B.A., became Senior Vice President for the Supply Chain line function and a member of the Executive Management Board of the Orion Group on 1 January 2012. She was previously Director responsible for Orion's Business Planning and Control function.

Corporate Governance Statement

Orion's Corporate Governance Statement for 2011 approved by the Board of Directors is published on the Company's website as a separate report.

Personnel

The average number of employees in the Orion Group in 2011 was 3,328 (3,137). At the end of 2011 the Group had a total of 3,425 (3,131) employees, of whom 2,705 (2,475) worked in Finland and 720 (656) outside Finland. The number of employees increased mainly in manufacturing due to the increase in manufacturing output.

Salaries and other personnel expenses in 2011 totalled EUR 186 (170) million.

Significant legal proceedings

Legal proceedings against the Sandoz companies

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

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

Orion expects the costs of the legal proceedings against the Sandoz companies to be substantially less than the costs of the entacapone patent litigation that had previously been pending in the United States. According to the schedule confirmed by the court, the main hearing of the case will commence on 27 February 2012.

Legal proceedings against Caraco Pharmaceutical Laboratories, Ltd.

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

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

Orion expects the costs of the legal proceedings against Caraco to be substantially less than the costs of the entacapone patent litigation that had previously been pending in the United States. According to the schedule confirmed by the court, the main hearing of the case has been rescheduled to commence on 19 February 2013.

Legal proceedings against Mylan Pharmaceuticals Inc.

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

Mylan intends to market in the United States a generic version of entacapone tablets with strength 200 mg like Orion's Comtan[®] proprietary drug. Comtan is used as an adjunct to levodopa/carbidopa therapy to treat patients with idiopathic Parkinson's disease who experience the signs and symptoms of end-of-dose "wearing-off." Novartis is Orion's exclusive licensee for marketing the drug Comtan in the United States.

Business Reviews

Pharmaceuticals

Review of human pharmaceuticals market

According to statistics collected by Finnish Pharmaceutical Data Ltd, **Finnish wholesale of human pharmaceuticals** in 2011 totalled EUR 1,972 (1,926) million, up by 2% on the previous year.

Finland is the most important individual market for Orion, generating about one-quarter of the total net sales. Orion was able to increase its sales faster than the markets as a whole, so it strengthened its position as leader in marketing pharmaceuticals in Finland. According to statistics collected by Finnish Pharmaceutical Data Ltd, **Orion's wholesale of human pharmaceuticals in Finland** in 2011 amounted to EUR 202 (192) million, up by 6% compared with the previous year. Orion's market share was 10% (10%), which was nearly four percentage points higher than the second-largest company's market share.

According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in September 2011 the **total sales of Parkinson's drugs** in the United States were down by 32% at USD 682 million (USD 1,001 million in the previous 12-month period). The decrease in in-market sales was due to commencement of generic competition in certain products. The five largest European markets for Parkinson's disease drugs were Germany, the United Kingdom, France, Spain and Italy. In these countries, the combined sales of Parkinson's drugs in the 12-month period ending in September 2011 totalled EUR 989 (1,018) million, and the average market decline was 3%.

The most important individual therapy area for Orion is still the treatment of Parkinson's disease. Orion's Parkinson's drugs account for just under one-third of the Group's net sales. **Sales of Orion's Parkinson's drugs** in the United States remained similar to the comparative period despite a clear decrease in the market as a whole. In Japan sales continued to grow well and clearly better than the market as a whole. According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in September 2011, sales of Orion's Parkinson's drugs in the United States totalled USD 180 (180) million. Sales were similar to the previous year at a total of EUR 157 (156) million in the five largest markets in Europe, and up by 24% at EUR 53 (43) million in Japan. The market share of Orion's Parkinson's drugs was 26% in the United States, on average 16% in the five largest European markets and 11% in Japan.

According to IMS Health pharmaceutical sales statistics, sales of Orion's Precedex[®] intensive care sedative (dexmedetomidine) were up by 37% at USD 194 million in the 12-month period ending in September 2011 (USD 142 million in the previous 12-month period). About four-fifths of the sales amounting to USD 153 (123) million were in the United States, where Precedex sales grew by 24%.

Net sales and operating profit of the Pharmaceuticals business

Net sales of the Pharmaceuticals business in 2011 were EUR 871 (806) million, up by 8% on the comparative period of the previous year. The operating profit of the Pharmaceuticals business was up by 14% at EUR 288 (252) million. The operating profit of the Pharmaceuticals business was 33% (31%) of the segment's net sales.

Net sales of Orion's top ten best-selling pharmaceuticals in 2011 were up by 7% at EUR 472 (442) million. They accounted for 54% (55%) of the total net sales of the Pharmaceuticals business. During the year Solomet[®] (methylprednisolone) for treatment of inflammatory diseases entered the list of the top ten best-selling pharmaceutical products, replacing Fareston[®] which is used for treatment of breast cancer.

Net sales of the products based on own in-house R&D were up by 6% at EUR 420 (397) million in 2011. These products accounted for 48% (49%) of the net sales of the Pharmaceuticals business.

Proprietary Products

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

Net sales of Proprietary Products in 2011 were up by 10% at EUR 409 (371) million.

Orion's drugs for treatment of Parkinson's disease are Stalevo[®] (active ingredients carbidopa, levodopa and entacapone) and Comtess[®]/Comtan[®] (entacapone), and their net sales in 2011 totalled EUR 267 (253) million. The net sales of Parkinson's drugs were up by 6% and accounted for 31% (31%) of the total net sales of the Pharmaceuticals business. Net sales from deliveries of Stalevo and Comtan to Novartis were up by 12% at a total of EUR 171 (153) million. Deliveries of Stalevo to Novartis increased by 7%, and deliveries of Comtan by 21%. Total net sales generated by Stalevo and Comtess in Orion's own sales organisation totalled EUR 96 (100) million. Sales through Orion's own sales organisation totalled EUR 81 (82) million for Stalevo and EUR 15 (18) million for Comtess.

The US Food and Drug Administration (FDA) has an ongoing safety review of Stalevo, which began in spring 2009. Orion is assisting the FDA in undertaking the safety review. The FDA has requested additional data based on databases concerning the significance of the results of the STRIDE-PD study, and consequently Orion and Novartis have decided to undertake two epidemiological studies, which must be completed by July 2012 and will be reported to authorities in the third quarter of the year.

Net sales of the Easyhaler[®] product family for treatment of asthma and chronic obstructive pulmonary disease were up by 9% in 2011 at EUR 31(28) million. Sales of Easyhaler[®] products through Orion's own sales network in Europe continued to grow in 2011, and at the end of the year the Company was itself marketing the Easyhaler[®] product family in 14 countries. Sales through partners also grew well. In August Orion announced that it had entered into a collaboration agreement with Nycomed for co-marketing of Easyhaler[®] combination products under development in the major European countries, and an exclusive licensing and distribution arrangement in the Middle East and North Africa region. Both companies will market the products under the Easyhaler umbrella brand.

Net sales of Simdax[®], a drug for acute decompensated heart failure, were up by 10% at EUR 44 (40) million in 2011. Orion repurchased the rights to Simdax from Abbott in 2009, and the transfer of the rights to the product was completed in 2011. The sales network of partners outside Europe was further developed in 2011.

Net sales of the Precedex[®] intensive care sedative (dexmedetomidine) were up by 21% in 2011 at EUR 33 (27) million. In the United States and markets outside Europe the sedative is sold by Orion's partner Hospira. US markets account for about four-fifths of net sales of Precedex.

In September Orion's new *dexdor*[®] intensive care sedative (dexmedetomidine) gained centralised marketing authorisation covering all 27 member states of the European Union from the European Commission. During 2011 the product was launched in Germany, Austria, Denmark, Sweden, Finland, the United Kingdom, Ireland, Poland and Norway. The product will be launched in most European countries during 2012 as pricing and reimbursement processes progress country by country. In early 2012 Orion entered into a collaboration agreement with Baxter concerning marketing of *dexdor*[®] in France.

Specialty Products

Net sales of the Specialty Products business division's off-patent, i.e. generic, prescription drugs and self-care products in 2011 were up by 7% at EUR 321 (299) million. Net sales of the business division in markets outside Finland were up by 9% compared with 2010. In 2011 Orion launched 135 (144) generic prescription drugs and self-care products, which were divided evenly between different market areas.

The halt in production at Orion's manufacturing plant in Turku due to a fire in November affects mainly the Specialty Products business division. The production stoppage caused some delivery problems at the end of 2011, especially in Finnish markets, which are expected to continue into the first few months of the current year. Production at the plant gradually resumed at the end of December and in early January 2012.

Net sales of Orion's human pharmaceuticals in Finland were up by 5% at EUR 220 (210) million in 2011. Specialty Products accounted for the majority of sales. Orion managed to increase its market share in substitutable prescription drugs and in self-care products.

Net sales of Orion's human pharmaceuticals in Eastern Europe in 2011 were up by 9% at EUR 54 (50) million. Specialty Products account for the majority of sales in the region. The underlying reasons for the sales growth were the development and progress of the selected product portfolio and enhanced efficiency in Orion's own operations in the region.

In 2011 Orion continued its long-term work to strengthen its market position in Scandinavia. Thanks to steady growth in the product portfolio, the Specialty Product business division succeeded in clearly increasing its net sales in Scandinavia.

Animal Health

Net sales of the Animal Health business division in 2011 were EUR 68 (68) million. Net sales of the animal sedatives at EUR 23 (24) million accounted for 34% (36%) of the division's net sales.

Product launches during the year and new distribution agreements strengthened Orion's position in the Nordic veterinary drug market, where Orion was among the three largest marketers of veterinary drugs.

According to statistics collected by Pharma Industry Finland, the Finnish market for veterinary drugs was about EUR 50 (49) million in 2011, similar to the previous year. Orion was the second-largest marketer, with a market share of 20% (20%).

Fermion

Fermion manufactures active pharmaceutical ingredients for Orion and other pharmaceutical companies. Its product range comprises nearly 30 pharmaceutical ingredients. The business division's net sales in 2011 excluding pharmaceutical ingredients supplied for Orion's own use were EUR 43 (45) million and accounted for about two-thirds of Fermion's entire net sales. Several key products performed well, even though competition in the markets remained intense.

Research and development projects

The Group's R&D expenses in 2011 totalled EUR 88 (86) million, of which the Pharmaceuticals business accounted for EUR 81 (80) million. The Group's R&D expenses accounted for 10% (10%) of the Group's net sales. R&D expenses also include expenses relating to development of the current portfolio.

In January Orion and Endo Pharmaceuticals Inc. signed a novel collaboration agreement for the discovery, development and commercialisation of assets in oncology.

Orion has ongoing projects to broaden the range of the inhalable Easyhaler[®] drugs product family. Orion is developing a budesonide-formoterol formulation that combines budesonide as an anti-inflammatory agent and formoterol as a long-acting bronchodilator. Study results received early in 2012 were promising, but yet insufficient for submission of an application for marketing authorisation. The Company will continue development of the product in 2012. In addition, Orion has another Easyhaler research programme in progress to develop a fluticasone-salmeterol formulation. In this formulation fluticasone acts as an anti-inflammatory agent and salmeterol acts as a long-acting bronchodilator.

Orion is collaborating with Novartis to develop Stalevo[®] for the Japanese market. The timeline for regulatory submission is under evaluation by Novartis.

Orion is continuing to develop an androgen receptor antagonist for the treatment of advanced prostate cancer jointly with Endo Pharmaceuticals Inc. with the objective of approval of the drug globally. Clinical trials commenced in the first quarter of 2011 in Europe.

Orion has Phase II clinical trials with the alpha 2_c receptor antagonist in progress. The trials are investigating the efficacy and safety of the drug candidate in treating Alzheimer's disease. Orion has decided to end the clinical trial with alpha 2_c receptor antagonist in treating Raynaud's phenomenon.

The Company is also developing a new more effective levodopa product based on optimised new formulations and doses of known compounds. Product development is in the clinical trials phase.

Orion has completed pre-clinical studies with another androgen receptor antagonist molecule and another alpha 2_c receptor antagonist molecule. Progress of these drug candidates into clinical trials will depend on the results of the ongoing androgen receptor antagonist and alpha 2_c receptor antagonist clinical trials.

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

In May the US pharmaceutical company GTx announced that it had ended studies on the use of 80 mg doses of toremifene for treating the adverse effects of prostate cancer treatment. Orion originally developed toremifene for treatment of breast cancer.

Diagnostics

Orion Diagnostica manufactures convenient and quick in vitro diagnostic tests and testing systems suitable for point-of-care testing. Net sales of the Diagnostics business in 2011 were up by 8% at EUR 50 (46) million.

QuikRead[®] infection tests remained the main product, with sales continuing strong in the review period. Launching of the new more user-friendly prefilled QuikRead 101 system and QuikRead go[®], a new generation testing instrument, that started in 2010 has progressed as planned. Further progress was achieved in sales in the Nordic countries and, for example, China and the Czech Republic. In July Orion Diagnostica strengthened its research and product development base by acquiring new early-phase technology through purchasing all the shares of English technology company GeneForm Technologies Ltd.

The operating profit of the Diagnostics business was down by 20% at EUR 4.9 (6.1) million and accounted for 10% (13%) of the segment's net sales. The profit decreased because expenditure on product development and marketing increased and the margin structure of the product sales portfolio was weaker than in the comparative period.

Espoo, 7 February 2012

Board of Directors of Orion Corporation

Orion Corporation

Timo Lappalainen
President and CEO

Jari Karlson
CFO

Tables

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Q4/11	Q4/10	Change %	2011	2010	Change %
Net sales	236.1	214.9	+9.9%	917.9	849.9	+8.0%
Cost of goods sold	-85.2	-73.7	+15.6%	-305.1	-283.2	+7.7%
Gross profit	150.8	141.2	+6.8%	612.8	566.8	+8.1%
Other operating income and expenses	0.5	4.0	-87.9%	3.0	1.2	+160.9%
Selling and marketing expenses	-53.7	-55.0	-2.4%	-204.8	-188.9	+8.4%
R&D expenses	-25.4	-26.6	-4.5%	-87.5	-85.5	+2.3%
Administrative expenses	-12.7	-11.0	+15.0%	-40.6	-39.3	+3.4%
Operating profit	59.6	52.6	+13.2%	282.9	254.2	+11.3%
Finance income	1.9	0.9	+117.1%	5.0	4.2	+18.1%
Finance expenses	-1.9	-1.1	+72.3%	-6.0	-5.9	+2.0%
Profit before taxes	59.5	52.4	+13.7%	282.0	252.6	+11.6%
Income tax expense	-14.3	-15.7	-9.0%	-72.4	-67.9	+6.6%
Profit for the period	45.2	36.7	+23.4%	209.5	184.7	+13.5%

OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS

Change in value of cash flow hedges	-0.3	1.2	-126.7%	-1.4	1.6	-191.2%
Change in value of available-for-sale financial assets	-0.1			-0.3		
Translation differences	1.1	0.2	+603.5%	0.6	1.3	-53.8%
Other comprehensive income net of tax	0.7	1.4	-52.5%	-1.1	2.9	-138.3%
Comprehensive income for the period including tax effects	45.9	38.0	+20.7%	208.4	187.6	+11.1%

PROFIT ATTRIBUTABLE TO:

Owners of the parent company	45.3	36.7	+23.4%	209.5	184.7	+13.5%
Non-controlling interests	0.0	0.0		0.0	0.0	

COMPREHENSIVE INCOME ATTRIBUTABLE TO:

Owners of the parent company	45.9	38.0	+20.7%	208.4	187.6	+11.1%
Non-controlling interests	0.0	0.0		0.0	0.0	

Basic earnings per share, EUR ¹⁾	0.32	0.26	+23.3%	1.49	1.31	+13.5%
Diluted earnings per share, EUR ¹⁾	0.32	0.26	+23.3%	1.49	1.31	+13.5%

Depreciation, amortisation and impairments	9.5	9.7	-2.0%	42.5	38.9	+9.5%
Personnel expenses	51.7	47.0	+10.1%	186.0	170.3	+9.2%

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

EUR million	12/11	12/10	Change %
Property, plant and equipment	190.7	187.1	+1.9%
Goodwill	13.5	13.5	
Intangible rights	66.6	65.3	+2.0%
Other intangible assets	4.8	4.2	+13.2%
Investments in associates	1.4	1.3	+1.5%
Available-for-sale financial assets	1.1	1.0	+10.7%
Pension asset	37.4	31.6	+18.3%
Deferred tax assets	1.4	2.9	-52.3%
Other non-current assets	1.8	2.4	-23.5%
Non-current assets total	318.6	309.3	+3.0%
Inventories	151.4	131.1	+15.5%
Trade receivables	155.3	118.3	+31.2%
Other receivables	30.8	20.0	+54.3%
Money market investments		77.7	
Cash and cash equivalents	123.0	89.5	+37.4%
Current assets total	460.5	436.5	+5.5%
Assets total	779.1	745.8	+4.5%

EQUITY AND LIABILITIES

EUR million	12/11	12/10	Change %
Share capital	92.2	92.2	
Share premium		17.8	
Expendable fund	0.5	8.9	-94.5%
Other reserves	17.6	1.6	
Retained earnings	389.6	346.8	+12.3%
Equity attributable to owners of the parent company	499.9	467.4	+7.0%
Non-controlling interests	0.0	0.0	+22.9%
Equity total	500.0	467.4	+7.0%
Deferred tax liabilities	42.2	44.8	-5.8%
Pension liability	0.5	0.7	-30.9%
Provisions	0.3	0.4	-38.3%
Interest-bearing non-current liabilities	66.0	87.5	-24.6%
Other non-current liabilities	0.3	0.1	+159.4%
Non-current liabilities total	109.3	133.6	-18.2%
Trade payables	66.3	49.0	+35.4%
Current income tax liabilities	6.4	12.7	-49.6%
Other current liabilities	74.5	60.6	+22.8%
Provisions	0.0		
Interest-bearing current liabilities	22.7	22.5	+0.7%
Current liabilities total	169.9	144.8	+17.3%
Liabilities total	279.1	278.4	+0.3%
Equity and liabilities total	779.1	745.8	+4.5%

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

EUR million	Equity attributable to owners of the parent company							h.
	a.	b.	c.	d.	e.	f.	g.	
Equity at 1 January 2010	92.2	17.8	23.0	0.0	-5.7	311.7	0.0	439.1
Profit for the period						184.7		184.7
Other comprehensive income:								
Change in value of cash flow hedges				1.6				1.6
Translation differences					1.3			1.3
Transactions with owners:								
Dividend and capital repayment			-14.1			-141.0		-155.1
Treasury shares						-4.6		-4.6
Share-based incentive plan						0.5		0.5
Other adjustments				-0.0		-0.1		-0.1
Equity at 31 December 2010	92.2	17.8	8.9	1.6	-4.4	351.2	0.0	467.4
Profit for the period						209.5		209.5
Other comprehensive income:								
Change in value of cash flow hedges				-1.4				-1.4
Change in value of available-for-sale financial assets				-0.3				-0.3
Translation differences					0.6			0.6
Transactions with owners:								
Dividend and capital repayment			-8.5			-169.0		-177.5
Share-based incentive plan						1.7		1.7
Transfer between different components of equity		-17.8		17.8				0.0
Other adjustments				0.0		-0.1		-0.1
Equity at 31 December 2011	92.2	0.0	0.5	17.6	-3.8	393.4	0.0	500.0



CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	2011	2010
Operating profit	282.9	254.2
Adjustments	39.0	33.7
Change in working capital	-42.6	-27.6
Interest paid	-6.2	-5.7
Interest received	5.0	4.3
Dividends received	0.1	0.1
Income taxes paid	-79.3	-49.9
Total net cash flow from operating activities	198.9	209.1
Investments in property, plant and equipment	-25.6	-22.2
Investments in intangible assets	-19.9	-13.3
Acquisition of an associate	-0.0	-1.3
Sale of a subsidiary less cash and cash equivalents at sale date	0.3	4.5
Sales of property, plant and equipment and available-for-sale investments	1.2	1.2
Sales of intangible assets	0.0	0.2
Total net cash flow from investing activities	-43.9	-30.9
Short-term loans raised	0.8	0.6
Repayments of short-term loans	-2.1	-2.0
Long-term loans raised	19.1	
Repayments of long-term loans	-40.1	-21.0
Repurchase of own shares		-4.6
Dividends paid and other distribution of profits	-177.5	-155.3
Total net cash flow from financing activities	-199.7	-182.2
Net change in cash, cash equivalents and money market investments	-44.7	-4.0
Cash, cash equivalents and money market investments at the beginning of the period	167.2	170.5
Foreign exchange differences	0.5	0.7
Net change in cash, cash equivalents and money market investments	-44.7	-4.0
Cash, cash equivalents and money market investments at the end of the period	123.0	167.2
Reconciliation of cash and cash equivalents in Statement of Financial Position		
Cash and cash equivalents at the end of the period in Statement of Financial Position	123.0	89.5
Money market investments at the end of the period		77.7
Cash and cash equivalents in Statement of Cash Flows	123.0	167.2



CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	2011	2010
Carrying amount at the beginning of the period	187.1	192.0
Additions	30.3	23.3
Sale of a real estate limited company		-0.5
Other disposals	-1.4	-1.1
Depreciation and impairments	-25.3	-26.6
Carrying amount at the end of the period	190.7	187.1

CHANGES IN INTANGIBLE ASSETS (EXCLUDING GOODWILL)

EUR million	2011	2010
Carrying amount at the beginning of the period	69.5	67.0
Additions	19.1	14.6
Disposals	-0.0	-0.0
Amortisation and impairments	-17.2	-12.3
Carrying amount at the end of the period	71.3	69.5

COMMITMENTS AND CONTINGENCIES

EUR million	12/11	12/10
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CONTINGENCIES FOR OWN LIABILITIES

Mortgages on land and buildings	41.0	41.0
of which those to Orion Pension Fund	9.0	9.0
Guarantees	1.6	1.3

OTHER LIABILITIES

Leasing liabilities (excluding finance lease contracts)	4.5	4.1
Other liabilities	0.3	0.3

DERIVATIVES

EUR million	12/11	12/10
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CURRENCY FORWARD CONTRACTS AND CURRENCY SWAPS

Fair value, EUR million	-0.4	-0.8
Nominal value, EUR million	40.7	56.1

CURRENCY OPTIONS

Fair value, EUR million	-0.2	-0.0
Nominal value, EUR million	63.1	33.4

CROSS CURRENCY SWAPS

Fair value, EUR million	0.3	
Nominal value, EUR million	19.1	

ELECTRICITY DERIVATIVES

Fair value, EUR million	-0.4	1.9
Nominal value, GWh	153	171

RELATED PARTY TRANSACTIONS

EUR million	2011	2010
Management's employment benefits	4.8	4.4



Operating segment performance

NET SALES BY BUSINESS DIVISIONS

EUR million	Q4/11	Q4/10	Change %	2011	2010	Change %
Pharmaceuticals	223.8	203.7	+9.9%	870.6	806.2	+8.0%
Proprietary Products	103.4	89.9	+15.0%	408.9	370.9	+10.3%
Specialty Products	82.5	77.1	+7.0%	320.8	298.6	+7.4%
Animal Health	19.3	18.5	+4.8%	67.8	67.5	+0.4%
Fermion	11.8	10.8	+9.6%	43.3	44.9	-3.5%
Contract manufacturing and others	6.8	7.5	-9.6%	29.7	24.4	+22.1%
Diagnostics	12.9	11.8	+9.2%	49.5	46.1	+7.5%
Group items	-0.6	-0.6	-0.8%	-2.2	-2.4	-6.5%
Group total	236.1	214.9	+9.9%	917.9	849.9	+8.0%

OPERATING PROFIT BY BUSINESS AREA

EUR million	Q4/11	Q4/10	Change %	2011	2010	Change %
Pharmaceuticals	61.4	49.9	+23.2%	287.6	252.2	+14.0%
Diagnostics	0.7	1.0	-35.5%	4.9	6.1	-20.4%
Group items	-2.5	1.7	+247.3%	-9.5	-4.1	+131.4%
Group total	59.6	52.6	+13.2%	282.9	254.2	+11.3%

NET SALES BY ANNUAL QUARTERS

EUR million	2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Pharmaceuticals	223.8	199.8	215.9	231.0	203.7	203.2	196.0	203.3
Diagnostics	12.9	11.3	11.7	13.7	11.8	10.5	12.1	11.7
Group items	-0.6	-0.5	-0.6	-0.6	-0.6	-0.5	-0.7	-0.6
Group total	236.1	210.7	227.0	244.1	214.9	213.2	207.4	214.5

OPERATING PROFIT BY ANNUAL QUARTERS

EUR million	2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Pharmaceuticals	61.4	66.8	67.1	92.3	49.9	71.5	60.4	70.5
Diagnostics	0.7	0.8	0.7	2.8	1.0	1.0	1.9	2.2
Group items	-2.5	-2.1	-2.7	-2.1	1.7	-1.8	-2.3	-1.7
Group total	59.6	65.4	65.1	92.9	52.6	70.6	60.0	71.0

GEOGRAPHICAL BREAKDOWN OF NET SALES BY ANNUAL QUARTERS

EUR million	2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Finland	61.7	60.1	59.8	59.1	61.0	57.6	53.7	56.9
Scandinavia	28.5	28.1	30.3	33.4	28.6	28.4	28.1	29.0
Other Europe	79.6	71.5	77.2	80.2	77.4	70.0	72.7	72.1
North America	36.0	24.0	29.2	38.7	22.1	31.1	26.3	30.3
Other markets	30.3	26.9	30.6	32.8	25.8	26.0	26.7	26.1
Group total	236.1	210.7	227.0	244.1	214.9	213.2	207.4	214.5

Business reviews

KEY FIGURES FOR PHARMACEUTICALS BUSINESS

EUR million	Q4/11	Q4/10	Change %	2011	2010	Change %
Net sales	223.8	203.7	+9.9%	870.6	806.2	+8.0%
Operating profit	61.4	49.9	+23.2%	287.6	252.2	+14.0%
% of net sales	27.5%	24.5%		33.0%	31.3%	
R&D expenses	23.6	25.0	-5.6%	81.1	79.5	+2.1%
% of net sales	10.6%	12.3%		9.3%	9.9%	
Capital expenditure	12.4	10.3	+21.1%	38.8	36.2	+7.3%
% of net sales	5.6%	5.0%		4.5%	4.5%	
Sales revenue from proprietary products	110.4	97.6	+13.2%	420.2	397.1	+5.8%
Assets				597.5	527.7	+13.2%
Liabilities				132.2	102.1	+29.5%
Personnel at the end of the period				3,079	2,802	

NET SALES OF ORION'S TOP 10 PHARMACEUTICAL PRODUCTS

EUR million	Q4/11	Q4/10	Change %	2011	2010	Change %
Stalevo [®] , Comtess [®] and Comtan [®] (Parkinson's disease)	64.3	59.4	+8.2%	266.7	252.7	+5.5%
Simdax [®] (acute decompensated heart failure)	12.7	10.0	+26.8%	44.0	39.9	+10.4%
Precedex [®] (intensive care sedative)	10.6	7.2	+46.9%	33.0	27.2	+21.3%
Easyhaler [®] product family (asthma, COPD)	7.5	7.3	+2.2%	30.5	28.1	+8.6%
Burana [®] (inflammatory pain)	6.1	5.7	+6.2%	23.5	21.5	+9.2%
Dexdomitor [®] , Domitor [®] , Domosedan [®] and Antisedan [®] (animal sedatives)	8.9	8.0	+11.1%	23.2	24.2	-3.9%
Marevan [®] (anticoagulant)	4.0	3.4	+17.5%	15.6	13.1	+19.5%
Divina [®] range (menopausal symptoms)	3.4	3.4	-1.0%	13.2	13.3	-0.7%
Enanton [®] (prostate cancer)	2.9	3.4	-14.6%	12.0	13.0	-7.7%
Solomet [®] (inflammatory diseases)	3.1	2.5	+25.9%	10.7	8.6	+24.8%
Total	123.4	110.3	+11.9%	472.4	441.5	+7.0%
Share of pharmaceutical net sales	55%	54%		54%	55%	

KEY FIGURES FOR DIAGNOSTICS BUSINESS

EUR million	Q4/11	Q4/10	Change %	2011	2010	Change %
Net sales	12.9	11.8	+9.2%	49.5	46.1	+7.5%
Operating profit	0.7	1.0	-35.5%	4.9	6.1	-20.4%
% of net sales	5.1%	8.6%		9.9%	13.3%	
R&D expenses	1.8	1.6	+13.1%	6.4	6.0	+6.2%
% of net sales	14.0%	13.5%		12.9%	13.1%	
Capital expenditure	0.3	0.7	-51.3%	10.4	2.5	+315.1%
% of net sales	2.6%	5.9%		21.1%	5.5%	
Assets				44.4	34.2	+29.9%
Liabilities				17.4	9.1	+91.6%
Personnel at the end of the period				322	302	



Information on Orion's shares

BASIC SHARE INFORMATION 31 DECEMBER 2011

	A shares	B shares	Total
Trading code on NASDAQ OMX Helsinki	ORNAV	ORNBV	
Listing day	1 Jul 2006	1 Jul 2006	
ISIN code	FI0009014369	FI0009014377	
ICB code	4500	4500	
Reuters code	ORNAV.HE	ORNBV.HE	
Bloomberg code	ORNAV.FH	ORNBV.FH	
Share capital, EUR million	29.4	62.8	92.2
Counter book value per share, EUR	0.65	0.65	
Total number of shares	44,993,218	96,264,610	141,257,828
% of total share stock	32%	68%	100%
Number of treasury shares		413,754	413,754
Total number of shares excluding treasury shares	44,993,218	95,850,856	140,844,074
Minimum number of shares			1
Maximum number of A and B shares, and maximum number of all shares	500,000,000	1,000,000,000	1,000,000,000
Votes per share	20	1	
Number of votes excluding treasury shares	899,864,360	95,850,856	995,715,216
% of total votes	90%	10%	100%
Total number of shareholders	19,343	44,349	57,188

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

INFORMATION ON TRADING ON NASDAQ OMX HELSINKI 1 JANUARY – 31 DECEMBER 2011

	A shares	B shares	Total
Shares traded	4,585,668	77,594,384	82,180,052
% of the total number of shares	9.9%	81.8%	58.2%
Trading volume, EUR million	73.8	1,248.2	1,322.0
Closing quotation on 31 December 2010, EUR	16.40	16.37	
Lowest quotation, EUR (A and B 9 August 2011)	13.10	13.19	
Average quotation, EUR	16.09	16.09	
Highest quotation, EUR (A 3 June, B 1 June 2011)	18.05	18.14	
Closing quotation on 31 December 2011, EUR	15.18	15.05	
Market capitalisation on 31 December 2011 excluding treasury shares, EUR million	683.0	1,442.6	2,125.6

PERFORMANCE PER SHARE

	Q4/11	Q4/10	Change %	2011	2010	Change %
Basic earnings per share, EUR	0.32	0.26	+23.3%	1.49	1.31	+13.5%
Diluted earnings per share, EUR	0.32	0.26	+23.3%	1.49	1.31	+13.5%
Cash flow per share before financial items, EUR	0.33	0.45	-26.0%	1.10	1.26	-13.0%
Equity per share, EUR				3.55	3.32	+6.9%
Proposed dividend per share, EUR ¹⁾				1.30	1.20	+8.3%
Proposed payout ratio, %				87.2%	91.6%	
Total proposed dividend, EUR million				183.1	168.9	+8.4%
Effective dividend yield according to proposal, %						
A share				8.6%	7.3%	
B share				8.6%	7.3%	
Price/earnings ratio (P/E)						
A share				10.19	12.52	
B share				10.10	12.50	
Average number of shares excluding treasury shares, 1,000 shares	140,844	140,741		140,827	140,917	

¹⁾ In addition, the Board of Directors proposes to the Annual General Meeting that EUR 0.12 (0.06) per share be distributed from the reserve for invested unrestricted equity as a repayment of capital.

Appendices

Reporting

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

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

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

Accounting policies

The Consolidated Financial Statements of the Orion Group have been prepared in accordance with International Financial Reporting Standards (IFRS) applying IAS and IFRS standards as well as SIC and IFRIC interpretations effective on 31 December 2011.

The following new standards, interpretations and amendments to existing standards endorsed by the EU have been adopted as of 1 January 2011. However, they do not have material effects on the Consolidated Financial Statements:

- IAS 24 (Revised), *Related Party Disclosures*
- IAS 32 (Amendment), *Financial Instruments: Presentation – Classification of Rights Issues*
- IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*
- IFRIC 14 (Amendment), *IAS 19, Prepayments of a Minimum Funding Requirement*

IASB published changes to seven standards or interpretations in 2010 as part of the annual improvements to standards. As of 1 January 2011 the Group has adopted the following changes endorsed by the EU, but they do not have material effects on the Consolidated Financial Statements.

- IFRS 3 (Amendments), *Business Combinations*
- IFRS 7 (Amendment), *Financial Instruments: Financial Statement Disclosures*
- IAS 1 (Amendment), *Presentation of Financial Statements – Statement of Changes in Equity*
- IAS 27 (Amendment), *Consolidated and Separate Financial Statements*
- IAS 34 (Amendment), *Interim Financial Reporting*
- IFRIC 13 (Amendment), *Customer Loyalty Programmes*

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

Other matters

The data in this financial review are audited.

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

CALCULATION OF THE KEY FIGURES

$$\text{Return on capital employed (ROCE), \%} = \frac{\text{Profit before taxes + Interest and other finance expenses}}{\text{Total assets - Non-interest-bearing liabilities (average during the period)}} \times 100$$

$$\text{Return on equity (ROE), \%} = \frac{\text{Profit for the period}}{\text{Total equity (average during the period)}} \times 100$$

$$\text{Equity ratio, \%} = \frac{\text{Equity}}{\text{Total assets - Advances received}} \times 100$$

$$\text{Gearing, \%} = \frac{\text{Interest-bearing liabilities - Cash and cash equivalents - Money Market Investments}}{\text{Equity}} \times 100$$

$$\text{Earnings per share, EUR} = \frac{\text{Profit available for the owners of the parent company}}{\text{Average number of shares during the period, excluding treasury shares}}$$

$$\text{Cash flow per share before financial items, EUR} = \frac{\text{Cash flow from operating activities + Cash flow from investing activities}}{\text{Average number of shares during the period, excluding treasury shares}}$$

$$\text{Equity per share, EUR} = \frac{\text{Equity of the owners of the parent company}}{\text{Number of shares at the end of the period, excluding treasury shares}}$$

$$\text{Dividend per share, EUR} = \frac{\text{Dividend to be distributed for the period}}{\text{Number of shares at the end of the period, excluding treasury shares}}$$

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

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

$$\text{Price/earnings ratio (P/E)} = \frac{\text{Closing quotation of the period}}{\text{Earnings per share}}$$

$$\text{Average share price, EUR} = \frac{\text{Total EUR value of shares traded}}{\text{Average number of traded shares during the period}}$$

$$\text{Market capitalisation, EUR million} = \text{Number of shares at the end of the period} \times \text{Closing quotation of the period}$$

Publisher:

Orion Corporation

<http://www.orion.fi/>

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

The Group's net sales in 2011 amounted to EUR 918 million. The Company invested EUR 88 million in research and development. At the end of 2011, the Group had about 3,400 employees, of whom about 2,700 worked in Finland and the rest in other countries. Orion's A and B shares are listed on NASDAQ OMX Helsinki.