



Annual Report 2011

Contents

Orion in 2011	1
CEO's Review	1
Orion in brief	4
Key figures.....	6
2011 in brief	10
Business environment	11
Strategy	12
Business divisions in 2011.....	18
Proprietary Products	19
Specialty Products	21
Animal Health.....	23
Fermion	25
Contract manufacturing and other	27
Orion Diagnostica	29
Research and development.....	31
Responsibility	33
Corporate Governance	34
Corporate Governance Statement.....	34
Board of Directors.....	35
Executive Management Board	38
Financial Statements	43
Key figures.....	43
Report by the Board of Directors	47
Consolidated financial statements (IFRS)	69
Consolidated statement of comprehensive income	69
Consolidated statement of financial position	70
Consolidated statement of changes in equity.....	72
Consolidated statement of cash flows.....	73
Notes to the consolidated financial statements	74
Parent company Orion corporation's financial statements (FAS).....	126
Proposal by the Board of Directors on use of profit.....	130

Auditor's report	131
Calculation of the key figures	133
Shareholders	134
Information for shareholders.....	134
Calendar for 2012.....	136
Shares and shareholders	137
Basic information on Orion's shares	142
Information on trading	143
Performance per share.....	144
Changes in share capital	145
Ownership base	146
Largest shareholders	147
Board and management shareholding	149

Strong year for Orion

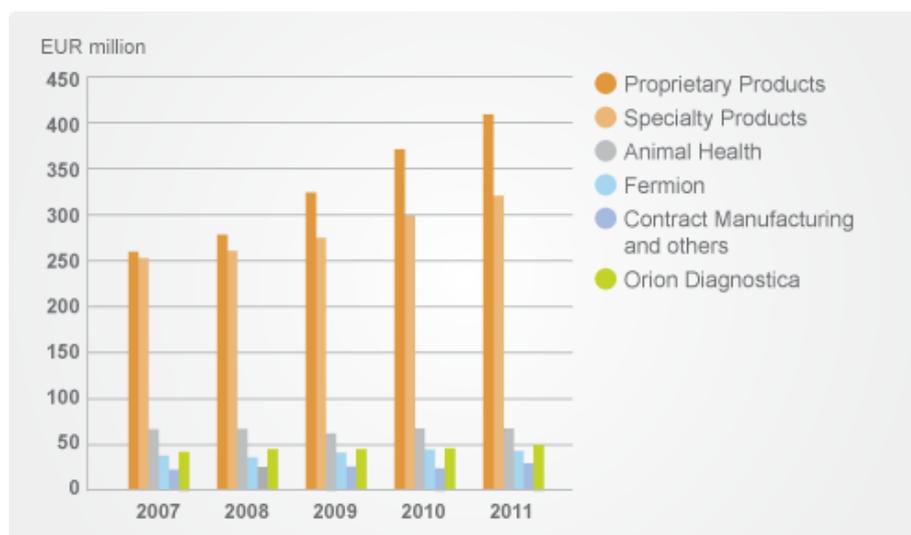
The year 2011 was good for Orion – we continued to grow and strengthened our position in selected markets. We are pleased with our progress in the current market situation, in which the pressure on healthcare to achieve savings creates challenges to growth of pharmaceutical companies. In 2011 we also continued long-term resolute work to build a successful future for the Company.

Net sales and profits continue to grow

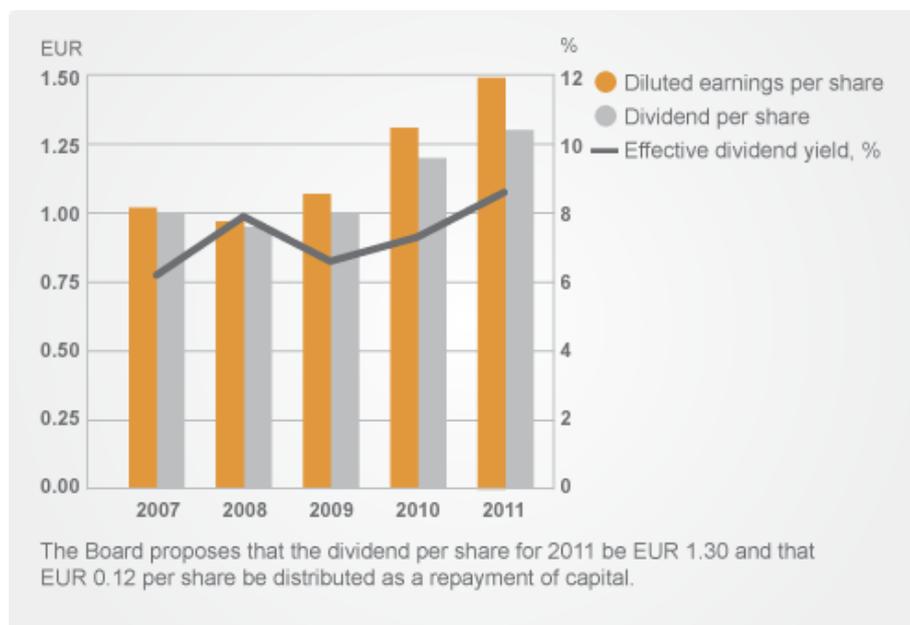
In 2011 Orion’s net sales were up by eight per cent at EUR 918 million and operating profit was up by 11 per cent at EUR 283 million. Deliveries of our Parkinson’s drugs Stalevo® and Comtan® to Novartis continued to grow, but as anticipated, total in-market sales of the product family and sales of Stalevo® and Comtess® through Orion’s own marketing were slightly lower. Sales from the rest of our product range grew well throughout the year, and in many markets our growth was faster than growth of the overall pharmaceuticals market. In Finland, Orion grew faster than the pharmaceuticals market as a whole.

Sales of Orion’s key products based on in-house R&D grew during the year. Growth was especially good in the intensive care sedative Precedex®, and Simdax®, a drug for acute decompensated heart failure. The continuing high number of launches of generic pharmaceuticals and self-care products has created a foundation for future growth.

Net sales by business division



Earnings per share and dividend



Building a successful future

Many pharmaceutical companies are facing the expiry of patents on key products. This creates a transition for pharmaceutical markets and companies manufacturing pharmaceuticals – even for Orion. During the current year the first generic competitors to our Parkinson's drugs will enter markets, and this will affect our business operations. For a long time, we have been preparing for the challenges that lie ahead of us, and in 2011 we continued building a foundation for the future.

One of the most important milestones of the year was gaining centralised marketing authorisation for the intensive care sedative *dexdor*® in Europe. Launches of the product are progressing at a good pace, and we believe that *dexdor*® will become one of our most important products in the coming years.

Another significant innovation was the start of collaboration with the US company Endo Pharmaceuticals for discovery, development and commercialisation of assets in oncology. Collaboration will enhance oncology research and development in both companies, and the agreement is consistent with Orion's R&D strategy, which centres on partnerships that share risks and income.

Other important steps in R&D during the year were the agreement with Nycomed for marketing *Easyhaler*® combination products under development and Orion Diagnostica's acquisition of a technology company, which strengthens its research and development base.

We continued to invest in research and development in line with our collaboration model. We have continued development of the unit's operating model, so Orion will focus on only certain phases of a product's life cycle, and we will undertake the other phases in our collaboration network.

Orion's diverse product portfolio also includes veterinary drugs, which are not subject to price regulation, their pricing being set by efficient markets. Fermion and contract manufacturing are types of business in which other pharmaceutical companies form the customer base.

Competent personnel the backbone of operations

Thanks are due to all Orion's employees for the good results and achievements in 2011. We recruited over 250 new employees during year, mainly for manufacturing as volumes increased. Hard and committed work undertaken in all our units lies behind Orion's success. I think an excellent example of the good spirit of Orion employees was how they reacted to the fire in Orion's Turku manufacturing plant in November. All Orion employees pulled together in the challenging situation that lay ahead, and as a result, the plant resumed production more rapidly than anticipated. The overall financial effects of the fire are expected to remain relatively small.

We continue building well-being in collaboration with our partners.

Timo Lappalainen

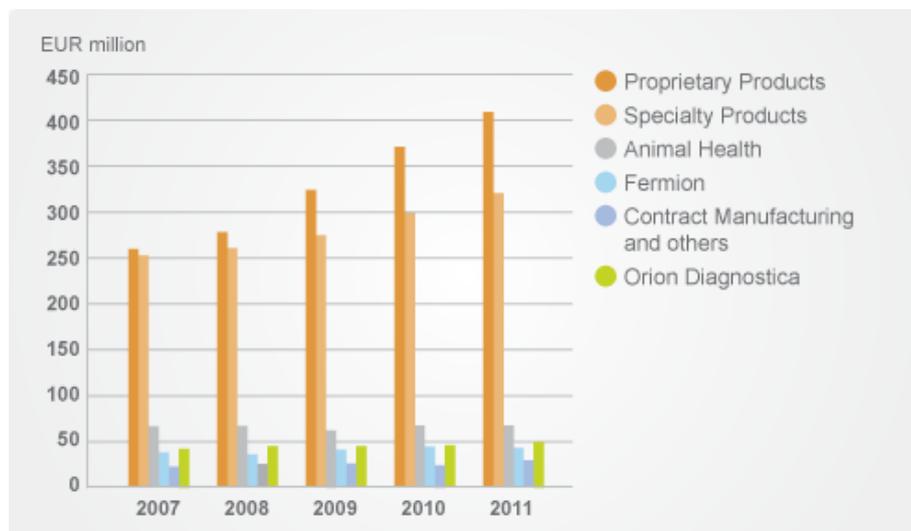
Building well-being

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

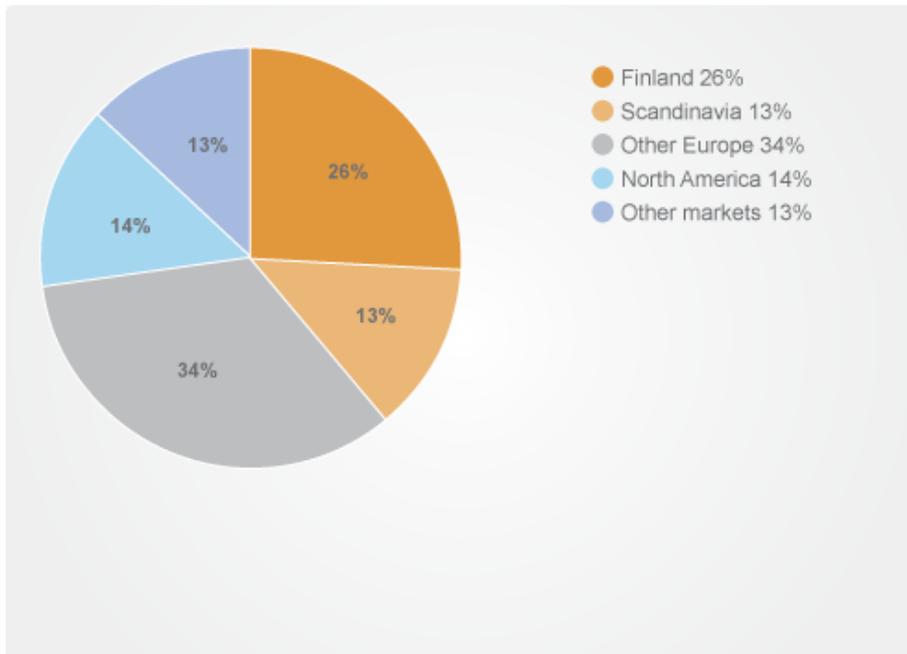
Orion's customers are mainly health care service providers and professionals such as specialist and general doctors, vets, pharmacies, hospitals, health care centres, clinics and laboratories. Consumers with pets are another important customer group.

- The Group's net sales in 2011 were EUR 918 million and the operating profit was EUR 283 million. Orion invested EUR 88 million in research and development.
- Orion's products are marketed in over one hundred countries. Finland is the most important market for Orion, and the Group's own human pharmaceuticals sales organisation covers almost all key European markets. In markets outside Europe Orion operates through partners.
- At the end of 2011, the Group had a total of 3,425 employees, of whom 2,705 worked in Finland and 720 in other countries.
- Orion's A shares and B shares are listed on NASDAQ OMX Helsinki under the trading codes ORNAV and ORNBV.
- The Group's auxiliary business names include Orion Pharma, Fermion and Orion Diagnostica.

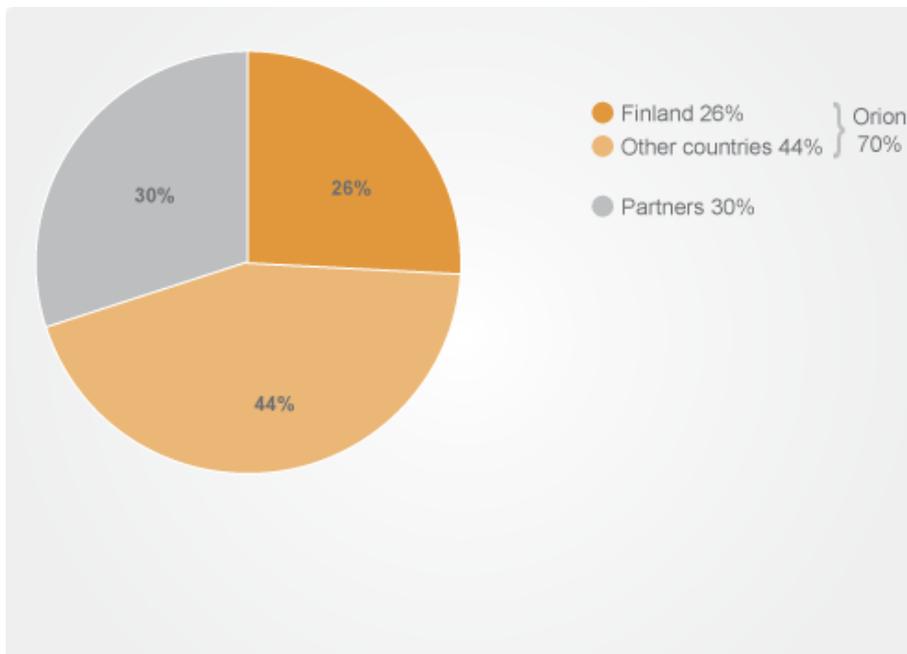
Net sales by business division



Net sales by market area



Net sales by distribution channel



Key figures

KEY FIGURES

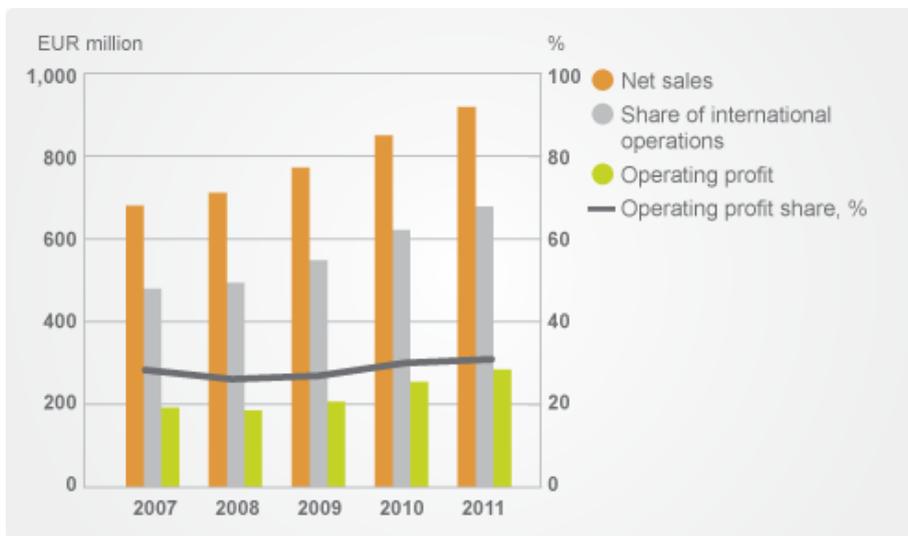
	2011	2010	Change %
Net sales, EUR million	917.9	849.9	+8.0%
International operations, EUR million	677.2	620.7	+9.1%
% of net sales	73.8%	73.0%	
Operating profit, EUR million	282.9	254.2	+11.3%
% of net sales	30.8%	29.9%	
Profit before taxes, EUR million	282.0	252.6	+11.6%
% of net sales	30.7%	29.7%	
R&D expenses, EUR million	87.5	85.5	+2.3%
% of net sales	9.5%	10.1%	
Equity ratio, %	64.2%	62.7%	
Gearing, %	-6.9%	-12.2%	
ROCE (before taxes), %	49.4%	45.0%	
ROE (after taxes), %	43.3%	40.7%	
Basic earnings per share, EUR	1.49	1.31	+13.5%
Diluted earnings per share, EUR	1.49	1.31	+13.5%
Cash flow per share before financial items, EUR	1.10	1.26	-13.0%
Dividend per share, EUR	1.30 ¹	1.20	+8.3%
Repayment of capital, EUR	0.12 ¹	0.06	
Personnel at the end of the period	3,425	3,131	+9.4%

¹ The Board of Directors proposes to the AGM that the dividend for 2011 be EUR 1.30. Per share and that EUR 0.12 per share be distributed from the reserve for invested unrestricted equity in the distributable equity as a repayment of capital.

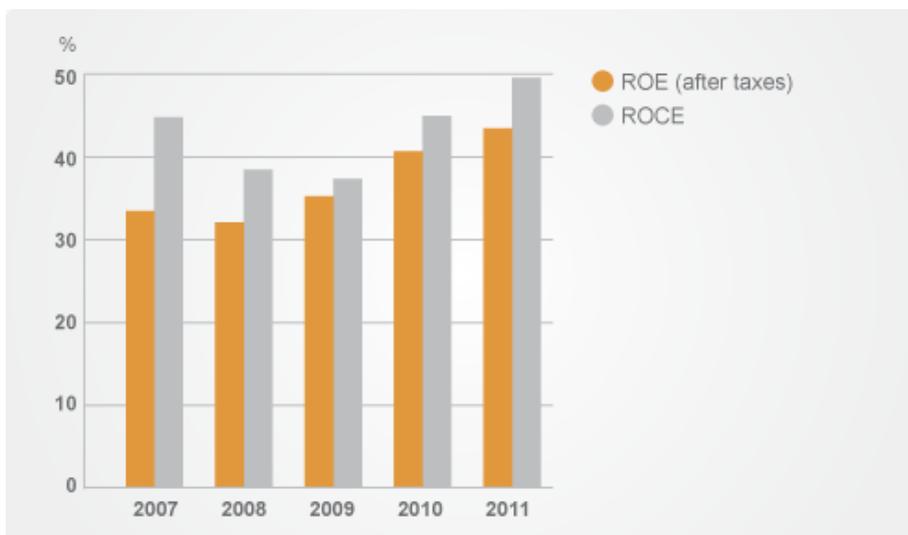
NET SALES OF ORION'S 10 TOP PRODUCTS

EUR million		2011	2010	Change %
Stalevo®, Comtess® and Comtan®	Parkinson's disease	266.7	252.7	+5.5%
Simdax®	Acute decompensated heart failure	44.0	39.9	+10.4%
Precedex®	Intensive care sedative	33.0	27.2	+21.3%
Easyhaler® product family	Asthma, COPD	30.5	28.1	+8.6%
Burana®	Inflammatory pain	23.5	21.5	+9.2%
Dexdomitor®, Domitor®, Domosedan® and Antisedan®	Animal sedatives	23.2	24.2	-3.9%
Marevan®	Anticoagulant	15.6	13.1	+19.5%
Divina® range	Menopausal symptoms	13.2	13.3	-0.7%
Enanton®	Prostate cancer	12.0	13.0	-7.7%
Solomet®	Inflammatory diseases	10.7	8.6	+24.8%
Total		472.4	441.5	+7.0%
	Share of pharmaceutical net sales, %	54%	55%	

Net sales and operating profit



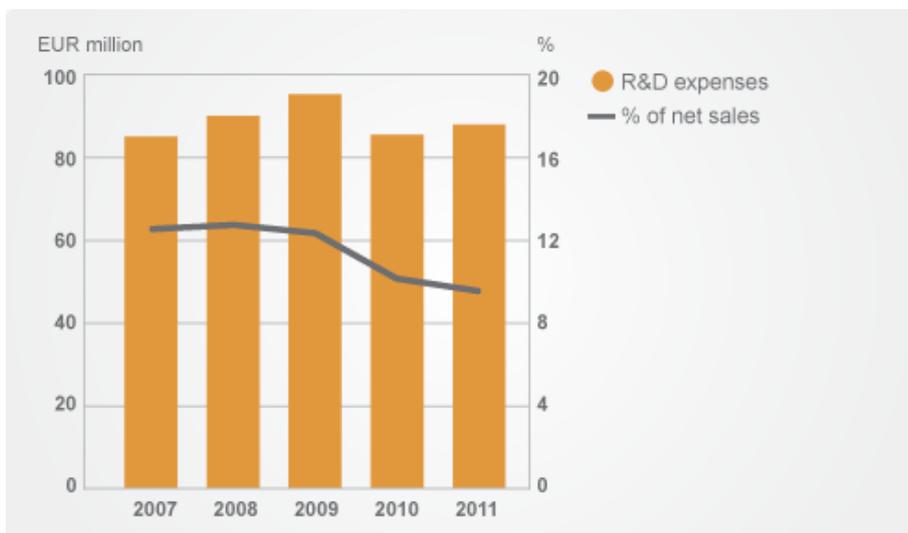
Return on equity



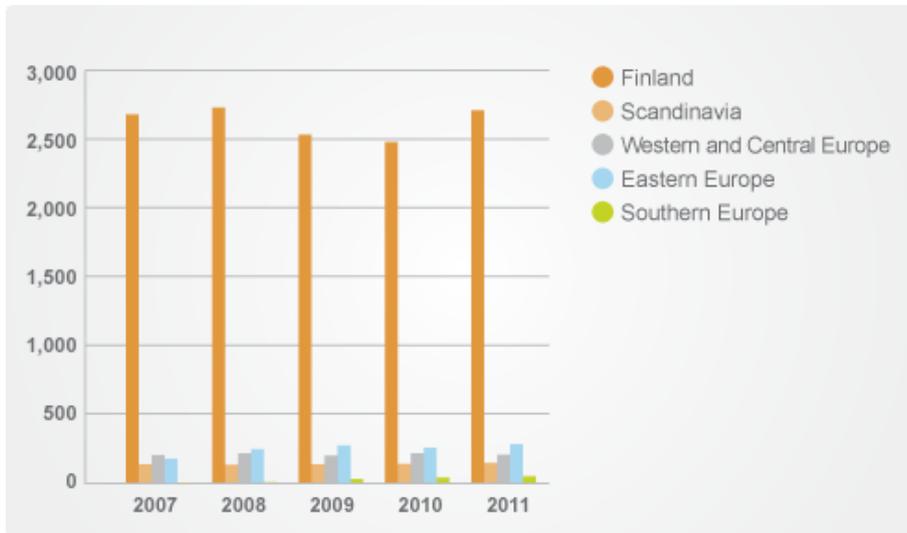
Equity ratio and liabilities



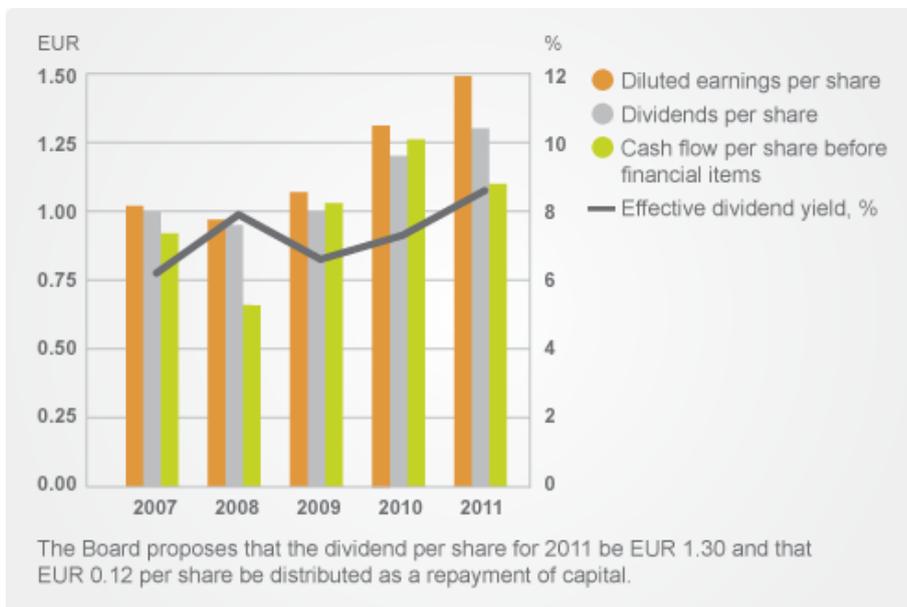
R&D expenses



Personnel by area on 31 December 2011



Earnings per share and dividend



2011 in brief

Q1/2011 "Strong growth in sales"

- In January Orion filed a patent infringement lawsuit in the United States to enforce Orion's US patent covering Comtan® against Mylan Pharmaceuticals Inc.
- In January Orion and Endo Pharmaceuticals Inc. signed a novel collaboration agreement for the discovery, development and commercialisation of assets in oncology.
- In March Orion Corporation's Annual General Meeting was held at the Helsinki Fair Centre.

Q2/2011 "Solid growth continued"

- In April Orion upgraded its full-year outlook for 2011 because sales had developed well in the first quarter.

Q3/2011 "Dexdor gained marketing authorisation"

- In July The Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) issued a positive opinion recommending the granting of marketing authorisation for *dexdor*® (dexmedetomidine), a new intensive care sedative.
- 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.
- In August Orion 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.
- In September The European Commission granted centralised marketing authorisation for Orion's intensive care sedative *dexdor*® (dexmedetomidine).
- In September Orion announced that the total number of Orion 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.

Q4/2011 "Orion had a strong year"

- In 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.
- In November 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.
- In November production at Orion's manufacturing plant in Turku was halted due to a fire.
- In December Orion announced that most production at its manufacturing plant in Turku had resumed following the fire in November.

Economic developments are accelerating change in the pharmaceutical sector

Orion develops products that are sold worldwide and marketed in over a hundred countries. Human pharmaceuticals sold through its own network or marketing partners account for about 80% of Orion's net sales.

Orion's own sales network covers almost all key European markets. Outside Europe Orion operates through marketing partners. Sales through partners account for just under one-third of the Orion Group's net sales.

Finland is Orion's most significant market, and the Finnish market accounts for about one-quarter of Orion's net sales. Treatment of Parkinson's disease is the most important individual therapy area for Orion, and accounts for about one-third of the Group's net sales.

Orion is a medium-sized company in Europe and about the 70th largest pharmaceutical company in the world.

Europe and United States still the key markets

The pharmaceutical sector is relatively stable and steadily growing. According to IMS Health pharmaceutical sales statistics, the global market for pharmaceuticals is forecast to grow by 3–6% per year and is estimated to exceed USD 1,100 billion by 2015. The fastest growth will be in developing markets, where annual growth will be 13–16%. Over a quarter of the growth is forecast to come from China. The Japanese pharmaceuticals market is estimated to be growing by 2–5%, and in the United States and Europe growth is expected to remain at 1–4% per year. In Europe growth in pharmaceuticals markets is increasingly coming from Eastern Europe. However, the United States, Europe and Japan still account for over half of pharmaceuticals markets by value. (1)

Growth in generic pharmaceuticals market remains strong

The generic pharmaceuticals market has continued to grow faster than the entire pharmaceuticals market. In the past five years, the generic pharmaceuticals market has been growing by over 10% per year except in 2008. Generic pharmaceuticals already account for over half of world pharmaceuticals markets by volume, but only about a fifth by total value. (1)

The expiry of patents on many pharmaceuticals companies' main products in the next few years will support growth of generic pharmaceuticals markets. In addition, in many market areas the cost-cutting pressures in healthcare are increasing demand for cheaper alternatives, in other words generic pharmaceuticals.

Governments continue stringent saving drives

The general global economic situation has forced governments to seek ways to make savings, and this has created its own challenges to growth of pharmaceutical companies. There has been a desire to cap the costs of drug treatments through, for example, more stringent reimbursement requirements and market-specific price cuts. Pricing pressure seems to be especially strong in Europe, but also in other established markets.

At the beginning of 2011, for instance, Germany implemented a new prescription drugs evaluation process. Even though the price of a drug can be freely set at launch, the price will be checked during the first year. The final price of the product will be determined on the basis of its value-added.

Customer's many faces

The tougher financial situation has made the payers of drug treatments an increasingly important customer group for pharmaceutical companies, as their role in decision making has grown. The payers can be a government authority, insurance company, hospital district or individual hospital, depending on the country. Doctors and other health care professionals are of course still an important and crucial target group.

Pharmacies are a very important link in the pharmaceutical distribution chain, because they play a part in deciding what products are offered to the end-user. The end-user of the drug is a patient, whose role in treatment selection is also growing, as information becomes ever more widely available about diseases and treatments.

(1) IMS Health 2011

Strategy

In June, Orion's Board of Directors confirmed that the strategic focus remains the same for 2012–2016. Orion's strategic aims are profitable growth and increased shareholder value, whilst keeping business risks under control.

Orion's strategic focus continues to be on:

- growth of business operations through a competitive product portfolio
- strengthening market position in Europe
- improving the flexibility and efficiency of operations

All of Orion's business divisions have a major role in achieving the financial objectives of the Group, but the two largest divisions, Proprietary Products and Specialty Products, are crucial. Orion strives to enhance synergies between patent-protected proprietary drugs, off-patent (i.e. generic) prescription drugs and self-care products.

Orion's strategic themes

Orion's strategic themes		Achieved in 2011
Competitive product portfolio	<ul style="list-style-type: none"> • Active in-licensing • Constant flow of product launches • Building self-care product portfolio in Nordic countries • Progress in R&D projects 	<ul style="list-style-type: none"> • In-licensing of value-added products for selected therapy areas • Approximately 140 launches of human pharmaceuticals • Continuously renewed generic and self-care portfolio in Finland and Nordic countries and generic portfolio in Eastern Europe • Centralised European marketing authorisation gained for intensive care sedative <i>dexdor</i>[®], launches of <i>dexdor</i>[®] started • Progress in research projects to develop Easyhaler combined formulations, and other clinical phase research projects • Many new research projects with partners
Strengthening market position in Europe	<ul style="list-style-type: none"> • Strengthening market position • Target customer groups 	<ul style="list-style-type: none"> • Strengthened position as market leader in Finland • Strengthened market position in Scandinavia through expansion of generic and self-care product portfolio • Different target customer groups in different areas
Efficient and competitive operations	<ul style="list-style-type: none"> • Improving efficiency • Cost control 	<ul style="list-style-type: none"> • Improved efficiency throughout the value chain • Improved cost control • Optimised operating models and increased flexibility • Improved diversity management
Partnerships and networks		<ul style="list-style-type: none"> • New R&D partnerships in early-phase research • Continued active building of partnerships and networking throughout the value chain

Competitive product portfolio

Growth is based on a competitive product portfolio developed through Orion's in-house R&D, collaborative research and active product acquisition. Potential corporate acquisitions are also continually evaluated.

Orion's core therapy areas are central nervous system drugs, oncology and critical care drugs, and inhalable Easyhaler[®] pulmonary drugs. Orion's R&D operations concentrate on early-phase research. In addition to in-house research, Orion invests in early-phase R&D jointly with universities and other pharmaceutical companies. In the late phase of clinical development, Orion aims to share the costs with other pharmaceutical companies. Orion generally seeks partnerships for undertaking at least

Phase III clinical trials, which are the final phase, especially for projects outside Europe. Orion also seeks to purchase new product candidates and further developed products to reinforce the research pipeline based on its own research projects.

In recent years Orion has worked to build up a competitive product portfolio. As regards Proprietary Products customers, the focus is on neurologists, urologists, pulmonary doctors, critical care doctors and other health care professionals in these specialised fields. For Specialty Products, important customer groups in Finland, for example, are general practitioners and pharmacy staff. Orion's primary aim is to exploit all business opportunities from the drugs in the current product portfolio, such as Stalevo®, Simdax® and the Easyhaler product family. Orion's next projects in late-phase development and commercialisation are launching the intensive care sedative dexmedetomidine in European markets, development of inhalable Easyhaler combined formulation products and development of the Parkinson's drug Stalevo for Japanese markets. Orion also aims to ensure continuity of clinical trials through active early-phase research.

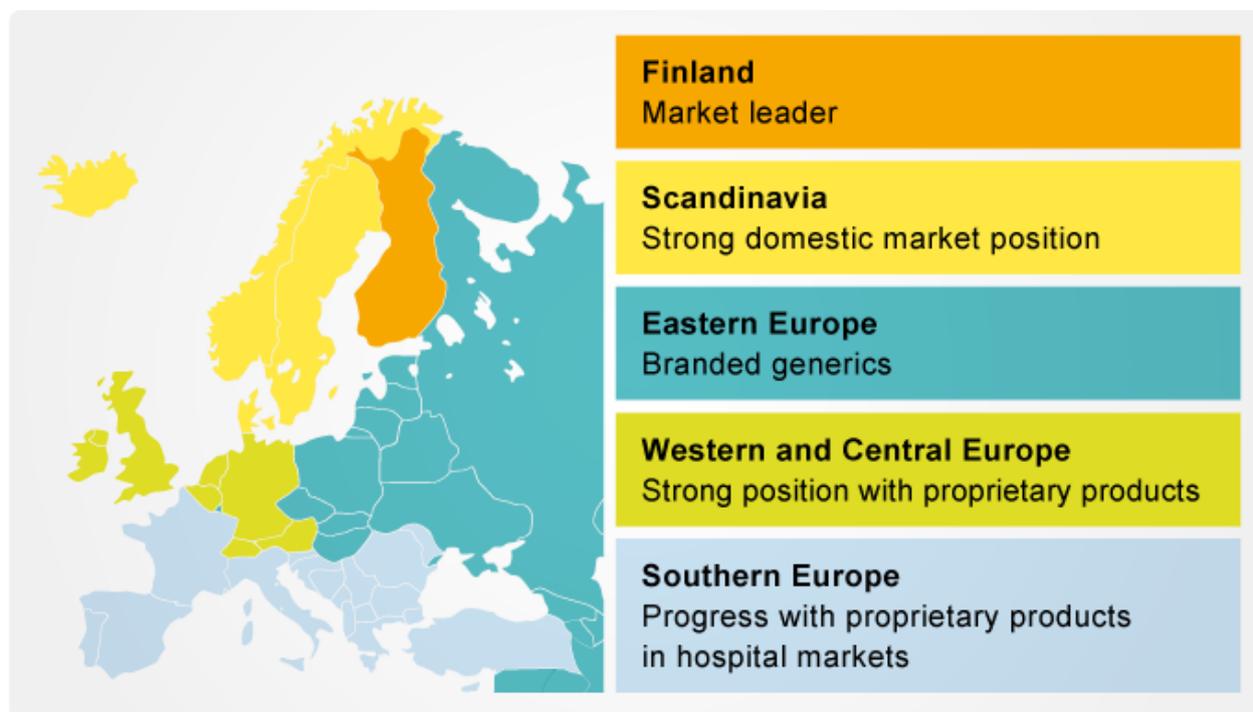
To be successful in the generic (i.e. off-patent) prescription drug and self-care product sector, it is especially important to have a broad and continually renewed portfolio. Orion seeks to secure a continuous stream of product launches through active product acquisition and its own development work. Orion determines the product portfolios individually for each market. The Company continues to strive for growth, especially through expanding the self-care product portfolio in the Nordic countries. In Eastern Europe, for example Russia, Orion's product portfolio focuses on generic prescription drugs in certain therapy areas.

Strengthening market position in Europe

In the current year Orion continued to strengthen its market position and sales network in the key European markets.

In specialised medical care, especially critical care and urology, Orion concentrates on certain customer groups through its own sales network throughout Europe and through partners worldwide. Orion markets generic prescription drugs and self-care products mainly in the Nordic countries and Eastern Europe through its own sales network. Orion aims to strengthen its market leadership in Finland and make the Scandinavian countries a domestic market in which it has a strong presence. Orion's aim in all the Nordic countries is to have a presence with a broad product range. In Central and Southern Europe the emphasis is on proprietary products and in Eastern Europe on generic products. Outside Europe, Orion operates mainly with partners.

Strengthening the market position in Europe



Flexible and efficient operations

Because the operating environment changes all the time, the agility and flexibility of operations will in future be as crucial as cost-effectiveness. Efficiency improvement, cost control and complexity management are all essential for systematic improvement of competitiveness throughout the value chain. Orion's key projects to improve operating efficiency have been implementing a new research and development model, building up partnership models for early-phase research, increasing efficiency in the supply chain and improving the competitiveness of sales operations.

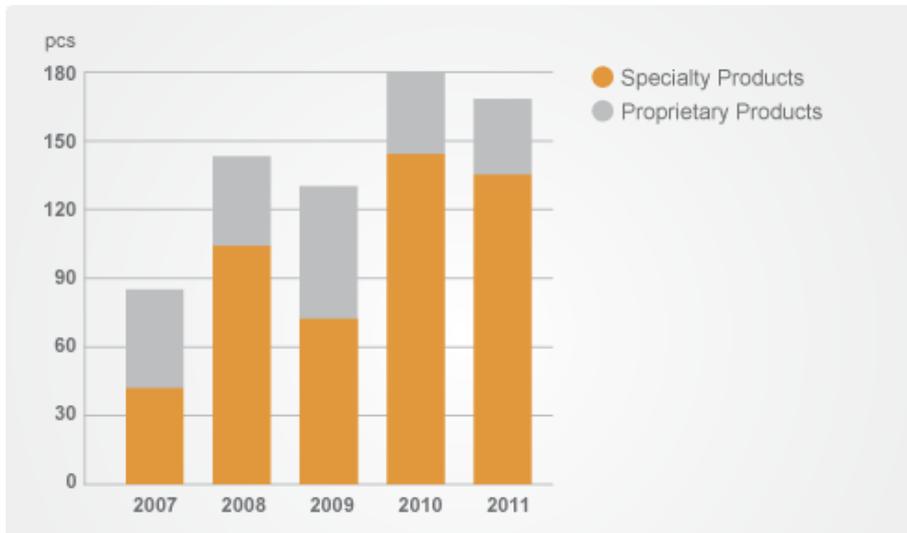
Networking and seeking partners throughout the value chain will facilitate improvements to competitiveness and establishing a foundation for profitable future growth. R&D collaboration and active networking will enable Orion to increase the number of new research projects and balance the risks of projects in the research pipeline. Through partnerships in the supply chain, Orion will improve the efficiency of its operations by determining which products it will manufacture itself and to what extent products or semi-finished products will be acquired through its collaboration network. Partnerships in sales and marketing will ensure a broad network of distribution channels through which proprietary drugs developed by Orion will be distributed worldwide. Moreover, the product portfolio can be expanded by selling the partners' products through Orion's own sales network.

Through these strategic actions, Orion seeks to enhance its capability to continue operating as a pharmaceuticals and diagnostics company that provides new products and engages in R&D.

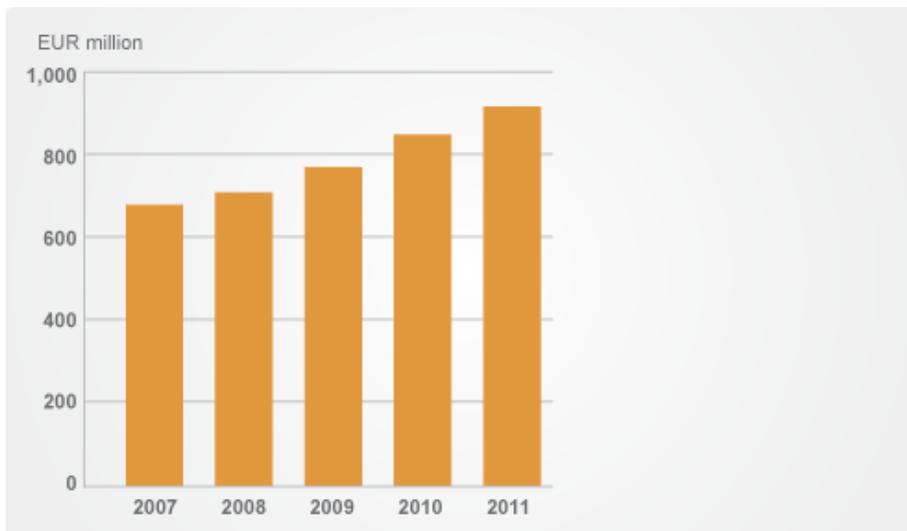
Looking into the future

Mission	Building well-being					
Financial objectives	Ensuring financial stability			Creating long-term profitable growth		
Strategic aim	Profitable growth and increasing shareholder value whilst keeping the business risks under control					
Strategic focus areas	Competitive product portfolio		Strengthening market position in Europe		Efficient and competitive operations	
	Partnerships and networks					
Business Divisions	Proprietary Products	Specialty Products	Animal Health	Fermion	Contract manufacturing and others	Orion Diagnostica
Personnel	Competent and motivated personnel in demanding expert tasks					
Values	Mutual trust and respect	Quality, reliability and safety	Innovation	Achievement	Customer focus	

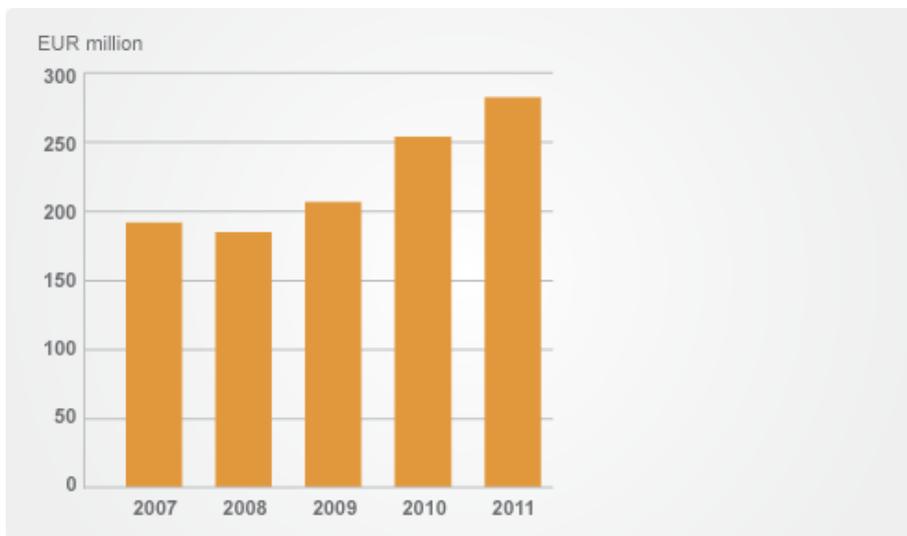
Number of launches, product/country



Net sales



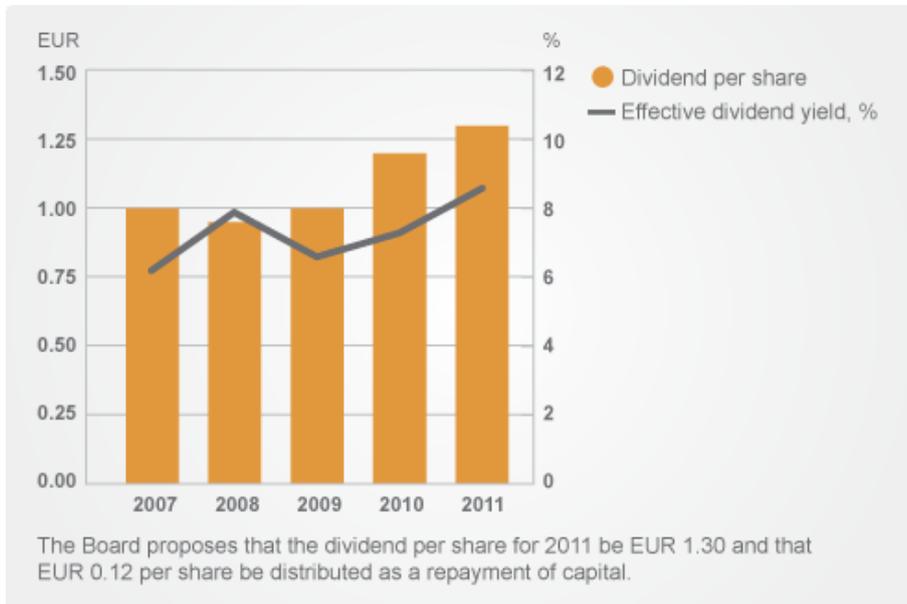
Operating profit



Equity ratio

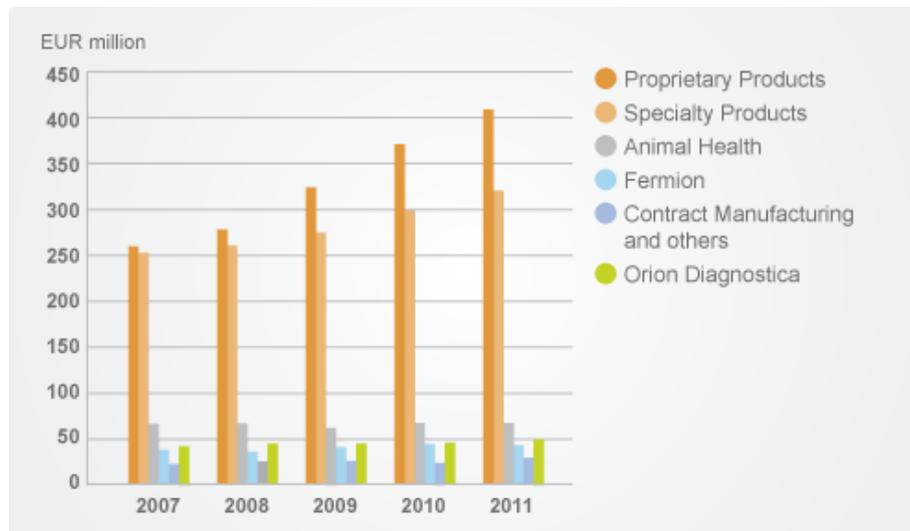


Dividend per share ratio

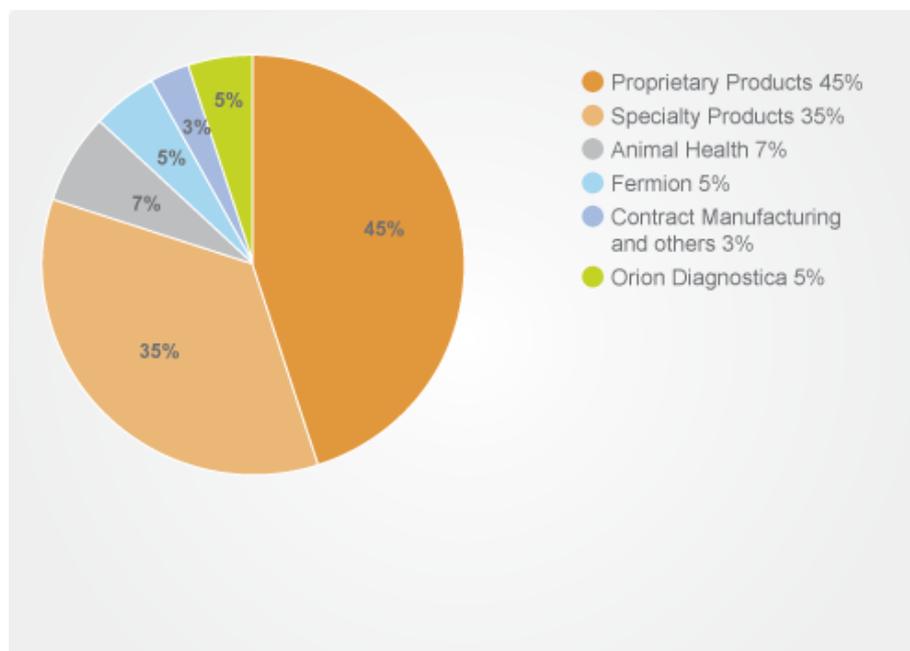


Business divisions in 2011

Net sales by business division



Net sales breakdown by business units



Proprietary Products – Three strong therapy areas

Proprietary Products is Orion's largest business division. Its purpose is to manufacture proprietary products that generate added value and are innovative and ease the life of patients in selected core therapy areas. The selected core therapy areas are central nervous system diseases, oncology and critical care, and pulmonary diseases. The division also sells and markets proprietary drugs from other pharmaceutical companies, as well as pharmaceuticals based on Orion's own research and development.

In 2011 the division continued to grow well. Sales were up by over 10 per cent on the previous year, which is clearly faster than the average growth of international pharmaceuticals markets. There was growth in all the division's therapy areas.

Orion's drugs for treatment of Parkinson's disease again performed well in 2011. Patent protection of products will expire in the next few years and the first generic competitors will enter the markets in 2012. For the flagship product Stalevo® data protection will last longer in Europe, where competition is not expected to develop until 2014. Drugs to treat Parkinson's disease will remain an important part of Orion's product portfolio in the future, but alongside them new mainstays have already emerged.

One highlight of the year was in September, when the European Commission granted centralised marketing authorisation for Orion's new intensive care sedative *dexdor*®. Its active ingredient is the molecule dexmedetomidine discovered by Orion. Launching of the product and launch preparations are ongoing in various parts of Europe and progressing as planned. Dexmedetomidine (*Precedex*®) sold by Orion's partner Hospira has performed well in recent years, especially in the United States, and in the coming years *dexdor*® is expected to bring considerable sales in Europe too, where it will generally be marketed by Orion itself.

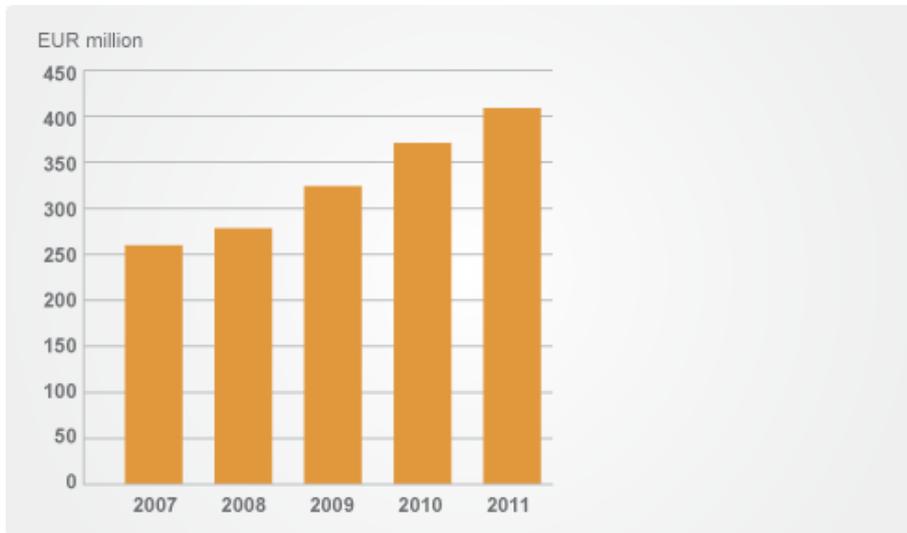
Orion's *Simdax*®, a drug for acute decompensated heart failure, maintained steady growth. Orion repurchased the rights to *Simdax* from Abbott in 2009, and the transfer of the rights to the product was completed in 2011. *Simdax* has strengthened Orion's position as a European critical care specialist and the product has had an important role in expanding Orion's operations in Europe. This has created a good geographical coverage and network for Orion, which it can benefit from in market launches of the intensive care sedative *dexdor*®, among others.

Another key near-term objective of Orion's Proprietary Products division is developing markets for the *Easyhaler*® product family for treatment of pulmonary diseases. 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. Opportunities for the future were created by the collaboration agreement signed with Nycomed in August 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.

In oncology, development of the product portfolio continued in selected markets. For example, during the year a further seven countries were added to the sales area for *Vantas*®, a drug for treatment of prostate cancer.

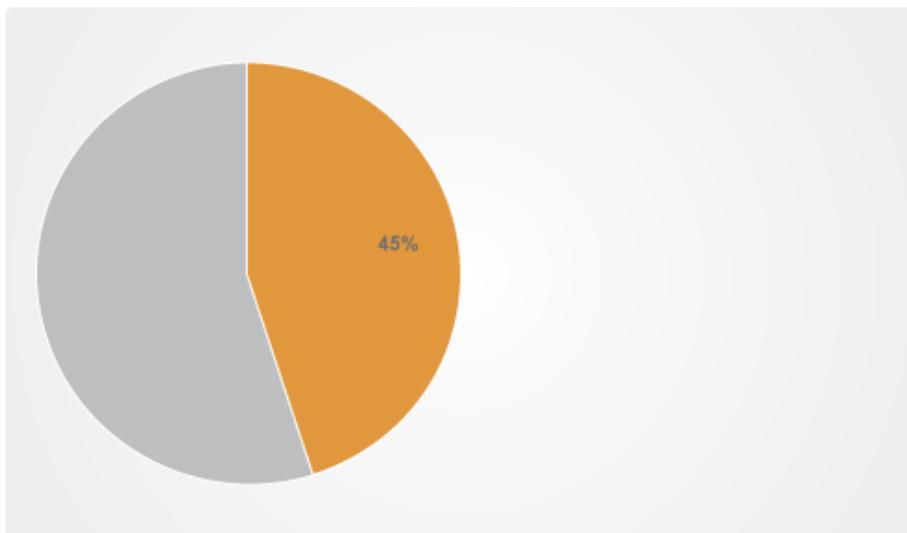
Proprietary Products

Net sales



Proprietary Products

% of net sales



Specialty Products – Generic prescription drugs and self-care products

Orion's second-largest business division, Specialty Products, supplies generic prescription drugs and self-care products for basic healthcare, mainly for European markets. Orion sells products it has developed and manufactured, and also products developed by partners.

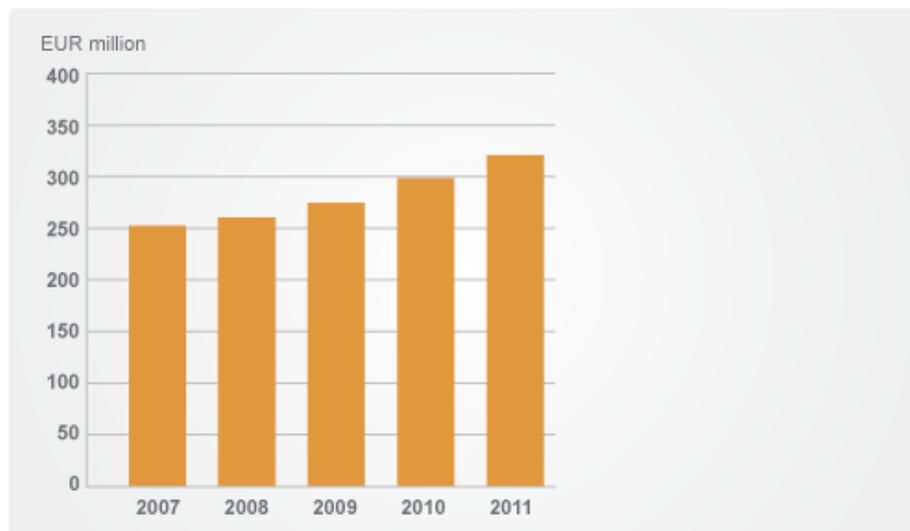
In 2011, the division maintained its steady growth in the main market areas. During the year the Specialty Products division had 135 product launches, which were divided evenly between different market areas. The high number of launches reflects the growth potential of the product range.

Prescription products were particularly successful in the Nordic countries. Orion's specialty products achieved double-digit percentage growth rates in Denmark, Sweden and Norway. In Finland sales of Orion's specialty products grew faster than the pharmaceuticals market as a whole. Among self-care products, Orion's vitamin D preparation DeviSol in particular was increasingly popular. There was also clear growth in many Eastern European countries due to the good performance of Orion's generic products.

National and municipal cost-saving programmes all over Europe are affecting the pharmaceutical sector through tighter pricing mechanisms, for example, which intensified price competition. Orion will respond to competition by steadily launching new generic and self-care products.

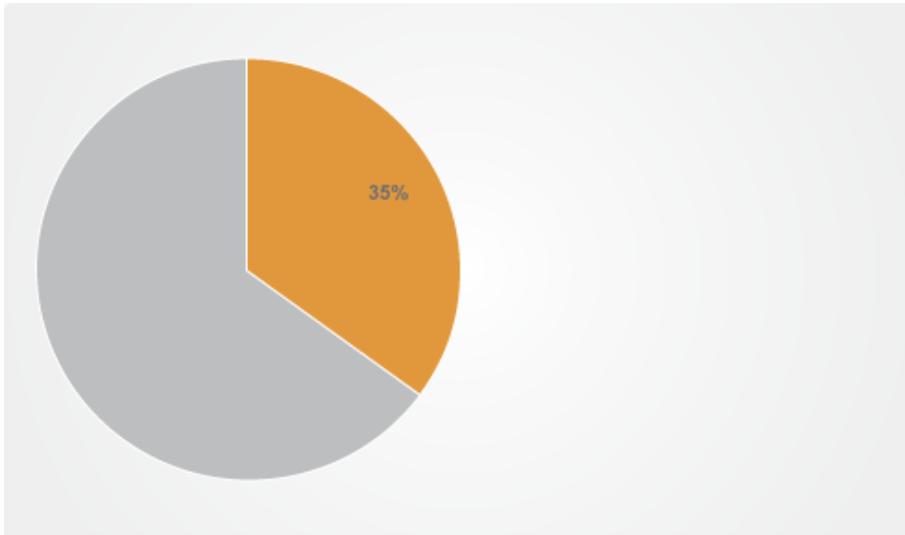
Specialty Products

Net sales



Specialty Products

% of net sales



Animal Health – Steady level of business operations

Orion is one of the main manufacturers and distributors of veterinary drugs in the Nordic countries. Its own sales network also covers Eastern Europe. Elsewhere in the world, Orion’s veterinary drugs are available through partner companies.

The Animal Health business division succeeded in maintaining its net sales at the same level as in 2010 despite price competition in the field. Approximately a third of the division’s sales consisted of the distribution and sale of products licensed to partners.

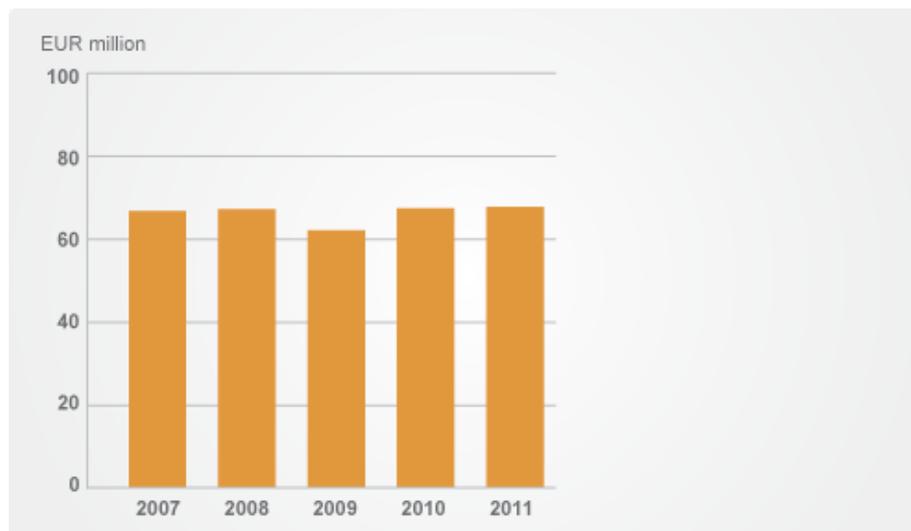
Orion’s animal sedatives retained their strong position in the markets even though generic competition intensified following patent expiries. The new generation sedative Dexdomitor® sold particularly well during the year. Growth in North America was especially marked.

Orion continued to develop its Aptus® well-being range strongly in 2011. The range includes vitamins and minerals important for cats and dogs, as well as products that help maintain digestion, skin, fur and oral hygiene. Orion launched several new products during the year, primarily thanks to successful licensing.

In 2012, Orion’s Animal Health business division will continue to invest in a strong presence in the Nordic countries and other selected markets in Europe. It also intends to continue launching new products into markets steadily.

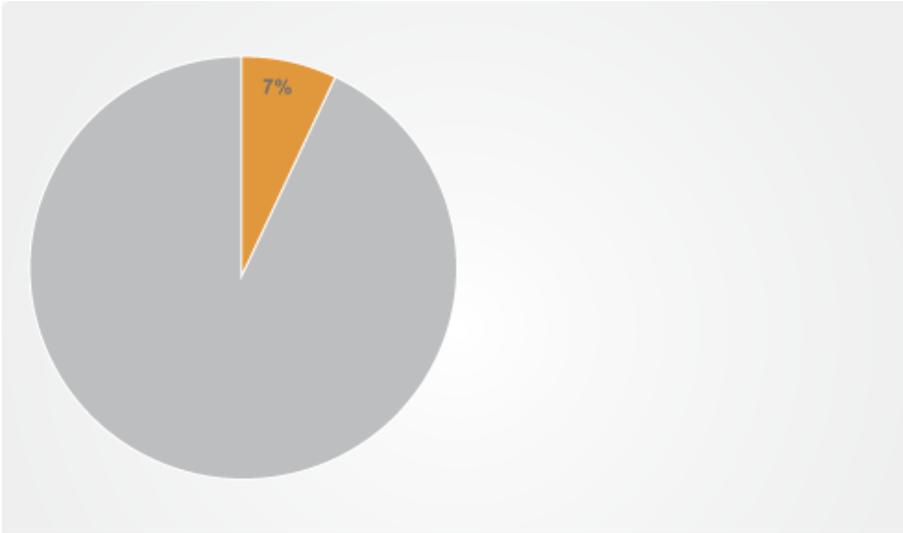
Animal Health

Net sales



Animal Health

% of net sales



Fermion – Steady progress

Fermion manufactures the pharmaceutical ingredients used in Orion's proprietary drugs and participates in their development. Fermion also manufactures generic pharmaceutical ingredients for Orion and other pharmaceutical companies around the world.

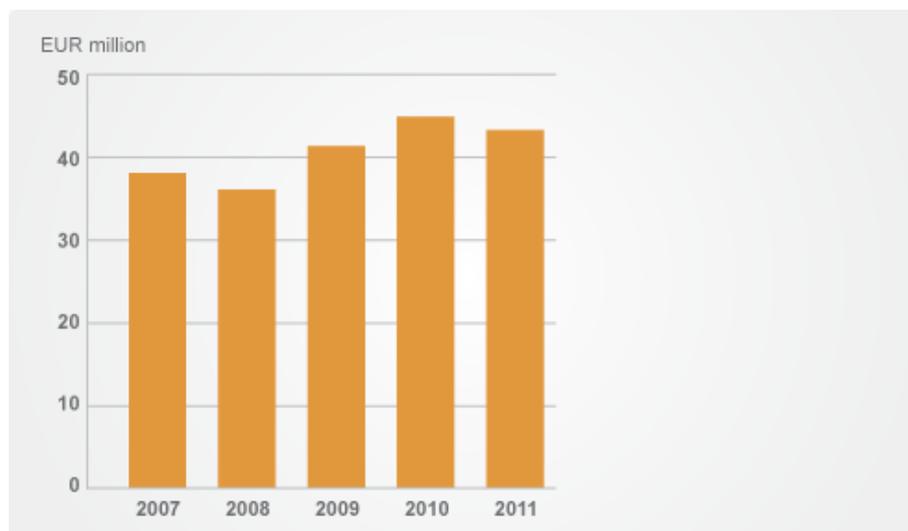
Fermion continued to achieve good results in 2011 thanks to full capacity utilisation and very efficient manufacturing processes. Despite intensifying competition worldwide, Fermion was able to maintain its market share and was the world's market leader in some products.

In 2011, Fermion's plant in Hanko, Finland, manufactured more than 100 tonnes of entacapone and reached a new production record. Entacapone is an active ingredient in Orion's proprietary drugs Stalevo® and Comtan®/Comtess® used in the treatment of Parkinson's disease.

Fermion's ongoing major expansion project to increase the capacity of its Oulu plant manufacturing high potency substances progressed as planned in 2011.

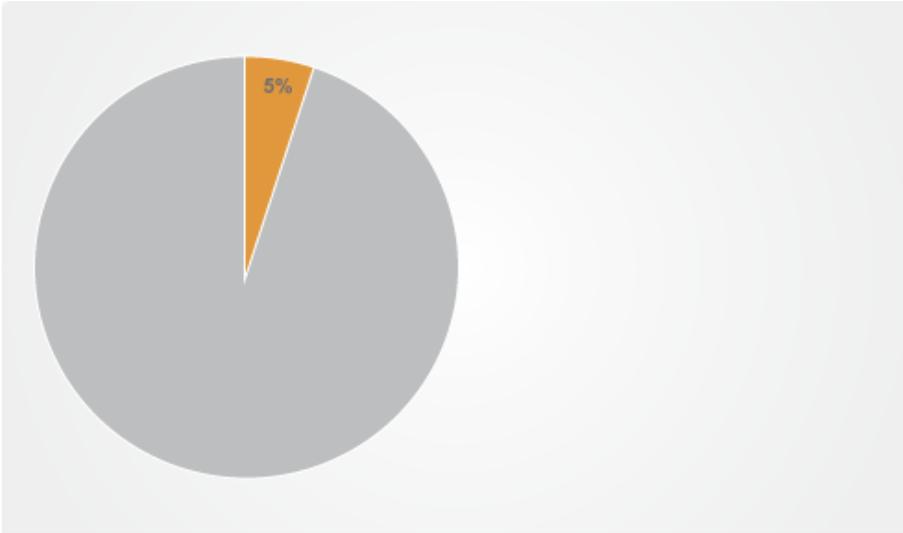
Fermion

Net sales



Fermion

% of net sales



Contract manufacturing and other – Year of strong growth

In contract manufacturing, Orion provides services tailored to customers' needs in pharmaceutical manufacturing, packaging and analysis.

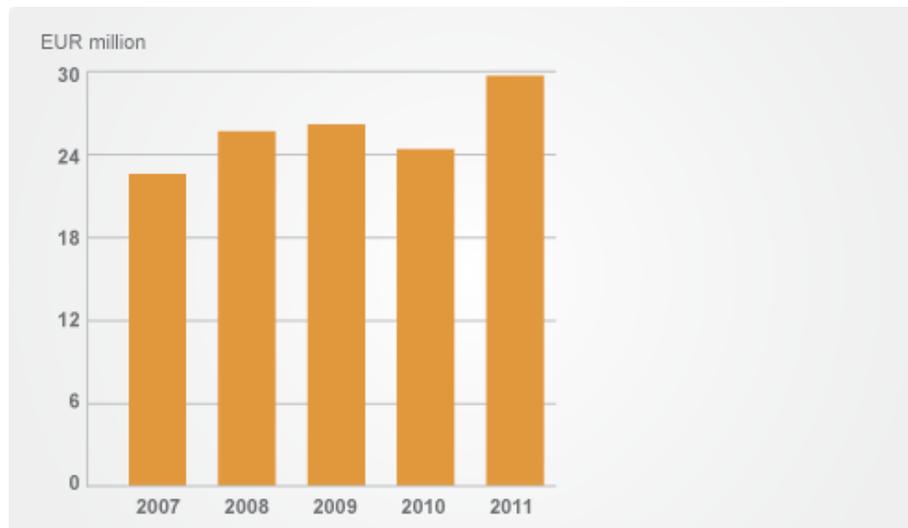
For Orion's contract manufacturing, 2011 was a year of strong growth in manufacturing volumes and net sales. Important contract manufacturing projects advanced and new collaboration agreements were initiated.

Highlights of the year included the successful start of manufacturing Axiron™ testosterone drug at Orion's Turku plant. Orion's partner Eli Lilly and Company has global marketing rights to the product. Axiron is expected to become one of the Turku plant's top products by volume.

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.

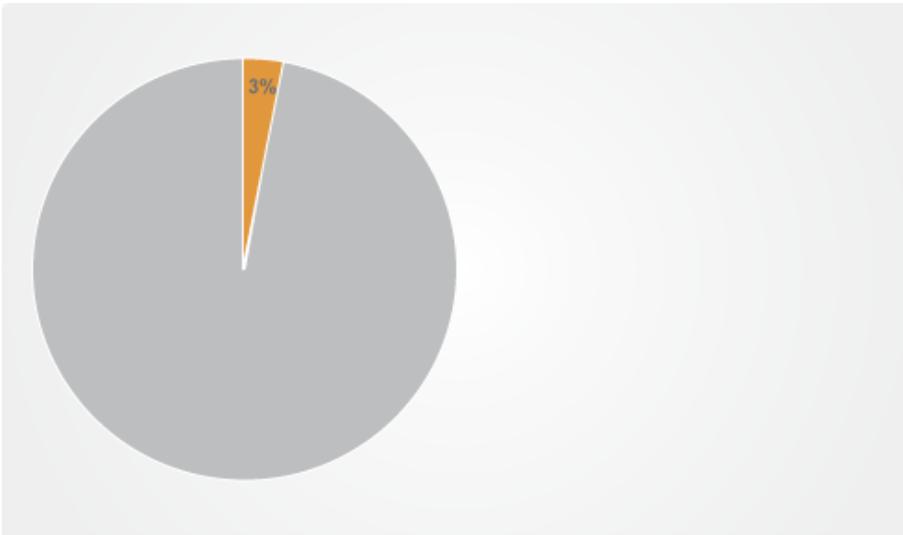
Contract manufacturing and other

Net sales



Contract manufacturing and other

Net sales



Orion Diagnostica – Focus on future

For Orion Diagnostica, which manufactures convenient, quick and reliable in vitro diagnostic tests as well as testing systems suitable for point-of-care testing, 2011 was a very busy year. During the year, systematic rebalancing of the product portfolio and replacement of some older products continued as resources were targeted especially to point-of-care testing. Good results were achieved in, for instance, the Nordic countries, eastern Central Europe and China.

The launching of the new more user-friendly prefilled QuikRead® 101 system and QuikRead go®, a new generation testing instrument, progressed as planned in 2011. QuikRead go, which is the market's fastest available automatic CRP (C-reactive protein) test, helps doctors to distinguish between bacterial and viral infections while the patient is in surgery to determine whether antibiotic treatment is needed.

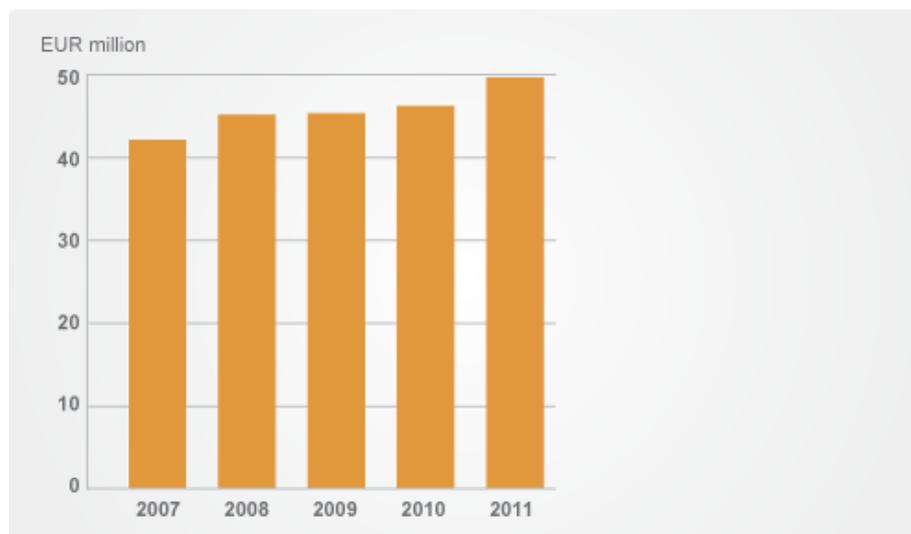
One of the most significant steps of the year was taken in July, when Orion Diagnostica strengthened its research and product development base by acquiring new early-phase technology through purchasing all the shares of English technology company GeneForm Technologies Ltd. The acquired technology gives Orion Diagnostica a new foundation for building up business operations and increasing competitiveness, especially in infectious disease diagnostics.

The increasing number of competitors, and on the other hand mergers, are signs of the progress that is being made in the diagnostics sector. Orion Diagnostica's trump cards in this intensifying competition include innovative product launches and the ability to identify its customers' needs.

In 2012 Orion Diagnostica will concentrate on product launches and utilising the broader research and development base.

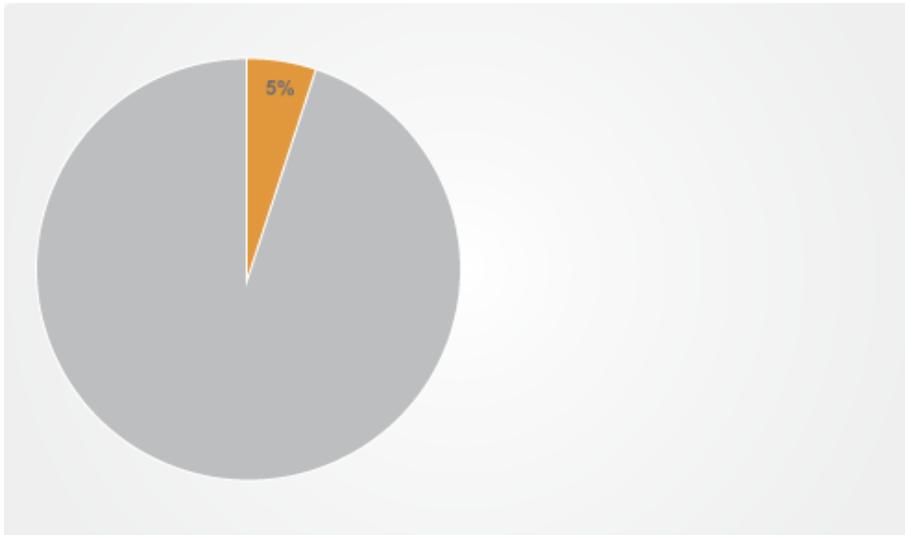
Orion Diagnostica

Net sales



Orion Diagnostica

% of net sales



Co-operation increasingly important in research

Orion's pharmaceutical innovations are created within its research and development organisation, which employs top professionals in drug molecule development and optimisation. In its own research and development, Orion focuses on early-phase drug development. Orion co-operates with expert partners, such as universities and other pharmaceutical companies, in the initial and final phases of research.

The partnerships allow Orion to work on a large number of research projects simultaneously while focusing on its own core competence. Successful research also benefits the partner. Orion's research projects made steady progress in 2011.

Together to successes

One of the most important individual achievements in 2011 for Orion and Orion's research and development was gaining marketing authorisation for dexmedetomidine in Europe in September. Development of a new proprietary drug is always a long process lasting years, but when successful, it means a lot to each patient, Orion and society.

Another highlight was the signing of a novel collaboration agreement with the US company Endo Pharmaceuticals in January for the discovery, development and commercialisation of assets in oncology. Under the agreement, the companies will develop altogether eight drug candidates, four from Orion and four from Endo. The collaboration gives each company the option of the exclusive right to license the other's research programmes at development phases agreed in advance. The companies are jointly developing and sharing all the development costs of products arising from the collaboration. Orion will get marketing rights in Europe and Russia, and Endo Pharmaceuticals in North America. The companies will pay each other royalties on sales in their own market areas and jointly decide the most efficient marketing methods for other markets after the Phase II clinical trials and divide the income from them.

Right after the agreement became effective, Endo Pharmaceuticals exercised its option to license a novel androgen receptor antagonist for the treatment of advanced prostate cancer developed by Orion. The companies will now jointly continue developing this drug candidate with the objective of approval globally. Clinical trials commenced in 2011. This collaborative research is in line with Orion's new R&D model adopted a few years ago that puts more and more emphasis on partnerships.

Orion aims to broaden the range of the inhalable Easyhaler® drugs product family used for treatment of asthma and chronic obstructive pulmonary disease. Orion's research programmes for developing new Easyhaler combination products progressed in 2011. Orion is developing a budesonide-formoterol formulation that combines budesonide as an anti-inflammatory agent and formoterol as a long-acting bronchodilator. Orion also has another ongoing Easyhaler research programme 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. In 2011, Novartis notified that it was evaluating the timeline for regulatory submission.

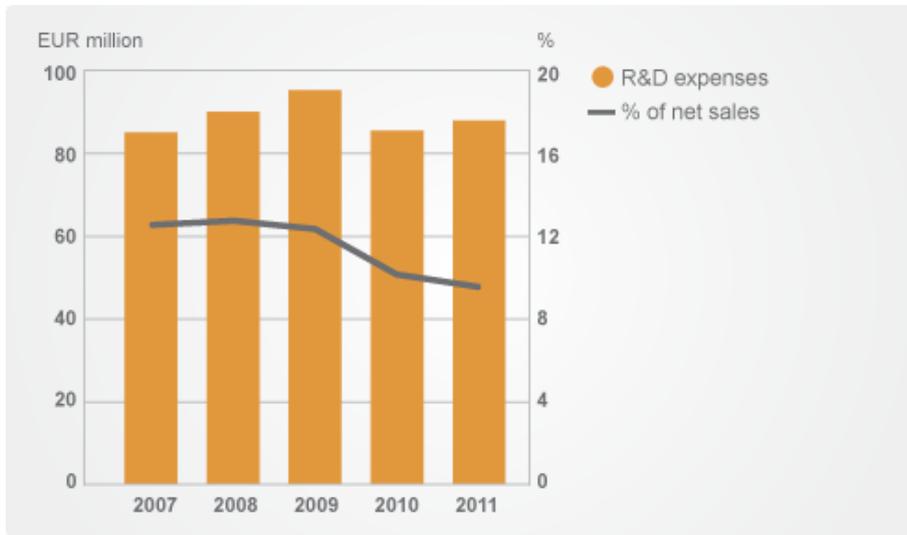
Many of Orion's early-phase projects, such as trials with an alpha 2_c receptor antagonist, progressed during 2011. The Phase II trials are investigating the efficacy and safety of the drug candidate in treating Alzheimer's disease.

Orion also continued developing a new more effective levodopa product in 2011. The product under development is based on optimised new formulations and doses of known compounds.

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.

R&D expenses



Orion – A responsible corporate citizen

In the pharmaceutical industry, the requirements for responsible operations are fundamental. At Orion, responsibility means more than just fulfilling legal obligations. As a responsible company, we look after patients, our personnel, the environment and the society at large. Moreover, Orion expresses its goals and activities in the area of responsibility in a transparent manner. The company is aiming to expand its operations into the global markets, and will follow the same principles of responsibility around the world.

Read more about Orion's corporate responsibility and ethical guidelines in the [Sustainability section](#) of our website. Orion's Sustainability Report 2011 will be published there in May 2012.

Corporate Governance Statement

General principles

The operations and activities of Orion Corporation and its subsidiaries (the Orion Group) are based on compliance with laws and regulations issued thereunder, 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 Finnish Corporate Governance Code 2010 for companies listed on NASDAQ OMX Helsinki. Orion Corporation deviates from the Code's recommendation No. 22 concerning the election of members to the Nomination Committee, which can also include persons other than members of the Board. The Company considers the exception justified in view of the Company's ownership structure and the potential for flexibility when preparing for the election of the Board members.

The Corporate Governance Statement of the Orion Group presented in connection with the latest annual Financial Statements as a separate report from the Report by the Board of Directors, as well as a description of the governance updated after its date are available at www.orion.fi/corporate-governance. The Corporate Governance Code is available at www.cgfinland.fi.

Board of Directors



Hannu Syrjänen

Chairman

B. Sc. (Econ.), Master of Law s
b. 1951

- Chairman of the Board of Directors of Orion Corporation since 24 March 2010, member since 2 April 2007
- Chairman of the Remuneration Committee, member of the R&D Committee and the Nomination Committee

Career

Sanoma Corporation: President and CEO and Chairman of the Executive Management Group 2001–2010

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

Previously Mr. Syrjänen served as Vice President at the TS Group, Vice President at Wihuri Oy, and Managing Director of Finnish Lawyers' Publishing Oy.

Current key positions of trust

Chairman of the Board of Directors: Orion Corporation since 2010, VR-Yhtymä Oy since 2011

Member of the Board of Directors: Orion Corporation since 2007, Realia Group since 2011, The Finnish Fair Corporation since 2012



Matti Kavetvuo

Vice Chairman

M. Sc. (Eng.), M. Sc. (Econ.)
b. 1944

- Vice Chairman of the Board of Directors of Orion Corporation since 24 March 2010, Chairman 1 July 2006 – 24 March 2010, member since 1 July 2006
- Member of the R&D Committee and Chairman of the Nomination Committee

Career

Pohjola Insurance Group: President and CEO 2000–2001

Valio Ltd: President and CEO 1992–1999

Orion corporation: President and CEO 1985–1991

Instrumentarium Corporation: President 1979–1984

Current key positions of trust

Vice Chairman of the Board of Directors: since Orion Corporation 2010

Member of the Board of Directors: Konecranes Plc since 2001, Orion Corporation since 2006



Sirpa Jalkanen

Professor, MD
b. 1954

- Member of the Board of Directors of Orion Corporation since 23 March 2009
- Chairman of the R&D Committee

Career

University of Turku: Vice Dean since 2010, Professor of Immunology since 2001
Centre of Excellence of the Finnish Academy: Director 2000–2005; since 2008
National Institute for Health and Welfare: Research professor since 2006
Academy professor 1996–2006

Current key positions of trust

Member of the Board of Directors: Orion Corporation since 2009, Emil Aaltonen Foundation since 2000
Member of the committee of medical experts of Sigrid Juselius Foundation since 2001
Member of scientific committee of Cancer Institute since 2002
Chairman of Finnish Academy of Science and Letters since 2010



Eero Karvonen

M. Sc. (Eng.)
b. 1948

- Member of the Board of Directors of Orion Corporation since 1 July 2006
- Member of the Audit Committee and the R&D Committee

Career

EVK-Capital Oy: Owner and Managing Director since 1986
Rintekno Oy: Process Engineer, Division Manager and Technology Manager for biochemical and pharmaceutical process engineering 1980–1986
VTT Technical Research Centre of Finland, Biotechnical laboratory, researcher 1975–1980

Current key positions of trust

Member of the Board of Directors: Orion Corporation since 2006



Heikki Westerlund

M. Sc. (Econ.)
b. 1966

- Member of the Board of Directors of Orion Corporation since 24 March 2010
- Chairman of the Audit Committee, member of the Remuneration Committee and the R&D Committee

Career

CapMan Plc: Chairman since 2010, CEO 2005–2010, Head of Buyout team 2002–2005, since Senior Partner 2001, Head of Technology team 2000–2002, Investment Director 1997–2001, Investment Manager 1994–1997

Finnish Fund for Research and Development SITRA: Investment analyst, Industrial Manager 1990–1994

Foresport Oy: Managing Director 1988–1989

Current key positions of trust

Chairman of the Board of Directors: since CapMan Plc 2010, since Finlayson Oy 2011

Member of the Board of Directors: since Orion Corporation 2010, since Lumene Oy 2006, Walki Oy since 2011



Jukka Ylppö

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, Remuneration Committee, the R&D Committee and the Nomination Committee.

Career

Jukka Ylppö has done a long career in the product development organization of ABB Corporation since 1981:

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

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

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

Automation system development engineer, Västerås, Sweden 1991–1992

Engineer and project manager in several product development projects 1982–1990

Current key positions of trust

Member of the Board of Directors: since Orion Corporation 2007

Executive Management Board



Timo Lappalainen

President and CEO

M.Sc. (Eng.)
b. 1962

President and CEO, Chairman of the Executive Management Board since 1 January 2008

Career

Orion Corporation: President and CEO since 2008, Senior Vice President, Proprietary Products and Animal Health 2005–2007, Executive Vice President, Orion Pharma 2003–2005, Senior Vice President, Business Development 1999–2003

Leiras Oy: Vice President, International Marketing and Business Development 1994–1999

Finvest Ltd.: Vice President, Business Development and General Manager of Finvest's German unit 1989–1993

Arthur Andersen & Co., Chicago, USA: Consultant 1987–1988

Current key positions of trust

Member of the Board: Vaisala Oyj since 2011, Chemical Industry Federation of Finland since

2008, Finnish Foundation for Cardiovascular Research since 2010

Member of the Advisory Board: The Finnish Fair Corporation since 2009



Satu Ahomäki

M.Sc. (Econ.)
b. 1966

Senior Vice President, Global Sales, since 1 October 2010

Career

Orion Corporation: Senior Vice President, Global Sales since 2010, Senior Vice President, Animal Health 2008–2010, Head of Business Development 2006–2007, Business Development Director 2005, Project Manager and Program Leader of hormonal and urological therapies 2000–2004, several duties in pharmaceutical R&D 1992–1999.



Markku Huhta-Koivisto

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

Senior Vice President, Specialty Products and Fermion, since 1 November 2006

Career

Orion Corporation, Orion Pharma: Senior Vice President, Specialty Products and Fermion, since 2006, Senior Vice President, Supply Chain 2004–2006, Fermion Oy: President 2004–2005, Former Orion Corporation, Orion Pharma: Senior Vice President, Supply Chain 2002–2004, Programme Director, business processes and information systems 2000–2002, Vice President, International Sales 1998–2000, Director and Vice President, Materials Management 1996–1998, Orion-Farmos Pharmaceuticals: Director, Materials Management 1991–1996, Farmos Oy, Pharmaceutical Division: Director and Vice President, Materials Management 1990–1991, Materials Manager 1987–1990, Plant Manager 1984–1987, Production Planning Manager 1982–1983
Oy Santasalo-Sohlberg Ab: Development Engineer 1981–1982

Current key positions of trust

Member of the Board: Pharmaservice Oy since 2011
Member of the Health Cluster of the National Emergency Supply Organisation, NESO 2007



Olli Huotari

Master of Law s, LL.M.
b. 1966

Senior Vice President, Corporate Functions (i.e. Communications, Human Resources, Intellectual Property Rights and Legal Affairs), since 1 July 2006

Secretary to the Board of Directors of Orion Corporation, since 1 October 2002

Career

Orion Corporation: Senior Vice President, Corporate Functions 2006–, Vice President, Human Resources at Orion Pharma and Corporate Vice President, HR development of the Orion Group 2005–2006, General Counsel of the Orion Group 2002–2006, Legal Counsel in Corporate Administration 1996–2002
University of Kent at Canterbury, England: Master of Law s in International Commercial Law degree 1995–1996
Law firm Asianajotoimisto Jouko Penttilä Oy: Legal Counsel 1992–1995



Liisa Hurme

Ph.D. (Biochemistry)
b. 1967

Senior Vice President, Proprietary Products, since 1 January 2008

Career

Orion Corporation: Senior Vice President, Proprietary Products 2008–, Head of Urology and Oncology business 2005–2007, Program Leader of pharmaceutical development projects for hormonal and urological therapies 2004–2005, Portfolio Manager (2002–2004) Project Manager (2001–2002), Researcher and Project Manager, Hormonal therapies 1999–2001, Pharmacia & Upjohn: Researcher, Diagnostics Unit, Sweden, and Researcher, Development projects at ELIAS GmbH, Germany, and Institute Pasteur, France, 1995–1999

Current key positions of trust

Member of the Board of Finnish Bioindustries FIB since 2010
Member of the Economic & Social Policy Committee of the European Federation of Pharmaceutical Industries and Associations EFPIA since 2010



Jari Karlson

M. Sc. (Econ.)
b. 1961

Chief Financial Officer (CFO), since 1 August 2002

Career

Orion Corporation: Chief Financial Officer (CFO) since 2002, Orion Pharma, Vice President, Finance 2001–2002
Kuusakoski Group Oy: Vice President, Finance 1999–2001
Genencor International Inc.: Controller, Director of Planning for the Europe and Asia region and Director of Finance in Europe 1990–1999
Cultor Oy: Financial controller for the Biochem division 1988–1989

Current key positions of trust

Member of the Board: Tapiola Mutual Pension Insurance Company since 2010, Finnish Foundation of Veterinary Research since 2011



Virve Laitinen

M.Sc. (Tech.), MBA
b. 1972

Senior Vice President, Supply Chain, since 1 January 2012

Career

Orion Corporation: Senior Vice President, Supply Chain since 2012, Finance, Director, Business Planning and Control 2007–2011, Supply Chain, Manager, Industrialisation and Contract Manufacturing 2001–2006, Supply Chain, Development Engineer 1997–2000



Reijo Salonen

Professor, Docent, MD, PhD
b. 1956

Senior Vice President, Research and Development and Chief Medical Officer, since 1 November 2006

Career

Orion Corporation: Senior Vice President, Research and Development and Chief Medical Officer since 2006
Pfizer: Vice President, Neurology, Psychiatry and Worldwide Therapeutic Area Head Neurosciences (USA) 2004–2006
GlaxoSmithKline: Vice President, Clinical Development and Medical Affairs, Neurosciences 2002–2004, Vice President, Clinical Development, Neurology and GI 2001–2002
GlaxoWellcome: Director, Medical Strategy and Communications in the Neurosciences Therapy Group 1999–2001, Principal Medical Strategy Head in Neurology and Psychiatry 1998–1999, Senior Medical Strategy Head, Neurology (USA) 1997–1998, Country Medical Director (Finland) 1995–1997

Current key positions of trust

Member of the Board: The Finnish Medical Foundation since 2011
Member: European Brain Council Industry Board since 2006, European Federation of Pharmaceutical Industries and Associations EFPIA, Research Directors Group since 2007, University of Turku, External Advisory Board since 2010



Pekka Kosi

M.Sc. (Eng.)
b. 1948

Senior Vice President, Supply Chain, from 1 November 2006 to 31 December 2011

Career

Pekka Kosi joined Orion in 1977. He has since occupied the following positions:
Senior Vice President, Supply Chain 2006–2011, Plant Manager of the Espoo and Kuopio plants 1994–2006, Planning Director 1988–1994, Technical Planning Manager 1977–1988

Before joining Orion, Pekka Kosi worked as an Assistant at the Helsinki University of Technology and part-time at an engineering office.



Liisa Remes

Research Assistant

Liisa Remes is the employee representative in the Executive Management Board.

Key figures

ORION'S KEY FIGURES FOR 2007–2011

	2007	2008	2009	2010	2011	Change %
Net sales, EUR million	680.0	710.7	771.5	849.9	917.9	+8.0%
International operations, EUR million	479.0	493.6	548.2	620.7	677.2	+9.1%
% of net sales	70.4%	69.4%	71.1%	73.0%	73.8%	
Operating profit, EUR million	192.0	185.0	207.0	254.2	282.9	+11.3%
% of net sales	28.2%	26.0%	26.8%	29.9%	30.8%	
Profit before taxes, EUR million	193.4	184.2	203.7	252.6	282.0	+11.6%
% of net sales	28.4%	25.9%	26.4%	29.7%	30.7%	
Income tax expense, EUR million	49.5	47.8	52.3	67.9	72.4	+6.6%
R&D expenses, EUR million	85.0	90.0	95.2	85.5	87.5	+2.3%
% of net sales	12.5%	12.7%	12.3%	10.1%	9.5%	
Capital expenditure, EUR million	35.3	56.8	60.4	39.2	49.5	+26.4%
% of net sales	5.2%	8.0%	7.8%	4.6%	5.4%	
Assets total, EUR million	565.7	695.5	727.1	745.8	779.1	+4.5%
Equity ratio, %	76.2%	60.2%	60.6%	62.7%	64.2%	
Gearing, %	-20.0%	-7.1%	-8.9%	-12.2%	-6.9%	
Interest-bearing liabilities, EUR million	4.0	146.3	131.5	110.0	88.7	-19.4%
Non-interest bearing liabilities, EUR million	130.5	130.6	156.5	168.4	190.5	+13.1%
Cash and cash equivalents and money market investments, EUR million	90.4	176.1	170.5	167.2	123.0	-26.4%
ROCE (before taxes), %	44.8%	38.5%	37.4%	45.0%	49.4%	
ROE (after taxes), %	33.5%	32.1%	35.3%	40.7%	43.3%	
Personnel at the end of the period	3,176	3,309	3,147	3,131	3,425	+9.4%
Average personnel during the period	3,160	3,270	3,192	3,137	3,328	+6.1%
Personnel expenses, EUR million	156.3	170.9	171.4	170.3	186.0	+9.2%

NET SALES BY BUSINESS DIVISION

EUR million	2007	2008	2009	2010	2011	Change %
Pharmaceuticals	639.7	667.6	728.5	806.2	870.6	+8.0%
Proprietary Products	259.6	278.1	324.0	370.9	408.9	+10.3%
Specialty Products	252.5	260.5	274.8	298.6	320.8	+7.4%
Animal Health	66.8	67.2	62.1	67.5	67.8	+0.4%
Fermion	38.1	36.1	41.4	44.9	43.3	-3.5%
Contract Manufacturing and others	22.6	25.7	26.2	24.4	29.7	+22.1%
Diagnostics	42.0	45.0	45.2	46.1	49.5	+7.5%
Group items	-1.7	-1.9	-2.2	-2.4	-2.2	-6.5%
Group total	680.0	710.7	771.5	849.9	917.9	+8.0%

ORION'S PERFORMANCE PER SHARE 2007–2011

	2007	2008	2009	2010	2011	Change %
Basic earnings per share, EUR	1.02	0.97	1.07	1.31	1.49	+13.5%
Diluted earnings per share, EUR	1.02	0.97	1.07	1.31	1.49	+13.5%
Cash flow per share before financial items, EUR	0.92	0.66	1.03	1.26	1.10	-13.0%
Equity per share, EUR	3.05	2.97	3.11	3.32	3.55	+6.9%
Total dividend, EUR million	141.3	133.9	141.0	168.9	183.1 ¹	+8.4%
Payout ratio, %	98.0%	97.9%	93.5%	91.6%	87.2% ¹	
Dividend per share, EUR	1.00	0.95	1.00	1.20	1.30 ¹	+8.3%
Repayment of capital from the expendable fund and reserve for invested unrestricted equity, EUR			0.10	0.06	0.12 ¹	
A share						
Number of shares at 31 Dec	52,558,688	51,440,668	51,340,668	47,563,565	44,993,218	
Effective dividend yield, %	6.2%	7.9%	6.6%	7.3%	8.6% ¹	
Price/earnings ratio (P/E)	15.78	12.37	14.07	12.52	10.19	
Closing quotation at 31 Dec, EUR	16.10	12.00	15.06	16.40	15.18	
Lowest quotation during the period, EUR	15.07	10.50	10.42	12.21	13.10	
Average quotation during the period, EUR	16.57	12.98	12.65	15.13	16.09	
Highest quotation during the period, EUR	20.49	16.40	15.75	17.82	18.05	
Shares traded, 1,000 shares	3,866	2,508	3,816	7,780	4,586	
% of the total number of shares	7.2%	4.8%	7.4%	15.8%	9.9%	
B share						
Number of shares at 31 Dec excl. treasury shares	88,699,140	89,492,324	89,637,130	93,177,609	95,850,856	
Treasury shares at 31 Dec		324,836	280,030	516,654	413,754	
Number of shares at 31 Dec incl. treasury shares	88,699,140	89,817,160	89,917,160	93,694,263	96,264,610	
Effective dividend yield, %	6.2%	7.9%	6.6%	7.3%	8.6% ¹	
Price/earnings ratio (P/E)	15.72	12.44	14.07	12.50	10.10	
Closing quotation at 31 Dec, EUR	16.03	12.07	15.05	16.37	15.05	
Lowest quotation during the period, EUR	15.22	10.30	10.35	13.20	13.19	
Average quotation during the period, EUR	16.12	12.85	12.21	15.10	16.09	
Highest quotation during the period, EUR	20.53	16.44	15.34	17.88	18.14	
Shares traded, 1,000 shares	96,266	73,719	84,569	93,247	77,594	
% of the total number of shares	110.5%	82.6%	94.1%	101.2%	81.8%	
Total number of shares at 31 Dec	141,257,828	141,257,828	141,257,828	141,257,828	141,257,828	
Average number of shares during the period excluding treasury shares	141,257,828	141,002,720	140,969,942	140,917,406	140,827,159	
Shares traded, % of all shares	70.9%	54.1%	62.6%	71.5%	58.2%	
Market capitalisation at 31 Dec, excluding treasury shares, EUR million	2,268.0	1,697.5	2,122.2	2,305.4	2,125.6	

¹ The Board of Directors proposes to the AGM that the dividend for 2011 be EUR 1.30. Per share and that EUR 0.12 per share be distributed from the reserve for invested unrestricted equity in the distributable equity as a repayment of capital.

OPERATING PROFIT BY BUSINESS AREA

EUR million	2007	2008	2009	2010	2011	Change %
Pharmaceuticals	197.1	188.5	210.6	252.2	287.6	+14.0%
Diagnostics	6.3	6.1	5.6	6.1	4.9	-20.4%
Group items	-11.4	-9.6	-9.2	-4.1	-9.5	+131.4%
Group total	192.0	185.0	207.0	254.2	282.9	+11.3%

KEY FIGURES FOR PHARMACEUTICALS BUSINESS

EUR million	2007	2008	2009	2010	2011	Change %
Net sales	639.7	667.6	728.5	806.2	870.6	+8.0%
Operating profit	197.1	188.5	210.6	252.2	287.6	+14.0%
% of net sales	30.8%	28.2%	28.9%	31.3%	33.0%	
R&D expenses	80.7	85.4	89.4	79.5	81.1	+2.1%
% of net sales	12.6%	12.8%	12.3%	9.9%	9.3%	
Capital expenditure	32.5	53.3	57.6	36.2	38.8	+7.3%
% of net sales	5.1%	8.0%	7.9%	4.5%	4.5%	
Sales revenue from own proprietary products	292.3	307.5	346.5	397.1	420.2	+5.8%
Assets	428.1	466.8	504.0	527.7	597.5	+13.2%
Liabilities	76.9	77.0	101.7	102.1	132.2	+29.5%
Personnel at the end of the period	2,864	2,995	2,829	2,802	3,079	+9.9%

NET SALES OF ORION'S 10 TOP PHARMACEUTICAL PRODUCTS

EUR million		2009	2010	2011	Change %
Stalevo®, Comtess® and Comtan®	Parkinson's disease	234.9	252.7	266.7	+5.5%
Simdax®	Acute decompensated heart failure	29.4	39.9	44.0	+10.4%
Precedex®	Intensive care sedative	14.6	27.2	33.0	+21.3%
Easyhaler® product family	Asthma, COPD	24.9	28.1	30.5	+8.6%
Burana®	Inflammatory pain	19.9	21.5	23.5	+9.2%
Dexdomitor®, Domitor®, Domosedan® and Antisedan®	Animal sedatives	19.3	24.2	23.2	-3.9%
Marevan®	Anticoagulant	11.2	13.1	15.6	+19.5%
Divina® range	Menopausal symptoms	13.2	13.3	13.2	-0.7%
Enanton®	Prostate cancer	11.9	13.0	12.0	-7.7%
Solomet®	Inflammatory diseases	8.2	8.6	10.7	+24.8%
Total		387.4	441.5	472.4	+7.0%
Share of pharmaceutical net sales, %		53%	55%	54%	

KEY FIGURES FOR DIAGNOSTICS BUSINESS

EUR million	2007	2008	2009	2010	2011	Change %
Net sales	42.0	45.0	45.2	46.1	49.5	+7.5%
Operating profit	6.3	6.1	5.6	6.1	4.9	-20.4%
% of net sales	15.0%	13.6%	12.3%	13.3%	9.9%	
R&D expenses	4.4	4.8	5.9	6.0	6.4	+6.2%
% of net sales	10.6%	10.6%	13.0%	13.1%	12.9%	
Capital expenditure	1.6	2.8	2.5	2.5	10.4	+315.1%
% of net sales	3.7%	6.2%	5.6%	5.5%	21.1%	
Assets	27.8	28.2	30.3	34.2	44.4	+29.9%
Liabilities	6.1	8.0	9.4	9.1	17.4	+91.6%
Personnel at the end of the period	283	287	291	302	322	+6.7%

NET SALES BY ANNUAL QUARTERS

EUR million	Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11	Q4/11	2011
Pharmaceuticals	203.3	196.0	203.2	203.7	231.0	215.9	199.8	223.8	870.6
Diagnostics	11.7	12.1	10.5	11.8	13.7	11.7	11.3	12.9	49.5
Group items	-0.6	-0.7	-0.5	-0.6	-0.6	-0.6	-0.5	-0.6	-2.2
Group total	214.5	207.4	213.2	214.9	244.1	227.0	210.7	236.1	917.9

OPERATING PROFIT BY ANNUAL QUARTERS

EUR million	Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11	Q4/11	2011
Pharmaceuticals	70.5	60.4	71.5	49.9	92.3	67.1	66.8	61.4	287.6
Diagnostics	2.2	1.9	1.0	1.0	2.8	0.7	0.8	0.7	4.9
Group items	-1.7	-2.3	-1.8	1.7	-2.1	-2.7	-2.1	-2.5	-9.5
Group total	71.0	60.0	70.6	52.6	92.9	65.1	65.4	59.6	282.9

GEOGRAPHICAL BREAKDOWN OF NET SALES BY ANNUAL QUARTERS

EUR million	Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11	Q4/11	2011
Finland	56.9	53.7	57.6	61.0	59.1	59.8	60.1	61.7	240.7
Scandinavia	29.0	28.1	28.4	28.6	33.4	30.3	28.1	28.5	120.2
Other Europe	72.1	72.7	70.0	77.4	80.2	77.2	71.5	79.6	308.5
North America	30.3	26.3	31.1	22.1	38.7	29.2	24.0	36.0	127.9
Other markets	26.1	26.7	26.0	25.8	32.8	30.6	26.9	30.3	120.6
Group total	214.5	207.4	213.2	214.9	244.1	227.0	210.7	236.1	917.9

Report by the Board of Directors

Events in 2011

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

In 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.

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.

In 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.

In 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).

In 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.

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

In 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.

Financial review 2011

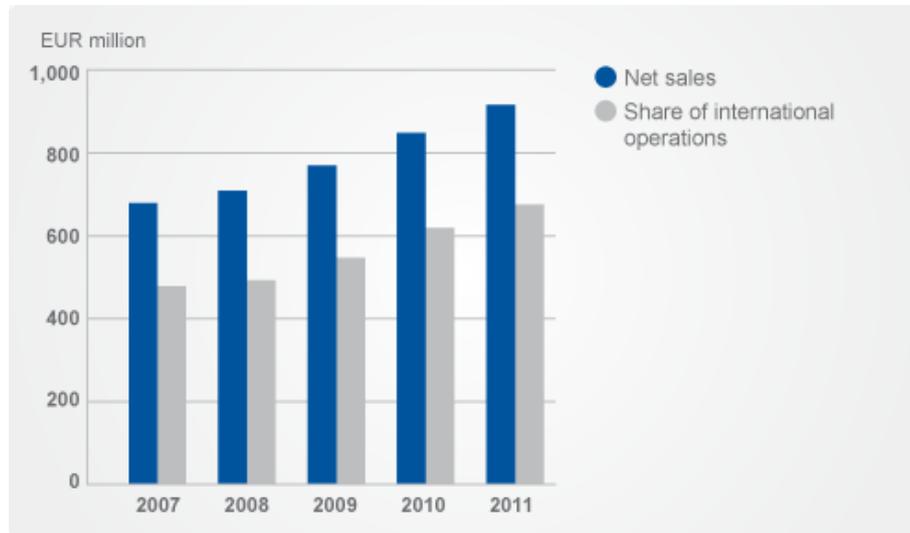
Net sales

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.

Net sales



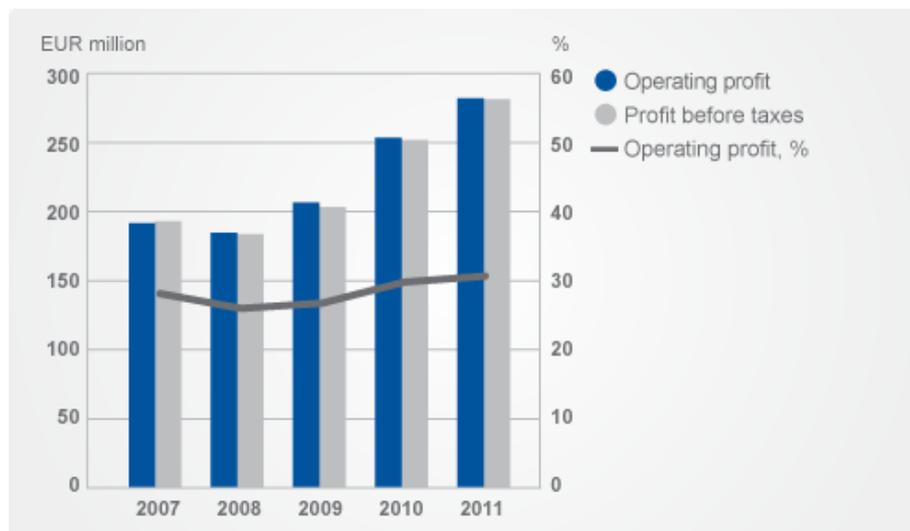
Operating profit

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 profit and profit before taxes



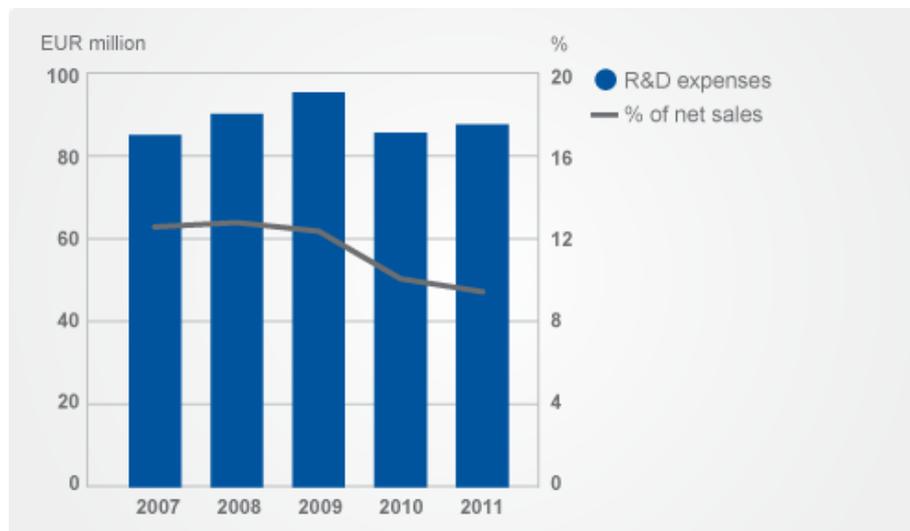
Operating expenses

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.

R&D expenses



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.

Equity ratio and liabilities

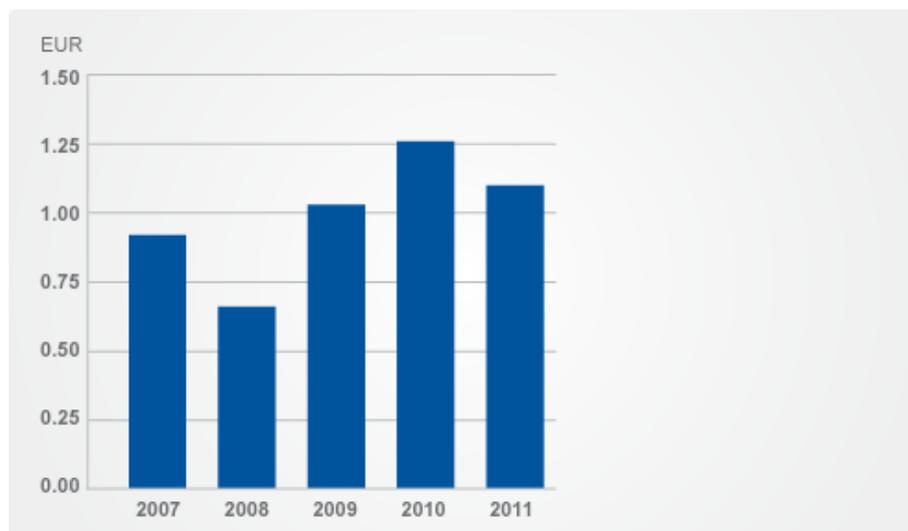


Cash flow

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.

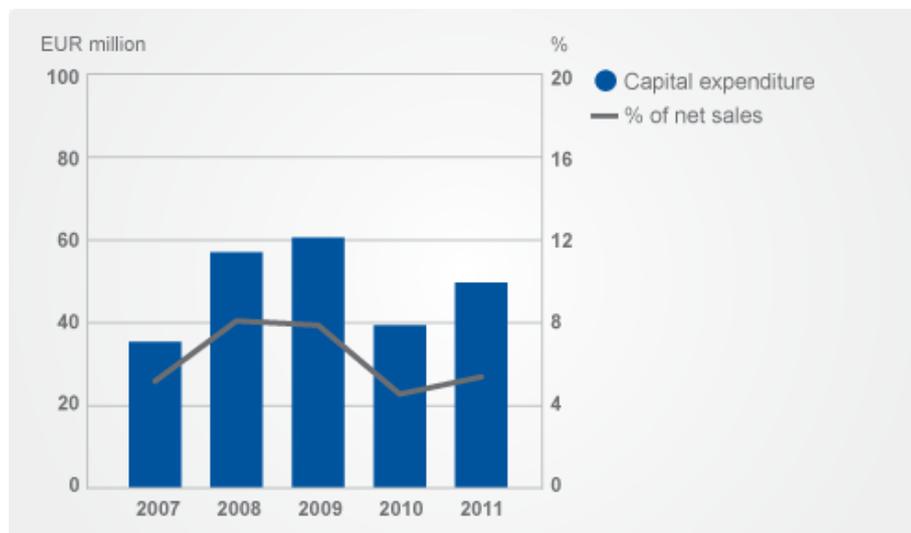
Cash flow before financial items



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.

Capital expenditure



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 Stalewo® 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.

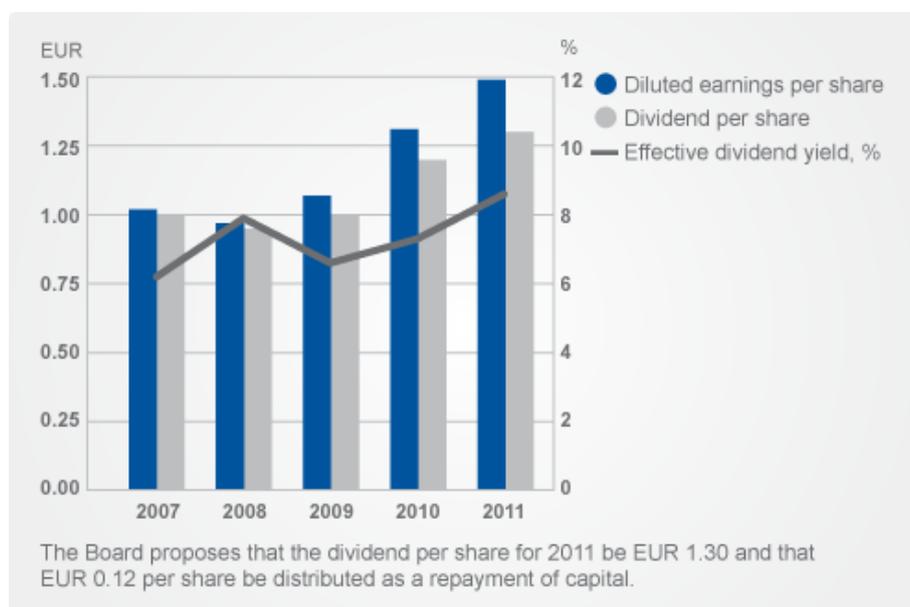
The Board of Directors proposes that a dividend of EUR 1.30 per share be paid from the parent company's distributable funds. No dividend shall be paid on treasury shares held by the Company on the dividend distribution record date. On the day when the profit distribution was proposed, the number of shares 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.

Earnings per share and dividend



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

Orion's pharmaceutical R&D focuses on the following core therapy areas: central nervous system drugs, oncology and critical care drugs, and Easyhaler pulmonary drugs. In addition to in-house research, Orion invests in early-stage R&D jointly with universities and other pharmaceutical companies. In Phase III clinical studies, Orion prefers to share the costs with other pharmaceutical companies. In this way, Orion can ensure an increasing number of new research projects and balance the risks of projects in the research pipeline. Orion also seeks to purchase new product candidates to reinforce the research pipeline based on its own research projects. In this way Orion reinforces its capability to continue operating as a company that provides new drugs and engages in pharmaceutical R&D.

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 2c 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 2c 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 2c receptor antagonist molecule**. Progress of these drug candidates into clinical trials will depend on the results of the ongoing androgen receptor antagonist and alpha 2c 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 pre-filled 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.

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 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.

Corporate Governance

The management system of the Orion Group consists of the Group level functions and business divisions. 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 parent company of the Group is Orion Corporation, whose shareholders exercise their decision-making power at a General Meeting of Shareholders in accordance with the Limited Liability Companies Act and the Articles of Association.

General Meetings of Shareholders elect the Board of Directors and decide on amendments to the Articles of Association, issuance of shares and repurchase of the Company's own shares, among other things.

The Board of Directors of Orion Corporation 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 also ensures that good corporate governance practices are followed in the Orion Group.

The Board of Directors of the parent company comprises at least five and at most eight members elected by a General Meeting of Shareholders. The term of the members of the Board of Directors ends at the end of the Annual General Meeting of Shareholders following the election. A General Meeting of 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 a member of the Board of Directors.

The President and CEO of the parent company is elected by the Board of Directors. In accordance with the Limited Liability Companies Act, the President and CEO 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 and CEO ensures that the bookkeeping of the Company complies with the law and that its asset management is arranged in a reliable way.

If the service contract of the President and CEO is terminated on the Company's initiative, the notice period is 6 months. If the service contract is terminated on the initiative of the President and CEO, 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 on the Company's initiative or on the initiative of the President and CEO because of a breach of contract by the Company, the President and CEO will be compensated with a total sum corresponding to the monetary salary for 18 months, unless otherwise agreed. No such separate compensation will be paid if the President and CEO resigns at his own request for reasons other than a breach of contract by the Company.

Orion publishes its Corporate Governance statement separately from the Report by the Board of Directors on the Company's website at www.orion.fi/en/Orion/Corporate-Governance/ and in the [Annual Report 2011](#).

Changes in Executive Management Board

Pekka Konsi, 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.

Annual General Meeting on 31 March 2011

Orion Corporation's Annual General Meeting was held on 31 March 2011 in the Helsinki Fair Centre. In addition to matters in accordance with Section 10 of the Articles of Association and Chapter 5, Section 3 of the Limited Liability Companies Act, the meeting dealt with the proposals concerning distribution from the distributable equity as a repayment of capital and a reduction of the share premium fund.

Distribution of a dividend of EUR 1.20 per share was approved for 2010, in accordance with the Board's proposal. In addition, a repayment of capital to the shareholders of EUR 0.06 per share was approved, in accordance with the Board's proposal.

Authorised Public Accountants PricewaterhouseCoopers Oy were elected as the Group's auditor for the following term of office.

Annual General Meeting on 20 March 2012

Orion Corporation's Annual General Meeting will be held on Tuesday 20 March 2012 in the Helsinki Fair Centre commencing at 14:00.

Significant risks and uncertainties

Risk management constitutes a significant part of Orion Group's management system and is an integral part of the Company's responsibility structure and business operations. The aim is to identify, measure and manage the risks that might threaten the Company's operations and the achievement of the objectives set for the Company.

Overall risk management processes, practical actions and the definition of responsibilities are developed by means of regular risk identification approaches covering the following areas:

- strategic risks, including research and development risks
- operational risks, including sales and business risks, as well as risks related to production, safety and the environment
- financial risks, including market, credit and liquidity risks.

Operational risk management also includes project-specific risk management.

Agreements referred to in Ministry of Finance decree 153/2007, Section 6.1, Paragraph 11

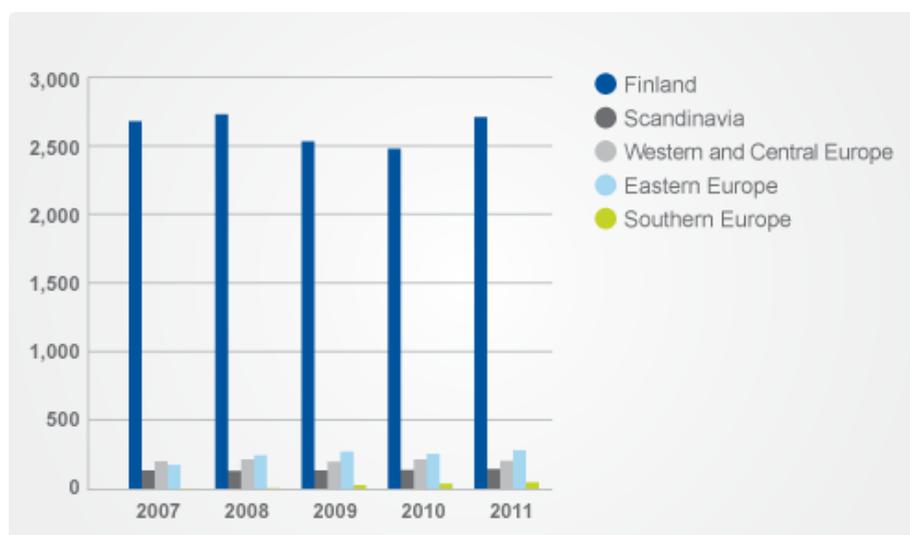
Orion and its marketing partner Novartis have marketing agreements concerning the Comtess®/Comtan® and Stalevo® drugs. These agreements include terms concerning change of control in the company that entitle a party to terminate the agreement in certain circumstances, as referred to in the Ministry of Finance Decree 153/2007, Section 6.1, Paragraph 11.

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.

Personnel by area on 31 December 2011



Environmental issues

Orion's environmental impacts relate mainly to consumption of supply chain raw materials, energy and water, emissions into the air and amounts of waste created by operations. All of Orion's manufacturing plants are in Finland. The manufacturing plants, located in Espoo, Turku, Kuopio, Hanko and Oulu, are all regulated by environmental permits issued by local environmental authorities.

Orion monitors the environmental impacts of its operations by measuring and monitoring consumption of materials, energy and water, emissions into the air and waste water, and amounts of waste created by operations. Orion reports annually on issues within its environmental responsibilities in its Sustainability Report, which is consistent with GRI guidelines.

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.

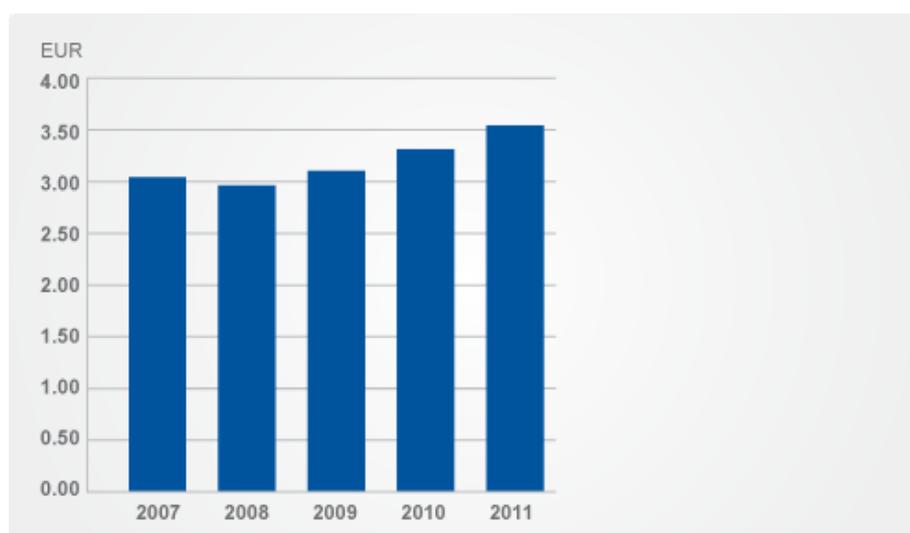
Orion expects the costs of the legal proceedings against Caraco to be substantially less than the costs of the entacapone patent litigation that had previously been pending in the United States. According to the schedule confirmed by the court, the main hearing of the case has been rescheduled to commence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

Legal proceedings against Mylan Pharmaceuticals Inc.

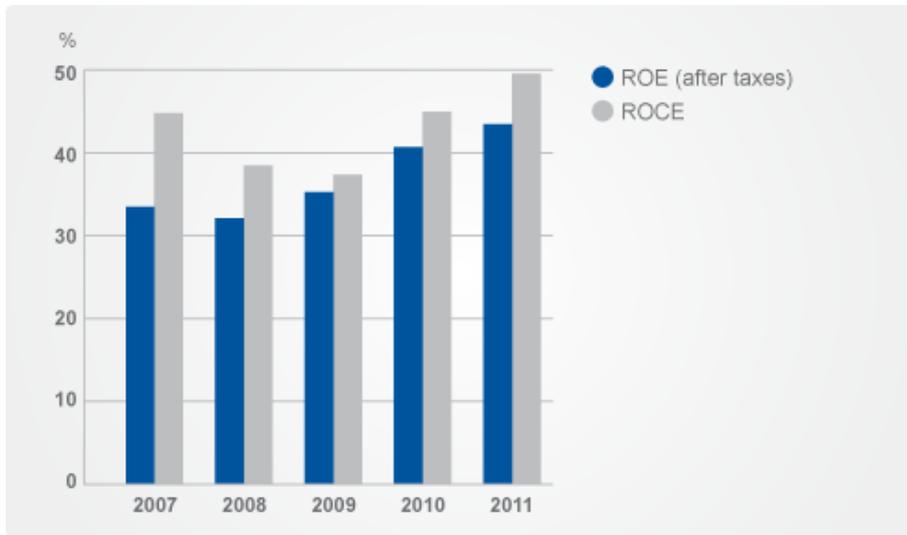
On 24 January 2011 Orion Corporation filed a patent infringement lawsuit in the United States against Mylan Pharmaceuticals Inc. to enforce its US patent No. 5,446,194.

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.

Equity per share



Return on equity



BASIC INFORMATION ON ORION'S SHARES

31 December 2011	A share	B share	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.

OWNERSHIP BASE BY TYPE OF SHAREHOLDER

31 December 2011	Number of owners	% A shares	% B shares	%	Total number of shares	%	Total number of votes	%		
Households	54,380	95.09	30,280,798	67.30	39,703,235	41.24	69,984,033	49.54	645,319,195	64.78
Nominee-registered and foreign shareholders	216	0.38	936,878	2.08	43,494,068	45.18	44,430,946	31.45	62,231,628	6.25
Public sector entities	40	0.07	3,526,222	7.84	2,756,156	2.86	6,282,378	4.45	73,280,596	7.36
Non-financial and housing corporations	1,836	3.21	6,619,766	14.71	3,964,037	4.12	10,583,803	7.49	136,359,357	13.69
Non-profit organisations	661	1.16	3,410,042	7.58	4,588,137	4.77	7,998,179	5.66	72,788,977	7.31
Financial and insurance institutions	54	0.09	153,056	0.34	1,281,835	1.33	1,434,891	1.02	4,342,955	0.44
Others	0	0.00	66,456	0.15	63,388	0.07	129,844	0.09	1,392,508	0.14
Number of treasury shares	1	0.00	0	0.00	413,754	0.43	413,754	0.29	413,754	0.04
Total	57,188	100.00	44,993,218	100.00	96,264,610	100.00	141,257,828	100.00	996,128,970	100.00

OWNERSHIP BASE BY NUMBER OF SHARES

31 December 2011	Number of owners	%	A shares	%	B shares	%	Total number of shares	%	Total number of votes	%
1–100	14,104	24.66	309,639	0.69	680,642	0.71	905,485	0.64	6,014,262	0.60
101–1,000	31,123	54.42	3,886,938	8.64	10,829,878	11.25	13,045,982	9.24	71,376,514	7.17
1,001–10,000	10,871	19.01	11,434,225	25.41	22,083,167	22.94	31,117,129	22.03	226,517,575	22.74
10,001–100,000	1,011	1.77	9,949,258	22.11	12,791,016	13.29	25,147,050	17.80	234,229,985	23.51
100,001–1,000,000	67	0.12	10,788,142	23.98	5,466,577	5.68	15,540,616	11.00	211,117,572	21.19
1,000,001–	11	0.02	8,558,560	19.02	43,936,188	45.64	54,957,968	38.91	245,066,800	24.60
On joint account	0	0.00	66,456	0.15	63,388	0.07	129,844	0.09	1,392,508	0.14
Total	57,187	100.00	44,993,218	100.00	95,850,856	99.57	140,844,074	99.71	995,715,216	99.96
Of which nominee registered	10	0.02	572,773	1.27	42,962,027	44.82	43,534,800	30.91	54,417,487	5.47
Number of treasury shares	1	0.00	0	0.00	413,754	0.43	413,754	0.29	413,754	0.04
Total number of shares	57,188	100.00	44,993,218	100.00	96,264,610	100.00	141,257,828	100.00	996,128,970	100.00

LARGEST SHAREHOLDERS¹

31 December 2011	A shares	B shares	Total number of shares	% of shares	Total number of votes	% of votes	Order by number of votes
1. Erkki Etola and companies	2,500,000	0	2,500,000	1.77%	50,000,000	5.02%	1.
Etola Erkki	200,000	0			4,000,000		
Etola Oy	2,300,000	0			46,000,000		
Land and Water Technology							
2. Foundation and companies	2,083,360	0	2,083,360	1.47%	41,667,200	4.18%	2.
Land and Water Technology Foundation	1,034,860	0			20,697,200		
Tukinvest Oy	1,048,500	0			20,970,000		
Social Security Institution of Finland, KELA	0	1,658,368	1,658,368	1.17%	1,658,368	0.17%	19.
4. Orion Pension Fund ²	1,350,624	292,699	1,643,323	1.16%	27,305,179	2.74%	4.
5. Jouko Brade and companies	1,157,715	461,645	1,619,360	1.15%	23,615,945	2.37%	6.
Brade Jouko	255,800	29,600			5,145,600		
Brade Oy	726	100			14,620		
Medical Investment Trust Oy	900,000	430,210			18,430,210		
Lamy Oy	1,152	235			23,275		
Helsinki Investment Trust Oy	37	1,000			1,740		
Helsinki Securities Oy	0	100			100		
Töölö Trading Oy	0	100			100		
Botnia Trading Oy	0	300			300		
Ilmarinen Mutual Pension							
6. Insurance Company	1,577,440	0	1,577,440	1.12%	31,548,800	3.17%	3.
7. Ylppö Jukka	1,247,136	293,143	1,540,279	1.09%	25,235,863	2.53%	5.
8. Aho Group Oy's controlling votes	1,142,346	2,929	1,145,275	0.81%	22,849,849	2.29%	7.
Helsingin Lääkärikeskus Oy	658,230	4			13,164,604		

Kliinisen Kemian Tutkimussäätiö	105,000	0			2,100,000		
Aho Juhani	335,709	0			6,714,180		
Aho Kari Jussi	21,641	0			432,820		
Porkkala Miia	5,115	0			102,300		
Lappalainen Annakaija	4,944	2,500			101,380		
Aho Antti	7,792	0			155,840		
Aho Ville	3,915	425			78,725		
9. Into Yppö and controlling votes	776,736	240,200	1,016,936	0.72%	15,774,920	1.58%	9.
Yppö Into	577,936	240,200			11,798,920		
Yppö Eeva	106,400	0			2,128,000		
Yppö Aurora	92,400	0			1,848,000		
10. Saastamoinen Foundation	889,996	0	889,996	0.63%	17,799,920	1.79%	8.
11. Eero Karvonen and companies	546,200	23,409	569,609	0.40%	10,947,409	1.10%	10.
Karvonen Eero	73,170	6,738			1,470,138		
EVK-Capital Oy	473,030	16,671			9,477,271		
12. Laakkonen Yrjö Ilmari	417,000	25,000	442,000	0.31%	8,365,000	0.84%	12.
Maritza Salonen and controlling							
13. votes	432,146	0	432,146	0.31%	8,642,920	0.87%	11.
Salonen Maritza	363,046	0			7,260,920		
Maritza ja Reino Salonen							
Foundation	69,100	0			1,382,000		
Orion-Farmos Research							
14. Foundation	132,996	282,514	415,510	0.29%	2,942,434	0.30%	17.
15. Finnish Cultural Foundation	0	405,570	405,570	0.29%	405,570	0.04%	20.
16. Salonen Ilkka	201,865	137,670	339,535	0.24%	4,174,970	0.42%	14.
17. Lenko Hanna-Liisa	160,000	158,000	318,000	0.23%	3,358,000	0.34%	16.
18. Kytälä Arja	309,960	4,740	314,700	0.22%	6,203,940	0.62%	13.
19. Pohjois-Karjalan Kirjapaino	110,000	200,000	310,000	0.22%	2,400,000	0.24%	18.
20. Salonen Seppo	194,497	113,000	307,497	0.22%	4,002,940	0.40%	15.
Twenty largest shareholders, total	15,230,017	4,298,887	19,528,904	13.83%	308,899,227	31.01%	
Nominee-registered	572,773	42,962,027	43,534,800	30.82%	54,417,487	5.5%	
Others	29,190,428	48,589,942	77,780,370	55.1%	632,398,502	63.5%	
Orion's treasury shares ²	0	413,754	413,754	0.3%	413,754	0.0%	
Total	44,993,218	96,264,610	141,257,828	100.0%	996,128,970	100.0%	

¹ The list includes the direct holdings and votes of the Company's major shareholders, corresponding holdings of organisations or foundations controlled by a shareholder in so far as they are known to the issuer, holdings of a pension foundation or pension fund of a shareholder or an organisation controlled by a shareholder, as well as any other holdings the use of which the shareholder, alone or together with a third party, may decide on under a contract or otherwise.

² Not entitled to vote at Orion's General Meetings of the shareholders.

On 26 September 2011 Orion Corporation was notified in accordance with Chapter 2, Section 9 of the Securities Markets Act that through trades on 22 September 2011 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 all Orion Corporation shares. According to the notification, the funds under the management of Capital Research and Management Company had 7,196,174 B shares, which was 5.0944% of the total number of Orion Corporation shares and 0.7135% of the total number of votes.

SHAREHOLDINGS OF THE MEMBERS OF THE BOARD OF DIRECTORS¹

31 December 2011	A shares	Change from 1 Jan 2011	B shares	Change from 1 Jan 2011 ²	A and B total	% of total shares	% of total votes
Hannu Syrjänen, Chairman	10,000	0	6,795	1,804	16,795	0.01	0.02
Matti Kavetuo, Vice chairman	112,500	0	90,320	1,228	202,820	0.14	0.24
Sirpa Jalkanen	0	0	3,146	902	3,146	0.00	0.00
Eero Karvonen	546,200	0	23,409	902	569,609	0.40	1.10
Heikki Westerlund	0	0	1,809	902	1,809	0.00	0.00
Jukka Ylppö	1,247,136	0	293,143	902	1,540,279	1.09	2.53
Board of Directors total	1,915,836	0	418,622	6,640	2,334,458	1.66	3.89

¹ The figures include the shares held by organizations and foundations controlled by the person.

² The B shares received by the Board members in 2011 are part of their annual remuneration for 2011.

SHAREHOLDINGS OF THE MEMBERS OF THE EXECUTIVE MANAGEMENT BOARD¹

31 December 2011	A shares	Change from 1 Jan 2011	B shares	Change from 1 Jan 2011	A and B total	% of total shares	% of total votes
Timo Lappalainen, President and CEO	0	0	33,050	14,000	33,050	0.02	0.00
Satu Ahomäki	0	0	10,276	5,600	10,276	0.01	0.00
Markku Huhta-Koivisto	0	0	21,000	785	21,000	0.01	0.00
Olli Huotari	0	0	10,965	5,250	10,965	0.01	0.00
Liisa Hurme	0	0	11,675	3,955	11,675	0.01	0.00
Jari Karlson	0	0	18,510	5,250	18,510	0.01	0.00
Pekka Konsi	428	0	11,919	5,250	12,347	0.01	0.00
Reijo Salonen	0	0	17,080	8,400	17,080	0.01	0.00
Executive Management Board total²	428	0	134,475	48,490	134,903	0.10	0.01

¹ The figures include the shares held by organizations and foundations controlled by the person.

² Liisa Remes, employee representative in the Executive Management Board, is not included in the public insiders of the Company.

ORION'S KEY FIGURES FOR 2007–2011

	2007	2008	2009	2010	2011	Change %
Net sales, EUR million	680.0	710.7	771.5	849.9	917.9	+8.0%
International operations, EUR million	479.0	493.6	548.2	620.7	677.2	+9.1%
% of net sales	70.4%	69.4%	71.1%	73.0%	73.8%	
Operating profit, EUR million	192.0	185.0	207.0	254.2	282.9	+11.3%
% of net sales	28.2%	26.0%	26.8%	29.9%	30.8%	
Profit before taxes, EUR million	193.4	184.2	203.7	252.6	282.0	+11.6%
% of net sales	28.4%	25.9%	26.4%	29.7%	30.7%	
Income tax expense, EUR million	49.5	47.8	52.3	67.9	72.4	+6.6%
R&D expenses, EUR million	85.0	90.0	95.2	85.5	87.5	+2.3%
% of net sales	12.5%	12.7%	12.3%	10.1%	9.5%	
Capital expenditure, EUR million	35.3	56.8	60.4	39.2	49.5	+26.4%
% of net sales	5.2%	8.0%	7.8%	4.6%	5.4%	
Assets total, EUR million	565.7	695.5	727.1	745.8	779.1	+4.5%
Equity ratio, %	76.2%	60.2%	60.6%	62.7%	64.2%	
Gearing, %	-20.0%	-7.1%	-8.9%	-12.2%	-6.9%	
Interest-bearing liabilities, EUR million	4.0	146.3	131.5	110.0	88.7	-19.4%
Non-interest bearing liabilities, EUR million	130.5	130.6	156.5	168.4	190.5	+13.1%
Cash and cash equivalents and money market investments, EUR million	90.4	176.1	170.5	167.2	123.0	-26.4%
ROCE (before taxes), %	44.8%	38.5%	37.4%	45.0%	49.4%	
ROE (after taxes), %	33.5%	32.1%	35.3%	40.7%	43.3%	
Personnel at the end of the period	3,176	3,309	3,147	3,131	3,425	+9.4%
Average personnel during the period	3,160	3,270	3,192	3,137	3,328	+6.1%
Personnel expenses, EUR million	156.3	170.9	171.4	170.3	186.0	+9.2%

ORION'S PERFORMANCE PER SHARE 2007–2011

	2007	2008	2009	2010	2011	Change %
Basic earnings per share, EUR	1.02	0.97	1.07	1.31	1.49	+13.5%
Diluted earnings per share, EUR	1.02	0.97	1.07	1.31	1.49	+13.5%
Cash flow per share before financial items, EUR	0.92	0.66	1.03	1.26	1.10	-13.0%
Equity per share, EUR	3.05	2.97	3.11	3.32	3.55	+6.9%
Total dividend, EUR million	141.3	133.9	141.0	168.9	183.1 ¹	+8.4%
Payout ratio, %	98.0%	97.9%	93.5%	91.6%	87.2% ¹	
Dividend per share, EUR	1.00	0.95	1.00	1.20	1.30 ¹	+8.3%
Repayment of capital from the expendable fund and reserve for invested unrestricted equity, EUR			0.10	0.06	0.12 ¹	
A share						
Number of shares at 31 Dec	52,558,688	51,440,668	51,340,668	47,563,565	44,993,218	
Effective dividend yield, %	6.2%	7.9%	6.6%	7.3%	8.6% ¹	
Price/earnings ratio (P/E)	15.78	12.37	14.07	12.52	10.19	
Closing quotation at 31 Dec, EUR	16.10	12.00	15.06	16.40	15.18	
Lowest quotation during the period, EUR	15.07	10.50	10.42	12.21	13.10	
Average quotation during the period, EUR	16.57	12.98	12.65	15.13	16.09	
Highest quotation during the period, EUR	20.49	16.40	15.75	17.82	18.05	
Shares traded, 1,000 shares	3,866	2,508	3,816	7,780	4,586	
% of the total number of shares	7.2%	4.8%	7.4%	15.8%	9.9%	
B share						
Number of shares at 31 Dec excl. treasury shares	88,699,140	89,492,324	89,637,130	93,177,609	95,850,856	
Treasury shares at 31 Dec		324,836	280,030	516,654	413,754	
Number of shares at 31 Dec incl. treasury shares	88,699,140	89,817,160	89,917,160	93,694,263	96,264,610	
Effective dividend yield, %	6.2%	7.9%	6.6%	7.3%	8.6% ¹	
Price/earnings ratio (P/E)	15.72	12.44	14.07	12.50	10.10	
Closing quotation at 31 Dec, EUR	16.03	12.07	15.05	16.37	15.05	
Lowest quotation during the period, EUR	15.22	10.30	10.35	13.20	13.19	
Average quotation during the period, EUR	16.12	12.85	12.21	15.10	16.09	
Highest quotation during the period, EUR	20.53	16.44	15.34	17.88	18.14	
Shares traded, 1,000 shares	96,266	73,719	84,569	93,247	77,594	
% of the total number of shares	110.5%	82.6%	94.1%	101.2%	81.8%	
Total number of shares at 31 Dec	141,257,828	141,257,828	141,257,828	141,257,828	141,257,828	
Average number of shares during the period excluding treasury shares	141,257,828	141,002,720	140,969,942	140,917,406	140,827,159	
Shares traded, % of all shares	70.9%	54.1%	62.6%	71.5%	58.2%	
Market capitalisation at 31 Dec, excluding treasury shares, EUR million	2,268.0	1,697.5	2,122.2	2,305.4	2,125.6	

¹ The Board of Directors proposes to the AGM that the dividend for 2011 be EUR 1.30. Per share and that EUR 0.12 per share be distributed from the reserve for invested unrestricted equity in the distributable equity as a repayment of capital.

Calculation of the key figures

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

Consolidated financial statements (IFRS)

Consolidated statement of comprehensive income

EUR million	Note	2011	2010
Net sales	1	917.9	849.9
Cost of goods sold		-305.1	-283.2
Gross profit		612.8	566.8
Other operating income and expenses	2	3.0	1.2
Selling and marketing expenses	3, 4	-204.8	-188.9
R&D expenses	3, 4	-87.5	-85.5
Administrative expenses	3, 4	-40.6	-39.3
Operating profit		282.9	254.2
Finance income	5	5.0	4.2
Finance expenses	5	-6.0	-5.9
Profit before income taxes		282.0	252.6
Income tax expense	6	-72.4	-67.9
Profit for the period		209.5	184.7
OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS			
Change in value of cash flow hedges		-1.4	1.6
Change in value of available-for-sale financial assets		-0.3	
Translation differences		0.6	1.3
Other comprehensive income net of tax		-1.1	2.9
Comprehensive income for the period including tax effects		208.4	187.6
PROFIT ATTRIBUTABLE TO			
Owners of the parent company		209.5	184.7
Non-controlling interests		0.0	0.0
COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent company		208.4	187.6
Non-controlling interests		0.0	0.0
Basic earnings per share, EUR¹	7	1.49	1.31
Diluted earnings per share, EUR¹	7	1.49	1.31
Depreciation, amortisation and impairment		42.5	38.9
Personnel expenses		186.0	170.3

¹ Earnings per share has been calculated from the profit attributable to the owners of the parent company.

The notes are an integral part of the consolidated financial statements.

Consolidated statement of financial position

ASSETS

EUR million, 31 Dec	Note	2011	2010
Property, plant and equipment	8	190.7	187.1
Goodwill	9	13.5	13.5
Intangible rights	9	66.6	65.3
Other intangible assets	9	4.8	4.2
Investments in associates	10	1.4	1.3
Available-for-sale financial assets	11	1.1	1.0
Pension asset	12	37.4	31.6
Deferred tax assets	13	1.4	2.9
Other non-current receivables	14	1.8	2.4
Non-current assets, total		318.6	309.3
Inventories	15	151.4	131.1
Trade receivables	16	155.3	118.3
Other receivables	16	30.8	20.0
Money market investments	16		77.7
Cash and cash equivalents	17	123.0	89.5
Current assets, total		460.5	436.5
Assets, total		779.1	745.8

EQUITY AND LIABILITIES

EUR million, 31 Dec	Note	2011	2010
Share capital		92.2	92.2
Share premium			17.8
Expendable fund		0.5	8.9
Other reserves		17.6	1.6
Retained earnings		389.6	346.8
Equity attributable to owners of the parent company		499.9	467.4
Non-controlling interests		0.0	0.0
Equity, total	18	500.0	467.4
Deferred tax liabilities	13	42.2	44.8
Pension liability	12	0.5	0.7
Provisions	19	0.3	0.4
Interest-bearing non-current liabilities	20	66.0	87.5
Other non-current liabilities	21	0.3	0.1
Non-current liabilities, total		109.3	133.6
Trade payables	22	66.3	49.0
Current income tax liabilities		6.4	12.7
Other current liabilities	22	74.5	60.6
Provisions	19	0.0	
Interest-bearing current liabilities	20	22.7	22.5
Current liabilities, total		169.9	144.8
Liabilities, total		279.1	278.4
Equity and liabilities, total		779.1	745.8

The notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

EUR million	Note	Equity attributable to owners of the parent company					Retained earnings	Non-controlling interests	Equity total
		Share capital	Share premium	Expendable fund	Other reserves	Translation differences			
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	0.0	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	18			-14.1			-141.0		-155.1
Treasury shares	18						-4.6		-4.6
Share-based incentive plan	4						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	0.0	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	18			-8.5			-169.0		-177.5
Share-based incentive plan	4						1.7		1.7
Transfer between different components of equity			-17.8		17.8				
Other adjustments					0.0		-0.1		-0.1
Equity at 31 December 2011		92.2		0.5	17.6	-3.7	393.3	0.0	500.0

The notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

EUR million	Note	2011	2010
Operating profit		282.9	254.2
Depreciation, amortisation and impairment	3	42.5	38.9
Gains/losses on sales or disposals of property, plant and equipment and intangible assets		0.1	0.0
Unrealised foreign exchange gains and losses		0.1	0.0
Change in pension asset and pension obligation	12	-6.0	-2.0
Change in provisions	19	-0.2	-0.0
Other adjustments		2.5	-3.2
Adjustments to operating profit, total		39.0	33.7
Change in trade and other receivables		-50.1	-17.8
Change in inventories		-20.4	-8.2
Change in trade and other payables		27.9	-1.5
Change in working capital, total		-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	6	-79.3	-49.9
Net cash generated from operating activities, total		198.9	209.1
Investments in property, plant and equipment	8	-25.6	-22.2
Investments in intangible assets	9	-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	8	1.2	1.2
Sales of intangible assets	9	0.0	0.2
Net cash used in investing activities, total		-43.9	-30.9
Short-term loans raised	20	0.8	0.6
Repayments of short-term loans	20	-2.1	-2.0
Long-term loans raised	20	19.1	
Repayments of long-term loans	20	-40.1	-21.0
Repurchase of treasury shares			-4.6
Dividends paid and other distribution of profits	18	-177.5	-155.3
Net cash used in financing activities, total		-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 1 Jan	17	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 31 Dec	17	123.0	167.2
Reconciliation of cash and cash equivalents in statement of financial position			
Cash and cash equivalents at 31 Dec in statement of financial position		123.0	89.5
Money market investments at 31 Dec			77.7
Cash and cash equivalents in statement of cash flows		123.0	167.2

The notes are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

General information

Orion Corporation is a Finnish public limited liability company domiciled in Espoo, Finland, and registered at Orionintie 1, FI-02200 Espoo. Orion Corporation and its subsidiaries develop and manufacture pharmaceuticals, active pharmaceutical ingredients and diagnostic tests that are marketed globally.

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 is listed on Nasdaq OMX Helsinki. Trading in Orion Corporation shares commenced on 3 July 2006.

At its meeting on 7 February 2012, Orion's Board of Directors approved the publication of these consolidated financial statements. Under the Finnish Companies Act, shareholders have the option to accept or reject the financial statements at the Annual General Meeting which is held after the publication of the financial statements. In addition, the AGM may amend the financial statements. The Annual Report can be viewed at www.orion.fi, and copies of the financial statements are available from Orion Corporation's headquarters, Orionintie 1, FI-02200 Espoo.

▶ Accounting policies

▶ 1. Operating segments

▶ 2. Other operating income and expenses

▶ 3. Depreciation, amortisation and impairment

▶ 4. Employee benefits and auditor's remuneration

▶ 5. Finance income and expenses

▶ 6. Income taxes

▶ 7. Earnings and dividends per share

▶ 8. Property, plant and equipment

▶ 9. Intangible assets

▶ 10. Investments in associates and affiliates

▶ 11. Available-for-sale financial assets

▶ 12. Pension assets and pension liabilities

▶ 13. Deferred tax assets and liabilities

▶ 14. Other non-current receivables

▶ 15. Inventories

▶ 16. Trade and other receivables

▶ 17. Cash and cash equivalents

▶ 18. Equity

▶ 19. Provisions

▶ 20. Interest-bearing liabilities

▶ 21. Other non-current liabilities

- ▶ **22. Trade payables and other current liabilities**
- ▶ **23. Assets and liabilities by category**
- ▶ **24. Financial risk management**
- ▶ **25. Contingent liabilities**
- ▶ **26. Derivatives**
- ▶ **27. Operating leases**
- ▶ **28. Group companies**
- ▶ **29. Related party transactions**
- ▶ **30. Events after the end of the reporting period**

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. International Financial Reporting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedure stipulated in the EU's regulation (EC) No. 1606/2002 and embodied in the Finnish Accounting Act and provisions issued under it. The notes to the consolidated financial statements have also been prepared in accordance with the requirements in Finnish accounting legislation and Community law that complement the IFRS regulations.

The information in the consolidated financial statements is based on historical cost convention, except for financial assets recorded at fair value through profit and loss, and available-for-sale investments, derivatives and share-based payments recorded at fair value.

Monetary figures in the financial statements are expressed in millions of euros unless otherwise stated.

New IFRS standards and IFRIC interpretations adopted in financial year 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
- 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
- IAS 27 (Amendment), Consolidated and Separate Financial Statements
- IAS 34 (Amendment), Interim Financial Reporting
- IFRIC 13 (Amendment), Customer Loyalty Programmes

Consolidation Principles

Subsidiaries

The consolidated financial statements cover the parent company Orion Corporation and all companies directly or indirectly owned by it and controlled by the Group. A company is controlled by the Group, if the Group owns more than 50% of the company's voting rights or has power to govern the financial and operating policies of the company so as to benefit from its operations.

Internal shareholdings have been eliminated using the purchase method of accounting. In the consolidated financial statements, acquired subsidiaries are fully consolidated from the date the Group acquires control, and divested subsidiaries are de-consolidated from the date control ceases. All intra-Group transactions, receivables and liabilities, distribution of profit and unrealised internal gains are eliminated in the compilation of the consolidated financial statements. The consolidated profit for the financial year is divided into portions attributable to owners of the parent company and non-controlling interests. The portion of the equity attributable to the non-controlling interests is included in Group equity and specified in the statement of changes in equity.

Associates and joint ventures

Associates are all companies over which the Group has significant influence but not control. Significant influence generally means a shareholding of 20% to 50% of the voting rights. Joint ventures are companies half-owned by the parent company or a subsidiary, and half-owned by another company outside the Group, and jointly controlled by them. Associates and joint ventures are incorporated into the consolidated financial statements using the equity method of accounting.

If the Group's share of the losses of an associate or joint venture exceeds the carrying amount, it is not consolidated unless the Group has made a commitment to fulfil the liabilities of the associate or joint venture.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, is the President and CEO of Orion Corporation, who makes the Group's strategic decisions.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the company operates (the functional currency). The consolidated financial statements are presented in euros, which is the functional currency of the parent company of the Group and the Group's presentation currency for the consolidated financial statements.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items in foreign currencies at the end of the reporting period in the statement of financial position are measured using the exchange rates at the end of the reporting period. Foreign exchange gains and losses from translation of the items are recognised in the statement of comprehensive income. Exchange rate gains and losses related to business operations are included in the corresponding items above the operating profit line. Exchange rate differences resulting from hedges made for hedging purposes but for which hedge accounting under IAS 39 does not apply are included as net amounts within other operating income or expenses. Exchange rate gains and losses related to financial liabilities and receivables in foreign currencies and foreign exchange derivatives related to them are included in financial income and expenses. Non-monetary items in foreign currencies in the statement of financial position, which are not measured at fair value, are measured using the exchange rate at the date of the transaction.

Group companies

For all Group companies with a functional currency different from the Group's presentation currency, the income statements are translated into euros using average exchange rates for the reporting period, and the statements of financial position are translated into euros using the exchange rates at the end of the reporting period. Any exchange difference arising from this and translation differences arising from elimination of the acquisition costs of these companies are recognised in equity and changes are disclosed in the items under other comprehensive income. There are no Group companies operating in a country with hyperinflation.

The accumulated translation differences related to divestment of Group companies, which are recognised in equity, are recognised as gains or losses in the statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the end of the reporting period.

Property, plant and equipment

Property, plant and equipment comprises mainly factories, offices and research centres, and machines and equipment for manufacturing, research and development. Property, plant and equipment is measured at its historical cost, less accumulated depreciation and impairment, and is depreciated over its useful life using the straight-line method. The residual value and useful life of property, plant and equipment is reviewed when necessary, but at least at every year end for the financial statements, and adjusted to correspond to probable changes in the expectations of economic benefits. The estimated useful lives are as follows:

- buildings, 20–50 years
- machinery and equipment, 5–10 years
- other tangible assets, 10 years

Land is not depreciated. Repair and maintenance costs are recognised as expenses for the reporting period. Improvement investments are capitalised if they are expected to generate future economic benefits. Gains and losses on disposals of

property, plant and equipment are recognised in the statement of comprehensive income.

Intangible assets

Research and development costs

Research costs are expensed as incurred in the statement of comprehensive income. Intangible assets generated from development activities are recognised in the statement of financial position only if the expenditure of the development phase can be reliably determined, the product is technically feasible and commercially viable, the product is expected to generate future economic benefits and the Group has the intention and resources to complete the development work. The Group's view is that until an authority has granted market authorisation, it could not be demonstrated that an intangible asset would generate future economic benefits. The Group has therefore not capitalised its internal development costs. The same principle for recognition has been applied for externally purchased services. Software, buildings, machinery and equipment used in research and development activities are depreciated and recognised under research and development costs over their useful life.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired company at the date of acquisition. Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination. Cash-generating units have been grouped according to operating segment. The goodwill in the consolidated statement of financial position arose prior to the adoption of IFRS, and it corresponds to the carrying amount according to the previous financial reporting standards, which was used as the deemed cost on 1 January 2004 when making the transition to IFRS.

Intangible rights and other intangible assets

Intangible rights and other intangible assets are measured at their historical cost, less accumulated amortisation and impairment. They are amortised over their useful life, usually five to ten years, using the straight-line method.

Externally acquired intangible rights, such as product and marketing rights, are recognised in the statement of financial position. For a product under development, the cost bases are assessed. The costs of payments for research and development work undertaken that has not yet generated an intangible right recognisable in the statement of financial position are recognised as research and development costs. However, if an intangible right is considered to have been transferred to the Group, the costs are recognised in the statement of financial position. Amortisations of marketing authorisations, and product and marketing rights included in the intangible rights are disclosed under selling and marketing expenses, and recording of an amortisation expense will commence when an authority has issued authorisation for marketing of the product and selling of it commences.

Impairment of property, plant, equipment and intangible assets

At the end of each reporting period, the Group assesses whether there are indications that an asset may be impaired. If there are any such indications, the respective recoverable amount is assessed. As regards goodwill and an intangible asset not yet available for use, the assessment is undertaken annually even if no such indications had become apparent. The recoverable amount is the higher of the asset's fair value less selling costs or value in use. The value in use is obtained by discounting the present value of the future cash flow from that asset. The discount rate is the weighted average cost of capital (WACC) calculated before tax and using Standard & Poor's index for the healthcare industry as the debt-to-equity ratio. The index corresponds to the potential and risks of the asset under review.

An impairment loss is recognised in the statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount. An impairment loss other than on goodwill is reversed if there is a change in the circumstances and the asset's recoverable amount exceeds its carrying amount. An impairment loss is not reversed to more than what the carrying amount of the asset would have been had there been no impairment loss.

Impairment of goodwill is recognised in the statement of comprehensive income under other operating expenses, which include expenses not allocable to specific operations. Intangible assets not yet available for use, comprising mainly marketing authorisations and product rights, are tested for impairment individually for each asset carrying material value in the statement of financial position. Impairment charges are recognised as an expense under the appropriate activity, and for marketing authorisations and product and marketing rights under selling and marketing expenses.

Leases

Group as lessee

Lease agreements under which substantially all the risks and rewards of ownership of the assets are transferred to the Group are classified as finance leases. Finance leases are recorded in the statement of financial position under assets and liabilities at the commencement of the lease, either at the fair value of the asset or the present value of the minimum lease payments if lower.

Assets acquired under finance leases are depreciated in the same manner as any property, plant and equipment, either over the useful life of the asset or over a shorter lease term. Each lease payment is allocated between the loan reduction and finance charge during the lease period so that the interest rate on the outstanding loan during each period remains constant. Finance lease liabilities are included under the non-current and current interest-bearing liabilities in the statement of financial position.

If the lessor retains the risks and rewards of ownership, the lease is treated as an operating lease, and payments made under an operating lease are recognised as an expense on a straight-line basis over the period of the lease.

The above principles are applied to separate leases and to leases that are included in other agreements.

Borrowing costs

Borrowing costs are recognised in the statement of comprehensive income as an expense in the period in which they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that requires a substantial period of time to be made ready are capitalised as a part of the cost of that asset.

Government grants

Government grants related to research activities are recognised as decreases in the research expenses incurred in the corresponding reporting period. If an authority decides to convert an R&D loan into a grant, that is recognised in the statement of comprehensive income under other operating income. Government grants related to the acquisition of property, plant and equipment or intangible assets are recognised as decreases in their acquisition costs. Such grants are recognised as income in the form of reduced depreciation during the useful life of the asset.

Inventories

Inventories are presented in the statement of financial position as the value of the purchase or production costs, or the net realisable value if lower. The cost is based on the weighted average price method. Inventories are valued at the cost of the materials consumed plus the cost of conversion, which comprises costs directly proportional to the amount produced and a systematically allocated share of fixed and variable production overheads.

The net realisable value is the estimated selling price obtainable through normal business, less the estimated expenses incurred in finalising the product and selling it.

Financial assets

The Group's financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and other receivables, and available-for-sale financial assets.

The classification is based on the purpose for which the financial assets were acquired, and they are classified at initial recognition. A financial asset with maturity over 12 months from the reporting date is included in the non-current assets in the statement of financial position. If a financial asset is intended to be held for less than 12 months or its maturity is less than 12 months from the reporting date, it is included in the current assets in the statement of financial position.

Financial assets at fair value through profit or loss

Financial assets recognised at fair value through profit or loss are held for trading. A financial asset is classified as held for trading if it has been acquired principally for sale in the near term. Derivatives to which hedge accounting under IAS 39 does not apply are also classified as held for trading.

Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. This Group includes trade receivables and some other receivables related to financial assets in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that have been specially classified as available-for-sale financial assets or have not been classified in any other Group. This Group includes available-for-sale investments and money market investments in the statement of financial position.

Recognition and measurement

Purchases and sales of financial assets are recognised in the accounting through settlement date accounting except for derivatives, which are recognised on the acquisition date. Financial assets that are not recognised at fair value through profit or loss are initially recognised at fair value, including transaction costs. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are recognised as expenses in the statement of comprehensive income.

Financial assets recognised at fair value through profit or loss are later measured at fair value based on the quoted market price on the end date of the reporting period. Available-for-sale financial assets are measured at fair value, or if their fair value cannot be determined reliably, they are measured at cost, less any impairment. Loans and other receivables are measured at amortised cost using the effective interest method.

Unrealised and realised gains and losses due to changes in fair value relating to assets classified as financial assets at fair value through profit or loss are recognised through profit or loss in the accounting period in which they arise in either other operating income and expenses or finance income and expenses, depending on whether operating or finance items have been hedged.

Changes in the fair values of assets classified as available-for-sale financial assets are recognised in the fair value reserve in equity and disclosed in the items under other comprehensive income including tax effects. Accumulated fair value adjustments are transferred from equity through profit or loss when an investment is sold or its value is impaired so that an impairment loss should be recognised. Interest on available-for-sale debt instruments is recognised in finance income using the effective interest method.

A financial asset is derecognised in the statement of financial position when the Group no longer has the contractual rights to receive the cash flows or when it has substantially transferred the risks and cash flows from the asset to outside the Group.

Impairment of financial assets

At the end of each reporting period, it is assessed whether there is any objective evidence that an item in the Group's financial assets might be impaired.

Criteria applied by the Group in stating that there is objective evidence of impairment:

- issuer's or debtor's considerable financial problems;
- breach of contract terms, such as neglecting payments or payments long overdue;
- high probability of bankruptcy or other financial restructuring of debtor.

Assets recognised at amortised cost in the statement of financial position

An impairment loss concerning assets recognised at amortised cost are recognised through profit or loss. An impairment loss recognised through profit or loss concerning an asset included in loans and receivables is measured as the difference between the carrying amount of the asset and the present value of the estimated cash flows discounted at the effective interest rate. If, in a subsequent period, the amount of the impairment loss relating to an asset is objectively viewed as having decreased due to an event occurring after the impairment was originally recognised, the previously recognised impairment loss is reversed through profit or loss.

Assets classified as available for sale

For debt securities, the Group applies the above criteria. For assets classified as available-for-sale equity investments, a significant or prolonged decrease in fair value below acquisition cost is deemed as evidence of impairment of the asset. If there is such evidence, the accumulated loss in fair value reserve is transferred through profit or loss. An impairment loss relating to equity investment is not reversed through profit or loss, but any later reversal of impairment loss on debt instruments is recognised through profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and assets in bank accounts, and liquid debt instruments. Liquid debt instruments are short-term certificates of deposit and commercial paper with maturities initially of no more than three months issued by banks and companies.

Money market investments that are available-for-sale debt instruments with maturities initially of over three months and no more than six months are regarded as cash and cash equivalents in the statement of cash flows. Money market investments are part of the Group's active cash management.

Financial liabilities

Financial liabilities are initially recognised in accounting at fair value less transaction costs. Subsequently, non-derivative financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities are classified as non-current liabilities in the statement of financial position if their maturity is more than 12 months from the reporting date. The credit limits of bank accounts to the extent that they are used and commercial paper issued by the Company are included in interest-bearing current liabilities, as are any repayments of capital of non-current interest-bearing liabilities due in the next 12 months.

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value using the closing market prices on the end date of the reporting period. Derivatives are recognised under other receivables and liabilities in the statement of financial position.

The Group does not apply IAS 39 hedge accounting to foreign exchange derivatives that hedge items in foreign currencies in the statement of financial position or hedge highly probable forecast cash flows, even though they have been acquired for hedging purposes in accordance with the Group's treasury policy. These derivative contracts are classified as financial assets held for trading, and the change in their fair value is recognised through profit and loss under either other income and expenses or finance income and expenses, depending on whether, from the operational perspective, sales revenue or finance items have been hedged.

Cash flow hedging

The Group applies hedge accounting in accordance with IFRS to electricity derivative contracts that hedge highly probable forecast cash flows associated with electricity purchases and to cross currency swaps that hedge capital and interest cash flows of currency-dominated loans. The effectiveness of the hedging relationship is verified before commencement of hedge accounting and subsequently regularly at least quarterly. The change in the fair value of the effective portion of qualifying derivative instruments that hedge cash flow is directly recognised against the fair value reserve included in the equity and the changes disclosed in the items under other comprehensive income including tax effects. The gains and losses recognised in equity are transferred to the statement of comprehensive income in the period during which the hedged electricity purchases are recognised in the statement of comprehensive income. The ineffective portion of the hedging relationship is recognised in the statement of comprehensive income under operating expenses as regards electricity derivatives and under finance income and expenses as regards cross currency swaps.

Equity

Ordinary shares are presented as share capital. Transaction costs directly due to issuance of new shares or options are presented in equity including tax effects as a decrease in payments received. If a Group company purchases shares in the Company, the payment and direct costs relating to the acquisition are deducted from the equity.

The expendable fund and reserve for invested unrestricted equity are included in distributable funds under the Finnish Limited Liability Companies Act.

Provisions and contingent liabilities

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

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

A contingent liability is a potential liability based on previous events. It depends on the realisation of an uncertain future event beyond the Group's control. Contingent liabilities also include obligations that will most likely not lead to a payment or its size cannot be reliably determined. Contingent liabilities are disclosed in the Notes.

Employee benefits

Pension obligations

The Group has pension plans in accordance with each country's local regulations and practices. The Group has both defined contribution and defined benefit plans. In the defined contribution plans, the Group pays fixed contributions to separate entities. The Group has no legal or constructive obligations to pay further contributions if the recipient of the contributions is unable to pay the employee benefits. All the plans that do not fulfil these criteria are defined benefit plans. The payments to the defined contribution plans are recognised as expenses in the statement of comprehensive income in accordance with the contributions payable for the period.

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 some of the clerical employees. In addition, the Group management has defined benefit pension plans taken out with life assurance companies. The obligations under the defined benefit pension plans have been calculated separately for each plan.

The pension expenses related to the defined benefit pension plans have been calculated using the projected unit credit method. The pension expenses are recognised as expenses by distributing them over the whole estimated period of service of the personnel. The amount of the pension obligation, less the fair value of plan assets, is the present value of the estimated future pensions payable, and the discount rate applied is the interest rate of low-risk bonds issued by companies with a maturity that corresponds to that of the pension liability as closely as possible. The interest rate is derived from bonds issued in the same currency as the benefits payable.

Any actuarial gains and losses, to the extent that they exceed fluctuation limits, will be recognised in the statement of comprehensive income and allocated over the average remaining term of service of the personnel. The fluctuation limits are the greater of the following: 10% of the present value of the defined benefit obligation, or 10% of the fair value of the plan assets.

Share-based payments

The benefits under the share-based incentive plan for key employees approved by the Board of Directors are recognised as an expense in the statement of comprehensive income during the vesting period of the benefit. 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 statement of comprehensive income is recognised in equity. The cash-settled portion is recognised as a liability, which is measured at fair value at the end of the reporting period. The fair value of shares is the closing quotation for B shares on the day of granting the benefit. Non-market vesting conditions, such as individual goals and result targets, affect the estimate of the final number of shares and amount of associated cash payments. The estimate of the final number of shares and associated cash payments is updated at the end of each reporting period. Changes in estimates are recognised in the statement of comprehensive income.

Income taxes

The income tax expense in the consolidated statement of comprehensive income includes taxes based on the operating profit of the Group companies for the financial year, tax adjustments for previous financial years and changes in deferred tax assets and liabilities. For items recognised directly in equity, the corresponding tax effect is also recognised in equity. Current tax 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 due to confirmed tax losses of Group companies are imputed only to the extent that they can be utilised in the future. Deferred taxes are computed using the tax rates valid or in practice approved at the end of the reporting period.

Revenue recognition

Sales of goods and services

Consolidated net sales include revenue from sales of goods and services adjusted for indirect taxes, discounts and currency translation differences on sales in foreign currencies. Net sales also include milestone payments under contracts with marketing partners, which are paid by the partner as a contribution to cover the R&D expenses of a product during the development phase and are tied to certain milestones in research projects. In addition, net sales include royalties from the products licensed out by the Group.

Revenue from sales of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer. Revenue from services is recognised when the service has been provided. Milestone payments are recognised when the R&D project has progressed to a phase that, in accordance with an advance agreement with the partner, triggers the partner's obligation to pay its share. Royalties are recorded on an accrual basis in accordance with the licensing agreements.

Interest and dividend income

Interest income is recognised using the effective interest method and dividend income when the right to receive payment is established.

Contents of the function-based statement of comprehensive income

Cost of goods sold

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

Selling and marketing expenses

The expenses of selling and marketing operations comprise costs related to the distribution of products, 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, materials, procurement of external services and other costs related to R&D.

Administrative expenses

Administrative expenses include general administrative and Group management costs.

The functions also bear the depreciation of the assets they use, as well as some administrative overheads in accordance with the cost matching principle.

Critical accounting estimates and assumptions

When compiling the financial statements, the management had to make certain estimates and assumptions concerning the future that have an impact on the items included in the financial statements. The actual values may differ from these estimates. The estimates are mainly related to impairment testing of assets, the measuring of receivables and liabilities related to defined benefit pension plans, the recognition of provisions and income tax. In addition, the application of accounting policies calls for the exercise of judgement.

Within the Group, the principal assumptions concerning the future and the main uncertainties relating to estimates at the end of the reporting period that constitute a significant risk of causing a material change in the carrying values of assets and liabilities within the next 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 recognition of impairment losses.

Employee benefits

The Group has various pension plans to provide for the retirement of its employees or to provide for when the employment ends. Various statistical and other actuarial assumptions are applied in calculating the expenses and liabilities of employee benefits, such as the discount rate, the estimated rate of return on pension plan assets, estimated changes in the future level of wages and salaries, and employee turnover. The statistical assumptions made can differ considerably from the actual trend because of, among other things, a changed general economic situation and the length of the 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's earnings for the financial year. The effect of these changes is recognised over the remaining estimated period of service.

Income taxes

In preparing the financial statements, the Group estimates, in particular, the basis for recording deferred tax assets. For this purpose, an estimate is made of how probable it is that the subsidiaries will generate sufficient taxable income against which unused tax losses or unused tax assets can be utilised. 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 statement of comprehensive income.

New IFRS standards and IFRIC interpretations to be applied in future financial periods

The following amendments to existing standards will be adopted by the Group as of 1 January 2012. These are not expected to have impact on the consolidated financial statements.

- IFRS 7 (amendment)¹, *Financial instruments: Disclosures – Derecognition*. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.
- IAS 12 (amendment)¹, *Income taxes*.

The following standards and amendments to existing standards will be adopted by the Group in 2013:

- IAS 19 (amendment)¹, *Employee Benefits*. The amendment eliminates the option of using the "corridor approach". The method of determining the expected return on defined benefit plan funded assets will change. The finance cost will be determined as the net of the obligation and plan assets. The change will significantly affect the consolidated financial statements as regards defined benefit plans. Elimination of the so-called "corridor approach" is expected to affect the amounts of the Group's pension asset and components of other comprehensive income. The volatility of the Group's equity is expected to increase because, in contrast to the previous reporting method, the fair value changes of the plan assets will be directly apparent in the consolidated statement of financial position. According to the amended standard, the anticipated return on the assets shall be calculated by using the same discount rate as in calculating the present value of the obligation, and this is expected to reduce the Group's operating profit and profit for the period, but in this respect, the change is not expected to be significant.
- IFRS 10¹, *Consolidated financial statements*. IFRS 10 includes principles for the preparation and presentation of consolidated financial statements. The standard defines the principle of control, and establishes controls as the basis for consolidation. Furthermore, the standard includes the accounting requirements for the preparation of consolidated financial statements. The standard is not expected to have an impact on the consolidated financial statements.
- IFRS 11¹, *Joint arrangements*. IFRS 11 includes instructions on how to consolidate joint arrangements. Management is assessing the impact of the standard on the financial statements of the Group. The standard is not expected to have an impact on the consolidated financial statements.
- IFRS 12¹, *Disclosures of interests in other entities*. The standard includes the disclosure requirements for all forms of interests in other entities. The standard is not expected to have an impact on the consolidated financial statements.
- IFRS 13¹, *Fair value measurement*. The standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. Management is assessing the impact of the standard on the consolidated financial statements.
- IAS 28 (revised)¹, *Associates and joint ventures*. The revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The revised standard is not expected to have an impact on the consolidated financial statements.
- IAS 1 (amendment)¹, *Presentation of financial statement*. The main change is a requirement for entities to Group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The amendment will have impact on the presentation of the other comprehensive income of the Group.
- IFRS 7 (amendment)¹, *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*. The amended disclosures require more extensive disclosures than are currently required on offset financial asset and liabilities. The disclosures focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset in the consolidated statement of financial position. Management is assessing the impact of these changes on the consolidated financial statements.

The following standards and amendments will be adopted by the Group in 2014 or later:

- IFRS 9¹, *Financial Assets and Liabilities – Classification and Measurement*. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The Group will probably adopt the standard earliest in its 2015 consolidated financial statements. Management is currently assessing the impact of the standard on the consolidated financial statements.

- IAS 32 (amendment)¹, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*. The amendments clarify the instructions on the right to offset financial assets and liabilities in the consolidated statement of financial position. The Group will adopt the standard in its 2014 consolidated financial statements. Management is assessing the impact of these changes on the consolidated financial statements.

¹ *This new or revised standard or interpretation is still subject to EU endorsement.*

1. Operating segments

The Group has two reported segments, which are the Group's strategic business areas. The operating segments are based on the Group's internal organisational structure and internal financial reporting. The reported segments are the Pharmaceuticals business and the Diagnostics business. The Pharmaceuticals business develops, manufactures and markets pharmaceuticals and active pharmaceutical ingredients. The Diagnostics business develops, manufactures and markets diagnostic tests.

A segment's assets and liabilities include items attributable or allocable on a reasonable basis to the segment. The Group items include tax and financial items, items shared by the whole Group and eliminations of intersegment transactions. Capital expenditure consists of increases in property, plant and equipment and intangible assets.

The pricing between segments is based on market prices.

OPERATING SEGMENTS

EUR million	Pharmaceuticals		Diagnostics		Group items		Group total	
	2011	2010	2011	2010	2011	2010	2011	2010
Sale of goods	822.2	773.1	49.5	46.0			871.6	819.1
Rendering of services	1.7	2.1	0.0	0.0			1.8	2.1
Royalties and milestone payments	44.5	28.7	0.0	0.0			44.5	28.7
Sales to external customers	868.4	803.9	49.5	46.1			917.9	849.9
Sales to other segments	2.2	2.4	0.0	0.0	-2.2	-2.4		
Net sales	870.6	806.2	49.5	46.1	-2.2	-2.4	917.9	849.9
Operating profit	287.6	252.2	4.9	6.1	-9.5	-4.1	282.9	254.2
Assets	597.5	527.7	44.4	34.2	137.1	183.9	779.1	745.8
Liabilities	132.2	102.1	17.4	9.1	129.6	167.3	279.1	278.4
Capital expenditure	38.8	36.2	10.4	2.5	0.3	0.5	49.5	39.2
Depreciation and amortisation	34.0	33.8	1.9	1.7	0.5	0.6	36.4	36.1
Impairments	6.4	2.8					6.4	2.8
Impairment reversals					-0.2		-0.2	
Cash flow from operating activities	286.2	262.8	5.5	4.3	-92.8	-58.0	198.9	209.1
Cash flow from investing activities	-34.2	-31.4	-9.9	-2.4	0.1	2.9	-43.9	-30.9
Cash flow from financing activities							-199.7	-182.2
Average number of personnel	2,991	2,814	312	297	25	26	3,328	3,137

The Group items include the following Group eliminations: net sales EUR 2.2 (2010: 2.4) million, operating profit EUR 0.0 (2010: 0.2) million, assets and liabilities EUR 12.1 (2010: 6.3) million. Other Group items relate to the Group's administrative expenses, and finance and other items not allocated to segments.

NET SALES BY BUSINESS DIVISION

EUR million	2011	2010
Pharmaceuticals	870.6	806.2
Proprietary Products	408.9	370.9
Specialty Products	320.8	298.6
Animal Health	67.8	67.5
Fermion	43.3	44.9
Contract manufacturing and others	29.7	24.4
Diagnostics	49.5	46.1
Group items	-2.2	-2.4
Group total	917.9	849.9

Data relating to geographical regions

These geographical regions correspond to the Group's main markets. Net sales are presented according to the customer's location. Assets and capital expenditure are presented according to their location.

EUR million	Finland		Scandinavia		Other Europe		North America		Other countries		Group total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Sales to external customers	240.7	229.2	120.2	114.0	308.5	292.2	127.9	109.9	120.6	104.6	917.9	849.9
Assets	714.8	688.8	24.5	22.4	39.8	34.5					779.1	745.8
Capital expenditure	49.0	38.5	0.3	0.1	0.3	0.5					49.5	39.2

2. Other operating income and expenses

EUR million	2011	2010
Gains on sale of a real estate limited company		4.1
Other gains on sales of property, plant and equipment and intangible assets	0.3	0.2
Rental income	0.5	1.0
Payment from insurance	0.6	
Exchange rate gains and losses	0.7	-5.1
Other operating income	1.3	1.1
Other operating expenses	-0.4	-0.2
Total	3.0	1.2

3. Depreciation, amortisation and impairment

DEPRECIATION, AMORTISATION AND IMPAIRMENT BY FUNCTION

EUR million	2011	2010
Cost of goods sold	14.7	15.3
Selling and marketing	14.2	9.8
Research and development	5.4	6.3
Administration	8.2	7.6
Total	42.5	38.9

DEPRECIATION, AMORTISATION AND IMPAIRMENT BY TYPE OF ASSET

EUR million	2011	2010
Buildings and constructions	6.8	7.5
Machinery and equipment	18.4	19.0
Other tangible assets	0.1	0.2
Property, plant and equipment, total	25.3	26.6
Intangible rights	15.7	11.1
Other intangible assets	1.5	1.1
Intangible assets, total	17.2	12.2

During the period, an impairment charge of EUR 6.3 (2010: 2.8) million was recognised in selling and marketing expenses on intangible rights and an impairment charge of EUR 0.1 (2010: 0.0) million was recognised in administrative expenses on machinery and equipment. In addition, an impairment reversal of EUR 0.2 (2010: 0.0) million on land was recognised in administrative expenses. The basis for depreciation and amortisation is described in the accounting policies for the financial statements.

4. Employee benefits and auditor's remuneration

EUR million	2011	2010
Wages and salaries	154.5	141.2
PENSION COSTS		
Defined contribution plans	19.5	18.2
Defined benefit plans	-2.2	-1.6
SHARE-BASED INCENTIVE PLAN		
Equity-settled	0.7	0.6
Cash-settled	0.5	0.6
Other social security expenses	13.1	11.4
Total	186.0	170.3
Average number of personnel	3,328	3,137

The number of personnel in each segment is presented in Note 1, Operating segments.
The management's employee benefits are presented in Note 29, Related party transactions.

Share-based payments

The Group has a 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 earning criteria and on targets to be established for them at the beginning of each earning period. Two earning periods, calendar year 2010 and calendar years 2010–2012, commenced upon implementation of the plan. In addition, an earning period, calendar year 2011, commenced in 2011. A prerequisite for participation in the earning periods 2010, 2011 and 2010–2012, and for receipt of remuneration based on these earning periods is that the key person holds the Company's shares as determined by the Board of Directors. The potential remuneration under the plan for the earning period 2011 is dependent on the Orion Group's profit performance and fulfilment of the above-mentioned participation prerequisite, and for the earning period 2010–2012 on the total return on Orion Corporation B shares.

This potential remuneration will be paid in 2012 based on the earning period 2011, and in 2013 based on the earning period 2010–2012, in both cases partly in the form of the Company's B shares and partly in cash. The plan includes a restricted period during which shares received on the basis of the plan cannot be transferred. Any key person whose employment or service in a Group company ends during the restricted period must return the shares received as remuneration to the Company without compensation. The end dates of the restricted periods are shown in the table below.

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 incentive plan is 500,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares.

The costs due to the plan are recorded as expenses during the restricted period. The anticipated dividends have not been taken into account separately because they are taken into account in determining the share-based remuneration. The average weighted fair value of the remuneration granted based on the total return on Orion Corporation B shares for the earning period 2010–2012 was EUR 5.45. The fair value has been determined using the binary asset-or-nothing call option method.

CURRENT EARNINGS PERIODS

	2011	2010-2012
Start date of earning period	1 Jan 2011	1 Jan 2011
End date of earning period	31 Dec 2011	31 Dec 2012
End date of restricted period	31 Dec 2013	31 Dec 2014
Grant date of share remunerations	17 Feb 2011	5 Mar 2010
Fair value of shares at granting, EUR ¹	16.39	16.94

¹ B share closing price on granting date.

TRANSFERRED SHARES

	2011	2010
Number of shares transferred during period	102,900	65,606 ¹
Price per transferred share, EUR ²	16.75	16.47
Total price of transferred shares, EUR million	1.7	1.1
End date of restricted period	31 Dec 2012	31 Dec 2011

¹ Shares transferred in 2010 were based on the Company's previous share-based incentive plan in 2007.

² Average price of B shares on transfer date.

Auditor's remuneration

EUR million	2011	2010
Auditing	0.2	0.2
Assignments in accordance with the Auditing Act	0.0	0.0
Consultation on taxation	0.2	0.1
Other services	0.1	0.0
Total	0.5	0.4

5. Finance income and expenses

EUR million	2011	2010
Interest income on available-for-sale financial assets	0.1	0.2
Interest income on cash and cash equivalents	1.0	0.5
Dividend income on available-for-sale financial assets	0.1	0.1
Foreign exchange gains on held-for-trading financial assets and liabilities	3.8	3.5
Other finance income	0.0	0.0
Finance income, total	5.0	4.2
Interest expenses on financial liabilities measured at amortised cost	2.1	2.2
Foreign exchange losses on held-for-trading financial assets and liabilities	3.5	3.2
Other finance expenses	0.4	0.5
Finance expenses, total	6.0	5.9
Finance income and expenses, total	-1.0	-1.6

During the period the Group did not acquire any assets requiring a substantial period of time to be ready, so no borrowing costs have been capitalised during the period.

FOREIGN EXCHANGE GAINS (+) AND LOSSES (-) ABOVE THE OPERATING PROFIT LINE

EUR million	2011	2010
In net sales	0.1	2.1
In cost of goods sold	-0.1	-0.4
In other income and expenses	0.7	-5.1
In functions' expenses	0.0	-0.3

6. Income taxes

EUR million	2011	2010
Current taxes	72.9	64.2
Adjustments in respect of prior periods	0.0	-0.1
Deferred taxes	-0.6	3.9
Total	72.4	67.9

TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME

	2011	2010
Change in value of cash flow hedges (income -/ expense +)	-0.5	0.6
Change in value of available-for-sale financial assets (income -/ expense +)	-0.1	

RECONCILIATION BETWEEN TAX EXPENSE IN STATEMENT OF COMPREHENSIVE INCOME AND TAXES CALCULATED FROM GROUP'S 26% DOMESTIC TAX RATE

EUR million	2011	2010
Profit before taxes	282.0	252.6
Consolidated income taxes at Finnish tax rate	73.3	65.7
Impact of change in tax rate	-2.4	
Revaluation of deferred taxes		1.4
Impact of different tax rates of foreign subsidiaries	0.5	0.5
Tax-exempt income	-0.1	-0.1
Non-deductible expenses	0.7	0.6
Adjustments in respect of prior periods	0.0	-0.1
Other items	0.4	0.0
Income tax expense recognised in consolidated income statement	72.4	67.9
Effective tax rate, %	25.7%	26.9%

7. Earnings and dividend per share

BASIC EARNINGS PER SHARE

	2011	2010
Profit for the period attributable to owners of the parent company, EUR million	209.5	184.7
Weighted average number of shares during the period (1,000 shares)	140,827	140,917
Basic earnings per share, EUR	1.49	1.31

DILUTED EARNINGS PER SHARE

	2011	2010
Profit used to determine diluted earnings per share, EUR million	209.5	184.7
Weighted average number of shares for diluted earnings per share (1,000 shares)	140,827	140,917
Diluted earnings per share, EUR	1.49	1.31

Earnings per share are calculated by dividing the profit for the period attributable to owners by the weighted average number of shares outstanding during the period. The weighted average number of shares has been adjusted for the number of treasury shares held by the Company during 2011.

DIVIDEND PER SHARE

	2011	2010
Dividend paid during the period, EUR million	169.0	141.4
Number of shares at 31 Dec, (1,000 shares)	140,844	140,741
Dividend per share paid during the period, EUR	1.20	1.00

Dividend per share is calculated by dividing the dividend distributed during the period by the number of shares outstanding at 31 December. The Group held 413,754 Company's B shares as treasury shares at 31 December 2011.

For the financial year 2011 a dividend of EUR 1.30 per share, in total EUR 183.1 million, and a distribution of EUR 0.12 per share from the reserve for invested unrestricted equity as a repayment of capital are proposed to the Annual General Meeting on 20 March 2012. These financial statements do not reflect the proposed dividend and repayment of capital.

8. Property, plant and equipment

EUR million	Land and water		Buildings and constructions		Machinery and equipment		Other property, plant and equipment ¹		Advance payments and construction in progress		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Historical cost at 1 Jan	6.1	6.4	233.5	232.7	309.8	296.4	3.7	3.7	3.3	7.8	556.4	547.0
Additions			4.3	3.8	14.2	16.8	0.0	0.0	11.8	2.7	30.3	23.3
Sale of a real estate limited company		-0.4		-4.3		-0.1		-0.0				-4.8
Other disposals			-0.0	-0.2	-6.4	-9.1	0.1				-6.3	-9.3
Transfers between statement of financial position items			0.2	1.6	2.5	5.6		0.0	-2.7	-7.2		-0.0
Translation differences					0.0	0.3	0.0	0.0			0.0	0.3
Historical cost at 31 Dec	6.1	6.1	238.0	233.5	320.1	309.8	3.8	3.7	12.4	3.3	580.4	556.4
Accumulated depreciation and impairments at 1 Jan			-145.8	-142.7	-220.6	-209.4	-2.9	-2.8			-369.4	-354.9
Sale of a real estate limited company				4.2		0.1		0.0				4.3
Other accumulated depreciation on disposals and transfers			0.0	0.2	5.0	8.0	-0.1				5.0	8.2
Depreciation for the period			-7.0	-7.5	-18.3	-19.0	-0.1	-0.2			-25.4	-26.6
Impairments					-0.1						-0.1	
Impairment reversals	0.2										0.2	
Translation differences					-0.0	-0.2	-0.0	-0.0			-0.0	-0.3
Accumulated depreciation and impairments at 31 Dec	0.2		-152.8	-145.8	-234.1	-220.6	-3.1	-2.9			-389.8	-369.4
Carrying amount at 1 Jan	6.1	6.4	87.7	90.0	89.2	86.9	0.8	0.9	3.3	7.8	187.1	192.0
Carrying amount at 31 Dec	6.3	6.1	85.3	87.7	86.1	89.2	0.7	0.8	12.4	3.3	190.7	187.1

¹ Other tangible assets mainly comprise basic improvements to rented apartments, asphaltting, environmental works and art objects.

Finance leases

ASSETS LEASED THROUGH FINANCE LEASE AGREEMENTS INCLUDED IN MACHINERY AND EQUIPMENT

EUR million, 31 Dec	2011	2010
Historical cost	12.0	11.6
Accumulated depreciation	-9.2	-8.6
Carrying amount	2.8	3.1

The additions to the historical cost of machinery and equipment include EUR 0.9 (2010: 0.9) million of assets leased through finance lease agreements.

During the period an impairment of EUR 0.1 million was recognised on machinery and equipment taken out of use due to a fire. There have been no other indications that the value of property, plant and equipment might have been impaired during the period.

9. Intangible assets

EUR million	Goodwill		Intangible rights ¹		Other intangible assets ²		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Historical cost at 1 Jan	13.5	13.5	124.3	111.9	51.8	50.2	189.6	175.6
Additions			17.1	13.0	2.0	1.6	19.1	14.6
Disposals			-3.1	-0.7	-0.0	-0.0	-3.1	-0.7
Transfers between statement of financial position items				0.0				0.0
Translation differences			-0.0	-0.0	0.0	0.0	-0.0	0.0
Historical cost at 31 Dec	13.5	13.5	138.2	124.3	53.8	51.8	205.5	189.6
Accumulated amortisation and impairments at 1 Jan			-59.1	-48.6	-47.6	-46.5	-106.6	-95.0
Accumulated amortisation on disposals			3.1	0.7	0.0		3.1	0.7
Amortisation for the period			-9.5	-8.3	-1.5	-1.1	-10.9	-9.4
Impairments			-6.3	-2.8			-6.3	-2.8
Translation differences			0.0	-0.0			0.0	-0.0
Accumulated amortisation and impairments at 31 Dec			-71.7	-59.1	-49.0	-47.6	-120.7	-106.6
Carrying amount at 1 Jan	13.5	13.5	65.2	63.4	4.2	3.7	82.9	80.6
Carrying amount at 31 Dec	13.5	13.5	66.6	65.2	4.8	4.2	84.8	82.9

¹ Intangible rights comprise mainly product rights and marketing authorisations with carrying amount EUR 47.8 (2010: 54.1) million, and also software, trademarks, patents and paid-up policies.

² Other intangible assets include development costs for software paid to external parties and entry fees.

Besides goodwill, the Group has no other intangible assets with indefinite useful life. The Group has no internally produced intangible assets. All intangible assets have been obtained through acquisition.

Impairment testing of goodwill, property, plant, equipment and intangible assets

GOODWILL

The goodwill of EUR 13.5 million originated from the acquisition of Famos-Group Ltd. in 1990. In impairment testing, the goodwill is allocated to the cash generating units that form the Pharmaceuticals operating segment.

In the impairment tests, the recoverable amount is determined on the basis of the value-in-use calculation. The cash flow forecasts are based on the detailed five-year plans adopted by the management. The cash flows beyond the forecast period adopted by the management have been calculated cautiously assuming zero per cent growth. The management's forecasts are based on the growth of global pharmaceutical markets, market shares in sales of pharmaceuticals, and their expected trends.

The discount rate used is the weighted average cost of capital (WACC), in which the special risks related to the cash generating unit have been taken into account. The discount rate is defined before taxes. The discount rate for the period is 8.9% (2010: 9.8%).

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

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.

INTANGIBLE ASSETS NOT YET AVAILABLE FOR USE

Intangible assets not yet available for use are tested for impairment annually. The recoverable amount is based on the value in use. Cash flow forecasts adopted by the management cover a 5–15 year period from launch. The use of forecasts for periods of over five years is based on the estimated useful life of products. Beyond the five-year period, the cash flow growth rate does not exceed the average growth rates of markets for the Company's products and the pharmaceutical industry. The discount rates for the period varied from 10% to 12%, and they are defined separately for each unit taking into account its risks.

The carrying amount of intangible assets not yet available for use was EUR 19.1 (2010: 14.5) million.

IMPAIRMENT CHARGES RECOGNISED IN THE PERIOD

During the period impairment charges totalling EUR 6.3 (2010: 2.8) million were recognised on the intangible rights of the Pharmaceuticals business. Pre-launch intangible rights accounted for EUR 3.7 (2010: 2.8) million of the impairments. The recoverable amounts of these assets are their value in use at a discount rate of 10%. The most significant impairment charges relate to acquired rights to products the development of which has ceased, and to products that are already in markets, but for which the forecast recoverable cash flows were less than the carrying amount. The full carrying amount of rights to products the development of which has ceased have been recognised as an expense.

There were no other indications that the value of intangible assets might have been impaired during the period.

10. Investments in associates and affiliates

EUR million	2011	2010
Carrying amount at 1 Jan	1.3	0.1
Acquisition of an associate	0.0	1.3
Carrying amount at 31 Dec	1.4	1.3

ASSOCIATES AND AFFILIATES OF THE GROUP

Holding at 31 Dec, %	Domicile	2011	2010
Hangon Puhdistamo Oy	Hanko	50.0%	50.0%
Regattalämpö Oy	Hanko	42.6%	42.6%
Pharmaservice Oy	Helsinki	49.0%	49.0%

Hangon Puhdistamo Oy engages in wastewater treatment for the companies that own it. Regattalämpö Oy provides real estate services for the residential buildings of the companies that own it. The companies operate at cost, by covering their own expenses and without making any profit, so their impact on the consolidated statement of comprehensive income and statement of financial position is minimal. Pharmaservice Oy is a provider of dose dispensing support services for pharmacies.

SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

EUR million	2011	2010
Assets	2.9	3.2
Liabilities	3.7	3.8
Revenues	4.6	4.9
Profit (+) or loss (-) for the period	-0.1	-0.3

The most recent available financial statements of the associates are for the years 2010 and 2009.

11. Available-for-sale financial assets

Available-for-sale financial assets, with asset value of EUR 1.1 (2010: 1.0) million at 31 December 2011, include mainly shares and investments in unlisted companies. The shares and investments are stated at cost, because their fair value cannot be determined reliably.

12. Pension assets and pension liabilities

DEFINED BENEFIT PLANS - AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million, 31 Dec	Pension Fund 2011	Other 2010	Pension Fund 2011	Other 2010
Present value of funded obligations	215.4	6.2	207.0	5.2
Fair value of plan assets	-220.3	-5.4	-241.6	-5.1
Surplus (-) / deficit (+)	-4.9	0.8	-34.7	0.1
Present value of unfunded obligations		0.8		0.9
Unrecognised and actuarial gains (+) and losses (-)	-32.5	-1.1	3.0	-0.3
Net asset (-) / liability (+) recognised in the consolidated statement of financial position	-37.4	0.5	-31.6	0.7

AMOUNTS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million, 31 Dec	Pension Fund 2011	Other 2011	Pension Fund 2010	Other 2010
Liabilities		0.8		0.9
Asset	-37.4	-0.2	-31.6	-0.2
Net asset (-) / liability (+) recognised in the consolidated statement of financial position	-37.4	0.5	-31.6	0.7

DEFINED BENEFIT PLAN PENSION EXPENSES IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Pension Fund 2011	Other 2011	Pension Fund 2010	Other 2010
Current service cost	3.8	0.4	3.6	0.4
Interest expenses	9.6	0.3	9.0	0.3
Expected return on plan assets	-14.4	-0.3	-12.6	-0.3
Actuarial gains (-) and losses (+)	-1.7	0.0	-2.0	0.0
Pension expense (+) / income (-) in the consolidated statement of comprehensive income	-2.6	0.4	-2.1	0.4

The actual return on plan assets was EUR -19.5 (2010: 32.8) million in 2011.

DEFINED BENEFIT PLAN PENSION EXPENSES BY FUNCTION

EUR million	Pension Fund 2011	Other 2011	Pension Fund 2010	Other 2010
Cost of goods sold	-0.8		-0.6	
Selling and marketing	-0.5	0.1	-0.4	0.1
Research and development	-1.0		-0.7	
Administration	-0.4	0.3	-0.4	0.3
Pension expense (+) / income (-) in the consolidated statement of comprehensive income	-2.6	0.4	-2.1	0.4

CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

EUR million	Pension Fund	Other	Pension Fund	Other
	2011	2011	2010	2010
Defined benefit plan obligation at 1 Jan	207.0	6.2	178.8	6.1
Current service cost	3.8	0.4	3.6	0.4
Interest expenses	9.6	0.3	9.0	0.3
Actuarial gains (-) and losses (+)	0.0	0.5	20.2	-0.3
Foreign exchange differences		0.1		0.1
Benefits paid	-5.1	-0.4	-4.6	-0.4
Obligation at 31 Dec	215.4	7.0	207.0	6.2

CHANGES IN FAIR VALUE OF PLAN ASSETS

EUR million	Pension Fund	Other	Pension Fund	Other
	2011	2011	2010	2010
Fair value of plan assets at 1 Jan	241.6	5.1	214.0	4.5
Expected return on plan assets	14.4	0.3	12.6	0.3
Actuarial gains (+) and losses (-)	-33.8	-0.4	19.8	0.1
Employer contributions	3.2	0.6	-0.2	0.4
Foreign exchange differences		0.1		0.1
Benefits paid	-5.1	-0.3	-4.6	-0.2
Fair value of plan assets at 31 Dec	220.3	5.4	241.6	5.1

FAIR VALUES OF THE ASSETS OF THE BENEFIT PLAN ARRANGED THROUGH THE ORION PENSION FUND BY ASSET CATEGORY AS PERCENTAGES OF THE FAIR VALUE OF ALL PLAN ASSETS

%	2011	2010
European equity	36%	43%
North American equity		1%
Emerging market equity	9%	10%
Bonds	41%	35%
Properties	2%	2%
Certificates of deposits and commercial paper	7%	6%
Other	5%	3%
Total	100%	100%

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

The plan assets in 2011 include shares issued by the parent company Orion Corporation with fair value of EUR 24.9 (2009: 32.1) million, accounting for 10.6% (2010: 12.6%) of the plan assets.

ACTUARIAL ASSUMPTIONS USED BY ORION PENSION FUND

%	2011	2010
Discount rate	4.6%	4.6%
Inflation rate	2.0%	2.0%
Expected return on plan assets	6.0%	6.0%
Future salary increases	2.0%	2.0%
Future pension increases	2.1%–2.7%	2.1%–2.7%

The objective of the Orion Pension Fund is a distribution of investments that spreads risk between different types of asset over the long term. Most of the assets are invested in shares and bonds.

The investment performance has been assessed for the entire assets of the Orion Pension Fund and primarily over the long term. Short-term and long-term target returns for investments have been set. The objective is to achieve 6% return on the plan assets for the long term.

AMOUNTS FOR THE CURRENT AND FOUR PREVIOUS FINANCIAL YEARS

EUR million, 31.12.	Pension Fund	Other	Pension Fund	Other	Pension Fund	Other
	2011	2011	2010	2010	2009	2009
Present value of defined benefit obligation	215.4	7.0	207.0	6.2	178.8	6.1
Fair value of plan assets	-220.3	-5.4	-241.6	-5.1	-214.0	-4.5
Surplus (-) / deficit (+)	-4.9	1.6	-34.7	1.0	-35.2	1.5
Experience adjustments on plan liabilities, gains (-) / losses (+)	-0.1	-0.1	6.0	0.0	-1.9	0.1
Experience adjustments on plan assets, gains (+) / losses (-)	-33.8	-0.3	19.8	0.1	28.1	0.2

EUR million, 31.12.	Pension Fund	Other	Pension Fund	Other
	2008	2008	2007	2007
Present value of defined benefit obligation	149.6	5.0	161.8	4.4
Fair value of plan assets	-182.0	-3.7	-220.5	-2.9
Surplus (-) / deficit (+)	-32.3	1.3	-58.8	1.5
Experience adjustments on plan liabilities, gains (-) / losses (+)	-0.9	0.5	5.2	0.0
Experience adjustments on plan assets, gains (+) / losses (-)	-48.5	0.2	-2.3	-0.0

The Group expects to contribute EUR 16 million to its defined benefit plans in 2012.

13. Deferred tax assets and liabilities

DEFERRED TAX ASSETS

EUR million, 31 Dec	2011	2010
Pension liability	0.1	0.1
Internal inventory margin	0.9	1.3
Tax losses		1.1
Other deductible temporary differences	0.4	0.4
Total	1.4	2.9

DEFERRED TAX LIABILITIES

EUR million, 31 Dec	2011	2010
Depreciation difference and untaxed reserves	24.6	27.3
Pension asset	9.2	8.2
Effects of consolidation and elimination	0.4	0.5
Capitalised cost of inventory	5.4	5.5
Other taxable temporary differences	2.6	3.3
Total	42.2	44.8

CHANGE IN DEFERRED TAX ARISES FROM

EUR million	2011	2010
Pension asset/liability	-1.0	-0.4
Internal inventory margin	-0.4	-0.2
Change in estimate of previously unrecognised tax losses		-1.5
Depreciation difference and untaxed reserves	2.7	-0.3
Consolidation measures	0.1	0.0
Capitalised cost of inventory	0.1	-0.1
Deductible losses and other timing differences	-0.4	-1.9
Total	1.1	-4.5

At 31 December 2011 the Group had a total of EUR 5.2 (2010: 5.2) million of temporary differences for which no deferred tax asset has been recognised. These unrecognised deferred tax assets relate to tax losses of foreign subsidiaries which will not expire but realisation of the tax benefit included in them is not likely.

During the period, EUR 0.2 million of income taxes was recognised directly in the equity (2010: EUR 0.6 million as a decrease), and in the equity there is EUR -0.3 (2010: -0.5) million of recognised taxes.

14. Other non-current receivables

EUR million, 31 Dec	2011	2010
Loan receivables from associates	1.0	0.9
Other loan receivables	0.6	0.5
Electricity derivatives		0.8
Cross currency swap	0.2	
Other non-current receivables	0.1	0.2
Total	1.8	2.4

Loan receivables include both interest-bearing and non-interest-bearing receivables. The carrying amounts do not materially differ from fair value.

15. Inventories

EUR million, 31 Dec	2011	2010
Raw materials and consumables	31.2	28.3
Work in progress	31.8	32.4
Finished products and goods	88.3	70.3
Total	151.4	131.1

The value of inventories has been decreased by EUR 7.7 (2010: 12.4) million as an expense recorded for the period so it corresponds to net realisable value. The value of inventories has also been decreased by EUR 2.2 million due to the fire at the Turku manufacturing plant, and in the financial statements this sum is anticipated to be received as insurance payments, which have been allocated to the respective expense items. Expenses of EUR 0.0 (0.4) million in previous periods have been reversed.

16. Trade and other receivables

EUR million, 31 Dec	Carrying amount		Fair value	
	2011	2011	2010	2010
Trade receivables	155.3	155.3	118.3	118.3
Income tax assets	1.3	1.3	1.2	1.2
Receivables due from associates	0.0	0.0	0.1	0.1
Prepaid expenses and accrued income	22.6	22.6	10.5	10.5
Derivative financial assets	0.2	0.2	1.4	1.4
Other receivables	6.6	6.6	6.8	6.8
Money market investments			77.7	77.7
Total	186.1	186.1	216.0	216.0

The most substantial item in other receivables is VAT receivables EUR 4.0 (2010: 4.7) million.

AGEING ANALYSIS OF TRADE RECEIVABLES

EUR million, 31 Dec	Carrying amount		Fair value	
	2011	2011	2010	2010
Not yet due	116.7	116.7	85.7	85.7
1 to 30 days past due	21.7	21.7	18.1	18.1
31 to 60 days past due	3.4	3.4	2.4	2.4
61 to 90 days past due	1.3	1.3	2.0	2.0
Over 90 days overdue	12.0	12.0	10.1	10.1
Total	155.3	155.3	118.3	118.3

The maturities of the money market investments on their acquisition dates were over three months but no more than six months. The carrying amount of trade receivables and other current receivables is a reasonable estimate of their fair value. Impairment losses recognised on trade receivables and other receivables for the period were EUR 0.8 (2010: 0.9) million.

MATERIAL ITEMS INCLUDED IN PREPAID EXPENSES AND ACCRUED INCOME

EUR million, 31 Dec	2011	2010
Receivables from royalties	7.7	4.2
Pending compensations	5.4	0.7
Insurance payment receivable	4.6	
Pending credits for research services	1.7	
Share remunerations for restricted period	1.2	
Price differential payments	0.8	0.7
Pending R&D contributions	0.7	0.4
Interest receivables	0.0	0.2
Pre-payments for IT services		0.9
Other prepaid expenses and accrued income	0.3	3.4
Total	22.6	10.5

Due to the short-term character of the prepaid expenses and accrued income, the carrying amounts do not differ from fair value.

17. Cash and cash equivalents

EUR million, 31 Dec	2011	2010
Cash at bank and in hand	52.7	47.6
Money market investments	70.3	41.9
Total	123.0	89.5

Money market investments included in cash and cash equivalents are certificates of deposit and commercial paper with a maturity of less than three months issued by banks and companies.

18. Equity

CHANGES IN SHARE CAPITAL

	A shares	B shares	Total	Share capital EUR million
Total number of shares at 1 Jan 2010	51,340,668	89,917,160	141,257,828	92.2
Conversions of A shares to B shares in 1 Jan – 31 Dec 2010	-3,777,103	3,777,103		
Total number of shares at 31 Dec 2010	47,563,565	93,694,263	141,257,828	92.2
Conversions of A shares to B shares in 1 Jan – 31 Dec 2011	-2,570,347	2,570,347		
Total number of shares at 31 Dec 2011	44,993,218	96,264,610	141,257,828	92.2
Number of treasury shares at 31 Dec 2011		-413,754	-413,754	
Total number of shares at 31 Dec 2011 excluding treasury shares	44,993,218	95,850,856	140,844,074	
Total number of votes at 31 Dec 2011 excluding treasury shares	899,864,360	95,850,856	995,715,216	

On 31 December 2011 Orion had a total of 141,257,828 (2010: 141,257,828) shares, of which 44,993,218 (2010: 47,563,565) were A shares and 96,264,610 (2010: 93,694,263) B shares. The Group's share capital was EUR 92,238,541.46 (2010: 92,238,541.46). At the end of 2011 Orion held 413,754 (2010: 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 (2010: 1,044,448,909) excluding treasury shares.

All shares issued have been paid in full.

Orion's shares have no nominal value. The counter book value of the A and B shares is about EUR 0.65 per share.

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

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

Under Section 3 of the Company's Articles of Association, shareholders are entitled to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. During 2011, a total of 2,570,347 shares were converted.

According to Orion's Articles of Association, the minimum number of all shares in the Company is one (1) and the maximum number is 1,000,000,000. A maximum number of 500,000,000 of the shares shall be A shares and a maximum number of 1,000,000,000 shares shall be B shares.

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. The authorisation was exercised as described in Note 4 under "Share-based payments". 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.

After the end of the period, the Board of Directors proposed a dividend of EUR 1.30 per share to be distributed and EUR 0.12 per share to be distributed from the reserve for invested unrestricted equity as a repayment of capital.

SHARE PREMIUM

EUR million	2011	2010
Share premium at 1 Jan	17.8	17.8
Transfer to reserve for invested unrestricted equity	-17.8	
Share premium at 31 Dec		17.8

The premium over the nominal value of the shares has been recorded in the share premium fund when shares in the Company have been subscribed on exercising option rights under the previous Companies Act.

EXPENDABLE FUND

EUR million	2011	2010
Expendable fund at 1 Jan	8.9	23.0
Repayment of capital	-8.5	-14.1
Expendable fund at 31 Dec	0.5	8.9

OTHER RESERVES

EUR million	2011	2010
Reserve for invested unrestricted equity	17.8	
Reserve funds	0.2	0.2
Hedging reserve	-0.0	1.4
Fair value reserve	-0.3	
Total	17.6	1.6

During the period, EUR 17.8 million was transferred from the share premium fund to the reserve for invested unrestricted equity on the basis of a decision by the Annual General Meeting.

The hedging reserve includes the effective portions of fair value changes of derivatives instruments for hedging cash flow.

The fair value reserve includes accumulated fair value changes of available-for-sale financial assets.

Translation differences

Translation differences include those arising from translation of the financial statements of foreign entities.

Dividends and other distribution of profits

A dividend of EUR 1.20 (2010: 1.00) per share and a repayment of capital from the expendable fund of EUR 0.06 (2010: 0.10) were distributed in the 2011 financial year. In addition, donations of EUR 0.1 (2010: 0.1) million were distributed.

19. Provisions

EUR million	Pension provisions	Other provisions	Total
1 Jan 2011	0.3	0.2	0.4
Foreign exchange differences			
Utilised during the period		-0.2	-0.2
Additions to provisions		0.0	0.0
31 Dec 2011	0.3	0.0	0.3

EUR million, 31 Dec	2011	2010
Non-current provisions	0.3	0.4
Current provisions	0.0	
Total	0.3	0.4

Pension provision

Pension provisions include provisions made for unemployment pension expenses for persons made redundant in 2009 who have not yet found work or may possibly not find work or have not received a decision on their unemployment pension. The provisions are expected to materialise in the next 1–3 years.

20. Interest-bearing liabilities

EUR million, 31 Dec	Carrying amount	Fair value	Carrying amount	Fair value
	2011	2011	2010	2010
Loans from financial institutions	64.1	63.3	66.1	63.3
Loans from pension insurance companies			19.1	18.8
Finance lease liabilities	1.9	2.2	2.2	2.4
Other interest-bearing liabilities			0.1	0.1
Non-current liabilities, total	66.0	65.5	87.5	84.6

EUR million, 31 Dec	Carrying amount	Fair value	Carrying amount	Fair value
	2011	2011	2010	2010
Repayments of long-term loans	21.1	19.8	20.9	22.1
Finance lease liabilities	1.1	1.1	1.0	1.1
Other interest-bearing liabilities	0.5	0.5	0.6	0.6
Current liabilities, total	22.7	21.5	22.5	23.8

Other current interest-bearing liabilities comprise mainly a loan from Tutkimussäätiö (Research Foundation) and repayments of Tekes loans.

The fair values of the liabilities have been determined by discounting future cash flows to present value using the market interest rate applicable to a Group loan at the end of the reporting period. At the end of the reporting period, market interest rates were 1.3–1.9%, to which a company-specific margin has been added in discounting.

Most of the interest-bearing liabilities are euro-denominated or fully hedged against currency risk.

Maturities of finance lease liabilities

MINIMUM LEASE PAYMENTS

EUR million, 31 Dec	2011	2010
No later than 1 year	1.2	1.2
Later than 1 year but no later than 5 years	1.6	1.8
Later than 5 years	0.6	0.6
Total	3.3	3.6

PRESENT VALUE OF MINIMUM LEASE PAYMENTS

EUR million, 31 Dec	2011	2010
No later than 1 year	1.1	1.0
Later than 1 year but no later than 5 years	1.3	1.6
Later than 5 years	0.6	0.6
Present value of minimum lease payments	3.0	3.2
Future finance charges	0.4	0.3
Minimum lease payments, total	3.3	3.6

21. Other non-current liabilities

EUR million, 31 Dec	2011	2010
Hedge-accounting derivatives	0.2	
Other non-current liabilities	0.1	0.1
Total	0.3	0.1

22. Trade payables and other current liabilities

EUR million, 31 Dec	2011	2010
Trade payables	66.3	49.0
Current income tax liabilities	6.4	12.7
Other current liabilities to associates	0.2	0.3
Accrued liabilities and deferred income	59.1	47.2
Liabilities on derivative contracts	1.1	1.0
Other current liabilities	14.0	12.1
Total	147.2	122.3

The most substantial item in other liabilities is EUR 3.5 (2010: 5.6) million of VAT liabilities.

MATERIAL ITEMS INCLUDED IN ACCRUED LIABILITIES AND DEFERRED INCOME

EUR million, 31 Dec	2011	2010
Liabilities from share-based incentive plan	0.5	0.6
Other accrued salary, wage and social security payments	35.1	34.1
Accrued price adjustments	9.2	0.7
Accrued royalties	4.7	4.1
Accrued price reductions	1.4	0.8
Accrued R&D expenses	1.3	0.9
Accrued interest	0.3	0.3
Other accrued liabilities and deferred income	6.6	5.7
Total	59.1	47.2

Due to the short-term character of the trade payables and other current liabilities, the carrying amounts do not materially differ from fair value.

23. Assets and liabilities by category

EUR million, 31 Dec	2011	2010
Hedge-accounting derivatives		
Non-current	0.3	0.8
Current	0.0	1.1
Financial assets at fair value through profit and loss		
Held-for-trading financial assets		
Non-hedge-accounting derivatives	0.2	0.2
Loans and other receivables		
Other non-current assets	1.6	1.6
Trade receivables	155.3	118.3
Other receivables	9.6	5.6
Cash and cash equivalents	123.0	89.5
Available-for-sale financial assets		
Available-for-sale investments	1.1	1.0
Money market investments		77.7
Financial assets, total	291.1	295.8
Hedge-accounting derivatives		
Non-current	0.2	
Current	0.2	
Financial liabilities at fair value through profit and loss		
Held-for-trading financial liabilities		
Non-hedge-accounting derivatives	0.9	1.0
Financial liabilities measured at amortised costs		
Interest-bearing non-current liabilities	66.0	87.5
Other non-current liabilities	0.1	0.1
Trade payables	66.3	49.0
Other current liabilities	15.7	6.2
Interest-bearing current liabilities	22.7	22.5
Financial liabilities, total	172.0	166.3

Derivative contracts are included in other receivables and other liabilities in the consolidated statement of financial position.

24. Financial risk management

The objective of the Group's financial risk management is to decrease adverse effects of changes in the financial market on the Group's results and cash flows and to ensure sufficient liquidity. Financial risks consist of market, counterparty and liquidity risks. The Group's most important financial risks are foreign exchange risk and counterparty risk.

The main principles of financial risk management are described in the Group's Treasury Policy approved by the Company's Board of Directors. The treasury management team is responsible for the implementation of the Treasury Policy. The treasury operations are centralised to the Group Treasury.

24.1. Market risk

Market risk includes foreign exchange risk, interest rate risk and electricity price risk. At the end of the reporting period, the Group had no investments in equities or equity funds.

24.1.1. FOREIGN EXCHANGE RISK

The Group's foreign exchange risk consists of transaction risk and translation risk.

Transaction risk

Transaction risk arises from operational items (such as sales and purchases) and financial items (such as loans, deposits and interests) in foreign currency in the Statement of Financial Position and from forecasted cash flows over the upcoming 12 months. Transaction risk is monitored and hedged actively. The largest risk in terms of value is posed by the US dollar based sales. Other significant currencies are the Japanese yen, the Swedish krona, the Norwegian krona, the GB pound and the Polish zloty. As regards other currencies, no individual currency has a significant effect on the Group's overall position.

In accordance with the Treasury Policy, items based on significant currencies in the Statement of Financial Position are hedged 90–105% and the forecasted cash flows over the upcoming 12 months are hedged 0–50%. Foreign currency derivatives with maturities up to 12 months are used as hedging instruments. The positions of operational items are specified in the table below.

EUR million, 31 Dec	USD		Other significant currencies	
	2011	2010	2011	2010
Net position in statement of financial position	10.0	12.4	12.0	15.9
Forecasted net position (12 months)	97.2	104.1	60.6	58.8
Net position, total	107.1	116.5	72.5	74.6
Hedges	-28.1	-24.7	-25.2	-28.0
Unhedged net risk exposure, total	79.0	91.8	47.3	46.6

The Group has an external loan of GBP 16.4 million, whose capital and interest cash flows are fully hedged against foreign exchange risk with a cross currency swap. More details are presented in Note 24.1.3.

The Group's internal loans and deposits are denominated in the local currency of the subsidiary, and the most significant ones are fully hedged with currency forward contracts.

The fair value changes of the currency derivatives are recognised through profit or loss in either other operating income and expenses or finance income and expenses depending on whether, from an operational perspective, sales revenue or financial assets and liabilities has been hedged.

Translation risk

Translation risk arises from the equity of subsidiaries that have a functional currency other than the euro. On 31 December 2011 the equity in these subsidiaries totalled EUR 40.6 million (33.9 million in 2010). The most significant translation risk arises from the Great Britain pound. The translation position has not been hedged.

Sensitivity analysis

The effect of changes in foreign exchange rates on the Group's results (before taxes) and equity is presented below for EUR/USD exchange rates. The assumption used in the analysis is a +/- 10% change in the exchange rate (USD depreciates/appreciates by 10%) while other factors remain unchanged.

EUR million, 31 Dec	Impact on profit		Impact on equity	
	2011	2010	2011	2010
USD +/- 10%	1.7/-2.0	1.1/-1.4	0	0

The sensitivity analysis includes only financial assets and liabilities in the Statement of Financial Position, i.e. cash and cash equivalents, trade receivables and payables, and currency derivatives. The sensitivity analysis does not provide a representative picture of the exposure to foreign exchange risk because, under the foreign exchange hedging principles, the forecasted 12-month foreign currency cash flow is 0–50% hedged, and in accordance with IFRS 7, the forecasted transactions are not included in the analysis. The translation position is not included in the sensitivity analysis.

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 fluctuates greatly due to weather conditions, hydrology and emissions trading, for example. The Orion Group obtains its electricity through deliveries that are tied to the spot price in price area Finland, and is therefore exposed to electricity price fluctuation.

The electricity portfolio is managed so that it is possible to hedge the cash flow risk resulting from fluctuations in the market price of electricity and continuously purchase electricity at the most competitive price available. The hedging instruments used are standard electricity derivative instruments that are quoted on Nord Pool. Nord Pool's closing prices are used as levels for valuation.

Hedge accounting under IAS 39 is applied to hedging electricity price risk. In applying hedge accounting to the cash flow, the amount recognised for the hedging instrument in the fair value reserve 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 recognised through profit or loss.

A fair value valuation of EUR -0.2 million (EUR 1.9 million in 2010) for electricity hedges was recognised in the equity on 31 December 2011 (before taxes). The nominal values of the derivatives totalled EUR 6.7 million (7.4 in 2010).

24.1.3. INTEREST RATE RISK

Changes in interest rates affect the Group's cash flow and results. On 31 December 2011, the Group's interest-bearing liabilities totalled EUR 88.7 million (EUR 110.0 million in 2010). The Group is exposed to interest rate risk associated with long-term loans raised from the European Investment Bank. On 31 December 2011, the capital of these loans with interest rates tied to the 6-month Euribor rate totalled EUR 66.1 million (77.4 in 2010). If interest rates rise in 2012 in parallel by one (1) percentage point compared with priced interest rates at the end of the reporting period, and other factors remain unchanged, the estimated interest expenses of the Group would rise by EUR 0.6 million in 2012 (before taxes).

The Group's exposure to risks related to changes in market rates is, however, reduced by the fact that the Group's interest-bearing investments, which on 31 December 2011 totalled EUR 70.3 million (119.6 in 2010), are invested in short-term interest-bearing instruments. If these investments were included in the afore-presented sensitivity analysis, the estimated net financial costs of the Group would increase by EUR 0.0 million in 2012.

The interest cash flow of the GBP 16.4 million floating-rate loan is hedged against rising interest rates with a cross currency swap, due to which a fixed EUR-nominated interest is paid by the Group.

Hedge accounting of the cash flow under IAS 39 is applied to the afore-mentioned GBP-denominated loan both for currency and interest rate risk. On 31 December 2011 a fair value valuation of EUR 0.2 million (0.0 in 2010) (before taxes) for the cross currency swaps was recognised in the equity. The total nominal value of these items was EUR 19.1 million (0.0 in 2010).

24.2. Counterparty risk

Counterparty risk is realised when a counterparty to the Group does not fulfil its contractual obligations, resulting in non-payment of funds to the Group. The maximum credit risk exposure at 31 December 2011 is the total of financial assets less carrying amounts of derivatives in financial liabilities, which totals EUR 289.8 million (294.8 in 2010). The main risks relate to trade receivables and cash and cash equivalents.

The Group Treasury Policy defines the requirements for the creditworthiness of the counterparties to financial investment transactions and derivative contracts. Limits have been set for investments and counterparties for derivative contracts on the basis of creditworthiness and solidity, and they are regularly updated and monitored. Investments are made in interest-bearing instruments with duration up to three months that are tradable in secondary markets.

The Group Customer Credit Policy defines the requirements for the creditworthiness of the customers. In the pharmaceutical industry trade receivables are typically generated by distributors representing different geographical areas. In certain countries, products are also sold directly to local hospitals. The Group's 25 largest customers generated about 71% of the trade receivables. The most significant individual customers are Novartis, a marketing partner in pharmaceutical sales, and Oriola-KD Corporation, a pharmaceuticals distributor. The trade receivables are not considered to involve significant risk. In Southern Europe, the receivables from single counter parties are not significant for the Group. Credit losses for the period recognised through profit or loss were EUR 0.8 million.

24.3. Liquidity risk

The Group seeks to maintain a good liquidity position in all conditions. In addition to cash flows from operating activities, cash and cash equivalents and money market investments, the liquidity is ensured by bank overdraft limits, EUR 75 million confirmed credit limit which is available until June 2012, and an unconfirmed commercial paper programme of EUR 100 million. No issued commercial paper is included in the Financial Statements.

The Group's interest-bearing liabilities at 31 December 2011 were EUR 88.7 million (110.0 in 2010). The contract-based repayments of the loans are presented in the table below. The average maturity of the loans from financial institutions is 3 years 2 months.

FORECASTED CASH FLOWS OF INTEREST-BEARING LOAN REPAYMENTS AND FINANCE EXPENSES

EUR million	2012	2013	2014	2015	2016–	Total
Repayments of loans from financial institutions	21.1	20.6	11.3	11.3	20.8	85.2
Finance expenses	1.5	0.9	1.1	1.1	2.2	6.8
Cash flows from loans from financial institutions, total	22.6	21.6	12.4	12.4	23.0	92.0
Repayments of finance lease loans	1.1	0.9	0.3	0.3	0.3	3.0
Finance expenses	0.1	0.1	0.0	0.0	0.1	0.4
Cash flows from finance lease loans, total	1.2	1.0	0.4	0.4	0.4	3.3
Repayments of other liabilities	0.5					0.5
Finance expenses	0.0					0.0
Cash flows from other liabilities, total	0.5					0.5

The cash flows specified in the above table have not been discounted. In the estimates of the financial expenses of flexible interest-bearing liabilities, forward interest rates or average contract-based reference rates have been applied.

At 31 December 2011, the Group's cash and cash equivalents and other money market investments totalled EUR 123.0 million (167.2 in 2010), thus exceeding the Group's interest-bearing net debt. To ensure the Group's liquidity, surplus cash is invested mainly in short-term euro-denominated interest-bearing instruments with good creditworthiness that are tradable in secondary markets. Counterparties and limits for these investments are defined in accordance with the Treasury Policy.

24.4. Management of capital structure

The financial objectives of the Group include a capital structure related goal to maintain the equity ratio, i.e. equity in proportion to total assets, at a level of at least 50%. This equity ratio is not the Company's opinion of an optimal capital structure, but rather part of an aggregate consideration of the Company's growth and profitability targets and dividend policy.

THE COMPANY HAS GIVEN THE FOLLOWING COVENANTS:

	Requirements
Group equity ratio	>32%
Group interest-bearing liabilities / EBITDA	<2.0:1
Group EBITDA / net interest	>8:1

If a covenant is breached, the lender has the right to require collateral. If in such a case collateral is not offered, the lender has the right to demand early repayment of the loan.

GROUP EQUITY RATIO (INCL. ADVANCE PAYMENTS)

31 Dec	2011	2010
Equity, EUR million	500.0	467.4
Equity and liabilities total, EUR million	779.1	745.8
Equity ratio, (incl. advance payments) %	64.2%	62.7%

GROUP INTEREST-BEARING LIABILITIES / GROUP EBITDA

EUR million, 31 Dec	2011	2010
Interest-bearing liabilities	88.7	110.0
EBITDA	325.5	293.1
Interest-bearing liabilities / EBITDA	0.3	0.4

GROUP EBITDA / NET INTEREST

EUR million, 31 Dec	2011	2010
EBITDA	325.5	293.1
Net interest expenses	1.0	1.5
EBITDA / net interest expenses	329	202

25. Contingent liabilities

COMMITMENTS AND CONTINGENCIES

EUR million, 31 Dec	2011	2010
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	0.3	0.3

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.

26. Derivatives

NOMINAL VALUES AND MATURITY OF DERIVATIVES

EUR million, 31 Dec	2011	2010
Currency derivatives¹		
Currency forward contracts and currency swaps	40.7	56.1
Currency options	63.1	33.4
Cross currency swaps²	19.1	
Nominal value of electricity derivatives, GWh	153	171
EUR million, 31 Dec	2011	2010
Maturity of electricity derivatives		
No later than 1 year	2.7	2.6
Later than 1 year but not later than 2 years	2.3	2.1
Later than 2 years	1.8	2.7
Total	6.7	7.4

¹ Currency derivatives with maturity less than one year.

² Cross currency swaps with maturity later than one year but no later than two years.

FAIR VALUES OF DERIVATIVES

EUR million, 31 Dec	2011			2010
	Positive	Negative	Net	Net
Non-hedge-accounting derivatives				
Currency forward contracts and currency swaps	0.1	-0.5	-0.4	-0.8
Currency options	0.1	-0.3	-0.2	-0.0
Hedge-accounting derivatives				
Cross currency swaps	0.3		0.3	
Electricity derivatives	0.0	-0.4	-0.4	1.9

DERIVATIVE CATEGORIES USING FAIR VALUE HIERARCHY

EUR million, 31 Dec	Level 1	Level 2	Level 3	Total
Currency forward contracts and currency swaps		-0.4		-0.4
Currency options		-0.2		-0.2
Cross currency swaps		0.3		0.3
Electricity derivatives	-0.4			-0.4

All derivatives are OTC derivatives, and market quotations at the end of the reporting period have been used for determining their fair value.

27. Operating leases

Group as lessee

MINIMUM LEASE PAYMENTS PAYABLE ON THE BASIS OF OTHER NON-CANCELLABLE LEASES

EUR million, 31 Dec	2011	2010
No later than 1 year	2.2	1.9
Later than 1 year but no later than 5 years	2.3	2.2
Total	4.5	4.1
<hr/>		
Rents paid on the basis of other operating leases during the period	3.1	2.6

Other lease expenses comprise mainly expenses for business premises abroad.

Group as lessor

Rental income is presented in Note 2, Other operating income and expenses. The rental income comprises mainly rents from personnel and others for real estate owned by the Group.

The Group does not have any finance leases under which the Group is a lessor.

28. Group companies

GROUP COMPANIES AT 31 DECEMBER 2011

	Group		Parent company	
	Ownership, %	Share of votes, %	Ownership, %	Share of votes %
Pharmaceuticals				
Parent company Orion Corporation				
Fermion 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	100.00	100.00		
Kiinteistö Oy Pilleri, Hanko	70.39	70.39		
Kiinteistö Oy Tonttuvainio, Espoo	100.00	100.00	100.00	100.00
Orion Export Oy, Espoo ¹	100.00	100.00	100.00	100.00
Saiph Therapeutics Oy, Espoo ¹	100.00	100.00	100.00	100.00
FinOrion Pharma India Pvt. Ltd. ¹	100.00	100.00	100.00	100.00
OOO Orion Pharma, Russia	100.00	100.00		
Orion Pharma (Austria) GmbH, Austria	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., United Kingdom	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 BVBA, Belgium	100.00	100.00	100.00	100.00
Orion Pharma d.o.o., Slovenia	100.00	100.00	100.00	100.00
Orion Pharma Farmakeftiki MEPE, Greece	100.00	100.00	100.00	100.00
Orion Pharma GmbH, Germany	100.00	100.00	100.00	100.00
Orion Pharma Ilac Pazarlama Ticaret Limited Sirketi, Turkey ¹	100.00	100.00	90.00	90.00
Orion Pharma Kft., Hungary	100.00	100.00	100.00	100.00
Orion Pharma Poland Sp.z.o.o., Poland	100.00	100.00	100.00	100.00
Orion Pharma Romania S.R.L., Romania ¹	100.00	100.00	100.00	100.00
Orion Pharma S.L., Spain	100.00	100.00	100.00	100.00
Orion Pharma S.r.l., Italy	100.00	100.00	100.00	100.00
Orion Pharma SA, France	100.00	100.00	100.00	100.00
Orion Pharma, Inc., USA ¹	100.00	100.00	100.00	100.00
Orionfin Unipessoal Lda, Portugal	100.00	100.00	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
Diagnostics				
Orion Diagnostica Oy, Espoo	100.00	100.00	100.00	100.00
GeneForm Technologies Ltd., United Kingdom	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		

¹ These companies are not engaged in business activities.

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

29. Related party transactions

In the Orion Group, the related parties are deemed to include the parent company Orion Corporation, the subsidiaries and associated and affiliated companies, the members of the Board of Directors of Orion Corporation, the members of the Executive Management Board of the Orion Group, the immediate family members of these persons, the companies controlled by these persons, and the Orion Pension Fund.

Related party transactions

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

MANAGEMENT'S EMPLOYMENT BENEFITS

EUR million	2011	2010
Salaries and other short-term employment benefits	4.4	4.1
Post-employment benefits	0.3	0.3

SALARIES AND REMUNERATION¹

EUR million	2011	2010
Timo Lappalainen, President and CEO	1.1	0.8
Hannu Syrjänen, Chairman	0.1	0.1
Matti Kavetuo, Vice Chairman	0.1	0.1
Sirpa Jalkanen	0.0	0.0
Eero Karvonen	0.0	0.0
Leena Palotie		0.0
Vesa Puttonen		0.0
Heikki Westerlund	0.1	0.0
Jukka Ylppö	0.1	0.1
Board of Directors, total	0.4	0.4

¹ Exact figures are available in the Corporate Governance Statement, under Remuneration Statement

The retirement age of the parent company's President and CEO is agreed to be 60 years and the pension level 60% of the agreed pensionable salary. In addition, one of the members of the Executive Management Board has the right to retire at the age of 60 years, the pension level being 60% of the pensionable salary.

Loans, guarantees and other commitments to or on behalf of the related parties

Orion Corporation has issued a mortgage on land and buildings of EUR 9.0 million to Orion Pension Fund to cover the pension liability if necessary.

Orion Corporation is the lender of a loan of EUR 0.9 million to Pharmaservice Oy with conditional interest payment, and an interest-free loan of EUR 0.1 million to Hangon Puhdistamo Oy.

30. Events after the end of the reporting period

There have been no known significant events after the reporting period that would have had an impact on the financial statements.

Parent company Orion corporation's financial statements (FAS)

Income statement

EUR million	2011	2010
Net sales	763.6	701.7
Other operating income	7.7	7.2
Operating expenses	-498.7	-473.2
Depreciation, amortisation and impairment	-32.7	-28.1
Operating profit	239.9	207.7
Finance income and expenses	9.8	16.8
Profit before appropriations and taxes	249.7	224.5
Extraordinary items	10.5	12.5
Appropriations	2.5	-0.7
Income tax expense	-65.7	-57.8
Profit for the period	197.0	178.4

Balance sheet

ASSETS

EUR million, 31 Dec	2011	2010
Intangible rights	55.8	62.9
Other long-term expenditure	4.6	4.0
Intangible assets, total	60.4	67.0
Land	3.7	3.7
Buildings and constructions	69.9	72.9
Machinery and equipment	57.2	58.0
Other tangible assets	0.6	0.7
Advance payments and construction in progress	8.9	2.3
Tangible assets, total	140.3	137.6
Holdings in Group companies	90.5	83.7
Holdings in associates	2.2	2.2
Other investments	1.3	1.3
Investments, total	94.1	87.3
Non-current assets, total	294.8	291.8
Inventories	105.8	86.6
Non-current receivables	0.4	1.0
Trade receivables	140.0	104.7
Other current receivables	36.2	26.7
Investments	70.3	119.6
Cash and bank	24.1	27.5
Current assets, total	376.9	366.2
Assets, total	671.6	657.9

LIABILITIES

EUR million, 31 Dec	2011	2010
Share capital	92.2	92.2
Share premium		17.8
Fair value reserve	-0.0	1.9
Expendable fund	0.5	8.9
Reserve for invested unrestricted equity	17.8	
Retained earnings	32.4	21.3
Profit for the period	197.0	178.4
Shareholders' equity	339.9	320.6
Appropriations	72.2	74.7
Provisions	0.9	0.9
Loans from financial institutions	64.1	66.1
Loans from pension insurance companies		19.1
Other non-current liabilities	0.2	0.1
Non-current liabilities, total	64.3	85.3
Trade payables	63.6	49.9
Other current liabilities	130.8	126.5
Current liabilities, total	194.4	176.4
Liabilities, total	671.6	657.9

Cash flow statement

EUR million	2011	2010
Operating profit	239.9	207.7
Depreciation, amortisation and impairment	32.7	28.1
Other adjustments	3.1	1.4
Adjustments to operating profit, total	35.8	29.4
Change in non-interest-bearing current receivables	-36.7	-7.4
Change in inventories	-19.2	-3.1
Change in non-interest-bearing current liabilities	7.9	-5.7
Change in working capital, total¹	-48.0	-16.2
Interest paid	-6.5	-5.9
Dividends received ²	11.7	14.9
Interest received ²	4.6	3.9
Income tax paid	-71.9	-47.8
Net cash generated from operating activities, total	165.5	186.1
Investments in intangible assets	-10.9	-12.7
Investments in tangible assets	-17.0	-15.5
Sales of tangible assets	0.9	1.0
Investments in subsidiary shares	-0.0	-0.0
Sale of a subsidiary less cash and cash equivalents at sale date	0.3	4.6
Acquisition of an associate	-0.0	-1.3
Loans granted	-8.4	-1.1
Repayments of loans granted	1.6	0.5
Net cash used in investing activities, total	-33.5	-24.5
Short-term loans raised	3.8	2.9
Repayments of short-term loans	-2.5	-0.8
Long-term loans raised	19.1	
Repayments of long-term loans	-40.1	-21.0
Repurchase of treasury shares		-4.6
Dividends paid and other distribution of profits	-177.5	-155.2
Group contributions received	12.5	11.8
Net cash used in financing activities, total	-184.6	-166.9
Net change in cash and cash equivalents	-52.7	-5.3
Cash and cash equivalents at 1 Jan ³	147.1	152.4
Net change in cash and cash equivalents	-52.7	-5.3
Cash and cash equivalents at 31 Dec ³	94.4	147.1

¹ The change of the short-term loans and receivables between the parent company and the Finnish subsidiaries are recorded in the change of the parent company's working capital at their gross value.

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

³ Cash and cash equivalents include liquid securities with a very low fluctuation-in-value risk, as well as cash in hand and at bank.

Notes to the financial statements of the parent company

The parent company of the Orion Group is Orion Corporation, domiciled in Espoo. The business ID code of Orion Corporation is FI 1999212-6 (VAT FI 19992126).

Accounting policies for the financial statements of the parent company

The Financial Statements of Orion Corporation are prepared in compliance with the Finnish Accounting Standards (FAS). The followings are the most significant differences compared with the IFRS standards applied in the preparation of consolidated financial statements.

Inventories

The cost of inventories includes the value of inventories and the costs of conversion, which comprise the expenses directly associated with production.

Goodwill

The balance sheet value of goodwill included in intangible assets is based on historical cost depreciated according to plan. As a rule, goodwill is amortised over 5 years. In some cases the estimated economic life of the goodwill is longer, maximum 20 years.

Pension arrangements

The pension security of the company's employees is arranged through the Orion Pension Fund and through pension insurance companies. In the Parent Company Financial Statements, pension costs include contributions to the pension fund in addition to pension insurance premiums to pension insurance companies.

Leases

Lease payments payable on the the basis of leases are recognised as an expense that is allocated evenly over the entire lease term.

Proposal by the Orion Corporation Board of Directors on use of profit funds from the financial year

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 the distributable funds of the parent company be used as follows:

- distribution of EUR 1.30 dividend per share. No dividend shall be paid on treasury shares held by the Company on the record date for dividend payment. 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 would be	EUR	183,097,296.20
- donations to medical research and other purposes of public interest as decided by the Board of Directors	EUR	250,000.00
- retention in equity	EUR	64,343,545.87
	EUR	247,690,842.07

There have been no material changes in the Company's financial position since the end of the financial year. The liquidity of the Company is good and, in the opinion of the Board of Directors, the proposed profit distribution would not compromise the liquidity of the Company.

The Board of Directors also 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 Board of Directors submits these Financial Statements and the Report by the Board of Directors to the Annual General Meeting of shareholders for approval.

Espoo, 7 February 2012

Hannu Syrjänen Matti Kavetvuo Sirpa Jalkanen
Chairman Vice chairman

Eero Karvonen Heikki Westerlund Jukka Ylppö

Timo Lappalainen
President and CEO

Auditor's Report

To the Annual General Meeting of Orion Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Orion Oyj for the year ended 31 December, 2011. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet and the distribution of other unrestricted equity is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Espoo, 7 February 2012

PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
Authorised Public Accountant

Calculation of the key figures

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

Information for shareholders

Annual General Meeting

The Annual General Meeting of shareholders of Orion Corporation will be held at 2:00 p.m. Finnish time on Tuesday 20 March 2012 in the Helsinki Fair Centre. Shareholders intending to attend the Annual General Meeting must be registered as shareholders in the Company's shareholder register, maintained by Euroclear Finland Ltd, on 8 March 2012.

A holder of nominee registered shares has the right to participate in the Annual General Meeting on the basis of those shares as would entitle him/her to be registered in the shareholder register maintained by Euroclear Finland Oy on 8 March 2012. Additionally, the holder of those shares is requested to be temporarily entered in the shareholder register maintained by Euroclear Finland Oy no later than 15 March 2012 at 10:00 a.m. Finnish time. For nominee registered shares, this constitutes due registration for the Annual General Meeting.

A holder of nominee registered shares is advised to request early enough the necessary instructions concerning the temporary registration in the Company's register of shareholders, the issuing of proxy documents and the registration for the Annual General Meeting from his/her custodian bank. The holder of nominee registered shares who aims to participate in the Annual General Meeting, must be temporarily entered by the custodian bank in the Company's register of shareholders no later than the above-mentioned time.

The Annual General Meeting will be held in Finnish. Information on the AGM and the documents for the meeting are available on Orion's website www.orion.fi/agm2012.

Notice of attendance

A shareholder, who intends to participate in the Annual General Meeting, shall register for the Meeting by giving a prior notice of participation to the Company no later than 15 March 2012 at 10.00 a.m. Finnish time. The notice can be given in either of the following ways:

- a) Through Internet, at www.orion.fi/en
- b) By telephone to +358 10 426 5252 (Monday–Friday 8:00 a.m. – 6:00 p.m.)
- c) By letter to Orion Corporation, Treasury, P.O.Box 65, FI-02101 Espoo, Finland.

In the registration, a shareholder shall notify his/her name, personal identification code or the company code, address, phone number and the name and the personal identification of a possible assistant. The personal registering details submitted to Orion Corporation will only be used in connection with the Annual General Meeting and necessary registrations relating to it.

Notices of attendance and any proxies must be received by Orion Corporation by the deadline.

Distribution of dividend

The Board of Directors of Orion Corporation proposes to the Annual General Meeting on 20 March 2012 that a dividend of EUR 1.30 per share be paid for the financial year that ended on 31 December 2011. The dividend payout ratio would be 87.2%. In addition, the Board of Directors proposes that EUR 0.12 per share be distributed from the reserve for invested unrestricted equity as a repayment of capital.

If the AGM approves these proposals, the dividend and the repayment of capital shall be paid to the Orion Corporation shareholders registered in the shareholder register, maintained by Euroclear Finland, on 23 March 2012, the record date for dividend payment. According to the proposal by the Board of Directors, the payment date shall be 4 April 2012.

Shareholders that have not transferred their shares to the book-entry system by the record date for dividend payment shall receive the dividend payment only after their shares have been transferred to the book-entry system.

Orion's publications and their distribution

Orion's publications are available in English and Finnish at www.orion.fi/news-and-media.

Orion's publications can be subscribed to by filling out the form available for the purpose at www.orion.fi/news-and-media, or by an e-mailed request to Orion Corporate Communications at corpcom@orion.fi.

When sending statutory information to its shareholders, Orion uses the mailing addresses that are entered in the shareholder register maintained by Euroclear Finland. Statutory documents that must be sent by mail to all shareholders are, e.g., invitations to General Meetings under certain conditions specified in the Finnish Limited Liability Companies Act.

Orion's Annual Report 2011 is only provided as an online electronic version.

Change of address

Shareholders are advised to notify a change of address to all banks and brokerage firms where the shareholder has a book-entry account. Orion cannot change an address in the book-entry system on behalf of the shareholder.

Data in the register of subscribers to publications can be updated using the registration form on Orion's website.

Closed period

Orion observes a closed period of three weeks prior to announcing its financial results. During this period, representatives of the Company do not meet analysts or investors and do not attend any events relating to the capital markets.

During the closed period, the Company does not comment on the outlook for the Company or the financial performance for the on-going or non-disclosed period.

Calendar for 2012

Registration for the Annual General Meeting	no later than 15 March 2012 at 10:00 EET
Annual General Meeting	20 March 2012 at 14:00 at the Helsinki Fair Centre
Record date for dividend payment	23 March 2012
Dividend payment date	4 April 2012
Interim Report 1–3/2012	24 April 2012
Interim Report 1–6/2012	31 July 2012
Interim Report 1–9/2012	23 October 2012

Shares and ownership structure

On 31 December 2011 Orion had a total of 141,257,828 shares, of which 44,993,218 were A shares and 96,264,610 B shares. The Group's share capital is EUR 92,238,541.46. At the end of 2011 Orion held 413,754 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 excluding treasury shares.

Orion's shares have no nominal value. The counter book value of the A and B shares is about EUR 0.65 per share.

Voting rights conferred by shares

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

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

Conversion of shares

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

According to Orion's Articles of Association, the minimum number of all shares in the company is one (1) and the maximum number is 1,000,000,000. A maximum number of 500,000,000 of the shares shall be A shares and a maximum number of 1,000,000,000 shares shall be B shares.

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 registration and ownership structure

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 registered shareholders, of whom 95% were private individuals holding 50% of the entire share stock and 65% of the total votes. There were altogether 44 million nominee-registered shares, which is 31% of all shares, and they conferred entitlement to 6% of the votes.

At the end of 2011 Orion held 413,754 B shares as treasury shares, which is 0.3% of the Company's total share stock and 0.04% 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.

Read more about Orion's shares and their prices, information on Orion's ownership structure updated monthly, a list of the largest shareholders and updated information on the shareholdings of the Orion Group's insiders subject to disclosure requirement.

Investor contacts

For more information on Orion as an investment, please contact the following persons:

Jari Karlson
CFO
Tel +358 10 426 2883

Tuukka Hirvonen
Financial Communications Officer
Tel +358 10 426 2721

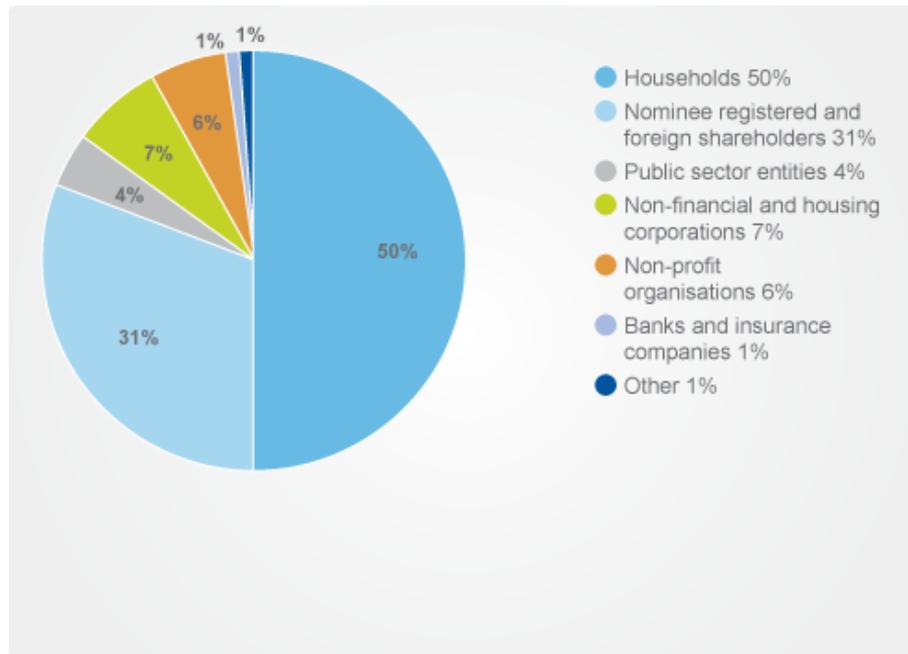
Orion's email addresses are in the form of `firstname.lastname (at) orion.fi`.

Analyses on Orion as an investment

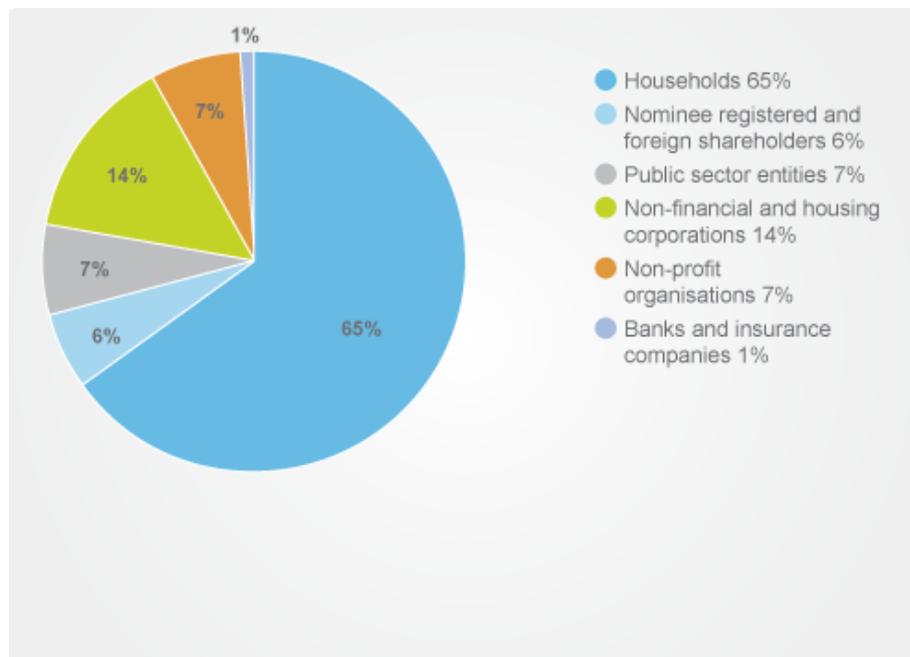
Analyses on Orion as an investment should be available from the following banks and brokerage firms. The list does not necessarily cover all analyses undertaken about Orion. These banks and brokerage firms analyse Orion at their own initiative, and Orion takes no responsibility for the analysts' opinions or analyses.

Updated information on analysts following Orion can be found at <http://www.orion.fi/en/Investors/Orion-as-an-investment/Analysts/>

Shares by type of shareholder on 31 December 2011



Votes by type of shareholder on 31 December 2011

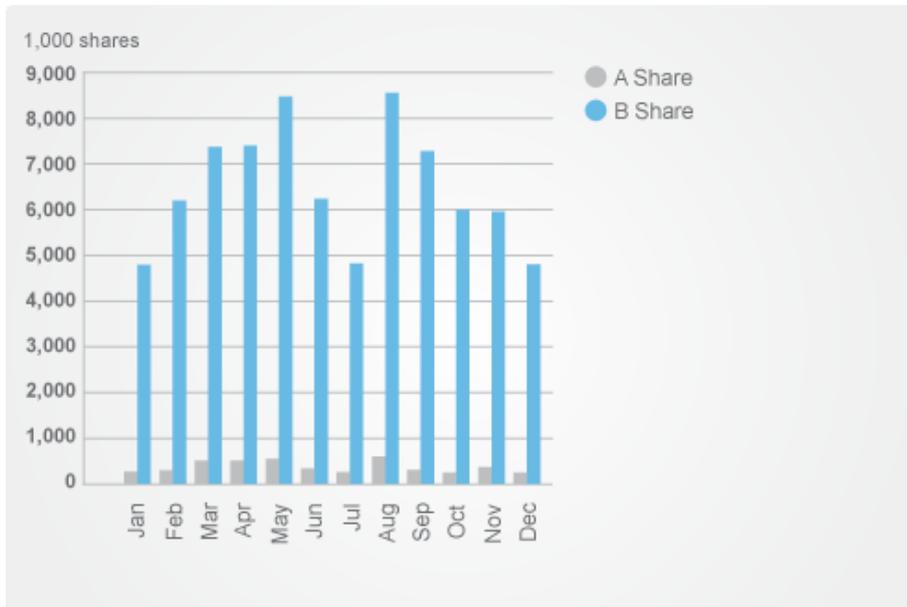


Share price development



Trading volume 2011

Monthly trading volume



BASIC INFORMATION ON ORION'S SHARES

31 December 2011	A share	B share	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 total number of shares	9.9%	81.8%	58.2%
Trading volume, EUR million	73.8	1,248.2	1,322.0
Closing quotation at 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 2011, B 1 June 2011)	18.05	18.14	
Closing quotation at 31 December 2011, EUR	15.18	15.05	
Market capitalisation at 31 December 2011 excluding treasury shares, EUR million	683.0	1,442.6	2,125.6

PERFORMANCE PER SHARE

	2011	2010	Change %
Basic earnings per share, EUR	1.49	1.31	+13.5%
Diluted earnings per share, EUR	1.49	1.31	+13.5%
Cash flow per share before financial items, EUR	1.10	1.26	-13.0%
Equity per share, EUR	3.55	3.32	+6.9%
Dividend per share, EUR	1.30 ¹	1.20	+8.3%
Payout ratio, %	87.2%	91.6%	
Average number of shares excluding treasury shares	140,827,159	140,917,406	

¹ The Board proposes that the dividend per share for 2011 be EUR 1.30 and that EUR 0.12 per share be distributed as a repayment of capital.

CHANGES IN SHARE CAPITAL

1 July 2006–31 December 2011	A shares	B shares	Total number of shares	Total number of votes	Share capital EUR million
Number of shares at 1 July 2006	56,397,540	84,860,288	141,257,828	1,212,811,088	92.2
Share conversions in 2006	-843,300	843,300			
Number of shares at 31 December 2006	55,554,240	85,703,588	141,257,828	1,196,788,388	92.2
Share conversions in 2007	-2,995,552	2,995,552			
Number of shares at 31 December 2007	52,558,688	88,699,140	141,257,828	1,139,872,900	92.2
Share conversions in 2008	-1,118,020	1,118,020			
Repurchase of treasury shares		-350,000			
Treasury shares transferred		25,164			
Number of shares at 31 December 2008					
Total number of shares	51,440,668	89,817,160	141,257,828	1,118,630,520	92.2
Total number of shares excluding treasury shares	51,440,668	89,492,324	140,932,992	1,118,305,684	92.2
Share conversions in 2009	-100,000	100,000			
Treasury shares transferred		44,806			
Number of shares at 31 December 2009					
Total number of shares	51,340,668	89,917,160	141,257,828	1,116,730,520	92.2
Total number of shares excluding treasury shares	51,340,668	89,637,130	140,977,798	1,116,450,490	92.2
Share conversions in 2010	-3,777,103	3,777,103			
Repurchase of treasury shares		-302,230			
Treasury shares transferred		65,606			
Number of shares at 31 December 2010					
Total number of shares	47,563,565	93,694,263	141,257,828	1,044,448,909	92.2
Total number of shares excluding treasury shares	47,563,565	93,177,609	140,741,174	1,043,932,255	92.2
Share conversions in 2011	-2,570,347	2,570,347			
Treasury shares transferred		102,900			
Number of shares at 31 December 2011					
Total number of shares	44,993,218	96,264,610	141,257,828	996,128,970	92.2
Total number of shares excluding treasury shares	44,993,218	95,850,856	140,844,074	995,715,216	92.2

OWNERSHIP BASE BY TYPE OF SHAREHOLDER

31 December 2011	Number of owners	%	A shares	%	B shares	%	Total number of shares	%	Total number of votes	%
Households	54,380	95.09	30,280,798	67.30	39,703,235	41.24	69,984,033	49.54	645,319,195	64.78
Nominee-registered and foreign shareholders	216	0.38	936,878	2.08	43,494,068	45.18	44,430,946	31.45	62,231,628	6.25
Public sector entities	40	0.07	3,526,222	7.84	2,756,156	2.86	6,282,378	4.45	73,280,596	7.36
Non-financial and housing corporations	1,836	3.21	6,619,766	14.71	3,964,037	4.12	10,583,803	7.49	136,359,357	13.69
Non-profit organisations	661	1.16	3,410,042	7.58	4,588,137	4.77	7,998,179	5.66	72,788,977	7.31
Financial and insurance institutions	54	0.09	153,056	0.34	1,281,835	1.33	1,434,891	1.02	4,342,955	0.44
Others	0	0.00	66,456	0.15	63,388	0.07	129,844	0.09	1,392,508	0.14
Number of treasury shares	1	0.00	0	0.00	413,754	0.43	413,754	0.29	413,754	0.04
Total	57,188	100.00	44,993,218	100.00	96,264,610	100.00	141,257,828	100.00	996,128,970	100.00

OWNERSHIP BASE BY NUMBER OF SHARES

31 December 2011	Number of owners	%	A shares	%	B shares	%	Total number of shares	%	Total number of votes	%
1–100	14,104	24.66	309,639	0.69	680,642	0.71	905,485	0.64	6,014,262	0.60
101–1,000	31,123	54.42	3,886,938	8.64	10,829,878	11.25	13,045,982	9.24	71,376,514	7.17
1,001–10,000	10,871	19.01	11,434,225	25.41	22,083,167	22.94	31,117,129	22.03	226,517,575	22.74
10,001–100,000	1,011	1.77	9,949,258	22.11	12,791,016	13.29	25,147,050	17.80	234,229,985	23.51
100,001–1,000,000	67	0.12	10,788,142	23.98	5,466,577	5.68	15,540,616	11.00	211,117,572	21.19
1,000,001–	11	0.02	8,558,560	19.02	43,936,188	45.64	54,957,968	38.91	245,066,800	24.60
On joint account	0	0.00	66,456	0.15	63,388	0.07	129,844	0.09	1,392,508	0.14
Total	57,187	100.00	44,993,218	100.00	95,850,856	99.57	140,844,074	99.71	995,715,216	99.96
Of which nominee registered	10	0.02	572,773	1.27	42,962,027	44.82	43,534,800	30.91	54,417,487	5.47
Number of treasury shares	1	0.00	0	0.00	413,754	0.43	413,754	0.29	413,754	0.04
Total number of shares	57,188	100.00	44,993,218	100.00	96,264,610	100.00	141,257,828	100.00	996,128,970	100.00

LARGEST SHAREHOLDERS¹

31 December 2011	A shares	B shares	Total number of shares	% of shares	Total number of votes	% of votes	Order by number of votes
1. Erkki Etola and companies	2,500,000	0	2,500,000	1.77%	50,000,000	5.02%	1.
Etola Erkki	200,000	0			4,000,000		
Etola Oy	2,300,000	0			46,000,000		
2. Foundation and companies	2,083,360	0	2,083,360	1.47%	41,667,200	4.18%	2.
Land and Water Technology Foundation	1,034,860	0			20,697,200		
Tukinvest Oy	1,048,500	0			20,970,000		
3. KELA	0	1,658,368	1,658,368	1.17%	1,658,368	0.17%	19.
4. Orion Pension Fund ²	1,350,624	292,699	1,643,323	1.16%	27,305,179	2.74%	4.
5. Jouko Brade and companies	1,157,715	461,645	1,619,360	1.15%	23,615,945	2.37%	6.
Brade Jouko	255,800	29,600			5,145,600		
Brade Oy	726	100			14,620		
Medical Investment Trust Oy	900,000	430,210			18,430,210		
Lamy Oy	1,152	235			23,275		
Helsinki Investment Trust Oy	37	1,000			1,740		
Helsinki Securities Oy	0	100			100		
Töölö Trading Oy	0	100			100		
Botnia Trading Oy	0	300			300		
Ilmarinen Mutual Pension Insurance Company	1,577,440	0	1,577,440	1.12%	31,548,800	3.17%	3.
7. Ylppö Jukka	1,247,136	293,143	1,540,279	1.09%	25,235,863	2.53%	5.
8. Aho Group Oy's controlling votes	1,142,346	2,929	1,145,275	0.81%	22,849,849	2.29%	7.
Helsingin Lääkärikeskus Oy	658,230	4			13,164,604		
Kliinisen Kemian Tutkimussäätiö	105,000	0			2,100,000		
Aho Juhani	335,709	0			6,714,180		
Aho Kari Jussi	21,641	0			432,820		
Porkkala Miia	5,115	0			102,300		
Lappalainen Annakajja	4,944	2,500			101,380		
Aho Antti	7,792	0			155,840		
Aho Ville	3,915	425			78,725		
9. Into Ylppö and controlling votes	776,736	240,200	1,016,936	0.72%	15,774,920	1.58%	9.
Ylppö Into	577,936	240,200			11,798,920		
Ylppö Eeva	106,400	0			2,128,000		
Ylppö Aurora	92,400	0			1,848,000		
10. Saastamoinen Foundation	889,996	0	889,996	0.63%	17,799,920	1.79%	8.
11. Eero Karvonen and companies	546,200	23,409	569,609	0.40%	10,947,409	1.10%	10.
Karvonen Eero	73,170	6,738			1,470,138		
EVK-Capital Oy	473,030	16,671			9,477,271		
12. Laakkonen Yrjö Ilmari	417,000	25,000	442,000	0.31%	8,365,000	0.84%	12.

Maritza Salonen and controlling							
13. votes	432,146	0	432,146	0.31%	8,642,920	0.87%	11.
Salonen Maritza	363,046	0			7,260,920		
Maritza ja Reino Salonen Foundation	69,100	0			1,382,000		
14. Orion-Farmos Research Foundation	132,996	282,514	415,510	0.29%	2,942,434	0.30%	17.
15. Finnish Cultural Foundation	0	405,570	405,570	0.29%	405,570	0.04%	20.
16. Salonen Ilkka	201,865	137,670	339,535	0.24%	4,174,970	0.42%	14.
17. Lenko Hanna-Liisa	160,000	158,000	318,000	0.23%	3,358,000	0.34%	16.
18. Kytälä Arja	309,960	4,740	314,700	0.22%	6,203,940	0.62%	13.
19. Pohjois-Karjalan Kirjapaino	110,000	200,000	310,000	0.22%	2,400,000	0.24%	18.
20. Salonen Seppo	194,497	113,000	307,497	0.22%	4,002,940	0.40%	15.
Twenty largest shareholders, total	15,230,017	4,298,887	19,528,904	13.83%	308,899,227	31.01%	
Nominee-registered	572,773	42,962,027	43,534,800	30.82%	54,417,487	5.5%	
Others	29,190,428	48,589,942	77,780,370	55.1%	632,398,502	63.5%	
Orion's treasury shares ²	0	413,754	413,754	0.3%	413,754	0.0%	
Total	44,993,218	96,264,610	141,257,828	100.0%	996,128,970	100.0%	

¹ The list includes the direct holdings and votes of the Company's major shareholders, corresponding holdings of organisations or foundations controlled by a shareholder in so far as they are known to the issuer, holdings of a pension foundation or pension fund of a shareholder or an organisation controlled by a shareholder, as well as any other holdings the use of which the shareholder, alone or together with a third party, may decide on under a contract or otherwise.

² Not entitled to vote at Orion's General Meetings of the shareholders.

On 26 September 2011 Orion Corporation was notified in accordance with Chapter 2, Section 9 of the Securities Markets Act that through trades on 22 September 2011 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 all Orion Corporation shares. According to the notification, the funds under the management of Capital Research and Management Company had 7,196,174 B shares, which was 5.0944% of the total number of Orion Corporation shares and 0.7135% of the total number of votes.

SHAREHOLDINGS OF THE MEMBERS OF THE BOARD OF DIRECTORS¹

31 December 2011	A shares	Change from 1 Jan 2011	B shares	Change from 1 Jan 2011 ²	A and B total	% of total shares	% of total votes
Hannu Syrjänen, Chairman	10,000	0	6,795	1,804	16,795	0.01	0.02
Matti Kavetuo, Vice chairman	112,500	0	90,320	1,228	202,820	0.14	0.24
Sirpa Jalkanen	0	0	3,146	902	3,146	0.00	0.00
Eero Karvonen	546,200	0	23,409	902	569,609	0.40	1.10
Heikki Westerlund	0	0	1,809	902	1,809	0.00	0.00
Jukka Ylppö	1,247,136	0	293,143	902	1,540,279	1.09	2.53
Board of Directors total	1,915,836	0	418,622	6,640	2,334,458	1.66	3.89

¹ The figures include the shares held by organizations and foundations controlled by the person.

² The B shares received by the Board members in 2011 are part of their annual remuneration for 2011.

SHAREHOLDINGS OF THE MEMBERS OF THE EXECUTIVE MANAGEMENT BOARD¹

31 December 2011	A shares	Change from 1 Jan 2011	B shares	Change from 1 Jan 2011	A and B total	% of total shares	% of total votes
Timo Lappalainen, President and CEO	0	0	33,050	14,000	33,050	0.02	0.00
Satu Ahomäki	0	0	10,276	5,600	10,276	0.01	0.00
Markku Huhta-Koivisto	0	0	21,000	785	21,000	0.01	0.00
Olli Huotari	0	0	10,965	5,250	10,965	0.01	0.00
Liisa Hurme	0	0	11,675	3,955	11,675	0.01	0.00
Jari Karlson	0	0	18,510	5,250	18,510	0.01	0.00
Pekka Konsi	428	0	11,919	5,250	12,347	0.01	0.00
Reijo Salonen	0	0	17,080	8,400	17,080	0.01	0.00
Executive Management Board total²	428	0	134,475	48,490	134,903	0.10	0.01

¹ The figures include the shares held by organizations and foundations controlled by the person.

² Liisa Remes, employee representative in the Executive Management Board, is not included in the public insiders of the Company.