Stock Exchange Release

6 February 2007 at 12.10

Bulletin of Orion Corporation Financial Statements for 1 July – 31 December 2006

This stock exchange release concerns the official Financial Statements and the Report by the Board of Directors for 1 July – 31 December 2006, which was the first financial period of Orion Corporation. The figures have not been audited.

The key performance was as follows:
- Net sales EUR 311.2 million
- Operating profit EUR 90.9 million
- Earnings per share EUR 0.47
- Equity ratio 75.4%
- ROCE 44.1%

The Board proposes a dividend of EUR 1.00 per share.

The information included in this release about the progress of the negotiations on the heart failure drug Simdax (levosimendan) are published also in a separate stock exchange release today, 6 February 2007.

To facilitate the evaluation of the new company's financial performance, Orion publishes separately a proforma review of 2006 based on the post-demerger operational structure. In the proforma review, the figures are compared to those for 2005 based on a corresponding operational structure. The proforma figures have not been audited.

The matters to be handled at the AGM on 2 April 2007 are also provided in a separate stock exchange release published today.

Orion Corporation

Jukka Viinanen
President and CEO

Jari Karlson
CFO

Report by the Board of Directors of Orion Corporation for 1 July – 31 December 2006

On 1 July 2006, the former Orion Corporation demerged into two new companies, Orion Corporation and Oriola-KD Corporation. This Report provides the Financial Statements of the new Orion Group for July-December 2006. As of 2007, the financial period of Orion Corporation will be a calendar year.

Orion Group structure
The parent company of the Orion Group is Orion Corporation. The Group has two businesses and five business divisions:
1) Pharmaceuticals
- Proprietary Products (patented prescription products)
- Specialty Products (off-patent prescription products and self-medication products)
- Animal Health
- Fermion (active pharmaceutical ingredients)

2) Diagnostics
- Orion Diagnostica.

No changes have taken place in the Group structure during the first financial period.

Market overview

A monthly overview of the development of the moving annual total wholesales on the 13 key global pharmaceutical markets is provided by IMS Health. The figures cover the purchases of retail pharmacies from wholesalers and manufacturers and they are reported at constant exchange rates. The leading 5 European markets include Germany, France, Italy, UK and Spain. The leading 3 Latin American markets are Mexico, Brazil and Argentina. In the 12-month period during 11/2005 – 10/2006, the markets developed as follows (the figures have been rounded):

	Sales 11/2005–10/2006 USD billion	**Change on comparative period**	**Share**
North America	208.4	+7%	54%
Europe, leading 5	93.3	+4%	24%
Japan	56.8	+1%	15%
Latin America, leading 3	19.0	+12%	5%
Australia and New Zealand	5.8	+4%	2%
13 key markets total	383.7	+5%	100%

The annual growth rate has continued on a relatively moderate level. The slowest pace has been shown by Japan throughout the year. The largest therapeutic categories by sales are cardiovasculars, CNS and alimentary, whereas the fastest growth has been posted by the cytostatics category, with 13%. Great differences appear between the countries included in the review. The best-selling single drug continued to be Lipitor (atorvastatin), a hypolipidemic, with global sales at over USD 11.7 billion.

In the top 5 European markets, the wholesales of medicines for Parkinson's Disease in the 12-month period to September 2006 were about EUR 730 million, up by 8.1%. In the USA, the sales were USD 974 million and they grew by 21.6%. The exceptionally high growth percentage is explained by the broadened indication of one dopamine agonist to the restless legs syndrome.

According the sales statistics maintained by Finnish Pharmaceutical Data Ltd., the full year 2006 wholesales of pharmaceuticals in Finland were EUR 1 727 million, 0.8% less than in the comparative year. The sales were reduced by the impact of the heavy competition and the cutting of the prices of prescription drugs by 5% at the start of 2006. Orion's contribution to the total was EUR 152.4 million, 10.7% less than in the comparative year. Orion's market share in Finland was 8.8% (9.9%), with which Orion became Finland's market leader.

Events after the review period

On 24 January 2007, the Board of Directors of Orion Corporation decided to change the management organisation of the Orion Diagnostica business division to enhance the role of the Board of Directors of Orion Diagnostica Oy in the management and decision-making of the diagnostics business. The arrangement meant that Mr. Jaakko Rissanen, President of Orion Diagnostica Oy, stepped out from the Executive Management Board of the Orion Group as of 1 February 2007, and that the diagnostics business is represented in the Executive Management Board by Jukka Viinanen, President and CEO of Orion Corporation and Chairman of the Board of Orion Diagnostica Oy.

On 24 January 2007, the Board of Directors of Orion Corporation decided on a new share-based incentive plan for ca. 30 key persons in the Orion Group. The aim of the plan is to encourage them to sustained efforts to increase shareholder value and to strengthen their commitment to the development of the company's operations. The possible incentive is determined on the basis of the growth of Orion's operating profit in the years 2007 – 2009 and separately agreed personal performance objectives. The incentive is granted in the form of the company's B-shares or cash, or both. The number of shares included in the plan shall not exceed 350,000, corresponding to about 0.25% of the total share stock of Orion Corporation. The recipient may not transfer the bonus shares during the first two years after the date of receipt, except for certain special circumstances.

Simdax project update
In a separate stock exchange release published today, 6 February 2007, Orion informs about the situation of the Simdax project as follows:

Orion Corporation and Abbott are continuing negotiations concerning a possible additional Phase 3 clinical study with intravenously administered levosimendan (Simdax), for which Abbott is the license holder under an agreement with Orion. The two companies are also discussing on the sharing of the costs of the possible study. Orion has announced that it considers to contribute by carrying a total of EUR 20 million of the costs during the study provided that the prerequisites for conducting the study are reasonable and acceptable on the basis of the upcoming consultation by Abbott and Orion with the FDA, tentatively agreed to start in March 2007.

Due to the many still open questions concerning the scope and timelines of the possible study, the timings of the study and possible payments as well as the impacts on Orion's cash flows can not be estimated at this stage. Orion emphasises that the realisation of the study and the agreement between Orion and Abbott on the study is uncertain.

Orion will inform about the solution of the matter as soon as it has been reached.

Discussions regarding further registration through the European mutual recognition procedure will be begun by Abbott in the third quarter of 2007.

Net sales and Profit

The Group **net sales** in 1 July – 31 December 2006 were EUR 311.2 million, of which the sales of pharmaceuticals were EUR 292.0 million. No milestone payments are included in the figures. The products based on in-house R&D accounted for EUR 131.0 million, or 45% of the total. The products for Parkinson's Disease, i.e. Stalevo® and Comtess®/Comtan®, contributed EUR 91.0 million, or 31% of the total net sales

The consolidated **operating profit** was EUR 90.9 million, of which the Pharmaceuticals business accounted for of EUR 84.6 million and the Diagnostics business for EUR 2.1 million. The consolidated figure includes EUR 9.8 million in capital gain from the sale of rental apartment buildings in August, recorded under other operating income. In the table "Operating profit by business segments" the item is included in the Group items.

The operating expenses were EUR 126.7 million. The biggest item was the selling and marketing expenses, EUR 63.2 million. In addition to the costs of sales and marketing they include the costs of distribution and logistics, as well as the related salaries and other personnel expenses

The Group's R&D expenditure was EUR 43.1 million, representing 13.8% of the Group net sales.

Group profit before taxes was EUR 91.4 million and earnings per share were EUR 0.47. Equity per share was EUR 3.14. Group ROCE before taxes was 44.1% and ROE after taxes was 32.5%.

Balance Sheet and financial position

The Group's gearing was -22.6%. Equity ratio was 75.4%. Total liabilities in the Balance Sheet of 31 December 2006 came to EUR 144.6 million, of which interest-bearing liabilities accounted for EUR 9.8 million. The cash and cash equivalents accounted for EUR 110.0 million. The cash reserves are invested in short-term interest instruments.

Cash flows

The cash flows from operations were EUR 81.6 million, and they comprised mainly operating profit and taxes paid. The working capital decreased by EUR 22.5 million during the period. The net cash used in investing activities was EUR 0.0 million, due to the impact of earnings from the divestment of rental apartment buildings in August.

Capital expenditure

The capital expenditure of the Group came to EUR 13.4 million, of which machinery and equipment accounted for EUR 9.3 million. No major single investment activities are being undertaken.

Research and development

Group R&D expenditure was EUR 43.1 million for the review period. The Pharmaceuticals business accounted for EUR 40.6 million, representing 13.9% of the pharmaceutical net sales.

The largest ongoing study, **STRIDE-PD**, is a major Phase 3 study on Parkinson's Disease, seeking to investigate if Stalevo medication can delay the onset of motor complications, i.e. dyskinesias. In the study, Stalevo is compared with conventional levodopa/carbidopa medication. The study, under way since late 2004, is being carried out in collaboration with Novartis in 14 countries. It involves altogether 740 patients, each being treated at least two years. Results are anticipated in the first half of 2008.

The results presented at the turn of October-November from a Phase 4 study made in four Asian Pacific countries demonstrate for their part that early started treatment with Stalevo significantly improves quality of life in patients with Parkinson's Disease when compared to traditional levodopa therapy.

The research programme for the development of a more efficient **COMT inhibitor** than entacapone has progressed to clinical Phase 1 at the turn of the year.

The clinical Phase 3 is being started with **dexmedetomidine** (Precedex®) as a long-term infusion for the sedation of patients in intensive care, with an objective to have the product registered in the EU. The product is already available in the USA and Japan as a sedative for patients in intensive care, administrable for up to 24 hours.

In December 2006, Orion received a New Animal Drug Approval (NADA) for **Dexdomitor**® (dexmedetomidine), a new-generation sedative for small animals.

Orion Corporation and Abbott are continuing negotiations concerning a possible additional Phase 3 clinical study with intravenously administered **levosimendan** (Simdax), for which Abbott is the license holder under

an agreement with Orion. The two companies are also discussing on the sharing of the costs of the possible study. Orion has announced that it considers to contribute by carrying a total of EUR 20 million of the costs during the study provided that the prerequisites for conducting the study are reasonable and acceptable on the basis of the upcoming consultation by Abbott and Orion with the FDA, tentatively agreed to start in March 2007.

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The **CLEVET** programme, which is studying the efficacy of levosimendan in the treatment of heart diseases in dogs, is being taken to the last research phase with an aim to receive marketing authorisations.

The results received in the summer 2006 of the Persist study have led to a decision not to continue the research programme in orally administered levosimendan.

In early research phases, Orion is investigating molecules affecting alpha 2 receptors in the central nervous system, and selective androgen receptor modulators (SARM), among others.

Outlook for 2007 (proforma)

Net sales will grow somewhat from those of 2006. Sales of pharmaceuticals via Orion's own marketing organisation are anticipated to start showing moderate growth in Finland and to go on showing growth in the markets outside Finland. In-market sales of the entacapone product franchise will continue showing steady, although slower growth than in the previous years. Deliveries to Novartis are anticipated to be at the same level as in 2006, in which they increased considerably, partly because of higher reserve stockpile levels of Novartis.

Operating profit, one-off earnings excluded, is estimated to grow somewhat from 2006, despite increased investments in marketing and pharmaceutical research. Marketing expenses will grow especially due to investments in product launches by Orion's own European marketing units outside Finland. The higher R&D expenditure is mainly caused by the new clinical research programmes being started in 2007.

Research and development expenditure will be about EUR 95 million, of which pharmaceutical R&D will account for about EUR 90 million. **Capital expenditure** will be about EUR 35 million.

Personnel

The average number of personnel in the Group was 3,069 in the review period. At the end of 2006, the total number of employees was 3,061. The total wages and salaries paid in the review period were EUR 62.4 million.

Corporate Governance

In its governance, Orion follows the Corporate Governance Recommendation for companies listed on the Helsinki Stock Exchange, with the exception that the Nomination Committee can be composed of also other persons than members of the Board.

The Insider Guidelines of Orion Corporation are in compliance with the insider guidelines issued by the Helsinki Stock Exchange in 2005.

A full description of the corporate governance of Orion is provided on the Group's homepage for investors, www.orion.fi/investors. The essentials are also provided in the printed version of the Financial Statements 2006.

General Meetings of the Shareholders

No general meetings of the shareholders of the new Orion Corporation have taken place during the financial period 1 July –31 December 2006.

Board of Directors

The composition of the Board of Directors of Orion Corporation is as follows:

Matti Kavetvuo (Chairman)
Heikki Vapaatalo (Vice Chairman)
Eero Karvonen
Leena Palotie
Vesa Puttonen.

Erkki Etola, who was elected to the Boards of both the demerged Orion and the new Orion by the AGM of the demerged Orion held on 21 March 2006, resigned from the two Boards and their compensation committees on 22 May 2006. On 6 June 2006, Professor Heikki Vapaatalo was elected new Vice Chairman of the Board of Directors.

The Audit Committee comprises Vesa Puttonen as Chairman and Eero Karvonen and Heikki Vapaatalo as members. The Compensation Committee is chaired by Matti Kavetvuo, with Leena Palotie and Vesa Puttonen as members. The R&D Committee comprises Leena Palotie, Chairman, with Eero Karvonen and Heikki Vapaatalo as members. The Nomination Committee comprises Timo Maasilta as Chairman, and Kari Jussi Aho, Harry Brade, Erkki Etola, Petteri Karttunen, Matti Kavetvuo, Risto Murto and Seppo Salonen as members.

In the autumn of 2006, the Board of Directors conducted a self-evaluation in accordance with the Corporate Governance Recommendation.

The fees confirmed for the term of the Board that started on 1 July 2006 are as follows: Chairman EUR 48,600, Vice Chairman EUR 34,200, other members EUR 24,300 each. The exceptional duration of the term of office has been taken into account in the fee which corresponds to three quarters of a fee for a full-year term. The fee for the period was paid on 31 July 2006.

As a fee for each meeting attended, the Chairman receives EUR 1,200, the Vice Chairman receives EUR 900 and the other members EUR 600 each. Respectively, the same fees are paid to the Chairmen and to the members of the committees established by the Board, for each committee meeting attended. The Chairman of the Board has a telephone as a fringe benefit, and the travel expenses of all Board members are paid in accordance with the travel policy of the Company.

In July – December 2006, the Board held 9 meetings, 2 of which were teleconferences. The average attendance of the members was about 93.3%.

Committee meetings were held as follows:

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

Auditor

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

Executive Management Board

The President and CEO of Orion Corporation is Mr. Jukka Viinanen.

As of 1 February 2007, the Executive Management Board of the Group is composed of the following executives and their respective responsibility areas:

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

Until the end of 2006, the employees were represented in the Management Board by Olli Piironen, Project Manager. As of the start of 2007, their representative is Liisa Remes, Research Assistant. Jaakko Rissanen, President of Orion Diagnostica Oy, was a member of the Management Board until 31 January 2007. Reijo Salonen and Pekka Konsi joined the Management Board as of 1 November 2006. Dr. Esa Heinonen was a member until 31 October 2006.

The Senior Vice Presidents and Jaakko Rissanen report to Jukka Viinanen, President and CEO.

Share capital and ownership base

The share capital of Orion Corporation is EUR 92,238,541.46. The total number of shares is 141,257,828 shares consisting of 55,554,240 Class A shares and 85,703,588 Class B shares, after the conversion registered on 7 December 2006. The counter book value of each share is approximately EUR 0.65. At General Meetings of Shareholders, each Class A share provides 20 (twenty) votes and each Class B share one (1) vote. Both share classes provide equal rights to the company's assets and dividends. On the basis of the Articles of Association, a shareholder can demand conversion of his/her Class A shares into Class B shares. In July – December 2006, a total of 843,300 Class A shares were converted into Class B shares.
In early 2007, conversions of 293,000 A-shares have taken place, after which the present number of Class A shares is 55,261,240 and that of Class B shares 85,996,588.

At the end of December 2006, Orion had altogether 38,622 shareholders, of which 36,260 or 94.0% were private individuals. Their holdings accounted for about 48.3% of the total number of shares and 57.0% of the total votes. The number of nominee-registered shares was 32.3 million, representing 22.3% of the total shares and 7.0% of the total votes. The company has no treasury shares.

At the end of 2006, the members of the Board of Directors, the President as well as the members of the Executive Management Board owned altogether 750,449 shares in Orion Corporation, representing 0.5 % of the total share stock and 12,011,198 votes, or 1.0 % of the total votes. Their holdings include also those held by under-aged children and organisations or foundations of which the person has control.

No transactions exceeding the flagging limits set in the Finnish Securities Market Act have been brought to the attention of the company.

Trading in Orion Corporation A and B shares started on the main list of the Helsinki Stock Exchange on 3 July 2006. Facts about the shares as well as trading in the first three months of are presented in the Tables section.

Authorisations of the Board of Directors

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

Management incentive systems

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

On 24 January 2007, the Board of Directors of Orion Corporation decided on a new share-based incentive plan for ca. 30 key persons in the Orion Group. The aim of the plan is to encourage them to sustained efforts to increase shareholder value and to strengthen their commitment to the development of the company's operations. The possible incentive is determined on the basis of the growth of Orion's operating profit in the years 2007 – 2009 and separately agreed personal performance objectives. The incentive is granted in the form of the company's B-shares or cash, or both. The number of shares included in the plan shall not exceed 350,000, corresponding to about 0.25% of the total share stock of Orion Corporation. The recipient may not transfer the bonus shares during the first two years after the date of receipt, except for certain special circumstances.

Insiders of Orion Corporation

Orion Corporation follows the insider guidelines issued by the Helsinki Stock Exchange. The Group's permanent insiders comprise the insiders with the duty to declare their holdings in Orion in the company's public insider register and other persons defined by the company as permanent company-specific insiders. The insiders with the duty to declare comprise the members of the Board of Directors, the members of the Executive Management Board as well as the Designated Auditor and the Deputy Auditor. The company's own insider register consists of persons defined by the company as permanent company-specific insiders of the Group.

At the end of 2006, the members of the Board of Directors, the President and the members of the Executive Management Board owned altogether 801 903 shares in Orion Corporation, representing 0.6% of the total share stock and 13,349,503 votes or 1.2% of the total votes. The holdings include also those held by under-aged children and organisations or foundations of which the person has control.

Up-to-date information about the holdings in Orion of the insiders with a duty to declare, as well as changes in their holdings, is provided on Orion's website for investors, www.orion.fi/investors, via a link to the NetSIRE database maintained by the Finnish Central Securities Depository.

Risk management

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

The definition of overall risk management processes, practical actions as well as responsibilities are developed by means of regular risk identification approaches covering the following areas:

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

In this chapter, the focus is on the strategic risks, research and product development risks and operational risks. The financial risks are specified in the notes to the financial statements.

Strategic risks

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

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

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

Research and product development risks

The development of proprietary drugs is associated with many factors of uncertainty. The major reasons to discontinue a development project are those related to the efficacy and safety of the drug candidate. The pharmacological properties, and the efficacy and safety of an investigational drug are studied in research projects that progress phase by phase, and clinical trials with humans can only be conducted with the permission of regulatory drug authorities. The pharmacology and safety of a drug candidate is studied on a broad scale with preclinical laboratory models, and its tolerability and adverse effects are closely followed throughout all the phases of the development project. At Orion, the decisions to progress from one research phase to the next are made by the Board of Directors if the project is a major one, and by the executive management in minor projects. The decisions are based on a comprehensive analysis of the research results accumulated, and also considering the prevailing market situation. For the marketing authorisation application and the summary of product characteristics (SPC), all phases and results of the research are carefully documented for regulatory approval. Based on statutory requirements, the eventual adverse effects of a drug continue to be followed also after the product has been launched.
The financial risks grow as the project progresses towards clinical trials in humans. The most expensive step is Phase 3 involving hundreds or thousands of patients in multinational double-blind studies to collect as reliable evidence on the efficacy and safety of the drug as possible. As a rule, Orion shares the immense financial risks of Phase 3 trials by conducting them together with another pharmaceuticals company which will also be a marketing partner for the drug at a later stage.

Risks related to competing generic drugs
A characteristic feature of the pharmaceutical industry is that manufacturers of generic drugs seek to bring their own medicines, which are generally cheaper than the original manufacturer's products, to market at the earliest possible stage. This can be done, for example, by trying to use the courts to circumvent the original manufacturer's patents or other intellectual property rights well before they are due to expire. These actions can result in high litigation and other expenses for an originator and may lead to significant losses in sales if the manufacturer of generic drugs obtains a marketing authorisation to sell its own products. In developing its products Orion endeavours to protect them efficiently and over a wide area, whilst defending the rights of its products diligently both by itself and together with its marketing partners.

Downward pressure on the prices of pharmaceuticals
Downward pressure on the prices of pharmaceuticals is caused not only by normal price competition but by a number of factors that are as a rule brought about by national governments and decisions of the authorities as each nation seeks to curb mounting drug costs. Among these factors are generic substitution and changes that are taking place in rules concerning it as well as cuts in drug prices and reimbursement. Another factor that is depressing prices is parallel imports in the EU area. Orion seeks to respond to these factors by maintaining a sufficiently versatile product range, continuously boosting cost-effectiveness and correctly channelling its development and sales resources.

Operational risks

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

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

Risks associated with pharmaceutical production
Pharmaceuticals must be safe and efficient and they must meet the highest quality standards. Owing to these statutory requirements alone, pharmaceutical production must pay close attention to various safety and quality risks. The appropriate quality of pharmaceuticals is ensured through systematic overall management of operations, covering all factors with direct or indirect quality impact. The operations are steered with comprehensive instructions and sufficient control of materials and preparations both before, during and after the production phases. Pharmaceutical manufacturing is subject to regular inspections by the authorities.

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

Product liability risks
The launch of a new drug on the market calls for extensive phase-by-phase trials that delineate the drug's pharmacological properties, efficacy and safety. Starting the sales and marketing of a drug calls for marketing authorisation by the relevant drug authorities. The adverse effects of a pharmaceutical are subject to monitoring stipulated by the authorities also after it comes out on the market. By means of the above-described trials and pharmaceutical production methods, Orion seeks to ensure in advance that its products do not involve any such adverse effects as might lead to a liability to pay compensation for claims against the products or that a major product might have to be withdrawn from the market.

Risks of damage
On top of normal statutory insurance, Orion has property, business interruption and third party liability insurance to cover such risks of damage as are deemed to be material and limitable through insurance.

Corporate safety risks
Orion's Corporate Governance Manual includes the corporate safety instructions. The objective of Orion's corporate security is to ensure the uninterrupted continuation of the Group's operations, the safety of people, the protection of property and environment against damage as well as the sufficiency of the measures related to information security. The Guidelines provide the principles applied in corporate security activities, also incorporating crisis management. Orion's information security objectives, as well as the most essential codes of conduct and responsibilities are defined in a specific information security policy.

Environmental risks
The guidelines concerning environmental safety contain detailed information about the procedures and responsibilities. Dedicated persons have been appointed for the development and monitoring of environmental management issues within the Group. Environmental impacts are followed through emission measurements, waste quantity controls and statistics on the use of various substances. The implementation of environmental protection is monitored through internal audits performed annually. The company has the environmental permits required for its operations.

Financial objectives

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

Dividend policy

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

Proposal for the distribution of profits

The distributable equity of the parent company amounts to EUR 183,389,351.93, of which the profit for the financial year accounts for EUR 73,044,309.29.

The Board of Directors proposes the AGM that a dividend of EUR 1.00 per share be distributed on the 141.3 million shares, total EUR 141.3 million. The payout ratio for the financial period would be 212.8 %. The dividend is paid on 16 April 2007 to the shareholders being recorded in the company's shareholder register on 5 April 2007.

The Board also proposes that EUR 100,000.00 be donated to medical research and other non-profit purposes according to a separate decision by the Board of Directors, and that EUR 42,031,523.93 be retained on the profit and loss account.

Espoo, 6 February 2007

Board of Directors of Orion Corporation

TABLES

GROUP INCOME STATEMENT

EUR million	10-12/2006	7-12/2006
Net sales	162.2	311.2
Cost of goods sold	-54.5	-105.2
Gross profit	107.7	205.9
Other operating income	1.0	11.6
Selling and marketing expenses	-35.7	-63.2
Research and development expenses	-24.2	-43.1
Administrative expenses	-12.3	-20.4
Operating profit	36.6	90.9
Financial income	1.1	1.8
Financial expenses	-0.6	-1.2
Profit before taxes	37.1	91.4
Income tax expense	-10.8	-24.8
Profit for the period	26.3	66.6
of which attributable to:		
Parent company shareholders	26.3	66.6
Minority	0.0	0.0
Earnings per share, EUR	0.18	0.47
Depreciation and amortisation	8.6	17.2
Employee benefit expenses	42.1	73.3

GROUP BALANCE SHEET:
ASSETS

EUR million	**12/2006**
Non-current assets	
Property, plant and equipment	187.1
Goodwill	13.5
Other intangible assets	21.9
Investments in associates	0.1
Available-for-sale investments	1.0
Pension asset	52.7
Deferred tax assets	1.4
Other non-current receivables	3.8
Non-current assets total	281.4
Current assets	
Inventories	107.2
Trade receivables	75.0
Other receivables	14.4
Cash and cash equivalents	110.0
Current assets total	306.6
Assets total	588.1

BALANCE SHEET:
EQUITY AND LIABILITIES

EUR million	**12/2006**
Equity	
Share capital	92.2
Share premium	17.8
Expendable fund	23.0
Other reserves	0.5
Retained earnings	309.9
Equity of the parent company shareholders	443.5
Minority interest	0.0
Equity total	443.5
Non-current liabilities	
Deferred tax liabilities	51.5
Pension liability	0.9
Provisions	0.6
Interest-bearing non-current liabilities	7.5
Other non-current liabilities	1.8
Non-current liabilities total	62.3
Current liabilities	
Trade payables	29.2
Other current liabilities	49.9
Provisions	0.9
Interest-bearing current liabilities	2.3
Current liabilities total	82.3
EQUITY AND LIABILITIES TOTAL	588.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN 7-12/2006

EUR million	Share capital	Share premium	Expendable fund	Other reserves	Change in translation differences	Retained earnings	Equity of the parent company share-holders	Minority interest	Total
Equity 1 July 2006	**92.2**	**17.8**	**23.0**	**0.5**	**-3.5**	**246.8**	**376.8**	**0.0**	**376.8**
Change in translation differences	-	-	-	-	0.1	-	0.1	-	0.1
Profit for the period	-	-	-	-	-	66.6	66.6	-0.0	66.6
Recognised income and expenses total	**-**	**-**	**-**	**-**	**0.1**	**66.6**	**66.7**	**-0.0**	**66.7**
Other changes	-	-	-	-0.0	-	-	-0.0	-0.0	-0.0
Equity 31 Dec. 2006	**92.2**	**17.8**	**23.0**	**0.5**	**-3.4**	**313.3**	**443.5**	**0.0**	**443.5**

CASH FLOW STATEMENT

EUR million	**7-12/2006**
Cash flow from operating activities	
Operating profit	90.9
Adjustments	4.3
Change in working capital	22.5
Interest paid	-1.5
Interest received	1.7
Income taxes paid	-36.3
Net cash from operating activities	81.6
Cash flow from investing activities	
Purchases of property, plant and equipment and intangible assets	-12.3
Proceeds from sale of property, plant and equipment, intangible assets and available-for-sale investments	12.3
Net cash used in investing activities	0.0
Cash flow from financing activities	
Change in short-term loans	-1.0
Change in long-term loans	-0.4
Dividends paid to parent company and minority shareholders	0.0
Net cash used in financing activities	-1.4
Net change in cash and cash equivalents	80.2
Cash and cash equivalents at the beginning of the period	29.8
Foreign exchange adjustments	0.0
Net change in cash and cash equivalents	80.2
Cash and cash equivalents at the end of the period	110.0

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	7-12/2006
Carrying amount at the beginning of the period	191.2
Additions	10.5
Disposals	-1.9
Depreciation	-12.7
Carrying amount at the end of the period	187.1

CONTINGENT LIABILITIES

EUR million	12/2006
Contingent for own liabilities:	
Mortgages on land and buildings	25.5
of which those on behalf of the Orion Pension Fund	9.0
Guarantees	1.8
Leasing liabilities (excl. finance leasing contracts)	5.2
Other liabilities	0.3
Currency forward contracts:	
- fair value	0.3
- nominal value	58.5

Legal proceedings and claims

In November 2005, a failure was detected in the methotrexate manufacturing equipment at the Oulu plant of Fermion Oy. As a result of the failure, certain commercial batches had been contaminated with small amounts of water containing ethylene-glycol. The competent authorities as well as customers who had received methotrexate batches containing ethylene-glycol water were informed of the incident. The incident led to recalls of certain defective methotrexate products as well as claims for damages related to the defective methotrexate batches. The net costs covered by Orion Corporation itself came to EUR 2.3 million, consisting of the deductible and invoiced materials and costs not covered by the liability insurance. No additional costs are anticipated by the company from the incident.

RELATED-PARTY TRANSACTIONS

EUR million	7-12/2006
Management benefits	1.3
Non-current liabilities to the pension fund at the end of the period	6.0

NET SALES BY BUSINESS SEGMENTS

EUR million	**10-12/2006**	**7-12/2006**
Pharmaceuticals	152.1	292.0
Diagnostics	10.4	19.9
Group items	-0.4	-0.7
Group total	162.2	311.2

OPERATING PROFIT BY BUSINESS SEGMENTS

EUR million	**10-12/2006**	**7-12/2006**
Pharmaceuticals	39.5	84.6
Diagnostics	0.6	2.1
Group items	-3.5	4.2
Group total	36.6	90.9

REVIEW BY ANNUAL QUARTERS

Net sales by business segments by annual quarters

EUR million	**7-9/2006**	**10-12/2006**
Pharmaceuticals	139.9	152.1
Diagnostics	9.5	10.4
Group items	-0.4	-0.4
Group total	149.0	162.2

Operating profit by business segments by annual quarters

EUR million	**7-9/2006**	**10-12/2006**
Pharmaceuticals	45.1	39.5
Diagnostics	1.5	0.6
Group items	7.7	-3.5
Group total	54.3	36.6

Net sales by geographic segments by annual quarters

EUR million	**7-9/2006**	**10-12/2006**
Finland	45.2	49.0
Scandinavia	21.2	23.4
Other Europe	52.8	58.4
North America	20.1	22.0
Other markets	9.7	9.4
Group total	149.0	162.2

KEY FIGURES OF THE ORION GROUP

EUR million and %	**7-12/ 2006**
NET SALES AND PROFIT	
Net sales	311,2
International operations	217,0
% of net sales	69,7%
Depreciation and amortisation	17,2
Operating profit	90,9
% of net sales	29,2%
Financial income and expenses	0,5
% of net sales	0,2%
Profit before taxes	91,4
% of net sales	29,4%
Income taxes	24,8
Profit available for parent company shareholders	66,6
Earnings per share, EUR	0.47
Return on capital employed (ROCE)	44,1%
Return on equity (ROE)	32,5%
BALANCE SHEET	
Non-current assets	281,4
Current assets	306,6
Equity of the parent company shareholders	443,5
Minority interest	0,0
Non-current provisions	0,6
Liabilities total	144,6
Interest-bearing liabilities	9,8
Non-interest-bearing liabilities	134,8
Total assets	588,1
Equity ratio	75,4%
Gearing	-22,6%
CAPITAL EXPENDITURE	
Capital expenditure	13,4
% of net sales	4,3%
RESEARCH AND DEVELOPMENT EXPENDITURE	
Research and development expenditure	43,1
% of net sales	13,8%
PERSONNEL	
Wages and salaries	62,4
Average number of employees	3 069

FACTS ABOUT ORION CORPORATION SHARES as on 31 December 2006

	Class A		Class B		A and B total	
Share capital	36.3	MEUR	55.9	MEUR	92.2	MEUR
Total number of shares	55 554 240	pcs	85 703 588	pcs	141 257 828	pcs
Minimum share capital					50	MEUR
Maximum share capital					2 000	MEUR
Share of total share stock	39	%	61	%	100.0	%
Counter book value of share	about 0.65	EUR	about 0.65	EUR		
Votes per share	20	votes	1	vote		
Trading code on the Helsinki Stock Exchange	ORNAV		ORNBV			

Both share classes provide equal rights to the company assets and dividends.

TRADING IN ORION CORPORATION SHARES 1 July – 31 December 2006

	Class A		Class B		A and B total	
Total number of shares traded	1 651 018	pcs	37 250 954	pcs	38 901 972	pcs
Share of total stock	2.9	%	43.8	%	27.5	%
Lowest quotation	11.45	EUR	11.51	EUR		
Highest quotation	16.44	EUR	16.53	EUR		
Closing quotation on 3 July 2006	13.35	EUR	13.90	EUR		
Closing quotation on 29 Dec. 2006	16.42	EUR	16.45	EUR		
Market capitalisation on 31 Dec. 2006	912.2	MEUR	1 409.8	MEUR	2 322.0	MEUR

PERFORMANCE PER SHARE

	7-12/2006	
Earnings per share	0.47	EUR
Equity per share	3.14	EUR
Dividend per share *)	1.00	EUR
Payout ratio *)	212.8	%
Total dividends*)	141.3	MEUR
Dividend yield *) A-share	6.1	%
Dividend yield *) B-share	6.1	%
P/E ratio, A-share	34.94	
P/E ratio, B-share	35.00	
Average number of shares	141 258	1 000 pcs

*) Proposed

OWNERSHIP BASE

Shareholders by type of owner and by share classes

31 December 2006	A-shares			B-shares		
	Share-holders	% of share-holders	% of shares	Share-holders	% of share-holders	% of shares
Individuals	12 892	95.2	58.2	29 096	93.8	41.8
Corporations and partnerships						
Government and municipal corporations	0	0	0	0	0	0
Private corporations and partnerships	399	2.9	13.5	1 183	3.8	5.0
Housing associations	4	0	0	5	0	0
Banks and insurance companies	29	0.2	1.6	73	0.2	4.7
Public entities	13	0.1	14.8	47	0.2	7.5
Associations and foundations	153	1.1	7.8	500	1.6	5.8
Foreign shareholders	49	0.4	0.9	121	0.4	0.3
Total	13 539	100.0	96.7	31 025	100.0	65.2
Nominee registrations			3.1			34.7
Shares not transferred to the book-entry system or not subscribed to			0.1			0.1
			100.0			100.0

Shareholders by type of owner, classes A and B total

31 December 2006	A and B total		
	Share-holders	% of share-holders	% of shares
Individuals	36 260	94.0	48.3
Corporations and partnerships			
Government and municipal corporations	0	0	0
Private corporations and partnerships	1 477	3.8	8.4
Housing associations	6	0	0
Banks and insurance companies	82	0.2	3.5
Public entities	50	0.1	10.4
Associations and foundations	579	1.5	6.6
Foreign shareholders	130	0.3	0.5
Total	38 584	100.0	77.6
Nominee registrations			22.3
Shares not transferred to the book-entry system or not subscribed to			0.1
			100.0

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