



Orion Group Interim Report January–June 2014

Orion's net sales in January–June 2014 totalled EUR 522 million (EUR 497 million in January–June 2013).

- Operating profit was EUR 153 (135) million.
- Profit before taxes was EUR 151 (134) million.
- Equity ratio was 51% (48%).
- ROCE before taxes was 42% (41%).
- ROE after taxes was 49% (43%).
- Basic earnings per share were EUR 0.86 (0.72).
- Cash flow per share before financial items was EUR 0.93 (0.27).
- Orion and Bayer entered into partnership for development and commercialisation of ODM-201. Orion received an upfront payment of MEUR 50, of which MEUR 23 is included in profit for the reviewed period and MEUR 27 is estimated to be used for development costs of ODM-201.
- The outlook estimate for 2014 was updated during the review period. The current outlook estimate is that in 2014 net sales and operating profit will be at similar level to 2013.
- Stalevo received marketing authorisation in Japan in the beginning of July after the review period.

ORION'S KEY FIGURES FOR THE REVIEW PERIOD

	Q2/14	Q2/13	Change %	Q1–Q2/14	Q1–Q2/13	Change %	2013
Net sales, EUR million	276.7	248.0	+11.6%	521.7	497.4	+4.9%	1,006.9
International operations, EUR million.	204.7	180.4	+13.5%	379.3	361.9	+4.8%	732.3
% of net sales	74.0%	72.7%		72.7%	72.8%		72.7%
Operating profit, EUR million	86.0	61.1	+40.8%	153.4	135.2	+13.4%	267.7
% of net sales	31.1%	24.6%		29.4%	27.2%		26.6%
Profit before taxes, EUR million	84.7	60.5	+40.0%	151.2	134.3	+12.6%	264.0
% of net sales	30.6%	24.4%		29.0%	27.0%		26.2%
Income tax expense, EUR million	16.7	14.6	+14.1%	30.5	32.9	-7.0%	57.8
R&D expenses, EUR million	30.6	26.3	+16.1%	56.9	50.9	+11.6%	101.9
% of net sales	11.0%	10.6%		10.9%	10.2%		10.1%
Capital expenditure, EUR million	13.5	17.3	-22.2%	29.6	36.7	-19.4%	77.9
% of net sales	4.9%	7.0%		5.7%	7.4%		7.7%
Assets total, EUR million				943.0	887.7	+6.2%	979.0
Equity ratio, %				51.3%	48.1%		53.6%
Gearing, %				18.9%	32.7%		8.4%
Interest-bearing liabilities, EUR million				252.8	278.2	-9.1%	257.8
Non-interest-bearing liabilities, EUR million				226.0	182.1	+24.1%	207.3
Cash and cash equivalents and money market investments, EUR million				164.9	138.6	+19.0%	214.7
ROCE (before taxes), %				42.1%	41.0%		38.5%
ROE (after taxes), %				49.3%	43.3%		40.3%
Basic earnings per share, EUR	0.48	0.33	+48.7%	0.86	0.72	+19.3%	1.46
Diluted earnings per share, EUR	0.48	0.33	+48.7%	0.86	0.72	+19.3%	1.46
Cash flow per share before financial items, EUR	0.62	0.19	+221.2%	0.93	0.27	+247.9%	1.02
Equity per share, EUR				3.30	3.03	+8.9%	3.66
Personnel at the end of the period				3,594	3,663	-1.9%	3,519
Average personnel during the period				3,507	3,541	-1.0%	3,540
Personnel expenses, EUR million				114.0	110.9	+2.9%	218.1

President and CEO Timo Lappalainen:

“Payments from partners increased net sales and operating profit”

“In the first half of 2014 our net sales were slightly higher and our operating profit higher than in 2013. Significant part of the increase in net sales and operating profit were due to milestone payments received from collaboration partners during the review period.

“At the beginning of June we announced that we had entered into a global partnership with Bayer for development and commercialisation of the compound ODM-201. From the upfront payment of EUR 50 million Orion received, EUR 27 million will be used for the currently estimated development costs of ODM-201 during 2014 and EUR 23 million we have recorded in profit, following which we updated our outlook estimate for the current year as regards operating profit.

“We are pleased with the agreement made with Bayer, under which Orion and Bayer will jointly develop ODM-201 and Bayer will contribute the major share of future development costs. Bayer will commercialise the product globally, but Orion has the option of co-promoting it in Europe, and we are also entitled to receive from Bayer certain milestone payments related to successful development, technology transfer and commercialisation phases, and substantial royalties on future sales. In addition, Orion will be responsible for manufacturing of the product.

“We received other favourable news about our drug development projects in the beginning of July when our collaboration partner Novartis announced that it had been granted marketing authorisation for Stalevo[®] in Japan.

“Deliveries of our Parkinson’s drugs to Novartis were clearly lower than a year ago. Total sales of Stalevo[®] and Comtess[®] through Orion’s own sales organisation were lower than in 2013. In Europe generic competition to Stalevo has begun in Germany, but this has not yet materially affected our sales.

“Among our other proprietary drugs, the intensive care sedative *dexdor*[®] and the Easyhaler[®] product family maintained their strong growth. During the review period we were granted the first national marketing authorisations for Bufomix Easyhaler[®], and we have started the launches. In addition, we recorded a milestone payment of EUR 6 million from Takeda related to national marketing authorisations granted for Bufomix Easyhaler. Sales of the intensive care sedative Precedex[®] were clearly lower because the royalties received by Orion from Hospira decreased. Generic competition has not commenced in US markets.

“The Specialty Products business division continued to grow steadily. Net sales of generic entacapone products in particular grew strongly, but sales of the other products in the portfolio also grew slightly. For the other business divisions, the first half of the year has proceeded as anticipated. The significant investment and production reorganisation projects have progressed as planned.

“Our outlook estimate, which can be found with the basis for it under ‘Outlook for 2014’ and ‘Basis for outlook’ in this report, was updated during the review period. We estimate that our net sales and operating profit in 2014 will be at similar level to 2013.”

Events during the period

On 14 April Orion announced that it had received the first marketing authorisations in Europe for Bufomix Easyhaler[®].

On 2 June Orion and Bayer entered into an agreement for development and commercialisation of a novel prostate cancer treatment. At the same time Orion upgraded its outlook estimate for 2014.

Events after the period

On 4 July Orion's partner Novartis was granted marketing authorisation for Stalevo[®] in Japan.

News conference and teleconference

A news conference and teleconference on the published results will be held today, Tuesday 29 July 2014, at 13:30 EEST in Hotel Kämp, address: Pohjoisesplanadi 29, Helsinki. President and CEO Timo Lappalainen will give a brief presentation in English on the financial review.

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

The teleconference code is 945663 and to participate in the teleconference, please call:

from United States: +1 334 323 6203

from other countries: +44 (0)20 7162 0125

News conference recordings

A recording of the webcast of the event in English and a recording of the presentation by the President and CEO in Finnish will be published on the Orion website during Tuesday 29 July 2014.

Financial report material

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

Dates in Orion Calendar 2014–2015

Interim Report January–September 2014	Tuesday 21 October 2014
Financial Statement Release for 2014	Wednesday 4 February 2015
Annual General Meeting 2015	Planned to be held on 24 March 2015
Interim Report January–March 2015	Wednesday 29 April 2015
Interim Report January–June 2015	Tuesday 28 July 2015
Interim Report January–September 2015	Tuesday 27 October 2015

The Financial Statements and Report by the Board of Directors for 2014 will be published on the Company's website at the latest in week 10/2015.

For additional information about the financial review:

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

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Financial review Q1–Q2/2014

Net sales

The Orion Group's net sales in January–June 2014 were up by 5% at EUR 522 million (EUR 497 million in January–June 2013). The net effect of currency exchange rates was EUR -9 million.

The Pharmaceuticals business's net sales were up by 5% at EUR 494 (469) million. The net sales includes milestone payments of EUR 23 million received from Bayer and EUR 6 million received from Takeda. Net sales of Orion's Stalevo[®] (carbidopa, levodopa and entacapone) and Comtess[®]/Comtan[®] (entacapone) Parkinson's drugs were down by 16% at EUR 93 (111) million, which was 19% (24%) of the Pharmaceuticals business's net sales. The Pharmaceuticals business's net sales of products in the portfolio other than Stalevo[®] and Comtess[®]/Comtan[®] and excluding significant milestone payments were up by 4% at EUR 373 (358) million.

The Diagnostics business's net sales were down by 3% at EUR 29 (30) million. The decrease was mainly due to the ending of sales of products discontinued in 2013.

Operating profit

The Orion Group's operating profit was up by 13% at EUR 153 (135) million.

The Pharmaceuticals business's operating profit was up by 12% at EUR 155 (138) million. The increase was due to payments of EUR 23 million and EUR 6 million received from Bayer and Takeda. The gross profit percentage excluding significant milestone payments remained similar to the previous year.

The Diagnostics business's operating profit was up by 59% at EUR 2.9 (1.9) million. The operating profit in the comparative period included EUR 1.4 million of costs related to contraction of the product portfolio, closure of the Turku manufacturing plant and personnel reductions.

Operating expenses

The Group's sales and marketing expenses were down by 4% at EUR 96 (100) million.

R&D expenses were up by 12% at EUR 57 (51) million and accounted for 11% (10%) of the Group's net sales. Pharmaceutical R&D expenses amounted to EUR 53 (47) million. Research projects are reported in more detail under Pharmaceuticals in the Business Reviews.

Administrative expenses were EUR 21 (23) million.

Other operating income and expenses increased profit by EUR 1 (2) million.

Group's profit

The Group's profit before taxes totalled EUR 151 (134) million. Basic earnings per share were EUR 0.86 (0.72) and diluted earnings per share were EUR 0.86 (0.72). Earnings per share grew more than operating profit because the Finnish tax rate was reduced. Equity per share was EUR 3.30 (3.03). The return on capital employed before taxes (ROCE) was 42% (41%) and the return on equity after taxes (ROE) 49% (43%).

Financial position

The Group's **gearing** was 19% (33%) and the **equity ratio** 51% (48%).

The Group's **total liabilities** at 30 June 2014 were EUR 479 (460) million. At the end of the period, interest-bearing liabilities amounted to EUR 253 (278) million, including EUR 227 (251) million of long-term loans.

The Group had EUR 165 (139) million of **cash and cash equivalents and money market investments** at the end of the period. The cash and cash equivalents are invested in short-term interest-bearing instruments issued by financially solid financial institutions and corporations.

Cash flow

Cash flow from operating activities was higher than in the comparative period at EUR 161 (70) million. The significant improvement was mainly due to the increase in operating profit and the decrease of EUR 19 million in the amount of cash tied up in working capital. Working capital increased by EUR 44 million in the comparative period. The decrease in working capital was mainly due to EUR 27 million of advance payment received from Bayer that will be used in the research and development costs of compound ODM-201.

Cash flow from investing activities was EUR -30 (-32) million.

Cash flow from financing activities was EUR -182 (-43) million. The change was mainly due to the EUR 150 million bond issued in the comparative period.

Capital expenditure

The Group's capital expenditure totalled EUR 30 (37) million. This comprised EUR 27 (32) million on property, plant and equipment and EUR 2 (5) million on intangible assets.

Outlook for 2014 (updated on 6 June 2014)

Net sales will be at similar level to 2013 (net sales in 2013 were EUR 1,007 million).

Operating profit will be at similar level to 2013 (operating profit in 2013 was EUR 268 million).

The Group's capital expenditure will be about EUR 60 million excluding substantial corporate or product acquisitions (the Group's capital expenditure in 2013 was EUR 78 million).

Basis for outlook

Competition in the Finnish market will remain intense in 2014. However, product launches will continue to support Orion's position as market leader.

The generic competition that commenced in April 2012 in the United States has decreased sales of Orion's Parkinson's drugs. US markets accounted for about EUR 60 million of the net sales of Orion's Parkinson's drugs in 2011, about EUR 33 million in 2012 and about EUR 10 million in 2013. In addition, sales of generic entacapone products to the United States amounted to about EUR 9 million in 2013. In 2014 sales are expected to be still slightly lower.

The entacapone molecule patent expired in November 2012 in the main European countries for Orion, and as a result generic competitors to Comtan and Comtess entered these markets in 2013. Data protection of Stalevo expired in the European Union in October 2013, and since then many generic pharmaceutical companies have applied for marketing authorisation for their own products in different European countries. In March 2014 the first generic marketing authorisations for Stalevo were granted in Germany, where generic competition has commenced. Elsewhere in the world generic competition is not expected to have a material impact on sales volumes of these products in the current year.

Sales of generic products will account for a greater proportion of Orion's total sales and price competition will remain intense in many markets. Investments commenced in 2012 to develop and ensure future growth, delivery reliability and quality standards, and related reorganisations of production are still continuing. Their effects in temporarily decreasing production capacity and increasing production costs will be less than in 2013, but not yet totally eliminated.

Marketing expenditure will be similar to the previous year. Because the registrations and launches of new products are projects that take more than a year, the increases in resources and other inputs required in 2014 were planned mainly during the previous year. Royalty payments to AbbVie recorded in marketing expenditure and related to the reacquisition of rights to Simdax ended in April. About EUR 10 million of royalties were paid in 2013.

Research and development costs will be slightly higher than in 2013. They are partly the Company's internal fixed cost items, such as salaries and maintenance of the operating infrastructure, and partly external variable costs. External costs arise from, among other things, long-term clinical trials, which are typically performed in clinics located in several countries. The most important clinical trials scheduled for 2014 are either ongoing from the previous year or at an advanced stage of planning, therefore their cost level can be estimated rather accurately. The accrued costs are materially affected by collaboration arrangements and how the costs arising are allocated between Orion and its collaboration partners. The major share of the ODM-201 research costs in 2014, for instance, will be covered by the upfront payment received from Bayer.

Near-term risks and uncertainties relating to the outlook

Sales of Orion's Parkinson's drugs will decrease in 2014 due to generic competition. The effects of the competition have been taken into account in the outlook estimate. However, the timing of commencement and the intensity of generic competition to Stalevo in Europe entails uncertainty that may materially affect the accuracy of the estimate made at this stage.

The basic Precedex patent expired in the United States in January. The outlook estimate already includes the estimated effect of the consequent decrease in the royalty payment on the product received by Orion and also the assumption that generic competition will commence during 2014. However, the timing of commencement of generic competition entails uncertainty that may materially affect the accuracy of the estimate made at this stage.

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

A significant proportion of the exchange rate risk is related to the US dollar. Typically, less than 15% of Orion's net sales comes from the United States. As regards currencies in European countries, the overall effect will be abated by the fact that Orion has organisations of its own in most of these countries, which means that in addition to sales income, there are also costs in these currencies. Changes in the Japanese yen exchange rate have become more important as sales of Parkinson's drugs in Japan have increased.

Orion's currently high production capacity utilisation rate and its broad product range may cause risks to the delivery reliability and make it more challenging than before to maintain the very high quality standard required. Authorities and key customers in different countries undertake regular and detailed inspections of development and manufacturing of drugs. Any remedial actions that may be required may at least temporarily reduce delivery reliability.

Research projects always entail uncertainty factors that may either increase or decrease estimated costs. The projects may progress more slowly or faster than assumed, or they may be discontinued. Nonetheless, changes that may occur in ongoing clinical studies are reflected in costs relatively slowly, and they are not expected to have a material impact on earnings in the current year. Owing to the nature of the research process, the timetables and costs of new studies that are being started are known well in advance. They therefore typically do not lead to unexpected changes in the estimated cost structure. Orion generally undertakes the last, in other words Phase III, clinical trials in collaboration with other pharmaceutical companies. Commencement of these collaboration relationships and their structure also materially affect the schedule and cost level of research projects.

Possible collaboration and licensing agreements may include advance payments recorded in net sales that may materially affect Orion's financial results.

Group's financial objectives

Orion's financial objectives are ensuring the Group's financial stability and profitable growth.

These objectives are achieved through:

- Increasing net sales. Achievement of this objective requires continuous investment in development of the product portfolio.
- Maintaining profitability at a good level, the aim being operating profit that exceeds 20% of net sales.
- Keeping the equity ratio at least 50%.

Orion's dividend distribution policy

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

Shares and shareholders

On 30 June 2014 Orion had a total of 141,257,828 (141,257,828) shares, of which 41,522,816 (42,272,816) were A shares and 99,735,012 (98,985,012) B shares. The Group's share capital was EUR 92,238,541.46 (92,238,541.46). At the end of June 2014 Orion held 569,665 (188,991) B shares as treasury shares. On 30 June 2014 the aggregate number of votes conferred by the A and B shares was 929,621,667 (944,252,341) excluding treasury shares.

At the end of June 2014, Orion had 53,666 (53,942) registered shareholders.

Voting rights conferred by shares

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

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

Conversion of shares

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. In January–June 2014 a total of 500,000 shares were converted.

Trading in Orion's shares

Orion's A shares and B shares are quoted on NASDAQ OMX Helsinki in the Large Cap group under the Healthcare sector heading under the trading codes ORNAV and ORNBV. Trading in both of the Company's share classes commenced on 3 July 2006, and information on trading in the Company's shares has been available since this date.

On 30 June 2014 the market capitalisation of the Company's shares excluding treasury shares was EUR 3,827 million.

Orion shares are also traded on various alternative trading platforms in addition to NASDAQ OMX Helsinki.

Authorisations of the Board of Directors

Orion's Board of Directors was authorised by the Annual General Meeting on 19 March 2013 to decide on acquisition of shares in the Company and on a share issue in which shares held by the Company can be conveyed. The authorisation to acquire shares was utilised during 2013. The terms and conditions of the authorisations were reported in more detail in a stock exchange release on 19 March 2013.

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

Share-based Incentive Plans

Orion has two currently operating share-based incentive plans for key persons of the Group, which were announced in stock exchange releases published on 18 February 2010 and 5 February 2013.

Share ownership

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

At the end of June 2014 Orion had a total of 53,666 (53,942) registered shareholders, of whom 95% (95%) were private individuals holding 44% (45%) of the entire share stock and 61% (64%) of the total votes. There were altogether 54 (50) million nominee-registered shares, which was 38% (36%) of all shares, and they conferred entitlement to 4% (7%) of the total votes.

At the end of June 2014 Orion held 569,665 (188,991) B shares as treasury shares, which is 0.4% (0.1%) of the Company's total share stock and 0.06% (0.02%) of the total votes.

Personnel

The average number of employees in the Orion Group in January–June 2014 was 3,507 (3,541). At the end of June 2014 the Group had a total of 3,594 (3,663) employees, of whom 2,908 (2,953) worked in Finland and 686 (710) outside Finland.

Salaries and other personnel expenses in January–June 2014 totalled EUR 114 (111) million.

Significant legal proceedings

Legal proceedings in the United States concerning patent No. 6,716,867

On 12 November 2010 Orion Corporation and Hospira, Inc. filed a patent infringement lawsuit in the United States against Caraco Pharmaceutical Laboratories, Ltd. and Gland Pharma Ltd. to enforce Orion's and Hospira's joint patent No. 6,716,867, which protects Orion's proprietary drug Precedex[®] (dexmedetomidine hydrochloride 100 µg/ml).

In addition, there are also other patent infringement lawsuits pending in the United States relating to patent No. 6,716,867 that were initiated in April 2014 by Hospira and Orion as plaintiffs.

Orion estimates that the costs of the aforesaid legal proceedings will not be material for the Company.

Business Reviews

Pharmaceuticals

Review of human pharmaceuticals market

According to IMS Health statistics, **Finnish wholesale of human pharmaceuticals** in January–June 2014 was up by 4% on the previous year at EUR 1,048 (1,011) million.

Finland is the most important individual market for Orion, generating about one-quarter of the total net sales. Orion was able to increase its sales and maintained its position as leader in marketing pharmaceuticals in Finland. According to statistics collected by IMS Health, **Orion's wholesale of human pharmaceuticals in Finland** in January–June 2014 amounted to EUR 121 (116) million, up by 5% compared with the previous year. Orion's market share of Finnish pharmaceuticals markets was 12% (11%).

According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in March 2014 the **total sales of Parkinson's drugs** in the United States were up by 8% at USD 792 million (USD 730 million in the previous 12-month period). The five largest European markets for Parkinson's disease drugs were Germany, the United Kingdom, France, Spain and Italy. In these countries, the combined sales of Parkinson's drugs totalled EUR 993 (965) million in the 12-month period ending in March 2014, and the average market growth was 3%. In Japan sales of Parkinson's drugs were down by 15% at EUR 494 (580) million.

According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in March 2014 the **total sales of Parkinson's drugs containing entacapone** were USD 138 (173) million in the United States and EUR 151 (155) million in the five largest European markets.

The most important individual therapy area for Orion is still the treatment of Parkinson's disease. Orion's branded Parkinson's drugs containing entacapone (Stalevo[®], Comtess[®] and Comtan[®]) account for about one-fifth of the Group's net sales. According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in March 2014, **sales of Orion's branded Parkinson's drugs** in the United States were down by 68% at USD 26 (81) million. Sales were down by 5% at EUR 128 (134) million in the five largest markets in Europe, and in Japan sales were EUR 55 (66) million. The decrease in sales in Japan was due to depreciation of the yen exchange rate. Measured in terms of local currency, the market as whole and sales of Orion's Parkinson's drugs both grew. The market share of Orion's branded Parkinson's drugs was 3% in the United States, on average 13% in the five largest European markets and 11% in Japan.

According to IMS Health pharmaceutical sales statistics, sales of **Precedex[®] intensive care sedative** (dexmedetomidine) were up by 22% at USD 378 million in the 12-month period ending in March 2014 (USD 310 million in the previous 12-month period). About four-fifths of the sales amounting to USD 316 (252) million were in the United States, where Precedex sales grew by 26%. IMS Health pharmaceutical sales statistics have become more comprehensive as regards reporting of Precedex, following which the figures for the reported period and comparative period are greater than as previously.

According to IMS Health pharmaceutical sales statistics, total sales of the most common intravenous anaesthetics and intensive care sedatives (propofol, midazolam, remifentanil and dexmedetomidine) in Europe in the 12-month period ending in March 2014 were EUR 479 (472) million. According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in March 2014 sales of Orion's **dexdor[®] intensive care sedative** (dexmedetomidine) were up by 46% at EUR 22 (15) million in Europe.

Net sales and operating profit of the Pharmaceuticals business

Net sales of the Pharmaceuticals business in January–June 2014 were EUR 494 (469) million, up by 5% compared with the previous year. The operating profit of the Pharmaceuticals business was up by 12% at EUR 155 (138) million. The operating profit of the Pharmaceuticals business was 31% (30%) of the segment's net sales. The net sales and operating profit include the payments of EUR 23 million received from Bayer and EUR 6 million received from Takeda.

Net sales of Orion's top ten pharmaceuticals in January–June 2014 were down by 4% at EUR 215 (223) million. They accounted for 43% (47%) of the total net sales of the Pharmaceuticals business.

Proprietary Products

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

Net sales of Proprietary Products in January–June 2014 were up by 6% on the previous year at EUR 204 (193) million. Significant part of the increase was due to the payments received from Bayer and Takeda.

Orion's drugs for treatment of Parkinson's disease are Stalevo[®] (active ingredients carbidopa, levodopa and entacapone) and Comtess[®]/Comtan[®] (entacapone), and their net sales in January–June 2014 totalled EUR 93 (111) million. Sales of Parkinson's drugs were down by 16% and accounted for 19% (24%) of the total net sales of the Pharmaceuticals business. Deliveries of Stalevo to Novartis were down by 12% at EUR 40 (45) million and deliveries of Comtan were down by 36% at EUR 13 (20) million. Sales of Stalevo through Orion's own sales network were down by 12% at EUR 37 (41) million. Sales of Comtess were down by 18% at EUR 4 (4) million. In the United States Orion's Parkinson's drugs have several generic competitors. In Europe Comtess and Comtan have several generic competitors, and generic competition to Stalevo has commenced in Germany. The commencement of competition has not yet materially affected Orion's sales.

The US Food and Drug Administration (FDA) has an ongoing safety review of Stalevo, which began in spring 2009. Orion is assisting the FDA in undertaking the safety review. The FDA has requested additional data based on databases concerning the significance of the results of the STRIDE-PD study, and consequently Orion and Novartis have undertaken epidemiological studies, and results from them were submitted to authorities for review in the third quarter of 2012 and the study reports in early 2014.

Net sales of Simdax[®], a drug for treatment of acute decompensated heart failure, in January–June 2014 were EUR 23 (23) million.

Total net sales of the Easyhaler[®] product family for treatment of asthma and chronic obstructive pulmonary disease were up by 22% in January–June 2014 at EUR 16 (14) million. Bufomix Easyhaler[®] (budesonide-formoterol), the new combined formulation in the product family, received the first marketing authorisations in Europe in April, and the product has already been launched in many countries. National marketing authorisation has been granted in Belgium, Czech Republic, Denmark, Estonia, Finland, Hungary, Iceland, Ireland, Latvia, Lithuania, Malta, Norway, Poland, Romania, Slovakia, Slovenia, Spain and Sweden. Processing of the national phase of marketing authorisation application is ongoing in the following EU countries: Bulgaria, Cyprus, Greece, Italy, Luxembourg and Portugal. In addition, a milestone payment of EUR 6 million was recorded from Takeda related to national marketing authorisations granted for Bufomix Easyhaler.

Net sales of the Precedex[®] intensive care sedative (dexmedetomidine) were down by 29% in January–June 2014 at EUR 16 (23) million. In the United States and markets outside Europe the sedative is sold by Orion's partner Hospira. Following the expiry of the Precedex basic patent in the United States in January, the level of royalties received by Orion from Hospira decreased and consequently the sales recorded by Orion have decreased. About four-fifths of net sales of Precedex are in US markets, where generic competition has not commenced.

Net sales of Orion's *dexdor*[®] intensive care sedative (dexmedetomidine) in January–June 2014 were up by 38% at EUR 17 (12) million.

Specialty Products

Net sales of the Specialty Products business division's off-patent, i.e. generic prescription drugs and self-care products in January–June 2014 were up by 9% at EUR 204 (188) million. Sales of generic entacapone products were up by 180% at EUR 14 (5) million. Sales of products from the rest of the portfolio were up by 4%.

Finland, Scandinavia, and Eastern Europe and Russia are the most important markets for Specialty Products. The business division's sales in Finland in January–June 2014 were up by 6% at EUR 122 (115) million. Orion managed to increase its sales, especially in prescription drugs. Sales were up by 25% at EUR 25 (20) million in Scandinavia and sales were down by 6% at EUR 23 (25) million in Eastern Europe and Russia. The decrease in sales in Eastern Europe and Russia was mainly due to depreciation of the rouble.

Animal Health

In the Nordic countries and some Eastern European markets Orion itself sells veterinary drugs, and in other markets the Company operates through partners. In addition, in the Nordic countries Orion markets and sells veterinary drugs manufactured by several international companies. Orion's Animal Health business division has a strong market position in the Nordic countries, its home markets.

Net sales of the Animal Health business division in January–June 2014 were down by 7% at EUR 32 (35) million. Sales of the animal sedative product family at EUR 9 (11) million accounted for 28% (32%) of the division's net sales. The product family comprises Orion's animal sedatives Dexdomitor[®] (dexmedetomidine), Domitor[®] (medetomidine) and Domosedan[®] (detomidine), and antagonist Antisedan[®] (atipamezole), which reverses the effects of the sedatives.

Fermion

Fermion manufactures active pharmaceutical ingredients for Orion and other pharmaceutical companies. Its product range comprises nearly 30 pharmaceutical ingredients. Fermion's net sales in January–June 2014 excluding pharmaceutical ingredients supplied for Orion's own use were up by 2% at EUR 35 (34) million and accounted for about two-thirds of Fermion's entire net sales. Several key products performed well, even though competition in the markets remained intense. Capacity utilisation at Fermion's plants was high during the review period. Capacity utilisation was increased by manufacturing active ingredients required for development work on Orion's own proprietary drugs, in addition to the normal product range.

Research and development projects

The Group's **R&D expenses** in January–June 2014 were up by 12% at EUR 57 (51) million, of which the Pharmaceuticals business accounted for EUR 53 (47) million. The Group's R&D expenses accounted for 11% (10%) of the Group's net sales. R&D expenses also include expenses related to development of the current portfolio.

Orion has commenced global collaboration with Bayer in the development and commercialisation of an investigational novel oral **androgen receptor inhibitor (ODM-201)**. ODM-201 is in clinical development for the treatment of patients with prostate cancer. Bayer and Orion jointly have started a clinical Phase III trial for further evaluation of the efficacy and safety of ODM-201 in patients with non-metastatic castration-resistant prostate cancer (nm-CRPC). The first patients will be recruited during the third quarter.

Orion has an ongoing project to broaden the range of the inhalable **Easyhaler[®] drugs** product family. Orion is developing a **fluticasone-salmeterol combined formulation** for European markets. In this formulation fluticasone acts as an anti-inflammatory agent and salmeterol acts as a long-acting bronchodilator.

Orion is preparing to commence additional trials with the **Bufomix Easyhaler[®] combined formulation (budesonide-formoterol)**. The aim is to obtain marketing authorisation for the product in at least some of the European countries that were not included in the decentralised marketing authorisation application process. In this formulation budesonide acts as an anti-inflammatory agent and formoterol acts as a long-acting bronchodilator.

Orion is continuing development of an **alpha-2c adrenoceptor antagonist (ORM-12741)** for treatment of symptoms of Alzheimer's disease in collaboration with Janssen Pharmaceuticals Inc. In the initial Phase IIa clinical trial conducted by Orion, the efficacy and safety of the drug candidate in treatment of cognitive and behavioural symptoms related to Alzheimer's disease were investigated with positive results. Orion is preparing to commence an additional follow-up Phase IIa clinical trial.

Orion has ongoing Phase I clinical safety trials initiated in summer 2012 with a new **COMT inhibitor (ODM-103)** and Phase I clinical safety trials initiated in summer 2013 with another new **COMT inhibitor (ODM-104)**. ODM-103 and ODM-104 are new molecules that enhance the therapeutic effects of levodopa used to treat Parkinson's disease by blocking the COMT enzyme. The pre-clinical study results indicated that they are more effective than the COMT inhibitor entacapone, which is already in the markets.

In October 2013 Orion and Phyxius Pharma, Inc. agreed on licensing of levosimendan injection rights to Phyxius Pharma, which in turn has transferred the rights to Oxygen Biotherapeutics, Inc. Oxygen Biotherapeutics will develop and commercialise **levosimendan** in US and Canadian markets for a new cardiovascular indication, prevention of low cardiac output syndrome (LCOS) in cardiac surgery patients. The company has commenced a Phase III clinical trial.

Orion's collaboration partner Recro Pharma, Inc. is developing an intranasal formulation of **dexmedetomidine** for treatment of pain. Recro has commenced a Phase IIb clinical trial with patients suffering from post-operative pain.

In addition, Orion has several projects in the early research phase investigating central nervous system diseases, cancer and neuropathic pain, among others.

Diagnosics

Orion Diagnostica manufactures convenient and quick in vitro diagnostic tests and testing systems suitable for point-of-care testing. Net sales of the Diagnostica business in January–June 2014 were down by 3% at EUR 29 (30) million. The decrease was mainly due to the ending of sales of products discontinued in 2013.

QuikRead[®] infection tests remained the main product, with sales continuing strong. Launching of new QuikRead go[®] tests in markets during 2013 progressed as planned. With the QuikRead go[®] hsCRP+Hb test, two results – for CRP and haemoglobin – can be obtained from a single sample. The QuikRead go[®] iFOBT (Faecal Occult Blood) quantitative test is helpful in screening gastrointestinal disorders. In addition, during the review period Orion Diagnostica released for sale the first reagent kit based on SIBA[®] technology, which is intended for general laboratory use and promoting licensing and partnering discussions with potential partners.

The operating profit of the Diagnostica business was up by 59% at EUR 2.9 (1.9) million. The operating profit in the comparative period included EUR 1.4 million of costs related to contraction of the product portfolio, closure of the Turku manufacturing plant and personnel reductions.

Espoo, 29 July 2014

Board of Directors of Orion Corporation

Orion Corporation

Timo Lappalainen
President and CEO

Jari Karlson
CFO

Tables

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Q2/14	Q2/13	Change %	Q1–Q2/14	Q1–Q2/13	Change %	2013
Net sales	276.7	248.0	+11.6%	521.7	497.4	+4.9%	1,006.9
Cost of goods sold	-99.5	-98.9	+0.6%	-195.3	-190.6	+2.4%	-393.5
Gross profit	177.2	149.2	+18.8%	326.4	306.8	+6.4%	613.4
Other operating income and expenses	0.5	1.4	-67.2%	0.7	1.7	-61.8%	5.6
Sales and marketing expenses	-49.2	-51.1	-3.8%	-95.5	-99.7	-4.2%	-204.9
R&D expenses	-30.6	-26.3	+16.1%	-56.9	-50.9	+11.6%	-101.9
Administrative expenses	-11.9	-12.0	-0.6%	-21.3	-22.7	-6.0%	-44.5
Operating profit	86.0	61.1	+40.8%	153.4	135.2	+13.4%	267.7
Finance income	1.4	1.2	+22.7%	2.5	2.8	-12.9%	4.4
Finance expenses	-2.7	-1.8	+52.8%	-5.1	-4.0	+26.3%	-8.3
Share of associated companies' results				0.4	0.3	+55.6%	0.3
Profit before taxes	84.7	60.5	+40.0%	151.2	134.3	+12.6%	264.0
Income tax expense	-16.7	-14.6	+14.1%	-30.5	-32.9	-7.0%	-57.8
Profit for the period	68.0	45.9	+48.3%	120.7	101.4	+18.9%	206.2

OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS

Change in value of cash flow hedges	-0.0	0.1		-0.0	0.1		0.1
Change in value of available-for-sale financial assets	3.3			3.3			
Translation differences	0.4	-1.1		0.6	-1.8		-1.3
Items that may be reclassified subsequently to profit and loss	3.7	-1.0		3.9	-1.7		-1.2
Items due to remeasurement of defined benefit plans	0.0	0.0		0.0	0.0		-9.7
Items that will not be reclassified to profit and loss	0.0	0.0		0.0	0.0		-9.7
Other comprehensive income net of tax	3.8	-1.0		3.9	-1.7		-10.9
Comprehensive income for the period including tax effects	71.8	44.9	+59.9%	124.6	99.8	+24.9%	195.3

PROFIT ATTRIBUTABLE TO:

Owners of the parent company	68.0	45.9	+48.3%	120.7	101.4	+18.9%	206.2
Non-controlling interests	0.0	0.0		0.0	0.0		0.0

COMPREHENSIVE INCOME ATTRIBUTABLE TO:

Owners of the parent company	71.8	44.9	+59.9%	124.6	99.8	+24.9%	195.3
Non-controlling interests	0.0	0.0		0.0	0.0		0.0

Basic earnings per share, EUR ¹⁾	0.48	0.33	+48.7%	0.86	0.72	+19.3%	1.46
Diluted earnings per share, EUR ¹⁾	0.48	0.33	+48.7%	0.86	0.72	+19.3%	1.46
Depreciation, amortisation and impairment	9.4	9.2	+1.9%	18.7	18.4	+1.7%	38.5
Personnel expenses	59.3	56.8	+4.4%	114.0	110.9	+2.9%	218.1

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

EUR million	6/14	6/13	Change %	12/13
Property, plant and equipment	259.9	223.5	+16.3%	247.3
Goodwill	13.5	13.5		13.5
Intangible rights	51.5	57.3	-10.2%	54.0
Other intangible assets	2.9	3.7	-20.3%	3.3
Investments in associates	2.1	1.7	+25.0%	1.7
Available-for-sale financial assets	4.6	0.5	+859.4%	0.5
Pension asset	24.1	38.5	-37.5%	26.6
Deferred tax assets	1.0	1.3	-22.0%	1.2
Other non-current assets	0.9	1.3	-26.7%	1.2
Non-current assets total	360.5	341.3	+5.7%	349.2
Inventories	196.2	196.2		195.5
Trade receivables	175.1	163.8	+6.9%	169.9
Other receivables	46.3	47.9	-3.5%	49.7
Money market investments	3.0	15.0	-80.0%	
Cash and cash equivalents	161.9	123.6	+31.0%	214.7
Current assets total	582.4	546.5	+6.6%	629.8
Assets total	943.0	887.7	+6.2%	979.0

EQUITY AND LIABILITIES

EUR million	6/14	6/13	Change %	12/13
Share capital	92.2	92.2		92.2
Expendable fund	0.5	0.5		0.5
Other reserves	5.1	1.4	+272.6%	1.6
Retained earnings	366.3	333.3	+9.9%	419.6
Equity attributable to owners of the parent company	464.1	427.4	+8.6%	513.9
Non-controlling interests	0.0	0.0	+17.8%	0.0
Equity total	464.1	427.4	+8.6%	513.9
Deferred tax liabilities	31.1	42.5	-26.7%	32.1
Pension liability	1.5	1.3	+11.0%	1.6
Provisions	0.4	0.1	+260.8%	0.1
Interest-bearing non-current liabilities	227.4	250.5	-9.2%	233.3
Other non-current liabilities	0.3	0.6	-43.9%	0.5
Non-current liabilities total	260.8	295.1	-11.6%	267.6
Trade payables	59.9	62.7	-4.5%	60.0
Current tax liabilities	4.3	0.3		1.7
Other current liabilities	128.4	74.5	+72.4%	111.2
Provisions	0.1	0.0	+35.1%	0.1
Interest-bearing current liabilities	25.4	27.7	-8.3%	24.5
Current liabilities total	218.0	165.2	+32.0%	197.5
Liabilities total	478.8	460.3	+4.0%	465.1
Equity and liabilities total	943.0	887.7	+6.2%	979.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

- a. Share capital
- b. Expendable fund
- c. Other reserves
- d. Items due to remeasurement of defined benefit plans
- e. Translation differences
- f. Retained earnings
- g. Non-controlling interests

h. Equity total

EUR million	Equity attributable to owners of the parent company							g.	h.
	a.	b.	c.	d.	e.	f.			
Equity at 31 December 2012									
before change in accounting policies	92.2	0.5	0.8		-2.6	420.5	0.0	511.3	
Effect of change in accounting policies				0.2		-2.0		-1.8	
Equity at 1 January 2013	92.2	0.5	0.8	0.2	-2.6	418.4	0.0	509.6	
Profit for the period						101.4		101.4	
Other comprehensive income:									
Change in value of cash flow hedges			0.1					0.1	
Translation differences				0.0	-1.8			-1.8	
Transactions with owners									
Dividend and capital repayment						-183.4		-183.4	
Share-based incentive plan						1.8		1.8	
Other adjustments			0.4			-0.7		-0.3	
Equity at 30 June 2013	92.2	0.5	1.4	0.2	-4.5	337.6	0.0	427.4	
Equity at 1 January 2014	92.2	0.5	1.6	-9.5	-3.9	433.0	0.0	513.9	
Profit for the period						120.7		120.7	
Other comprehensive income:									
Change in value of cash flow hedges			-0.0					-0.0	
Change in value of available-for-sale financial assets			3.3					3.3	
Translation differences				0.0	0.6			0.6	
Transactions with owners									
Dividend and capital repayment						-175.9		-175.9	
Share-based incentive plan						1.7		1.7	
Other adjustments			0.2			-0.4	0.0	-0.2	
Equity at 30 June 2014	92.2	0.5	5.1	-9.5	-3.3	379.1	0.0	464.1	

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Q1–Q2/14	Q1–Q2/13	2013
Operating profit	153.4	135.2	267.7
Adjustments	22.2	21.6	42.2
Change in working capital	19.2	-44.4	-21.9
Interest paid	-7.0	-3.7	-6.1
Interest received	2.3	2.7	3.7
Dividends received	0.2	0.2	0.3
Income taxes paid	-29.6	-41.8	-70.8
Total net cash flow from operating activities	160.7	69.9	215.2
Investments in property, plant and equipment	-28.7	-28.6	-65.9
Investments in intangible assets	-2.4	-4.4	-7.4
Sales of property, plant and equipment and available-for-sale investments	0.8	0.7	2.0
Sales of intangible assets	0.0	-0.1	0.0
Total net cash flow from investing activities	-30.3	-32.3	-71.3
Current loans raised	1.9	40.7	41.6
Repayments of current loans	-1.6	-40.5	-42.6
Non-current loans raised		148.9	149.0
Repayments of non-current loans	-5.8	-8.4	-28.1
Treasury shares			-9.6
Dividends paid and other distribution of profits	-175.9	-183.5	-183.7
Total net cash flow from financing activities	-181.5	-42.7	-73.5
Net change in cash and cash equivalents	-51.1	-5.1	70.3
Cash and cash equivalents at the beginning of the period	214.7	145.2	145.2
Foreign exchange differences	1.3	-1.5	-0.9
Net change in cash and cash equivalents	-51.1	-5.1	70.3
Cash and cash equivalents at the end of the period	164.9	138.6	214.7
Reconciliation of cash and cash equivalents in statement of financial position			
Cash and cash equivalents in statement of financial position at the end of the period	161.9	123.6	214.7
Money market investments at the end of the period	3.0	15.0	
Cash and cash equivalents in the statement of cash flows	164.9	138.6	214.7

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	6/14	6/13	12/13
Carrying amount at the beginning of the period	247.3	205.3	205.3
Additions	26.8	31.9	70.1
Disposals	-0.7	-1.0	-1.8
Depreciation and impairments	-13.5	-12.6	-26.2
Carrying amount at the end of the period	259.9	223.5	247.3

CHANGES IN INTANGIBLE ASSETS (EXCLUDING GOODWILL)

EUR million	6/14	6/13	12/13
Carrying amount at the beginning of the period	57.3	62.3	62.3
Additions	2.4	4.5	7.5
Disposals	-0.0	-0.0	-0.2
Amortisation and impairments	-5.2	-5.8	-12.3
Carrying amount at the end of the period	54.4	61.1	57.3

COMMITMENTS AND CONTINGENCIES

EUR million	6/14	6/13	12/13
CONTINGENCIES FOR OWN LIABILITIES			
Mortgages on land and buildings	32.0	32.0	32.0
Guarantees	2.6	1.7	2.4
OTHER LIABILITIES			
Leasing liabilities (excluding finance lease contracts)	5.8	6.2	6.4
Other liabilities	0.3	0.3	0.3

DERIVATIVES

EUR million	6/14	6/13	12/13
CURRENCY FORWARD CONTRACTS AND CURRENCY SWAPS			
Fair value, EUR million	0.4	-0.1	0.5
Nominal value, EUR million	47.0	48.3	67.8
CURRENCY OPTIONS			
Fair value, EUR million	0.0	0.1	0.1
Nominal value, EUR million	54.5	56.3	47.2
INTEREST RATE SWAPS			
Fair value, EUR million	-0.2	-0.1	-0.2
Nominal value, EUR million	17.0	20.5	18.8
CROSS CURRENCY SWAPS			
Fair value, EUR million		-0.1	
Nominal value, EUR million		4.8	
ELECTRICITY DERIVATIVES			
Fair value, EUR million	-0.5	-0.7	-0.7
Nominal amount, GWh	40	83	57

DERIVATIVE CATEGORIES USING FAIR VALUE HIERARCHY

EUR million	Level 1	Level 2	Level 3
Currency forward contracts and currency swaps		0.4	
Currency options		0.0	
Interest rate swaps		-0.2	
Electricity derivatives	-0.5		

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

The fair value of level 1 derivatives is based on quotations available in the markets. The fair value of level 2 derivatives is based on data available in the markets. The fair value of level 3 derivatives cannot be estimated on the basis of data available in the markets.

In the Group the principle is applied that transfers between levels of fair value hierarchy are recognised on the date on which the event triggering the transfer has occurred.

No transfers between levels occurred during the reporting period.

RELATED PARTY TRANSACTIONS

EUR million	Q1–Q2/14	Q1–Q2/13	2013
Management's employment benefits	4.6	4.6	6.4

Operating segment performance

NET SALES BY BUSINESS DIVISION

EUR million	Q2/14	Q2/13	Change %	Q1–Q2/14	Q1–Q2/13	Change %	2013
Pharmaceuticals	264.8	235.0	+12.7%	494.3	469.2	+5.4%	953.0
Proprietary Products	115.4	92.7	+24.5%	203.6	193.1	+5.5%	390.4
Specialty Products	101.6	92.0	+10.4%	203.7	187.7	+8.5%	384.9
Animal Health	16.6	19.8	-15.8%	32.0	34.5	-7.2%	70.8
Fermion	19.9	20.9	-4.8%	34.8	34.3	+1.5%	63.5
Contract manufacturing and other	11.3	9.6	+18.0%	20.2	19.6	+2.8%	43.3
Diagnostics	12.7	14.0	-8.8%	29.1	29.9	-2.6%	57.1
Group items	-0.9	-0.9	-2.7%	-1.7	-1.7	+1.5%	-3.2
Group total	276.7	248.0	+11.6%	521.7	497.4	+4.9%	1,006.9

OPERATING PROFIT BY BUSINESS AREA

EUR million	Q2/14	Q2/13	Change %	Q1–Q2/14	Q1–Q2/13	Change %	2013
Pharmaceuticals	88.3	64.4	+37.0%	155.0	138.3	+12.1%	272.9
Diagnostics	0.4	-0.4	+191.3%	2.9	1.9	+58.6%	4.6
Group items	-2.6	-2.9	+10.1%	-4.5	-4.9	+8.3%	-9.9
Group total	86.0	61.1	+40.8%	153.4	135.2	+13.4%	267.7

NET SALES BY ANNUAL QUARTERS

EUR million	2014		2013				2012	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Pharmaceuticals	264.8	229.5	259.8	224.1	235.0	234.2	242.1	234.2
Diagnostics	12.7	16.3	13.7	13.5	14.0	15.9	13.1	12.1
Group items	-0.9	-0.8	-0.8	-0.7	-0.9	-0.8	-0.8	-0.5
Group total	276.7	245.0	272.6	236.9	248.0	249.4	254.4	245.8

OPERATING PROFIT BY ANNUAL QUARTERS

EUR million	2014		2013				2012	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Pharmaceuticals	88.3	66.7	67.9	66.7	64.4	73.9	62.2	78.0
Diagnostics	0.4	2.6	0.7	2.0	-0.4	2.3	-0.6	0.0
Group items	-2.6	-1.9	-2.8	-2.2	-2.9	-2.0	-2.9	-2.3
Group total	86.0	67.4	65.8	66.6	61.1	74.1	58.8	75.6

GEOGRAPHICAL BREAKDOWN OF NET SALES BY ANNUAL QUARTERS

EUR million	2014		2013				2012	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Finland	72.0	70.4	71.5	67.6	67.7	67.8	67.3	63.3
Scandinavia	34.6	33.3	33.0	30.7	34.5	32.5	33.3	30.3
Other Europe	104.9	79.1	91.9	77.6	83.6	75.7	68.1	76.5
North America	34.0	30.7	45.2	32.7	33.6	34.5	54.7	27.1
Other markets	31.2	31.5	31.0	28.2	28.8	38.8	31.0	48.6
Group total	276.7	245.0	272.6	236.9	248.0	249.4	254.4	245.8

Business reviews

KEY FIGURES FOR PHARMACEUTICALS BUSINESS

EUR million	Q2/14	Q2/13	Change %	Q1–Q2/14	Q1–Q2/13	Change %	2013
Net sales	264.8	235.0	+12.7%	494.3	469.2	+5.4%	953.0
Operating profit	88.3	64.4	+37.0%	155.0	138.3	+12.1%	272.9
% of net sales	33.3%	27.4%		31.4%	29.5%		28.6%
R&D expenses	28.8	24.2	+18.9%	53.2	46.6	+14.3%	93.9
% of net sales	10.9%	10.3%		10.8%	9.9%		9.9%
Capital expenditure	12.4	16.7	-25.8%	30.2	35.2	-14.3%	73.8
% of net sales	4.7%	7.1%		6.1%	7.5%		7.7%
Sales revenue from proprietary products	90.1	98.2	-8.3%	182.5	206.3	-11.5%	418.5
Assets				716.5	681.8		704.3
Liabilities				179.2	127.8		160.1
Personnel at the end of the period				3,277	3,298		3,208

TOP TEN BEST-SELLING PHARMACEUTICAL PRODUCTS

EUR million	Q2/14	Q2/13	Change %	Q1–Q2/14	Q1–Q2/13	Change %	2013
Stalevo [®] , Comtess [®] and Comtan [®] (Parkinson's disease)	45.5	50.5	-9.9%	92.7	110.8	-16.3%	206.8
Simdax [®] (acute decompensated heart failure)	12.0	11.7	+2.4%	22.7	22.6	+0.6%	46.0
dexdor [®] (intensive care sedative)	8.5	6.2	+37.1%	16.5	11.9	+38.4%	25.3
Easyhaler [®] product family (asthma, COPD)	8.6	7.3	+17.0%	16.4	13.5	+21.5%	28.9
Precedex [®] (intensive care sedative)	7.4	11.0	-32.8%	16.4	23.0	-28.5%	59.1
Generic entacapone products (Parkinson's disease)	7.5	2.6	+195.1%	14.3	5.1	+179.8%	10.2
Burana [®] (inflammatory pain)	5.5	5.4	+0.3%	11.0	11.2	-2.4%	23.2
Dexdomitor [®] , Domitor [®] , Domosedan [®] and Antisedan [®] (animal sedatives)	4.1	6.1	-32.5%	9.0	11.0	-18.3%	24.8
Marevan [®] (anticoagulant)	3.6	4.1	-11.6%	8.5	8.1	+4.3%	16.1
Trexan [®] (rheumatoid arthritis, cancer)	3.7	2.7	+38.7%	7.1	5.6	+26.3%	11.4
Total	106.4	107.6	-1.1%	214.6	222.8	-3.7%	451.9
Share of pharmaceutical net sales	40%	46%		43%	47%		47%

KEY FIGURES FOR DIAGNOSTICS BUSINESS

EUR million	Q2/14	Q2/13	Change %	Q1–Q2/14	Q1–Q2/13	Change %	2013
Net sales	12.7	14.0	-8.8%	29.1	29.9	-2.6%	57.1
Operating profit	0.4	-0.4	+191.3%	2.9	1.9	+58.6%	4.6
% of net sales	2.9%	2.9%		10.1%	6.2%		8.1%
R&D expenses	1.8	2.2	-16.3%	3.7	4.5	-18.0%	8.3
% of net sales	14.5%	15.8%		12.8%	15.1%		14.5%
Capital expenditure	1.0	0.5	+110.2%	1.6	1.3	+29.1%	3.3
% of net sales	8.1%	3.5%		5.7%	4.3%		5.8%
Assets				45.9	49.7		47.3
Liabilities				9.1	16.0		16.6
Personnel at the end of the period				293	341		287

Information on Orion's shares

BASIC SHARE INFORMATION 30 JUNE 2014

	A shares	B shares	Total
Trading code on NASDAQ OMX Helsinki	ORNAV	ORNBV	
Listing day	1 July 2006	1 July 2006	
ISIN code	FI0009014369	FI0009014377	
ICB code	4500	4500	
Reuters code	ORNAV.HE	ORNBV.HE	
Bloomberg code	ORNAV.FH	ORNBV.FH	
Share capital, EUR million	27.1	65.1	92.2
Counter book value per share, EUR	0.65	0.65	
Total number of shares	41,522,816	99,735,012	141,257,828
% of total share stock	29%	71%	100%
Number of treasury shares		569,665	569,665
Total number of shares excluding treasury shares	41,522,816	99,165,347	140,688,163
Minimum number of shares			1
Maximum number of A and B shares, and maximum number of all shares	500,000,000	1,000,000,000	1,000,000,000
Votes per share	20	1	
Number of votes excluding treasury shares	830,456,320	99,165,347	929,621,667
% of total votes	89%	11%	100%
Total number of shareholders	17,838	41,859	53,666

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

INFORMATION ON TRADING ON NASDAQ OMX HELSINKI 1 JANUARY – 30 JUNE 2014

	A shares	B shares	Total
Shares traded	1,355,211	38,455,890	39,811,101
% of the total number of shares	3.2%	38.7%	28.2%
Trading volume, EUR million	31.8	892.7	924.5
Closing quotation on 31 December 2013, EUR	20.35	20.42	
Lowest quotation, EUR (A and B 4 February 2014)	19.13	19.07	
Average quotation, EUR	23.48	23.21	
Highest quotation, EUR (A and B 23 June 2014)	28.10	28.30	
Closing quotation on 30 June 2014, EUR	27.13	27.23	
Market capitalisation on 30 June 2014 excluding treasury shares, EUR million	1,126.5	2,700.3	3,826.8

PERFORMANCE PER SHARE

	Q2/14	Q2/13	Change %	Q1–Q2/14	Q1–Q2/13	Change %	2013
Basic earnings per share, EUR	0.48	0.33	+48.7%	0.86	0.72	+19.3%	1.46
Diluted earnings per share, EUR	0.48	0.33	+48.7%	0.86	0.72	+19.3%	1.46
Cash flow per share before financial items, EUR	0.62	0.19	+221.2%	0.93	0.27	+247.9%	1.02
Equity per share, EUR				3.30	3.03	+8.9%	3.66
Average number of shares excluding treasury shares, 1,000 shares	140,688	141,069		140,647	141,023		141,006

Appendices

Reporting

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

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

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

Accounting policies

This Interim Report has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. The same accounting policies as for the Financial Statements for 2013 have been applied in preparing the Interim Report, except for amendments to existing IFRS and IAS standards endorsed by the EU that have been adopted as of 1 January 2014. The amendments to standards had no effect on the Consolidated Financial Statements.

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

Other matters

The data in this financial review are not audited.

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

CALCULATION OF THE KEY FIGURES

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

Publisher:

Orion Corporation
<http://www.orion.fi/>
<http://www.twitter.com/OrionCorpIR>

Orion is a globally operating Finnish company developing pharmaceuticals and diagnostic tests – a builder of well-being. Orion develops, manufactures and markets human and veterinary pharmaceuticals, active pharmaceutical ingredients and diagnostic tests. The company is continuously developing new drugs and treatment methods. Pharmaceutical R&D focuses on central nervous system drugs, oncology and critical care drugs, and Easyhaler® pulmonary drugs.

Orion's net sales in 2013 amounted to EUR 1,007 million and the Company had about 3,500 employees. Orion's A and B shares are listed on NASDAQ OMX Helsinki.