



Corporate Governance Statement of the Orion Group

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 2008 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.

Management system

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 management of the whole Group takes place at the Group level. The follow-

ing are examples of management of the whole Group at the Group level:

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

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

Group level

Parent company Orion Corporation

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

Board of Directors of parent company

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

The Board of Directors has an **Audit Committee**, a **Remuneration Committee**

Composition of the Board of Directors and Board committees as of 23 March 2009

	Board of Directors ¹⁾	Audit Committee	Remuneration Committee	R&D Committee
Matti Kavetvuo	Chairman		Chairman	Member
Jukka Ylppö	Vice Chairman	Member		Member
Sirpa Jalkanen ²⁾	Member			Member
Eero Karvonen	Member	Member		Member
Leena Palotie	Member			Chairwoman
Vesa Puttonen	Member	Chairman	Member	
Hannu Syrjänen	Member		Member	

¹⁾ All Board members are independent of the Company in the manner described in the Finnish Corporate Governance Code.

²⁾ New member as of 23 March 2009





Orion's management practices and culture are based on compliance with laws and regulations issued thereunder, as well as with ethically acceptable operating practices

and an **R&D Committee**. The members of the committees are elected from the Board members by the Board of Directors. The designated auditor of the Company's auditor also attends the meetings of the Audit Committee. The committees prepare matters belonging to their sphere of responsibility and make proposals on these matters to the Board of Directors.

In addition to the committees composed of Board members, the Company has a **Nomination Committee** which can also include persons other than members of the Board.

President and CEO of the parent company
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.

The President and CEO of the parent company manages the Group's business operations via the Business Divisions. Accordingly, the executives responsible for the Business Divisions report to the President

and CEO. The President and CEO carries out the steering and supervision of the operations of the divisions with the assistance of the Executive Management Board and the Group-level staff functions.

Executive Management Board

The Executive Management Board includes the President and CEO as Chairman, and other persons appointed by the Board of Directors of the parent company as members. The Executive Management Board assists the President and CEO in decision-making.

The Executive Management Board handles all important issues relating to the whole Group and its units, including all the matters of the Business Divisions or line functions that are to be handled by the Board of Directors of the parent company. However, the President and CEO can, if considered appropriate, decide not to take a matter to the Executive Management Board.

Staff functions

The Group-level staff functions participate in the steering and supervision of the operations of the units belonging to the Group as part of the management and control system. In this task they assist the President and CEO in the management of the Group.

The staff functions are in charge of, among other things, the following Group-level functions: finance, treasury, investor relations, human resources, legal affairs and intellectual property rights, communications, internal audit, and insider affairs.

Business Divisions and line functions

Business Divisions

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

Line functions

The line functions provide function-specific support and services to all Business Divisions within the Group. The responsibilities of the line functions include:

- sales and marketing
- supply chain
- research and development
- business support

Administration of legal entities

From the point of view of business operations, the Group subsidiaries operate in accordance with the Group's management system. In matters that are not directly subject to any Business Division or line

Composition of the Nomination Committee as of 21 September 2009

Timo Maasilta, Chairman
Kari Jussi Aho
Matti Kavetvuo
Timo Ritakallio
Jukka Ylppö

Composition of the Executive Management Board as of 1 January 2008

Timo Lappalainen	President and CEO, Chairman of the Executive Management Board ¹⁾
Satu Ahomäki	Senior Vice President, Animal Health
Markku Huhta-Koivisto	Senior Vice President, Specialty Products and Fermion
Olli Huotari	Senior Vice President, Corporate Functions
Liisa Hurme	Senior Vice President, Proprietary Products
Pekka Kaivola	Senior Vice President, Global Sales
Jari Karlson	Chief Financial Officer
Pekka Konsi	Senior Vice President, Supply Chain
Reijo Salonen	Senior Vice President, Research and Development
Riitta Vartiainen	Senior Vice President, Business Development and Support
Liisa Remes	Employee Representative

¹⁾ Also representing Orion Diagnostica in the Executive Management Board



Remunerations¹⁾ paid to the members of the Board of Directors in 2009

	Total remuneration, EUR	Portion paid in B shares, No. of shares
Matti Kavetvuo, Chairman	103,080	2,674
Jukka Ylppö, Vice Chairman	69,100	1,820
Sirpa Jalkanen	43,200	1,337
Eero Karvonen	48,600	1,337
Leena Palotie	45,000	1,337
Vesa Puttonen	54,000	1,337
Hannu Syrjänen	48,500	1,337
Board of Directors total	411,580	11,179

¹⁾ The figures comprise the remunerations for the Board meetings and the Committee meetings, including fringe benefits.



Corporate risk management is described in more detail on pages 63–65.

function, the subsidiaries operate in accordance with instructions by the President and CEO of the parent company.

Control systems

Internal control principles

Management practices and management culture

The Board of Directors of Orion has defined the Company's principles for internal control in the Company. Management practices and management culture are based on compliance with the law and the Articles of Association, and with Orion's values and ethical business practices. Internal control is part of normal steering and management of operations, as described in the management system, and it is supported by risk management, the audit and internal audit-

ing. The aim of internal control is to ensure that operations are efficient and profitable, operational risks are adequately managed, laws and regulations are complied with and information is reliable. It is based on clear setting and monitoring of objectives, and effective and pragmatic risk management. In practice, the management of each subunit is responsible for its internal control, and each business unit or function organises internal control in its own unit or organisation in accordance with the principles in the policies and guidelines set at Group level. Key guidelines are included in the Group's Corporate Governance Manual.

Risk management

Risk management constitutes a significant part of Orion Group's corporate govern-

ance 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

Shareholdings¹⁾ of the members of the Board of Directors on 31 December 2009

	A shares	Change since 1 Jan 2009	B shares	Change since 1 Jan 2009 ²⁾	A and B total	% of total shares	% of total votes
Matti Kavetvuo, Chairman	110,596	0	87,858	2,674	198,454	0.1%	0.2%
Jukka Ylppö, Vice Chairman	1,247,136	0	291,334	1,820	1,538,470	1.1%	2.3%
Sirpa Jalkanen	0	0	1,337	1,337	1,337	0.0%	0.0%
Eero Karvonen	546,200	0	21,600	1,337	567,800	0.4%	1.0%
Leena Palotie	0	0	5,600	1,337	5,600	0.0%	0.0%
Vesa Puttonen	0	0	7,600	1,337	7,600	0.0%	0.0%
Hannu Syrjänen	0	0	3,177	1,337	3,117	0.0%	0.0%
Board of Directors total	1,903,932	0	418,506	11,179	2,322,438	1.6%	3.5%

¹⁾ Shareholdings of organisations or foundations controlled by the person are also included.

²⁾ The increased holdings of B shares in 2009 have been received by the Board members as a proportion of their annual remuneration.



Orion's effective and uniform processes are based on the Company's extensive enterprise planning system

Shareholdings¹⁾ of the Executive Management Board on 31 December 2009

	A shares	Change since 1 Jan 2009	B shares	Change since 1 Jan 2009 ²⁾	A and B total	% of total shares	% of total votes
Timo Lappalainen, President and CEO	0	0	11,950	4,400	11,950	0.0%	0.0%
Satu Ahomäki	0	0	1,963	1,250	1,963	0.0%	0.0%
Markku Huhta-Koivisto	0	0	23,110	2,860	23,110	0.0%	0.0%
Olli Huotari	0	0	2,940	1,740	2,940	0.0%	0.0%
Liisa Hurme	0	0	3,045	2,520	3,045	0.0%	0.0%
Pekka Kaivola	764	0	11,535	2,860	12,299	0.0%	0.0%
Jari Karlson	0	0	8,760	2,860	8,760	0.0%	0.0%
Pekka Kosi	428	0	4,504	1,240	4,932	0.0%	0.0%
Reijo Salonen	0	0	4,380	2,680	4,380	0.0%	0.0%
Riitta Vartiainen	36	0	5,268	1,405	5,304	0.0%	0.0%
Executive Management Board total²⁾	1,228	0	77,455	23,815	78,683	0.1%	0.0%

¹⁾ Shareholdings of organisations or foundations controlled by the person are also included.

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

Operational risk management also includes project-specific risk management.

Control measures

For financial steering and reporting, the Group has a reporting system intended to provide the management sufficient and timely information to plan and manage the operations. Orion has Group-wide guidelines and supporting policies for financial steering and harmonising practices. The guidelines and the Company's extensive enterprise resource planning system ensure uniformity in processes. The Group's finance department handles financing, Group accounting and tax affairs centrally. In addition, finance personnel in subsidiaries, and the centralised Controller function ensure uniform practices in every country and business area.

Reporting and communications

Orion's efficient and uniform processes are based on the integrated enterprise resource planning system. For steering of operations, monthly financial reports are produced presenting actual results achieved, a comparison of actual results with targets, and a forecast of future development. Orion also uses numerous indicators in target setting and follow-up

in various functions to aid supervision and steering of operations in accordance with the objectives set.

Follow-up and auditing

The Audit Committee of the Board of Directors evaluates the effectiveness of the Company's internal control and is responsible for evaluating the effectiveness of the internal reporting process. The external audit of the Group companies is carried out in accordance with the applicable laws and the Articles of Association. The objective of the statutory audit is to verify that the financial statements and the report of the Board of Directors give a fair and adequate presentation of the results of the operations and the financial position of the Group. The audit also includes auditing of the Company's accounting and administration. The designated auditor of the parent company's auditor co-ordinates the audit of the subsidiaries of the Group in co-operation with the President and CEO and the Internal Audit of the Group. For the purpose of the supervision and steering of operations, the Group has in addition an internal audit function subordinate to the President and CEO with the central task of examining and evaluating the effectiveness and credibility of the internal control and

risk management of the companies and units belonging to the Group.

Insiders in the Orion Group

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

The Company maintains its insider register in the SIRE system of Euroclear Finland Ltd.

The key practices applied by the Company to the administration of insider affairs are consistent with the insider guidelines of NASDAQ OMX Helsinki.



Independence of the Board members

Based on an evaluation, the Board of Directors has determined that all the members are independent of the Company and its significant shareholders in the manner described in the Finnish Corporate Governance Code.

Charter of the Board of Directors

The Board of Directors has adopted a written charter containing the rules for:

- constitution of the Board of Directors
- meeting arrangements
- minutes of the meetings
- confidentiality obligations of Board members
- ineligibility situations
- most important matters to be handled by the Board
- communication about the matters handled by the Board
- self-evaluation of the Board's performance and working methods

Charters of the committees

The role of the committees, according to their charters, is limited to making proposals to the Board, without decision-making authority. A charter has been confirmed by the Board for each committee.

Charter of the Audit Committee

According to its charter, the Audit Committee shall comprise at least three members elected by the Board annually for the term of the Board. The members shall have the qualifications necessary to perform the responsibilities of the committee, and at least one member shall have expertise specifically in accounting, bookkeeping or auditing.

The members shall also be independent of the Company, and at least one member shall be independent of significant shareholders of the Company. The qualifications and the independence are evaluated as provided in the Finnish Corporate Governance Code.

The committee shall meet at least four times per year, and it shall report to the Board.

The committee concentrates particularly on matters pertaining to financial reporting and control in the Orion Group. Its duties include:

- monitoring the reporting process of the financial statements
- supervising the financial reporting process
- monitoring the efficiency of the Company's internal control, internal audit, and risk management systems
- monitoring the audit of the financial statements
- evaluating the independence of the auditor, particularly the provision of related services to the Company
- proposing a resolution on the election of the auditor
- monitoring the financial position of the Company
- evaluating the compliance with laws and regulations in the Company

Charter of the Remuneration Committee

According to its charter, the Remuneration Committee shall comprise at least three members elected by the Board annually for the term of the Board. The majority of the members of the committee shall be independent of the Company in the manner described in the Finnish Corporate Governance Code.

The committee shall meet at least twice a year, and it shall report to the Board.

The committee shall handle and prepare matters concerning compensation and remuneration of the management and the personnel of the Orion Group, as well as the nominations of executives appointed by a decision by the Board.

Charter of the R&D Committee

According to its charter, the R&D Committee shall comprise at least three members elected by the Board annually for the term of the Board. The majority of the members of the committee shall be independent of the Company in the manner described in the Finnish Corporate Governance Code.

The committee shall meet at least twice a year, and it shall report to the Board.

The committee shall deal with and evaluate questions concerning research and development within the Orion Group, and make proposals concerning them to the Board.

Charter of the Nomination Committee

In addition to the committees composed of Board members, the Company has a Nomination Committee which, deviating from the recommendation of the Corporate Governance Code, 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 majority of the members of the Committee shall be independent of the Company in the manner described in the Finnish Corporate Governance Code.

According to the Nomination Committee's charter, the members of the committee are appointed by the Board annually for a term ending at the closing of the Annual General Meeting of shareholders following the appointment. For the appointments, the Board shall hear the views of the largest shareholders in the shareholder register by the number of votes about the composition of the committee. The hearing takes place at a meeting to which the twenty (20) largest registered shareholders by the number of votes shall be invited. Shareholders not entitled to participate in General Meetings on the basis of their shareholdings are, however, disregarded in calculating the largest shareholders.

The committee shall meet when necessary.

The task of the committee is to prepare and present a recommendation to the Board of Directors for the proposal to the Annual General Meeting of shareholders concerning the composition and compensation of the Board. The committee shall inform the Board of its recommendation. The recommendation prepared by the committee shall not be regarded as a proposal by a shareholder to a General Meeting of shareholders. Nor shall the recommendation have any impact on the Board's independent decision-making powers or its

right to make proposals to General Meetings of shareholders.

Board of Directors and Committees

In 2009, altogether 15 Board meetings were held (15 Board meetings in 20008), of which 2 (2) were teleconferences. The average attendance of the members was 95% (94%).

Committee meetings were held in 2009 as follows, with average attendance in parentheses:

- Audit Committee 4 meetings (100%)
- Remuneration Committee 7 meetings (100%)
- R&D Committee 2 meeting (100%)
- Nomination Committee, appointed on 21 September 2009, 3 meetings (100%)

The Board of Directors conducted a self-evaluation in autumn 2009.

Remuneration of the members of the Board of Directors

According to the decision by the Annual General Meeting held on 23 March 2009 concerning the annual fees for the term of office of the Board of Directors, the Chairman shall receive EUR 72,000, the Vice Chairman shall receive EUR 49,000 and the other members shall receive EUR 36,000 each. As a fee for each meeting attended, the Chairman shall receive EUR 1,200, the Vice Chairman shall receive EUR 900 and the other Board members shall receive EUR 600 each. The aforementioned fees shall also be 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 shall have a telephone as a fringe benefit. The travel expenses of all Board members shall be paid in accordance with the travel policy of the Company.

Of the annual fee, 60% is paid in cash and 40% in Orion Corporation B shares, which were acquired for the members on 8 April 2009 from the NASDAQ OMX Helsinki stock exchange in amounts corresponding to EUR 28,834.95 for the Chairman, EUR 19,625.88 for the Vice Chairman



and EUR 14,417.47 for each of the other Board members. The part of the annual fee paid in cash, which corresponds to the approximate sum necessary for the payment of the income taxes on the fees, was paid on 25 March 2009. The annual fees encompass the full term of office of the Board of Directors.

Auditors in 2009

The auditor of Orion Corporation is Price-waterhouseCoopers Oy, Authorised Public Accountant Firm, the designated auditor being Janne Rajalahti, Authorised Public Accountant.

Remuneration of auditors

The remunerations to the auditors are paid against accepted invoicing.

Executive management of the Orion Group

President and CEO

The President and CEO of Orion Corporation is Timo Lappalainen as of 1 January 2008.

Service contract of the President and CEO

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.

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

Remuneration of the President and CEO
The remuneration of the President and CEO is subject to a decision by the Board

of Directors. The salaries, remuneration and performance-based bonuses paid to the President and CEO in 2009 totalled EUR 640,651 (EUR 501,039 in 2008), consisting of EUR 420,383 (EUR 390,839) in salary and benefits and EUR 220,268 (EUR 110,200) in bonuses.

Executive Management Board

Remuneration of the members of the Executive Management Board

The remuneration of the other members of the Executive Management Board is subject to a decision by the Board of Directors or its Chairman. The remuneration system for these persons consists of a monthly salary and a performance-based bonus. The performance-based bonuses are based on predefined profit targets as well as personal goals. Some of the members of the Executive Management Board have the right to retire at the age of 60 to 63 years with a pension amounting to about 60% of the pensionable salary.

The salaries, remunerations, benefits and performance-based bonuses paid to the President and CEO and the other members of the Executive Management Board for 2009 totalled EUR 3,045,717 (EUR 2,689,051), comprising EUR 2,034,077 (EUR 1,958,658) of salaries and benefits and EUR 1,011,640 (EUR 730,393) of performance-based bonuses.

Share-based incentive plan

In January 2007, the Board of Directors of Orion Corporation decided on a new share-based incentive plan for about thirty (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. A recipient may not transfer the bonus shares during the first two years after the date of receipt, except for certain special circumstances.

Management remunerations total

The salaries, remunerations, benefits and bonuses paid to the members of the Board of Directors of Orion Corporation, the President and CEO and the other members of the Group's Executive Management Board for 2009 totalled EUR 3,457,300 (EUR 3,056,200).



The remunerations paid to the auditors in 2009 are specified in Note 4 on page 25 of the Financial Statements.

»» Risk management

Risk management constitutes a significant element of Orion's corporate governance and is an integral part of the Company's responsibility structure and operative control principles. Orion aims 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, such as market, credit and liquidity risks

Operational risk management also includes project-specific risk management.

Strategic risks

Long-term business development risks

Development of new pharmaceuticals involves considerable risks because of the long time spans required by the development work and the inherent uncertainties related to the final outcome, i.e. whether the product can ever be launched in the markets. This strategic risk is managed by the following means:

- the Group includes business units that focus on areas of health care other than the development of its own proprietary products. These units that balance the Group's operations include generic drugs, veterinary medicines and diagnostic tests
- the pharmaceutical product range is to be kept sufficiently broad
- product development and marketing risks are shared by working in close cooperation with partners

Proprietary drugs account for a considerable proportion of the Group's net sales and earnings. Orion engages in intensive research with the aim of introducing its own new proprietary drugs in markets worldwide. However, the Group cannot guarantee that new products can be introduced in the markets in accordance with expectations. Furthermore, changes can occur in the cooperation with partners, for example due to corporate actions.

The scope of strategic risks also includes the thoroughness of the Company's corporate governance and reporting principles. In line with the Finnish Corporate Governance Code 2008, Orion Group's explicit corporate governance code inspires public trust in the Orion Group and its management. The trust is based on transparently published fundamental characteristics and principles of the system, as well as clear definitions of the responsibilities, rights, obligations and reporting relationships of the persons involved.

In addition, the Company enhances the confidence of its stakeholders, such as people affected by its operations, capital markets and its shareholders, by providing open, truthful and consistent information about events, the Company's operations and financial status in a timely manner.

Research and development risks

The development of proprietary drugs involves many uncertainties. Typically, only about one in ten research projects that reach the clinical phase is launched in the markets. The main reasons for discontinuing a development project relate to the efficacy and safety of the drug candidate. This is why the pharmacological properties of drugs under development, such as their efficacy and safety, are delineated through phased research that can progress to clinical trials with humans only with the approval of regulatory drug authorities.

The pharmacology and safety of a drug candidate are extensively studied using preclinical laboratory models and by monitoring tolerability and adverse effects throughout the clinical trials.

In major research projects, Orion's Board of Directors takes the decision on whether to progress from one research phase to the next. In minor research projects, the decision is taken by the executive management. The decisions are always based on a comprehensive analysis of the accumulated research results and the current 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. In accordance with statutory requirements, the adverse effects of a drug continue to be monitored even after it has been launched.

The financial risks increase as research projects progress to clinical trials in humans. The most expensive phase is the last, Phase III clinical trials, which are multinational and involve hundreds or thousands of patients. Double-blind studies are used to ensure as reliable as possible evidence of the efficacy and safety of the drug. This is why Orion generally shares the high financial risks of Phase III trials by conducting them jointly with another pharmaceutical company that will also be a marketing partner for the drug.

Risks relating to competing so called generic drugs

A characteristic feature of the pharmaceutical industry is that manufacturers of so called generic drugs seek to launch into a market at the earliest possible stage their own versions of drugs, which are generally cheaper than the originator company's products. This can be done by, for example, trying to use the courts to invalidate the originator company'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 company, and may lead to significant losses of sales.

In developing its products, Orion endeavours to protect them as well and extensively as possible, whilst defending its product rights effectively by itself and together with its marketing partners.

Downward pressure on pharmaceutical prices

In addition to normal price competition, there are many other factors putting downward pressure on the prices of pharmaceuticals, mainly due to decisions by authori-

ties as governments seek to curb the rise in national drug costs. They include generic substitution and reimbursement systems based on reference prices, changes in regulations concerning them, and cuts in drug prices and reimbursement. Parallel imports in the EU area are also depressing prices.

Orion is responding to these challenges by maintaining a sufficiently diverse product range, continuously enhancing cost-effectiveness and allocating its development and sales resources appropriately.

Operational risks

Sales and business risks

Sales of pharmaceuticals generally require a fairly extensive network of sales representatives, and maintaining the sales force requires substantial fixed costs. Orion's business operations are based on its own sales network in Europe and sales through partners elsewhere in the world. This structure is intended to optimise available resources and risk-bearing capacity, in view of the input required for worldwide marketing of own new proprietary products.

Where Orion has its own sales organisation, sales must be kept sufficiently high to maintain profitability. This generally requires a broad enough product range.

Launching a new proprietary product into the markets is particularly expensive for a relatively small company like Orion. The costs are significant, especially if the company does not yet have operations in the country where the product is to be launched.

Risks associated with pharmaceutical production

Pharmaceutical manufacturing is subject to regular inspections by the authorities. Pharmaceutical products must be safe and efficacious, and they must meet all quality

standards. To comply with statutory requirements, in pharmaceutical production close attention must be paid to various safety and quality risks.

Adequate quality of pharmaceuticals is ensured through systematic overall management of operations covering all factors with direct or indirect impact on the quality of the drugs. The operations are directed with comprehensive instructions and adequate control of materials and products before and after production.

Legal, intellectual property rights and regulatory risks

The pharmaceutical sector is subject to some special regulations and close regulatory control by authorities. Pharmaceutical manufacture, distribution and research require licences from authorities. The pharmaceutical sector is also overseen by the competition authorities. Orion has clear policies and principles for its operations that ensure compliance with these regulations.

Intellectual property rights are inherently of crucial importance to the pharmaceutical sector. To protect Orion's position, the patent situations of its products available for sale and in the pipeline are continuously monitored worldwide. This is done to ensure the rights to products developed by Orion can be defended and to prevent Orion itself from infringing patents or other intellectual property rights of others.

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



The pharmaceutical sector is subject to special regulations and close regulatory control by authorities

marketing authorisations required for the products.

Product liability risks

As explained in the description of research and development risks above, the launch of a new drug in markets is preceded by extensive phased trials that delineate the drug's pharmacological properties, such as its efficacy and safety. Marketing authorisation issued by drug authorities is required to start sales and marketing of a drug.

The adverse effects of a drug are monitored as required by the authorities even after the launch of the product. Through the trials and pharmaceutical production methods described above, Orion strives to ensure in advance that its products do not have any adverse effects such as might lead to a liability to pay compensation or to withdrawal of a major product from markets.

As cover for the financial impact of product liability risk, the Orion Group's products and operations are insured through operational and product liability insurance that also covers clinical studies, except for clinical studies carried out in the United States or Canada. The purpose of the insurance is to provide cover for any liability for damages on the part of the policyholder. As is customary in insurance terms, this protection is limited as regards to potential payout, for example. Certain products and active pharmaceutical ingredients are also excluded from the cover, some of which are included in Orion's operations. Nevertheless, they are not estimated to increase Orion's product liability risk materially.

Risks of damage

In addition to statutory insurance, Orion has property, business interruption and

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 Group's corporate safety guidelines. The objective of the Group's corporate safety policy is to ensure the uninterrupted continuation of operations, the safety of people, the protection of property and the environment against damage, and the adequacy of the measures relating to data protection. The corporate safety guidelines set out the principles for corporate safety activities, and also cover guidelines for crisis management. In addition to guidelines, the data protection policy includes the objectives, key principles and responsibilities for data protection.

Environmental risks

The Group's environmental protection guidelines include detailed instructions and responsibilities. Persons responsible for development and monitoring of environmental issues have been appointed for each unit of the Group. Environmental impacts are monitored through, for example, emissions measurement, waste quantity control and statistics on the consumptions of various raw materials. The implementation of environmental protection is monitored through annual internal audits. The Company has the valid environmental permits required for its operations.

Product procurement and corporate acquisition risks

Orion endeavours to expand its operations by purchasing from other pharmaceutical companies or in-licensing products that are under development or already available in markets, or possibly by acquiring other pharmaceutical and biotechnology compa-

nies. In carrying out such projects, Orion strives to observe due care and diligence and to utilise both internal and external expertise in the planning and implementation phases, as well as when integrating acquired operations within the overall business.

Product procurement and possible corporate acquisitions can involve customary corporate acquisition liabilities or risks as well as other liabilities and risks connected with the nature and value of the purchased assets.

Ensuring competence

Orion's success depends on the competence of its executive management, R&D staff and other personnel. Human resources management strives to promote well-being at work and continuous improvement of competence and the workplace. Orion's success also depends on the Company's ability to recruit, develop, train, motivate and retain professionally skilled personnel.

Financial risks

The objective of the Group's financial risk management is to minimise adverse effects of changes in the financial market on the Group's results and to ensure sufficient liquidity. Financial risks consist of market, credit and liquidity risks. The Group's most important financial risks are exchange rate 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 operations are centralised in the Group's Treasury department.



A more detailed description of Orion's financial instruments and financial risk management is in Notes 23 and 24 on pages 34–36 of the Financial Statements.



Board of Directors

31 December 2009



1 Matti Kavetvuo

Chairman

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

- Member and Chairman of the Board of Directors of Orion Corporation since 1 July 2006
- Member and Chairman of the Board of Directors of the demerged Orion 2004–30 June 2006
- Chairman of the Remuneration Committee, member of the R&D Committee and the Nomination Committee

CAREER HISTORY

Pohjola Insurance Group: President and CEO (2000–2001)

Valio Ltd: President and CEO (1992–1999)

Former Orion Corporation: President and CEO (1985–1991)

CURRENT KEY POSITIONS OF TRUST

Member of the Board: Alma Media Corporation (2000–), Konecranes Plc (2001–), Lassila & Tikanoja Plc (2008–)

2 Jukka Ylppö

Vice Chairman

M. Sc. (Eng.), M. Sc. (Econ.), b. 1955

- Member of the Board of Directors of Orion Corporation since 2 April 2007
- Member of the Audit Committee, the R&D Committee and the Nomination Committee

CAREER HISTORY

ABB Corporation: Senior Advisor in the development of control systems for industrial electric drives (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)

3 Sirpa Jalkanen

Professor, M.D., b. 1954

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

CAREER HISTORY

University of Turku: Vice Dean (2010–),

Professor of Immunology (2001–)

Finnish Academy: Director of a Centre of Excellence (2000–2005; 2008–)

THL, National Institute for Health and Welfare: Research professor (2006–)

Academy professor (1996–2006)

CURRENT KEY POSITIONS OF TRUST

Member of the Board: Emil Aaltonen Foundation (2000–)

Member of the committee of medical experts: Sigrid Juselius Foundation (2001–)

Member of scientific committee: Cancer Institute (2002–)

Vice Chairman: Finnish Academy of Sciences and Letters (2008–)

4 Eero Karvonen

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

- Member of the Board of Directors of Orion Corporation since 1 July 2006
- Member of the Board of Directors of the demerged Orion 2004–30 June 2006
- Member of the Audit Committee and the R&D Committee

CAREER HISTORY

EVK-Capital Oy: Owner and Managing Director (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)

5 Leena Palotie

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

- Member of the Board of Directors of Orion Corporation since 1 July 2006
- Member of the Board of Directors of the demerged Orion 2004–30 June 2006
- Chairman of the R&D Committee

CAREER HISTORY

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

Institute for Molecular Medicine Finland FIMM,

University of Helsinki and National Public

Health Institute: Research director (2007–)

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

CURRENT KEY POSITIONS OF TRUST

Member of the Institute of Medicine: United States National Academy of Sciences (2006–)

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

6 Vesa Puttonen

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

- Member of the Board of Directors of Orion Corporation since 1 July 2006
- Member of the Board of Directors of the demerged Orion 2004–30 June 2006
- Chairman of the Audit Committee, member of the Remuneration Committee

CAREER HISTORY

Helsinki School of Economics: Professor in Finance (1996–1998; 2001–)

Conventum Fund Management: Managing Director (1999–2000)

HEX Helsinki Exchanges: Senior Vice President (1998–1999)

CURRENT KEY POSITIONS OF TRUST

Member of the Board: Oras Invest Ltd, HSE Executive Education Ltd and Rocla Oyj

7 Hannu Syrjänen

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

- Member of the Board of Directors of Orion Corporation since 2 April 2007
- Member of the Remuneration Committee

CAREER HISTORY

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

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

CURRENT KEY POSITIONS OF TRUST

Chairman of the Board: Ilmarinen Mutual Pension Insurance Company (2004–)

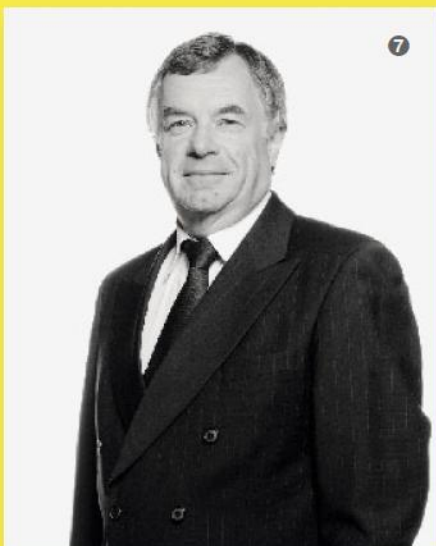
Member of the Board: Sanoma Corporation (2001–), East Office of Finnish Industries (2008–)

Chairman in subsidiaries of Sanoma Corporation: Rautakirja Corporation, Sanoma Magazines B.V. (Executive Board), Sanoma News, Sanoma Entertainment and WSOY



More detailed presentations
www.orion.fi/en

29% *of the members of Orion's Board of Directors are women*



The Board makes sure that good corporate governance practices are followed in the Orion Group.



Executive Management Board



1 Timo Lappalainen

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

M.Sc. (Eng.), b. 1962

CAREER HISTORY

Orion Corporation: 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: Chemical Industry Federation of Finland (2008–), Finnish Foundation for Cardiovascular Research (2010–)

Member of the Advisory Board: The Finnish Fair Corporation (2009–)

2 Satu Ahomäki

Senior Vice President, Animal Health, since 1 January 2008

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

CAREER HISTORY

Orion Corporation: Head of Business Development (2006–2007), Business Development Director (2005), Project Manager and Program Leader of hormonal and urological therapies (2000–2004), Research Manager of hormonal therapies (1992–1999)

3 Markku Huhta-Koivisto

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

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

CAREER HISTORY

Orion Corporation, Orion Pharma: 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 Health Cluster: National Emergency Supply Organisation, NESO (2007–) Chairman: Fermion Oy (2005–)

4 Olli Huotari

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

Master of Laws, LL.M., b. 1966

CAREER HISTORY

Orion Corporation: Vice President, Human Resources at Orion Pharma and Corporate Vice President, HR development of the Orion Group (2005–2006), General Counsel of Orion Group (2002–2006), Legal Counsel in Corporate Administration (1996–2002)

University of Kent at Canterbury, England: Master of Laws in International Commercial Law degree (1995–1996)

Law firm Asianajotoimisto Jouko Penttilä Oy: Legal Counsel (1992–1995)

CURRENT KEY POSITIONS OF TRUST

Orion Corporation: Secretary to the Board of Directors (2002–)

5 Liisa Hurme

Senior Vice President, Proprietary Products, since 1 January 2008

Ph.D. (Biochemistry), b. 1967

CAREER HISTORY

Orion Corporation: 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)

6 Pekka Kaivola

Senior Vice President, Global Sales, since 1 February 2004

Ph.Lic., b. 1950

CAREER HISTORY

Orion Corporation: Head of Marketing for Orion's core therapy areas (2003–2004), Managing Director of Orion's marketing subsidiary in New Jersey, USA (2002–2003), Director of Sales and Marketing (1979–2002)

CURRENT KEY POSITIONS OF TRUST

Member of the Trade Policy Committee: Chemical Industry Federation of Finland Vice Chairman: Pharma Industry Finland (2008–)

Member: Confederation of Finnish Industries, EK (2004–)



The President and CEO is in charge of the Group's operations through the business divisions



More detailed presentations
www.orion.fi/en



WELLNESS PRESCRIPTION
 For work For leisure

"Everything in moderation"




WELLNESS PRESCRIPTION
 For work For leisure

"An active leisure time can boost your working life as well"




WELLNESS PRESCRIPTION
 For work For leisure

"Pay it forward"




WELLNESS PRESCRIPTION
 For work For leisure

"Keep your life in balance and don't forget the importance of joy as your resource."



WELLNESS PRESCRIPTION
 For work For leisure

"First things first"



WELLNESS PRESCRIPTION
 For work For leisure

"Doing things with a happy mind-set! Invest in exercise, family and friends, and the world around you."

The Executive Management Board assists the President and CEO in decision-making.




7

WELLNESS PRESCRIPTION
 For work For leisure

"Invest in what you're doing, but remember to keep an open mind and take time for other things as well"




8

WELLNESS PRESCRIPTION
 For work For leisure

"With trust in people"



More detailed presentations
www.orion.fi/en



9

WELLNESS PRESCRIPTION
 For work For leisure

"Plan like you would live forever, live like you will die tomorrow."



10

WELLNESS PRESCRIPTION
 For work For leisure

"Go for a nature walk"



11

WELLNESS PRESCRIPTION
 For work For leisure

"Where there's a will, there's a way! Remember to relax when you have the chance."

The remuneration of the members of the Executive Management Board is subject to a decision by the Board of Directors or its Chairman.



The Board of Directors nominates the members of the Executive Management Team.

The President and CEO acts as the Chairman of the Team



7 Jari Karlson

Chief Financial Officer (CFO), since 1 August 2002
M.Sc. (Econ.), b. 1961

CAREER HISTORY

Orion Corporation, 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 (2010–)

8 Pekka Konsi

Senior Vice President, Supply Chain, since 1 November 2006
M.Sc. (Eng.), b. 1948

CAREER HISTORY

Orion Corporation: Plant Manager of the Espoo and Kuopio plants (1994–2006), Planning Director (1988–1994), Technical Planning Manager (1977–1988)

9 Reijo Salonen

Senior Vice President, Research and Development and Chief Medical Officer, since 1 November 2006
Professor, Docent, M.D., Ph.D., b. 1956

CAREER HISTORY

Pfizer: Vice President, Neurology, Psychiatry and Ophthalmology and Worldwide Therapeutic Area Head Neurosciences, USA (2004–2006)
GlaxoSmithKlein: Vice President, Clinical Development and Medical Affairs, Neurosciences (2002–2004), Vice President, Clinical Development, Neurology and GI (2001–2002)
GlaxoWellcom: 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

Chairman: European Brain Council (2006–)
Chairman: European Brain Council Industry Board (2006–)

10 Riitta Vartiainen

Senior Vice President, Business Development and Support (Global Business Development and Alliance Management, Business Intelligence, Medical Affairs, Project Management and Mergers & Acquisitions), since 1 November 2006
B.Sc. (Biochemistry), b. 1951

CAREER HISTORY

Orion Corporation: Senior Vice President, Specialty Products (2004–2006), Project Leader, Specialty Products (2002–2004), Project Leader, Easyhaler projects (2000–2002), Research Manager, Levosimendan Project (1995–2000), Product Manager of antimicrobials (1992–1995), Marketing Manager of DNA diagnostics (1988–1992)
Oy Alko Ab: Product and Sales Manager of biotechnology products (1982–1988)
Orion Corporation: Export Manager (1980–1982)
Finland's Embassy, Copenhagen, Denmark: Commercial Attaché (1979–1980)
Tam Drug/Tamro Oy: Product Expert of Diagnostics (1976–1979)

11 Liisa Remes

Employee representative in the Executive Management Board
Research Assistant