Financial Statement documents 2014

ORION

Building well-being

Contents

All the figures in the financial statements have been rounded, which is why the total sums of individual figures may differ from the total sums shown.

Report by the Board of Directors for Financial Year 2014

Events in 2014

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.

On 4 July Orion's collaboration partner Novartis received marketing authorisation for Stalevo® in Japan.

On 22 September Orion announced that the settlement agreement concerning the proprietary drug Precedex® had been amended.

On 24 September Orion announced that it had received from The Capital Group Companies, Inc. a disclosure under Chapter 9, Section 5 of the Securities Markets Act according to which the total number of Orion B shares under the management of The Capital Group Companies, Inc. decreased below five (5) per cent of the total number of Orion Corporation shares on 22 September 2014.

Events after the period

There were no significant events after the period.

Financial review

Net sales

The Orion Group's net sales in 2014 were EUR 1,015 million (EUR 1,007 million in 2013). The net effect of currency exchange rates was EUR -11 million.

The Pharmaceuticals business's net sales were EUR 962 (953) million. Net sales of Orion's Stalevo® (carbidopa, levodopa and entacapone) and Comtess®/Comtan® (entacapone) Parkinson's drugs were down by 18% at EUR 169 (207) million, which was 18% (22%) 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 milestone payments were up by 2% at EUR 754 (741) million.

The Diagnostics business's net sales were EUR 56 (57) million. Net sales in the comparative period include sales of products discontinued in 2013.

Operating profit

The Orion Group's operating profit was up by 2% at EUR 272 (268) million. Milestone payments accounted for EUR 39 (5) million of the operating profit.

The Pharmaceuticals business's operating profit was EUR 276 (273) million, including the EUR 39 (5) million of milestone payments. The gross profit percentage on product sales remained similar to the previous year.

The Diagnostics business's operating profit was up by 38% at EUR 6.4 (4.6) 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 6% at EUR 193 (205) million. The single most important reason for the decrease in expenses was the ending of Simdax royalty payments to AbbVie in April 2014.

R&D expenses were up by 4% at EUR 106 (102) million and accounted for 11% (10%) of the Group's net sales. Pharmaceutical R&D expenses amounted to EUR 99 (94) million. Research projects are reported in more detail under Pharmaceuticals in the Business Reviews.

Administrative expenses were down by 3% at EUR 43 (45) million.

Other operating income and expenses were EUR 2 (6) million, improving the financial results.

Group's profit

The Group's profit before taxes totalled EUR 268 (264) million. Basic earnings per share were EUR 1.50 (1.46) and diluted earnings per share were EUR 1.50 (1.46). Equity per share was EUR 3.66 (3.66). The return on capital employed before taxes (ROCE) was 37% (39%) and the return on equity after taxes (ROE) 41% (40%).

Financial position

The Group's **gearing** was -5% (8%) and the **equity ratio** 52% (54%).

The Group's **total liabilities** at 31 December 2014 were EUR 487 (465) million. At the end of the period, interest-bearing liabilities amounted to EUR 235 (258) million, including EUR 210 (233) million of non-current loans.

The Group had EUR 259 (215) 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 297 (215) million. The significant improvement was mainly due to the increase in operating profit and the decrease of EUR 43 million in the amount of cash tied up in working capital. Working capital increased by EUR 22 million in the comparative period. All items included in working capital developed well during the year.

Cash flow from investing activities was EUR -55 (-71) million.

Cash flow from financing activities was EUR -201 (-74) 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 57 (78) million. This comprised EUR 52 (70) million on property, plant and equipment and EUR 5 (8) million on intangible assets.

Outlook for 2015

Net sales will be slightly lower than in 2014 (net sales were EUR 1,015 million in 2014).

Operating profit is estimated to exceed EUR 200 million.

The Group's capital expenditure will be about EUR 50 million excluding substantial corporate or product acquisitions. (The Group's capital expenditure was EUR 57 million in 2014)

Basis for outlook

A financial objective of Orion is to increase net sales. During the current year the steadily growing business areas such as Specialty Products, Dexdor® and the Easyhaler® product family will not be able to compensate fully for the decreases in net sales and operating profit due to some rapid changes, such as extension of generic competition to Stalevo® in Europe, decreasing royalties from Precedex® and the timing of milestone payments. For these reasons among others, net sales are not expected to grow in 2015. However, operating profit is estimated to remain above 20% of net sales, in line with the financial objectives. The negative impact due to Stalevo and Precedex is expected to level out in 2016 as growth in other areas starts to have a positive effect on development of the entire company.

Orion's Parkinson's drugs are Comtess®, Comtan® and Stalevo®. Generic competition to them commenced in the United States in 2012, and in 2014 US markets accounted for about EUR 12 million of Orion's EUR 169 million total net sales of Parkinson's drugs. In Europe the majority of net sales come from Stalevo. Generic competition to Comtess and Comtan, which have clearly lower sales, commenced already in 2013. The first generic marketing authorisations for Stalevo were granted in Germany and generic competition commenced there in 2014. The competition is expected to extend in Europe during 2015 and significantly decrease Orion's sales of Stalevo. In 2014 Europe accounted for about EUR 111 million of the net sales of Orion's Parkinson's drugs. Elsewhere in the world generic competition is not expected to have a material impact on sales volumes of these products in the current year.

In the United States two competitor companies received marketing authorisation for their own generic versions of Precedex in August 2014. In addition, the agreement previously reached with Sandoz was amended in September 2014 to allow Sandoz to launch its generic version earlier than originally agreed. Following these changes, the royalties from Precedex received by Orion decreased. They were EUR 10 million in the second half of 2014, which was 64% less than in the corresponding period a year ago. The decline is continuing in 2015, and royalties will be clearly lower than in 2014.

Sales of Dexdor and the Easyhaler product family, which are also key proprietary drugs, are forecast to continue to grow. The patent for the Simdax® molecule expires in September 2015 but this is not expected to have a material impact on sales in the current year.

Sales of generic products have been accounting for a greater proportion of Orion's total sales, and price competition has remained intense in many markets. Competition in Finland, the most important generic market for Orion, remains intense in 2015. However, product launches continue to support Orion's position as market leader.

Collaboration agreements with other pharmaceutical companies are an important component of Orion's business model. Often payments related to these agreements are recorded in net sales, and in 2014 they totalled EUR 39 million. Forecasting the timing and amount of payments is difficult. Possible future payments relating to agreements already made have in some cases been conditional on, for instance, the progress of research projects or results received, which are not known until studies have been completed. On the other hand, making new agreements is generally a process for which neither the schedule nor the outcome is known before the final signing of the agreement.

Investments commenced in 2012 to develop and ensure future growth, delivery reliability and quality standards, and the related reorganisations of production will mostly be completed during 2015. They are no longer expected materially to decrease production capacity and increase production costs. Projects launched as part of the reorganisations to increase production efficiency are expected gradually to improve productivity from the beginning of 2015.

Marketing expenditure will be at similar level 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 2015 were planned mainly during the previous year. Royalty payments to AbbVie previously recorded in marketing expenditure and related to the reacquisition of rights to Simdax ended in April 2014. About EUR 10 million of royalties were paid in 2013 and about EUR 3 million in 2014.

Research and development costs will be slightly higher than in 2014. 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 2015 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. For instance, Bayer is paying the majority of the ODM-201 research costs.

Near-term risks and uncertainties

Sales of Orion's Parkinson's drugs will decrease in 2015 due to generic competition. The effects of the competition have been taken into account in the outlook estimate for the current year. However, the timing of commencement and the intensity of generic competition to Stalevo in Europe still entails uncertainty that may materially affect the accuracy of the estimate made at this stage. Competition is expected to have extended in Europe by the end of 2015, decreasing Stalevo sales.

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 of Parkinson's drugs to Novartis, the most important collaboration partner, 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. In 2014 rapid and severe weakening of the Russian rouble towards the end of the year had a negative currency exchange rate effect. However, Russian sales are not a significant portion of Orion's entire net sales.

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 have effects that decrease delivery reliability and increase costs.

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.

Collaboration arrangements are an important component of Orion's business model. Possible collaboration and licensing agreements related to these arrangements also often include payments to be recorded in net sales that may materially affect Orion's financial results. In 2014 a total of EUR 39 million of such payments were received, which was clearly higher than average for the payments received by Orion in previous years. The payments may be subject to certain conditions relating to the development of research projects or sales, and whether these conditions are triggered and the timing of triggering always entail uncertainties.

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.

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

The parent company's distributable funds are EUR 255,953,061.62 or EUR 1.82 per share, including EUR 191,746,498.98, or EUR 1.36 per share, of profit for the financial year. These per share amounts are calculated excluding treasury shares held by the Company.

The Board of Directors proposes that a dividend of EUR 1.30 per share be paid from the parent company's distributable funds. No dividend shall be paid on treasury shares held by the Company on the dividend distribution record date. On the day when the profit distribution was proposed, the number of shares conferring entitlement to receive dividend totalled 140,688,163, on which the total dividend payment would be EUR 182,894,611.90. The Group's payout ratio for the financial year 2014 would be 86.7% (85.6%). The dividend payment date would be 2 April 2015, and shareholders registered in the Company's shareholder register on 26 March 2015 would be entitled to the dividend payment.

The Board of Directors further proposes that EUR 250,000 (250,000) be donated to medical research and other purposes of public interest in accordance with a separate decision by the Board and that EUR 72,808,449.72 remain in equity.

Strategy

Orion's Board of Directors has updated the Company's strategy.

Operating environment

Orion's strategy is affected by global healthcare megatrends that have material impact on trends in consumption of drugs, the price level of drugs and progress in pharmaceutical research. These megatrends include:

- ageing of population
- advances in science, such as personalised medicine, increased genetic and epigenetic data, developments in drug dosing and developments in diagnostics
- the increasing cost burden of healthcare and consequent need for cost-effective treatments and drugs
- increased personal responsibility for own health.

Mission and values

Orion's mission is to build well-being. Orion builds well-being by bringing to markets drugs and diagnostic tests that give patients help and an effective treatment for their illnesses. An effective drug also creates added value for the patient by improving the quality of life. Underlying Orion's strategy are Orion's values, which characterise our way of working within the Company. These values are:

- mutual trust and respect
- quality, reliability and safety
- customer focus
- innovation
- achievement

Focus areas

To fulfil our mission and achieve the strategic targets defined for Orion, within the Company there must be systematic concentration on key focus areas and their development. The crucial focus areas for implementing our strategy are:

- **Quality and safety.** High quality, product safety and complying with requirements of authorities are indispensable in the pharmaceutical industry. To meet ever increasing requirements and expectations of stakeholder groups, we are continuously and systematically developing these areas.
- **Productivity and flexibility.** Under pressure from declining prices for drugs, we need cost awareness in our operations and seamless co-operation between different parts of Orion to achieve the targeted profitability level. In addition, operations must be flexible and able to react rapidly to changes identified in the operating environment. Due to its size, Orion can be more agile than large companies and gain a competitive advantage from this.

- **Partnerships.** Our operations are almost in their entirety based on utilising worldwide networks in which well-managed partnerships and collaborations are a competitive advantage for us. This requires us to be unprejudiced and open to learning new things from our partners and collaborators. Partnerships must also be managed so that jointly agreed modes of operation and responsibilities are adopted at every level.
- **Competitive and strong portfolio,** which is crucial for our success. This requires from us continuous striving to renew the portfolio, which in addition to product development, acquisition or manufacturing, includes effective launching of products and management of their entire life cycle.
- **Strong corporate culture of working together,** the basis of which is valuable and important work for the customer. We want to be an excellent workplace and a responsible and attractive employer that promotes the well-being of its personnel at work and continuously develops their expertise.

Strategic targets

The following strategic targets have been confirmed, and their achievement is monitored with clearly defined indicators:

- **Providing new innovative and cost-effective drugs and treatments for patients.** We launch a steady stream of new drugs and diagnostic tests into markets. The product development pipeline has balanced numbers of proprietary products and generic projects in different phases. In our research we aim for the best input/output ratio in the field.
- **Working together to benefit the customer.** Our personnel are committed and understand the needs of our customers. Our working atmosphere, our customer satisfaction and the image of Orion are outstanding.
- **Continuous improvement in operations as regards sustainability.** Patient safety is the most vital aspect of our corporate responsibility. The key to patient safety is that our products are safe when used appropriately. Managing the Company's environmental responsibilities is also an important part of sustainability. Our aims additionally include continuous development of our personnel's occupational safety and ability to cope with their work.
- **Growing faster than the markets.** Growth enables a company to develop and take manageable risks. This aim should be achieved by the Company as a whole and in the geographic and product areas in which Orion operates.
- **Strong development of profitability.**

Financial objectives

We have updated Orion's financial objectives. Through them we aim, as until now, to develop the Group's shareholder value and ensure financial stability and profitable growth.

Orion's financial objectives are:

- 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%.
- Distributing an annual dividend that in the next few years will be at least EUR 1.20 per share, and increasing the dividend in the long term.

In the short term what actually happens may deviate from the objectives. Especially in 2015, the steadily growing business areas such as Specialty Products, Dexdor and Bufomix Easyhaler will not be able to compensate fully for the decrease in net sales and operating profit due to some rapid changes, such as extension of generic competition to Stalevo in Europe, declining royalties from Precedex and the timing of milestone payments. However, the negative impact due to Stalevo and Precedex is expected to level out in 2016 as growth in other areas starts to have a positive effect on development of the entire company.

Promising developments in the R&D project pipeline will probably somewhat increase the Company's research expenses in the next few years. However, agreements already made relating to research projects (Bayer/ODM-201, Janssen/ORM-12741) and possible new agreements with partners relating to other projects are expected to generate material upfront and milestone payments in coming years, and thereby have a positive effect on Orion's net sales and especially operating profit even before possible approval of new proprietary drugs and before the actual commencement of product sales.

Business Reviews

Pharmaceuticals

Review of human pharmaceuticals market

Finland is the most important individual market for Orion, generating about one-quarter of the total net sales. According to IMS Health statistics, **Finnish wholesale of human pharmaceuticals** in 2014 was up by 5% on the previous year at EUR 2,167 (2,070) million. 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 2014 amounted to EUR 251 (233) million, up by 8% compared with the previous year. Orion's market share of Finnish pharmaceuticals markets was 12% (11%).

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®) accounted for about one-sixth of the Group's net sales in 2014.

Total sales of all Parkinson's drugs:

EUR or USD million		MAT9/2014	MAT9/2013	Change %
United States	USD	810	751	+8%
Europe TOP 5	EUR	996	978	+2%
Japan	EUR	497	523	-5%

Source: IMS Health pharmaceutical sales statistics MAT9/2014 (10/2013–9/2014)

The five largest European markets for Parkinson's disease drugs were Germany, the United Kingdom, France, Spain and Italy. The size of the Japanese market as a whole decreased due to depreciation of the yen exchange rate. Measured in terms of local currency, sales of Orion's Parkinson's drugs grew in Japan.

Total sales of all Parkinson's drugs containing entacapone:

EUR or USD million		MAT9/2014	MAT9/2013	Change %
United States	USD	119	153	-22%
Europe TOP 5	EUR	147	153	-4%
Japan	EUR	53	59	-10%

Source: IMS Health pharmaceutical sales statistics MAT9/2014 (10/2013–9/2014)

Total sales of Orion's branded Parkinson's drugs:

EUR or USD million		MAT9/2014	MAT9/2013	Change %
United States	USD	20	37	-47%
Europe TOP 5	EUR	127	131	-4%
Japan	EUR	53	59	-10%

Source: IMS Health pharmaceutical sales statistics MAT9/2014 (10/2013–9/2014)

Sales of Orion's branded Parkinson's drugs decreased in the United States due the trend to generics in the market and in Japan due to depreciation of the yen exchange rate. The market share of Orion's branded Parkinson's drugs was 2% 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 10% at USD 401 million in the 12-month period ending in September 2014 (USD 365 million in the previous 12-month period). The largest market, with sales of USD 335 (305) million, was the United States, where Precedex sales grew by 10%. 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. Generic competition to Precedex in the United States commenced in August 2014, but the effect of competition was not yet significant in the figures reported by IMS Health for the period ending in September 2014.

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 September 2014 were up by 3% at EUR 490 (476) million. According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in September 2014 sales of Orion's **Dexdor® intensive care sedative** (dexmedetomidine) were up by 29% at EUR 26 (20) million in Europe.

Net sales and operating profit of the Pharmaceuticals business

Net sales of the Pharmaceuticals business in 2014 were EUR 962 (953) million. The operating profit of the Pharmaceuticals business was EUR 276 (273) million, including milestone payments of EUR 39 (5) million. The operating profit of the Pharmaceuticals business was 29% (29%) of the segment's net sales.

Net sales of Orion's top ten pharmaceuticals in 2014 were down by 7% at EUR 422 (455) million. They accounted for 44% (48%) 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 2014 were down by 4% at EUR 373 (390) million.

Orion's drugs for treatment of Parkinson's disease are Stalevo® (active ingredients carbidopa, levodopa and entacapone) and Comtess®/Comtan® (entacapone). Their total net sales in 2014 were down by 18% at EUR 169 (207) 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 commenced in Germany in 2014.

Breakdown of sales of Parkinson's drugs:

EUR million	2014	2013	Change %
Stalevo deliveries to Novartis	73	81	-11%
Comtan deliveries to Novartis	26	34	-23%
Orion's Stalevo sales	64	84	-23%
Orion's Comtess sales	7	9	-21%

After the review period Orion received notification that the US Food and Drug Administration (FDA) had completed the safety review of Stalevo that began in spring 2009. Epidemiological studies undertaken at the request of the FDA indicate that Stalevo does not increase the risk of myocardial infarction or prostate cancer. According to the FDA statement, the additional studies undertaken are sufficient and there is no need for further studies or actions.

Net sales of Simdax®, a drug for treatment of acute decompensated heart failure, in 2014 were up by 2% at EUR 47 (46) million.

Total net sales of the Easyhaler® product family for treatment of asthma and chronic obstructive pulmonary disease were up by 22% in 2014 at EUR 35 (29) million. The increase was due to good development of sales of monoproducts that have been on the markets for a long time and sales of Bufomix Easyhaler® (budesonide-formoterol), the new combined formulation in the product family. Sales of Bufomix Easyhaler totalled EUR 3 (0) million in 2014. Bufomix Easyhaler received national marketing authorisations in over twenty European countries in 2014 and processing of the national phase of marketing authorisation application is still ongoing in Greece and Italy. Sales of Bufomix Easyhaler have commenced in more than ten countries, but because it is not within generic substitution in pharmacies, growth is slower than for ordinary generic products, especially in the launch phase. In 2014 Orion and Takeda terminated the collaboration agreement relating to co-promoting of Easyhaler combined formulations in Europe. Collaboration regarding the Middle East and North Africa remains unchanged, and the agreement has been extended to cover certain other African countries too. In Europe Orion currently markets the products through its own sales network and local partners.

Net sales of the Precedex® intensive care sedative (dexmedetomidine) were down by 50% in 2014 at EUR 30 (59) 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 royalties received by Orion from Hospira decreased. The decline in sales recorded by Orion accelerated in August when the first generic competitors entered the US market. Most of the net sales of Precedex has come from the United States.

Net sales of Orion's Dexdor® intensive care sedative (dexmedetomidine) in 2014 were up by 39% at EUR 35 (25) million.

Specialty Products

Net sales of the Specialty Products business division's off-patent, i.e. generic prescription drugs, self-care products and biosimilars in 2014 were up by 11% at EUR 427 (385) million. Sales of generic entacapone products were up by 151% at EUR 26 (10) million. Sales of products from the rest of the portfolio were up by 7%.

Finland, Scandinavia, and Eastern Europe and Russia are the most important markets for Specialty Products. The business division's sales in Finland in 2014 were up by 9% at EUR 256 (234) million. Orion managed to increase its sales, especially in prescription drugs. Sales were up by 21% at EUR 50 (42) million in Scandinavia and sales were EUR 56 (56) million in Eastern Europe and Russia. Depreciation of the rouble weakened the development of sales in Eastern Europe and Russia.

Net sales of Remsima® for treatment of rheumatoid arthritis among other things were EUR 6 million in 2014. Remsima is a biosimilar infliximab developed and manufactured by Orion's collaboration partner, for which Orion has marketing rights in Finland, Scandinavia and the Baltic States.

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 other 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 2014 were EUR 70 (71) million. Sales of the animal sedative product family at EUR 25 (25) million accounted for 35% (35%) 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 2014 excluding pharmaceutical ingredients supplied for Orion's own use were down by 10% at EUR 57 (64) million and accounted for about two-thirds of Fermion's entire net sales. Significant sales of one individual product clearly increased net sales in the comparative period. Net sales from rest of the product range were slightly higher in 2014 than in the previous year. Several key products performed well, even though competition in the markets remained intense. Arto Toivonen became President of Fermion on 1 January 2015.

Research and development projects

The Group's **R&D expenses** in 2014 were up by 4% at EUR 106 (102) million, of which the Pharmaceuticals business accounted for EUR 99 (94) 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.

In 2014 Orion 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 Phase III clinical trial for further evaluation of the efficacy and safety of ODM-201 in patients with non-metastatic castration-resistant prostate cancer (nm-CRPC).

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 has commenced 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. In 2014 Orion and Janssen focussed on optimising the drug composition, and Orion is preparing to commence a new Phase IIa clinical trial with the drug candidate.

Orion has completed Phase I clinical safety trials with new **COMT inhibitors (ODM-103 and ODM-104)**. Based on the results obtained, Orion has decided to select ODM-104 for further development and is preparing to commence Phase II clinical trials with the molecule. ODM-104 is a new molecule that enhances the therapeutic effects of levodopa used to treat Parkinson's disease by blocking the COMT enzyme. The pre-clinical and pharmacokinetic study results indicated that it is more effective than the COMT inhibitor entacapone, which is already in the markets.

Orion has commenced Phase I clinical safety trials with a new targeted **FGFR+VEGFR inhibitor (ODM-203)** for treatment of cancers. Pre-clinical study results indicate that ODM-203 slows growth of certain solid cancerous tumours.

Orion is commencing Phase I clinical safety trials with a unique investigational **CYP17 enzyme and androgen receptor inhibitor (ODM-204)**. The pre-clinical study results indicated that ODM-204 blocks the growth of castration-resistant prostate cancer (CRPC).

Orion is commencing Phase I safety trials with a **GABA-B receptor positive allosteric modulator (ODM-106)** for treatment of symptoms of essential tremor (ET). Preclinical studies indicate that ODM-106 has the potential to alleviate essential tremor, parkinsonian tremor and levodopa-induced dyskinesia in patients with Parkinson's disease, without causing sedation.

Orion's partner Tenax Therapeutics, Inc. (formerly Oxygen Biotherapeutics, Inc.) 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 an ongoing Phase III clinical trial.

Orion's collaboration partner Recro Pharma, Inc. is developing an intranasal formulation of **dexmedetomidine** for treatment of pain. Recro has an ongoing 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.

Diagnostics

Orion Diagnostica manufactures convenient and quick in vitro diagnostic tests and testing systems suitable for point-of-care testing. Net sales of the Diagnostics business in 2014 were EUR 56 (57) million. Net sales in the comparative period included sales of products discontinued in 2013.

QuikRead® infection tests remained the main product, with sales continuing to increase. Launching of new QuikRead go® tests progressed as planned in 2014. 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.

At the end of the review period the first new Orion GenRead® test system products were released for sale – an instrument and a C. difficile test for detecting intestinal Clostridium difficile infection occurring during antibiotic treatment. Orion GenRead® is based on an isothermal nucleic acid amplification technique, SIBA® technology, global rights to which are owned by Orion Diagnostica in all fields of application.

The QuikRead go® Feeder instrument was also released for sale during the review period. It offers increased automation for users handling large test volumes.

The operating profit of the Diagnostics business was up by 38% at EUR 6.4 (4.6) 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.

Shares and shareholders

On 31 December 2014 Orion had a total of 141,257,828 (141,257,828) shares, of which 40,412,981 (42,022,816) were A shares and 100,844,847 (99,235,012) B shares. The Group's share capital was EUR 92,238,541.46 (92,238,541.46). At the end of December 2014 Orion held 569,665 (688,991) B shares as treasury shares. On 31 December 2014 the aggregate number of votes conferred by the A and B shares was 908,534,802 (939,002,341) excluding treasury shares.

At the end of December 2014, Orion had 51,917 (56,762) 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 2014 a total of 1,609,835 shares were converted.

Trading in Orion's shares

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

On 31 December 2014 the market capitalisation of the Company's shares excluding treasury shares was EUR 3,596 million.

In 2014 a total of 2,595,181 A shares and 74,824,531 B shares were traded on Nasdaq Helsinki. The total value of the shares traded was EUR 1,982 million. During the year, 6% of the A shares and 75% of the B shares were traded. The average turnover in Orion's shares was 55%.

The price of Orion's A shares increased by 23% and the price of its B shares by 26% during 2014. On 31 December 2014 the closing quotation was EUR 25.03 for the A shares and EUR 25.77 for the B shares. The highest quotation for Orion's A shares in 2014 was EUR 31.11 and the lowest quotation was EUR 19.13. The highest quotation for the B shares in 2014 was EUR 31.33 and the lowest quotation was EUR 19.07.

Orion shares are also traded on various alternative trading platforms in addition to Nasdaq Helsinki. In 2014 Nasdaq Helsinki accounted for about 92% of the entire trading volume in Orion A shares. In 2014 Nasdaq Helsinki accounted for about 43% of the entire trading volume in Orion B shares.
Source: Fidessa Fragmentation Index.

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 Board of Directors is authorised to decide on conveyance of no more than 600,000 Orion Corporation B shares held by the Company. The authorisation to issue shares is valid for five years from the decision taken by the Annual General Meeting. 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 2014 Orion had a total of 51,917 (56,762) registered shareholders, of whom 95% (95%) were private individuals holding 43% (46%) of the entire share stock and 63% (64%) of the total votes. There were altogether 57 (48) million nominee-registered shares, which was 40% (34%) of all shares, and they conferred entitlement to 8% (7%) of the total votes.

At the end of December 2014 Orion held 569,665 (688,991) B shares as treasury shares, which is 0.4% (0.5%) of the Company's total share stock and 0.06% (0.07%) of the total votes.

Notification threshold

On 24 September 2014 Orion announced that on 22 September 2014 the total number of Orion Corporation B shares under the management of The Capital Group Companies, Inc. had decreased below five (5) per cent of all Orion Corporation shares. According to the notification, The Capital Group Companies, Inc. owned 6,975,982 Orion B shares, which was 4.9384% of the shares and 0.7586% of Orion's total number of votes.

Management's shareholdings

At the end of 2014, the members of the Board of Directors owned a total of 2,172,289 of the Company's shares, of which 1,825,264 were A shares and 347,025 B shares. At the end of 2014, the President and CEO owned 52,519 of the Company's shares, which were all B shares. The members of the Group's Executive Management Board (excluding the President and CEO) owned a total of 141,260 of the Company's shares, which were all B shares. Thus, the Company's executive management held 1.68% of all of the Company's shares and 4.07% of the total votes.

The Company does not have stock option programmes.

Corporate Governance

The management system of the Orion Group consists of the Group level functions and business divisions. In addition, the system includes the organisation of the administration of the legal entities. For the steering and supervision of operations, the Group has a control system for all levels.

The parent company of the Group is Orion Corporation, whose shareholders exercise their decision-making power at a General Meeting of Shareholders in accordance with the Limited Liability Companies Act and the Articles of Association. General Meetings of Shareholders elect the Board of Directors and decide on amendments to the Articles of Association, issuance of shares and repurchase of the Company's own shares, among other things.

The Board of Directors of Orion Corporation handles and decides all the most important issues relating to the operations of the whole Group or any units irrespective of whether the issues legally require a decision of the Board of Directors. The Board also ensures that good corporate governance practices are followed in the Orion Group.

The Board of Directors of the parent company comprises at least five and at most eight members elected by a General Meeting of Shareholders. The term of the members of the Board of Directors ends at the end of the Annual General Meeting of Shareholders following the election. A General Meeting of Shareholders elects the Chairman of the Board of Directors, and the Board of Directors elects the Vice Chairman of the Board of Directors, both for the same term as the other members. A person who has reached the age of 67 may not be elected a member of the Board of Directors.

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

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

Orion publishes its Corporate Governance statement separately from the Report by the Board of Directors on the Company's website.

Annual General Meeting on 25 March 2014

Orion Corporation's Annual General Meeting was held on 25 March 2014 in the Helsinki Fair Centre. In addition to matters in accordance with Section 10 of the Articles of Association and Chapter 5, Section 3 of the Limited Liability Companies Act, the meeting dealt with a proposal concerning amendment to Section 12 of the Articles of Association.

Distribution of a dividend of EUR 1.25 per share was approved for 2013, in accordance with the Board's proposal.

The decisions taken by the Annual General Meeting and the organising meeting of the Board of Directors were reported in stock exchange releases on 25 March 2014.

Annual General Meeting on 24 March 2015

Orion Corporation's Annual General Meeting will be held on Tuesday 24 March 2015 in the Helsinki Fair Centre commencing at 14:00.

Significant risks and uncertainties

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

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

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

Operational risk management also includes project-specific risk management.

Agreements referred to in Ministry of Finance decree 1020/2012, Section 8, Paragraph 1, Subparagraph 11

Orion and its marketing partner Novartis have marketing agreements concerning the Comtess®/Comtan® and Stalevo® drugs. These agreements include terms concerning change of control in the company that entitle a party to terminate the agreement in certain circumstances, as referred to in the Ministry of Finance Decree 1020/2012, Section 8, Paragraph 1, Subparagraph 11.

Personnel

The average number of employees in the Orion Group in 2014 was 3,493 (3,540). At the end of 2014 the Group had a total of 3,450 (3,519) employees, of whom 2,769 (2,816) worked in Finland and 681 (703) outside Finland.

Salaries and other personnel expenses in 2014 totalled EUR 219 (218) million.

Environmental issues

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

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

Significant legal proceedings

Legal proceedings 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 Sun Pharmaceutical Industries, Inc. (previously 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 with Hospira and Orion as plaintiffs.

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

The previously reported lawsuit brought by Par Sterile Products, LLC against Hospira and Orion has since been settled.

Basic information on Orion's shares

31 December 2014	A share	B share	Total
Trading code on Nasdaq Helsinki	ORNAV	ORNBV	
Listing day	1 Jul 2006	1 Jul 2006	
ISIN code	FI0009014369	FI0009014377	
ICB code	4500	4500	
Reuters code	ORNAV.HE	ORNBV.HE	
Bloomberg code	ORNAV.FH	ORNBV.FH	
Share capital, EUR million	26.4	65.8	92.2
Counter book value per share, EUR	0.65	0.65	
Total number of shares	40,412,981	100,844,847	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	40,412,981	100,275,182	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	808,259,620	100,275,182	908,534,802
% of total votes	89%	11%	100%
Total number of shareholders	17,343	40,459	51,917

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

Ownership base by type of shareholder

31 December 2014	Owners	%	A shares	%	B shares	%	Total shares	%	Total votes	%
Households	49,545	95.43	26,758,512	66.21	33,440,285	33.16	60,198,797	42.62	568,610,525	62.55
Nominee-registered and foreign shareholders	200	0.39	953,941	2.36	55,586,467	55.12	56,540,408	40.03	74,665,287	8.21
Public sector entities	36	0.07	3,314,592	8.20	3,815,919	3.78	7,130,511	5.05	70,107,759	7.71
Non-financial and housing corporations	1,433	2.76	5,977,734	14.79	2,466,933	2.45	8,444,667	5.98	122,021,613	13.42
Non-profit organisations	654	1.26	3,256,073	8.06	3,945,290	3.91	7,201,363	5.10	69,066,750	7.60
Financial and insurance institutions	48	0.09	86,841	0.21	957,960	0.95	1,044,801	0.74	2,694,780	0.30
Others	0	0.00	65,288	0.16	62,328	0.06	127,616	0.09	1,368,088	0.15
Number of treasury shares	1	0.00	0	0.00	569,665	0.56	569,665	0.40	569,665	0.06
Total	**51,917**	**100.00**	**40,412,981**	**100.00**	**100,844,847**	**100.00**	**141,257,828**	**100.00**	**909,104,467**	**100.00**

Ownership base by number of shares

31 December 2014	Owners	%	A shares	%	B shares	%	Total shares	%	Total votes	%
1–100	14,734	28.38	277,306	0.69	670,555	0.66	869,298	0.62	5,421,850	0.60
101–1,000	26,950	51.91	3,388,717	8.39	9,185,710	9.11	11,076,644	7.84	61,559,682	6.77
1,001–10,000	9,333	17.98	10,022,718	24.80	18,357,005	18.20	26,604,343	18.83	200,067,541	22.01
10,001–100,000	825	1.59	8,578,708	21.23	10,058,445	9.97	20,582,749	14.57	203,046,722	22.33
100,001–1,000,000	64	0.12	9,460,584	23.41	6,297,870	6.25	16,299,465	11.54	197,861,375	21.76
1,000,001–	10	0.02	8,619,660	21.33	55,643,269	55.18	65,128,048	46.11	239,209,544	26.31
In joint account	0	0.00	65,288	0.16	62,328	0.06	127,616	0.09	1,368,088	0.15
Total	**51,916**	**100.00**	**40,412,981**	**100.00**	**100,275,182**	**99.44**	**140,688,163**	**99.60**	**908,534,802**	**99.94**
of which nominee registered	10	0.02	595,476	1.47	54,696,515	54.55	55,291,991	39.30	66,606,035	7.33
Number of treasury shares	1	0.00	0	0.00	569,665	0.56	569,665	0.40	569,665	0.06
Total	**51,917**	**100.00**	**40,412,981**	**100.00**	**100,844,847**	**100.00**	**141,257,828**	**100.00**	**909,104,467**	**100.00**

Largest shareholders[1]

31 December 2014		A shares	B shares	Total shares	% of shares	Total votes	% of votes	Order by number of votes
1.	Erkki Etola and companies	2,500,000	0	2,500,000	1.77%	50,000,000	5.50%	1.
	Etola Erkki	200,000	0			4,000,000		
	Etola Oy	2,300,000	0			46,000,000		
2.	Land and Water Technology Foundation and companies	2,083,360	0	2,083,360	1.47%	41,667,200	4.58%	2.
	Land and Water Technology Foundation	1,034,860	0			20,697,200		
	Tukinvest Oy	1,048,500	0			20,970,000		
3.	Ilmarinen Mutual Pension Insurance Company	1,948,540	26,155	1,974,695	1.40%	38,996,955	4.29%	3.
4.	Social Security Institution of Finland, KELA	0	1,658,368	1,658,368	1.17%	1,658,368	0.18%	15.
5.	Ylppö Jukka	1,247,136	296,440	1,543,576	1.09%	25,239,160	2.78%	4.
6.	Aho Group Oy's controlling votes	1,169,376	2,429	1,171,805	0.83%	23,389,949	2.57%	5.
	Aava Terveyspalvelut Oy	658,230	4			13,164,604		
	Kliinisen Kemian Tutkimussäätiö	107,800	0			2,156,000		
	Aho Juhani	353,469	0			7,069,380		
	Aho Kari Jussi	21,641	0			432,820		
	Porkkala Miia	5,115	0			102,300		
	Lappalainen Annakaija	4,944	2,000			100,880		
	Aho Antti	7,262	0			145,240		
	Aho Ville	10,915	425			218,725		
7.	Orion Pension Fund[2]	1,040,624	0	1,040,624	0.74%	20,812,480	2.29%	6.
8.	Into Ylppö and controlling votes	785,492	242,848	1,028,340	0.73%	15,952,688	1.75%	8.
	Ylppö Into	577,936	240,200			11,798,920		
	Ylppö Eeva	110,778	1,324			2,216,884		
	Ylppö Aurora	96,778	1,324			1,936,884		
9.	Saastamoinen Foundation	889,996	0	889,996	0.63%	17,799,920	1.96%	7.
10.	Jouko Brade (deceased's estate) and companies	597,889	157,808	755,697	0.53%	12,115,588	1.33%	9.
	Brade Jouko (deceased's estate)	181,000	4,400			3,624,400		
	Brade Oy	726	100			14,620		
	Medical Investment Trust Oy	414,974	151,573			8,451,053		
	Lamy Oy	1,152	235			23,275		
	Helsinki Investment Trust Oy	37	1,000			1,740		
	Helsinki Securities Oy	0	100			100		
	Töölö Trading Oy	0	100			100		
	Botnia Trading Oy	0	300			300		

31 December 2014		A shares	B shares	Total shares	% of shares	Total votes	% of votes	Order by number of votes
11.	Elo Mutual Pension Insurance Company	292,800	400,000	692,800	0.49%	6,256,000	0.69%	11.
12.	Local Government Pensions Institution, Keva	0	612,336	612,336	0.43%	612,336	0.07%	16.
13.	Swiss National Bank	0	586,653	586,653	0.42%	586,653	0.06%	17.
14.	Eero Karvonen and companies	546,200	25,865	572,065	0.40%	10,949,865	1.20%	10.
	Karvonen Eero	73,170	9,194			1,472,594		
	EVK-Capital Oy	473,030	16,671			9,477,271		
15.	Orion Research Foundation	132,996	282,514	415,510	0.29%	2,942,434	0.32%	14.
16.	Varma Mutual Pension Insurance Company	0	400,000	400,000	0.28%	400,000	0.04%	18.
17.	Finnish Cultural Foundation	0	363,930	363,930	0.26%	363,930	0.04%	19.
18.	Salonen Seppo	255,287	98,000	353,287	0.25%	5,203,740	0.57%	12.
19.	The State Pension Fund	0	350,000	350,000	0.25%	350,000	0.04%	20.
20.	Westerlund Riikka	239,035	108,000	347,035	0.25%	4,888,700	0.54%	13.
Twenty largest shareholders total		**13,728,731**	**5,611,346**	**19,340,077**	**13.69%**	**280,185,966**	**30.82%**	
Nominee-registered		595,476	54,696,515	55,291,991	39.14%	66,606,035	7.3%	
Others		26,088,774	39,967,321	66,056,095	46.8%	561,742,801	61.8%	
Orion's treasury shares[2]		0	569,665	569,665	0.4%	569,665	0.1%	
Total		**40,412,981**	**100,844,847**	**141,257,828**	**100.0%**	**909,104,467**	**100.0%**	

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

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

Shareholdings of Board of Directors members[1]

31 December 2014	A shares	Change since 1 Jan 2014	B shares	Change since 1 Jan 2014	Total shares	% of total shares	% of total votes
Hannu Syrjänen, Chairman	10,000	0	11,710	1,375	21,710	0.02	0.02
Jukka Ylppö, Vice Chairman	1,247,136	0	296,440	922	1,543,576	1.09	2.78
Sirpa Jalkanen	0	0	5,602	687	5,602	0.00	0.00
Eero Karvonen	546,200	0	25,865	687	572,065	0.40	1.20
Timo Maasilta	21,928	0	2,456	687	24,384	0.02	0.05
Mikael Silvennoinen	0	0	687	687	687	0.00	0.00
Heikki Westerlund	0	0	4,265	687	4,265	0.00	0.00
Board of directors total	**1,825,264**	**0**	**347,025**	**5,732**	**2,172,289**	**1.54**	**4.05**

[1] The figures include the shares held by organisations and foundations controlled by the person.

Shareholdings of Executive Management Board members[1]

31 December 2014	A shares	Change since 1 Jan 2014	B shares	Change since 1 Jan 2014	Total shares	% of total shares	% of total votes
Timo Lappalainen, President and CEO	0	0	52,519	15,269	52,519	0.04	0.01
Satu Ahomäki	0	0	14,461	-4,365	14,461	0.01	0.00
Markku Huhta-Koivisto	0	0	13,985	-2,365	13,985	0.01	0.00
Olli Huotari	0	0	28,706	5,983	28,706	0.02	0.00
Liisa Hurme	0	0	19,382	-943	19,382	0.01	0.00
Jari Karlson	0	0	27,251	5,983	27,251	0.02	0.00
Virve Laitinen	0	0	9,393	-190	9,393	0.01	0.00
Reijo Salonen	0	0	28,082	-6,618	28,082	0.02	0.00
Executive Management Board total[2]	**0**	**0**	**193,779**	**12,754**	**193,779**	**0.14**	**0.02**

[1] The figures include the shares held by organisations and foundations controlled by the person.

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

Group's key figures

Key figures relating to financial performance

	2010	2011	2012	2013	2014
Net sales, EUR million	849.9	917.9	980.4	1 006.9	1 015.3
International operations, EUR million	620.7	677.2	723.1	732.3	719.8
% of net sales	73.0%	73.8%	73.8%	72.7%	70.9%
Operating profit, EUR million	254.2	282.9	278.3	267.7	272.4
% of net sales	29.9%	30.8%	28.4%	26.6%	26.8%
Profit before taxes, EUR million	252.6	282.0	276.6	264.0	267.8
% of net sales	29.7%	30.7%	28.2%	26.2%	26.4%
Income tax expense, EUR million	67.9	72.4	69.7	57.8	56.6
R&D expenses, EUR million	85.5	87.5	105.8	101.9	106.2
% of net sales	10.1%	9.5%	10.8%	10.1%	10.5%
Capital expenditure, EUR million	39.2	49.4	46.8	77.9	57.1
% of net sales	4.6%	5.4%	4.8%	7.7%	5.6%
Assets total, EUR million	745.8	779.1	835.7	979.0	1 001.5
Equity ratio, %	62.7%	64.2%	61.0%	53.6%	52.3%
Gearing, %	-12.2%	-6.9%	-1.7%	8.4%	-4.7%
Interest-bearing liabilities, EUR million	110.0	88.7	136.7	257.8	234.5
Non-interest-bearing liabilities, EUR million	168.4	190.5	189.5	207.3	252.0
Cash and cash equivalents and money market investments, EUR million	167.2	123.0	145.2	214.7	258.5
ROCE (before taxes), %	45.0%	49.4%	45.9%	38.5%	36.6%
ROE (after taxes), %	40.7%	43.3%	41.0%	40.3%	41.1%
Personnel at the end of the period	3,131	3,425	3,486	3,519	3,450
Average personnel during the period	3,137	3,328	3,495	3,540	3,493
Personnel expenses, EUR million	170.3	186.0	214.8	218.1	219.2

Performance per share

	2010	2011	2012	2013	2014
Basic earnings per share, EUR	1.31	1.49	1.47	1.46	1.50
Diluted earnings per share, EUR	1.31	1.49	1.47	1.46	1.50
Cash flow per share before financial items, EUR	1.26	1.10	1.23	1.02	1.72
Equity per share, EUR	3.32	3.55	3.62	3.66	3.66
Total dividend, EUR million	168.9	183.1	183.2	175.7	182.9[1]
Payout ratio, %	91.6%	87.2%	88.4%	85.6%	86.7%[1]
Dividend per share, EUR	1.20	1.30	1.30	1.25	1.30[1]
Repayment of capital from the expendable fund and reserve for invested unrestricted equity, EUR	0.06	0.12			
A shares					
Number of shares at 31 Dec	47,563,565	44,993,218	43,267,218	42,022,816	40,412,981
Effective dividend yield, %	7.3%	8.6%	5.9%	6.1%	5.2%[1]
Price/earnings ratio (P/E)	12.52	10.19	15.00	13.94	16.69
Closing quotation at 31 Dec, EUR	16.40	15.18	22.05	20.35	25.03
Lowest quotation during the period, EUR	12.21	13.10	13.31	17.30	19.13
Average quotation during the period, EUR	15.13	16.09	16.82	20.60	25.70
Highest quotation during the period, EUR	17.82	18.05	22.57	24.42	31.11
Shares traded, 1,000 shares	7,780	4,586	4,055	2,736	2,595
% of the total number of shares	15.8%	9.9%	9.1%	6.4%	6.3%
B shares					
Number of shares at 31 Dec excluding treasury shares	93,177,609	95,850,856	97,664,619	98,546,021	100,275,182
Treasury shares at 31 Dec	516,654	413,754	325,991	688,991	569,665
Number of shares at 31 Dec including treasury shares	93,694,263	96,264,610	97,990,610	99,235,012	100,844,847
Effective dividend yield, %	7.3%	8.6%	5.9%	6.1%	5.0%[1]
Price/earnings ratio (P/E)	12.50	10.10	15.09	13.99	17.18
Closing quotation at 31 Dec, EUR	16.37	15.05	22.18	20.42	25.77
Lowest quotation during the period, EUR	13.20	13.19	13.31	17.28	19.07
Average quotation during the period, EUR	15.10	16.09	16.26	20.16	25.59
Highest quotation during the period, EUR	17.88	18.14	22.74	24.58	31.33
Shares traded, 1,000 shares	93,247	77,594	84,056	76,574	74,825
% of the total number of shares	101.2%	81.8%	86.9%	77.6%	74.9%
Total number of shares at 31 Dec	141,257,828	141,257,828	141,257,828	141,257,828	141,257,828
Average number of shares during the period excluding treasury shares	140,917,406	140,827,159	140,914,572	141,006,092	140,667,894
Shares traded, % of all shares	71.5%	58.2%	62.4%	56.1%	54.8%
Market capitalisation at 31 Dec, excluding treasury shares, EUR million	2,305.4	2,125.6	3,120.2	2,867.5	3,595.6

[1] The Board of Directors' proposal for 2014 to the AGM.

Calculation of the key figures

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

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

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

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

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

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

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

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

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

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

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

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

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

$$\text{EBITDA} = \text{EBIT + Depreciation + Amortisation + Impairment}$$

Consolidated financial statements (IFRS)

Consolidated statement of comprehensive income

EUR million	Note	2014	2013
Net sales	1	1,015.3	1,006.9
Cost of goods sold		-401.7	-393.5
Gross profit		613.6	613.4
Other operating income and expenses	2	1.7	5.6
Selling and marketing expenses	3, 4	-193.4	-204.9
R&D expenses	3, 4	-106.2	-101.9
Administrative expenses	3, 4	-43.3	-44.5
Operating profit		272.4	267.7
Finance income	5	4.8	4.4
Finance expenses	5	-9.9	-8.3
Share of associated companies' results		0.4	0.3
Profit before income taxes		267.8	264.0
Income tax expense	6	-56.6	-57.8
Profit for the period		211.3	206.2
OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS			
Change in value of cash flow hedges		0.0	0.1
Change in value of available-for-sale investments		4.1	
Translation differences		0.6	-1.3
Items that may be reclassified subsequently to profit and loss		4.7	-1.2
Items due to remeasurement of defined benefit plans		-41.3	-9.7
Items that will not be reclassified to profit and loss		-41.3	-9.7
Other comprehensive income net of tax		-36.5	-10.9
Comprehensive income for the period including tax effects		174.7	195.3
PROFIT ATTRIBUTABLE TO			
Owners of the parent company		211.3	206.2
Non-controlling interests		0.0	0.0
COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent company		174.7	195.3
Non-controlling interests		0.0	0.0
Basic earnings per share, EUR[1]	7	1.50	1.46
Diluted earnings per share, EUR[1]	7	1.50	1.46
Depreciation, amortisation and impairment		39.6	38.5
Personnel expenses		219.2	218.1

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

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

Consolidated statement of financial position

Assets

EUR million, 31 Dec	Note	2014	2013
Property, plant and equipment	8	269.1	247.3
Goodwill	9	13.5	13.5
Intangible rights	9	47.7	54.0
Other intangible assets	9	2.7	3.3
Investments in associates	10	2.1	1.7
Available-for-sale investments	11	5.6	0.5
Pension asset	12		26.6
Deferred tax assets	13	6.7	1.2
Other non-current receivables	14	1.6	1.2
Non-current assets total		349.1	349.2
Inventories	15	178.7	195.5
Trade receivables	16	174.0	169.9
Other receivables	16	41.2	49.7
Money market investments	16	73.0	
Cash and cash equivalents	17	185.5	214.7
Current assets total		652.4	629.8
Assets total		1,001.5	979.0

Equity and liabilities

EUR million, 31 Dec	Note	2014	2013
Share capital		92.2	92.2
Expendable fund		0.5	0.5
Other reserves		5.9	1.6
Retained earnings		416.3	419.6
Equity attributable to owners of the parent company		514.9	513.9
Non-controlling interests		0.0	0.0
Equity total	18	514.9	513.9
Deferred tax liabilities	13	30.1	32.1
Pension liability	12	31.1	1.6
Provisions	19	0.4	0.1
Interest-bearing non-current liabilities	20	210.0	233.3
Other non-current liabilities	21	0.2	0.5
Non-current liabilities total		271.8	267.6
Trade payables	22	66.6	60.0
Current tax liabilities		1.1	1.7
Other current liabilities	22	122.5	111.2
Provisions	19		0.1
Interest-bearing current liabilities	20	24.5	24.5
Current liabilities total		214.7	197.5
Liabilities total		486.5	465.1
Equity and liabilities total		1,001.5	979.0

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

Consolidated statement of changes in equity

		Equity attributable to owners of the parent company							
EUR million	Note	Share capital	Expendable fund	Other reserves	Items due to remeasurement of defined benefit plans	Translation differences	Retained earnings	Non-controlling interests	Equity total
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							206.2		206.2
Other comprehensive income									
Change in value of cash flow hedges				0.1					0.1
Translation differences						-1.3			-1.3
Items due to remeasurement of defined benefit plans					-9.7				-9.7
Transactions with owners									
Dividend and capital repayment	18						-183.4		-183.4
Treasury shares	18						-9.6		-9.6
Share-based incentive plan	4						2.2		2.2
Other adjustments				0.7			-0.8	0.0	-0.1
Equity at 31 December 2013		92.2	0.5	1.6	-9.5	-3.9	433.0	0.0	513.9
Profit for the period							211.3		211.3
Other comprehensive income									
Change in value of cash flow hedges				0.0					0.0
Change in value of available-for-sale investments				4.1					4.1
Translation differences						0.6			0.6
Items due to remeasurement of defined benefit plans					-41.3				-41.3
Transactions with owners									
Dividend and capital repayment	18						-175.9		-175.9
Share-based incentive plan	4						2.4		2.4
Other adjustments				0.2			-0.4	-0.0	-0.3
Equity at 31 December 2014		92.2	0.5	5.9	-50.8	-3.3	470.4	0.0	514.9

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

Consolidated statement of cash flows

EUR million	Note	2014	2013
Operating profit		272.4	267.7
Depreciation, amortisation and impairment	3	39.6	38.5
Gains/losses on sales or disposals of property, plant and equipment and intangible assets		0.6	-0.1
Unrealised foreign exchange gains and losses		0.6	0.9
Change in pension asset and pension obligation	12	4.5	-0.0
Change in provisions	19	0.2	0.0
Other adjustments		2.3	2.8
Total adjustments to operating profit		47.8	42.2
Change in trade and other receivables		6.5	-35.1
Change in inventories		15.3	-16.6
Change in trade and other payables		21.5	29.8
Total change in working capital		43.2	-21.9
Interest and other financial expenses paid		-9.6	-6.1
Interest and other financial income received		3.5	3.7
Dividends received		0.2	0.3
Income taxes paid	6	-60.9	-70.8
Total net cash flow from operating activities		296.7	215.2
Investments in property, plant and equipment	8	-51.5	-65.9
Investments in intangible assets	9	-4.9	-7.4
Sales of property, plant and equipment and available-for-sale investments	8	1.5	2.0
Sales of intangible assets	9		0.0
Total net cash flow from investing activities		-54.9	-71.3
Current loans raised	20	1.9	41.6
Repayments of current loans	20	-3.2	-42.6
Non-current loans raised	20		149.0
Repayments of non-current loans	20	-23.0	-28.1
Repurchase of own shares	18		-9.6
Dividends paid and other distribution of profits	18	-176.2	-183.7
Total net cash flow from financing activities		-200.5	-73.5
Net change in cash and cash equivalents		41.2	70.3
Cash and cash equivalents at 1 Jan	17	214.7	145.2
Foreign exchange differences		2.6	-0.9
Net change in cash and cash equivalents		41.2	70.3
Cash and cash equivalents at 31 Dec	17	258.5	214.7

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

Reconciliation of cash and cash equivalents in statement of financial position

EUR million	2014	2013
Cash and cash equivalents in statement of financial position at the end of the period	185.5	214.7
Money market investments at the end of the period	73.0	
Cash and cash equivalents in the statement of cash flows	258.5	214.7

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

Notes to the consolidated financial statements

General information

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

The Orion Group's first financial year was 1 July–31 December 2006, because the Group came into being on 1 July 2006 following the demerger of its predecessor Orion Group into the pharmaceuticals and diagnostics business and a pharmaceutical wholesale and distribution business. Orion Corporation is listed on Nasdaq Helsinki. Trading in Orion Corporation shares commenced on 3 July 2006.

At its meeting on 4 February 2015, the Company's Board of Directors approved the publication of these consolidated financial statements. Under the Finnish Limited Liability Companies Act, shareholders have the option to accept or reject the financial statements at the Annual General Meeting, which is held after the publication of the financial statements. In addition, the AGM may amend the financial statements. The financial statement documents can be viewed at www.orion.fi, and copies of the financial statements are available from Orion Corporation's headquarters, Orionintie 1, FI-02200 Espoo.

Accounting policies

The consolidated financial statements of the Orion Group have been prepared in accordance with International Financial Reporting Standards (IFRS), applying IAS and IFRS standards as well as SIC and IFRIC interpretations effective on 31 December 2014. International Financial Reporting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedure stipulated in the EU's regulation (EC) No. 1606/2002 and embodied in the Finnish Accounting Act and provisions issued under it. The notes to the consolidated financial statements have also been prepared in accordance with the requirements in Finnish accounting legislation and Community law that complement the IFRS regulations.

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

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

New IFRS standards and IFRIC interpretations adopted in financial year 2014

The following new standards, interpretations and amendments to existing standards and interpretations endorsed by the EU have been adopted as of 1 January 2014:

- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosures of Interests in Other Entities
- An amendment to transitional provisions relating to the following standards: IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, and IFRS 12 Disclosures of Interests in Other Entities

- IAS 28 (revised), Associates and Joint Ventures
- IAS 32 (amendment), Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- IAS 36 (amendment), Impairment of Assets
- IAS 39 (amendment), Financial Instruments: Recognition and Measurement
- IFRIC 21, Levies

The effects of the new IFRS 11 on the consolidated financial statements are described below. The other new IFRS standards and amendments or improvements to them had no material effect on the consolidated financial statements.

IFRS 11, Joint Arrangements

The Group applies the new IFRS 11 to accounting for joint arrangements. Joint arrangements are either joint ventures or joint operations.

Joint operations are joint arrangements that have been implemented without a separate investment instrument or in which the legal form of the arrangement is such that the parties have direct rights to certain assets or obligations for certain liabilities. Joint operations are incorporated into the consolidated financial statements in accordance with the proportional interest in the joint operation. Expenses for research and development projects that are classified as joint operations are included in the Group's research and development expenses. The portion of the expenses that corresponds to the Group's contractual share of a project is recognised as an expense.

Joint ventures are joint arrangements in which the parent companies or subsidiaries have joint control of an entity that is not part of the Group and in which a parent company or subsidiary has rights to the net assets of the arrangement. Associates and joint ventures are incorporated into the consolidated financial statements using the equity method of accounting.

Consolidation Principles

Subsidiaries

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

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

Associates, joint ventures and joint operations

Associates are all companies over which the Group has significant influence but not control. Significant influence generally means a shareholding of 20% to 50% of the voting rights.

Joint ventures are joint arrangements in which the parent companies or subsidiaries have joint control of an entity that is not part of the Group and in which a parent company or subsidiary has rights to the net assets of the arrangement. Associates and joint ventures are incorporated into the consolidated financial statements using the equity method of accounting.

Joint operations are joint arrangements that have been implemented without a separate investment instrument or in which the legal form of the arrangement is such that the parties have direct rights to certain assets or obligations for certain liabilities. Joint operations are incorporated into the consolidated financial statements in accordance with the proportional interest in the joint operation.

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

Segment reporting

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

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

Property, plant and equipment

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

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

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

Intangible assets

Research and development costs

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

Goodwill

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

Intangible rights and other intangible assets

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

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

Impairment of property, plant, equipment and intangible assets

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

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

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

Leases

Group as lessee

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

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

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

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

Borrowing costs

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

Government grants

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

Inventories

Inventories are presented in the statement of financial position using the standard price for self-manufactured products, and for purchased products the weighted average cost method using the value of the purchase and variable conversion costs, or if lower, the net realisable or replacement value. Inventories are valued at the cost of the materials consumed plus the cost of conversion, which comprises costs directly proportional to the amount produced and a systematically allocated share of fixed and variable production overheads.

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

Financial assets

Classification

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

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

1. Financial assets at fair value through profit or loss

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

2. Loans and other receivables

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

3. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that have been specially classified as available-for-sale financial assets or have not been classified in any other group. This group includes available-for-sale investments and money market investments with maturities over 3 months at the time of investment in the statement of financial position.

Recognition and measurement

Purchases and sales of financial assets are recognised in the accounting through settlement date accounting except for derivatives, which are recognised on the acquisition date. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are recognised as expenses in the statement of comprehensive income. Other financial assets are also initially recognised at fair value, but transaction costs are added to the value.

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

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

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

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

Impairment of financial assets

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

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

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

Assets recognised at amortised cost in the statement of financial position

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

Assets classified as available-for-sale

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

Cash and cash equivalents

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

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

Financial liabilities

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

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

Derivative instruments and hedge accounting

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

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

Cash flow hedging

The Group applies hedge accounting in accordance with IFRS to interest rate derivatives that hedge capital and/or interest cash flows of loans. The effectiveness of the hedging relationship is verified before commencement of hedge accounting and subsequently regularly at least quarterly. The change in the fair value of the effective portion of qualifying derivative instruments that hedge cash flow is directly recognised against the fair value reserve included in the equity and the changes disclosed in the items under other comprehensive income including tax effects. The gains and losses recognised in equity are transferred to the statement of comprehensive income in the period during which the hedged cash flow is recognised in the statement of comprehensive income. The ineffective portion of the hedging relationship is recognised in the statement of comprehensive income under finance income and expenses.

Equity

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

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

Provisions and contingent liabilities

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

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

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

Employee benefits

Pension obligations

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

The Group's most important defined benefit pension plans are in Finland, where statutory insurance under the Employees' Pensions Act (TyEL) has been arranged through the Orion Pension Fund for the Group's clerical employees and supplementary pension security for some of the clerical employees. In addition, the Group management has defined benefit pension plans taken out with life assurance companies. The obligations under the defined benefit pension plans have been calculated separately for each plan.

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

Items arising from remeasurement of defined benefit plan assets are recognised directly into components of other comprehensive income during the period when they arise. The most substantial items due to remeasurement in the Group are due to actuarial gains and losses and return on the plan assets (excluding net interest items).

The Group applies an accounting procedure in which net interest arising from plan assets is recognised functionally above operating profit as part of defined benefit plan pension expense.

Share-based payments

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

Income taxes

The income tax expense in the consolidated statement of comprehensive income includes taxes based on the profit of the Group companies for the financial year, tax adjustments for previous financial years and deferred tax. For items recognised directly in equity, the corresponding tax effect is also recognised in equity. Current tax is calculated on the basis of the tax rate in force in each country.

Deferred tax is computed on all temporary differences between the carrying amount and the taxable value. Deferred tax assets due to confirmed tax losses of Group companies are imputed only to the extent that they can be utilised in the future. Deferred taxes are computed using the tax rates valid or in practice approved at the end of the reporting period.

Revenue recognition

Sales of goods and services

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

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

Interest and dividends

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

Contents of the function-based statement of comprehensive income

Cost of goods sold

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

Selling and marketing expenses

The expenses of selling and marketing operations comprise costs related to the distribution of products, field sales, marketing, advertising and other promotional activities, including the related wages and salaries.

Research and development expenses

R&D expenses comprise wages and salaries, materials, procurement of external services and other costs related to R&D. R&D expenses also include expenses for R&D projects that are classified as joint operations. The portion of the expenses that corresponds to the Group's contractual share of a project is recognised as an expense.

Administrative expenses

Administrative expenses include general administrative and Group management costs.

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

Critical accounting estimates and assumptions, and main related uncertainties

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

Within the Group, the principal assumptions concerning the future and the main uncertainties relating to estimates at the end of the reporting period that constitute a significant risk of causing a material change in the carrying values of assets and liabilities within the next financial year are the following:

Non-current assets

Actual cash flows can differ from estimated discounted future cash flows because changes in the long-term economic life of the Company's assets, the forecast selling prices of products, production costs and the discount rate applied in the calculations can lead to the recognition of impairment losses. The effects of possible changes of key variables on the carrying amounts of non-current assets have been estimated in Note 9, Intangible assets.

Employee benefits

The Group has various pension plans to provide for the retirement of its employees or to provide for when the employment ends. Various statistical and other actuarial assumptions are applied in calculating the expenses and liabilities of employee benefits, such as the discount rate, estimated changes in the future level of wages and salaries, and employee turnover. The statistical assumptions made can differ considerably from the actual trend because of, among other things, a changed general economic situation and the length of the period of service. The gains and losses due to changes in actuarial assumptions are recorded into components of other comprehensive income during the period in which they arise. The changes affect the comprehensive income for the period.

Income taxes

In preparing the financial statements, the Group estimates, in particular, the basis for recording deferred tax assets. For this purpose, an estimate is made of how probable it is that the subsidiaries will generate sufficient taxable income against which unused tax losses or unused tax assets can be utilised. The factors applied in making the forecasts can differ from the actual figures, and this can lead to expense entries for tax assets in the income statement.

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

The following new standards, interpretations and amendments to existing standards are adopted by the Group as of 1 January 2015:

- IASB's annual improvements to standards, 2011–2013 cycle. These improvements are not expected to have a material impact on the consolidated financial statements. The improvements affect the following standards:
  - IFRS 3, *Business Combinations*
  - IFRS 13, *Fair Value Measurement*
  - IAS 40, *Investment Properties*
- IAS 19 (amendment), *Employee Benefits*, The amendment clarifies requirements relating to pension plan payments made by employees or third parties. The amendment is not expected to have a material impact on the consolidated financial statements.
- IASB's annual improvements to standards, 2010–2012 cycle. These improvements are not expected to have a material impact on the consolidated financial statements. The improvements affect the following standards:
  - IFRS 2, *Share-based Payments*
  - IFRS 3, *Business Combinations*
  - IFRS 8, *Operating Segments*
  - IFRS 13, *Fair Value Measurement*
  - IAS 16, *Property, Plant and Equipment*
  - IAS 24, *Related Party Disclosures*
  - IAS 38, *Intangible Assets*
- IFRIC 21, *Levies*. The interpretation deals with a company's obligations relating to a government-imposed levy other than income tax. It deals with what event triggers the obligation and when to recognise the liability. The amendment is not expected to have a material impact on the consolidated financial statements.

The following new standards, interpretations and amendments to existing standards are adopted by the Group as of 1 January 2016:

- IAS 1 (amendment)[1], *Presentation of Financial Statements*. The amendment emphasises the importance of material information and judgements that are specific to an entity in preparation of the financial statements reporting. The amendment is not expected to have a material impact on the consolidated financial statements.
- IAS 16 and IAS 38 (amendment)[1], *Property, Plant and Equipment* and *Intangible Assets*. The amendment clarifies the methods for calculating the depreciation on property, plant and equipment in that use of revenue-based methods for determining depreciation is not considered appropriate. In addition, in principle net sales should not be used as the basis for consumption of economic benefits relating to intangible assets. The amendment is not expected to have a material impact on the consolidated financial statements.
- IFRS 10 and IAS 28 (amendment)[1], *Consolidated financial statements* and *Investments in associates and joint ventures*. The amendment clarifies the requirements of IFRS 10 and IAS 28 relating to asset sales or contribution of assets between an investor and its associate or joint venture. The amendment is not expected to have a material impact on the consolidated financial statements.
- IFRS 11 (amendment)[1], *Joint arrangements*. The amendment includes a new instruction relating to acquisition of an interest in a joint operation when the joint operation is a business operation. The amendment is not expected to have a material impact on the consolidated financial statements
- IASB's annual improvements to standards, 2012–2014[1] cycle. These improvements are not expected to have a material impact on the consolidated financial statements. The improvements affect the following standards:
    - IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
    - IFRS 7, *Financial Instruments: Disclosures*
    - IAS 19, *Employee Benefits*
    - IAS 34, *Interim Financial Reporting*

The following new standards, interpretations and amendments to existing standards will be adopted by the Group as of 1 January 2017 or later:

- IFRS 15 (new standard)[1], *Revenue from Contracts with Customers*. The new standard replaces the previous IAS 18 and IAS 11, which governed revenue recognition. According to the standard, an entity can record revenue when control of goods or a service has been transferred to the customer through a sale. The control is deemed to be transferred when the customer can decide how the goods or service will be used and gains the benefits related to the goods or service. An entity shall recognise as revenue the amount that the entity estimates it will probably receive for the goods or service sold. The new standard will greatly increase the information to be provided in the notes on revenue from contracts with customers. The Group is assessing the impact of this standard on the consolidated financial statements.
- IFRS 9 (new standard)[1], *Financial Assets and Liabilities – Classification and Measurement*. This is part of a wider project to replace IAS 39 with a new standard. It retains but simplifies the mixed measurement model and establishes two measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets continues to apply. The Group is assessing the impact of the standard on the consolidated financial statements.

[1] This standard, interpretation or amendment is still subject to EU endorsement.

1. Segment reporting

The Group has two strategic segments, which are Pharmaceuticals business and Diagnostics business. These are also Group's reportable segments. Segments are based on Group's internal organisation structure and management reporting. The Pharmaceuticals business develops, manufactures and markets pharmaceuticals and active pharmaceutical ingredients. The Diagnostics business develops, manufactures and markets diagnostic tests.

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

The pricing between segments is based on market prices. Further information about the customerships, of which net sales exceed 10% of Group's total net sales is reported as part of Note 24 "Financial risk management".

Operating segments

	Pharmaceuticals		Diagnostics		Group items		Group total	
EUR million	2014	2013	2014	2013	2014	2013	2014	2013
Sale of goods	887.9	886.8	56.3	57.0			944.3	943.8
Rendering of services	3.6	5.5	0.0	0.0			3.6	5.5
Royalties and milestone payments	67.4	57.6	0.0	0.0			67.4	57.6
Sales to external customers	958.9	949.9	56.4	57.0			1,015.3	1,006.9
Sales to other segments	3.1	3.1	0.0	0.1	-3.1	-3.2		
Net sales	962.0	953.0	56.4	57.1	-3.1	-3.2	1,015.3	1,006.9
Operating profit	275.7	272.9	6.4	4.6	-9.6	-9.9	272.4	267.7
Assets	669.4	704.3	48.9	47.3	283.2	227.5	1,001.5	979.0
Liabilities	180.7	160.1	16.5	16.6	289.3	288.4	486.5	465.1
Capital expenditure	51.3	73.8	6.3	3.3	-0.6	0.8	57.1	77.9
Depreciation and amortisation	35.2	34.5	2.1	2.1	0.5	0.5	37.9	37.1
Impairments	1.8	1.4					1.8	1.4
Cash flow from operating activities	347.0	287.9	10.4	7.5	-60.8	-80.2	296.7	215.2
Cash flow from investing activities	-50.2	-67.5	-4.8	-3.2	0.1	-0.6	-54.9	-71.3
Cash flow from financing activities							-200.5	-73.5
Average number of personnel	3,183	3,188	287	329	23	23	3,493	3,540

The Group items include the following Group eliminations: net sales EUR 3.1 (2013: 3.2) million, operating profit EUR 0.0 (2013: 0.0) million, assets and liabilities EUR 6.2 (2013: 11.8) million. Other Group items relate to the Group's administrative expenses, and finance and other items not allocated to segments.

Net sales by business division

EUR million	2014	2013
Pharmaceuticals	962.0	953.0
Proprietary Products	373.4	390.4
Specialty Products	427.1	384.9
Animal Health	70.2	70.8
Fermion	56.9	63.5
Contract manufacturing and other	34.3	43.3
Diagnostics	56.4	57.1
Group items	-3.1	-3.2
Group total	1,015.3	1,006.9

Data relating to geographical regions

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

	Finland		Scandinavia		Other Europe		North America		Other countries		Group total	
EUR million	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Sales to external customers	295.4	274.6	135.2	130.7	354.3	328.8	104.4	146.0	125.8	126.8	1,015.3	1,006.9
Assets	913.9	897.2	26.7	24.3	60.4	57.1			0.5	0.4	1,001.5	979.0
Capital expenditure	56.6	77.2	0.2	0.3	0.2	0.3			0.1	0.1	57.1	77.9

2. Other operating income and expenses

EUR million	2014	2013
Gains on sales of property, plant and equipment and intangible assets	0.6	0.9
Rental income	0.4	0.3
Exchange rate gains and losses	-0.1	1.9
Other operating income	1.6	2.9
Other operating expenses	-0.7	-0.5
Total	1.7	5.6

3. Depreciation, amortisation and impairment

Depreciation, amortisation and impairment by function

EUR million	2014	2013
Cost of goods sold	18.9	17.0
Selling and marketing	9.4	9.6
Research and development	4.2	4.3
Administration	7.1	7.6
Total	39.6	38.5

Depreciation, amortisation and impairment by type of asset

EUR million	2014	2013
Buildings and constructions	7.7	7.6
Machinery and equipment	20.0	18.5
Other tangible assets	0.2	0.1
Property, plant and equipment, total	27.9	26.2
Intangible rights	10.5	10.8
Other intangible assets	1.2	1.6
Intangible assets, total	11.8	12.3

During the period, an impairment charge of EUR 1.8 (2013: 1.4) million was recognised in selling and marketing expenses on intangible rights. The basis for depreciation and amortisation is described in the accounting policies for the financial statements.

4. Employee benefits and auditor's remuneration

EUR million	2014	2013
Wages and salaries	172.2	173.8
PENSION COSTS		
Defined contribution plans	22.0	22.5
Defined benefit plans	6.5	3.7
SHARE-BASED INCENTIVE PLAN		
Equity-settled	2.2	1.8
Cash-settled	3.9	2.0
Other social security expenses	12.4	14.3
Total	219.2	218.1
Average number of personnel	3,493	3,540

The number of personnel in each segment is presented in Note 1, Segment reporting. Defined benefit pension obligations are presented in Note 12, Pension assets and pension liabilities. The management's employee benefits are presented in Note 29, Related party transactions.

Share-based incentive plans

The Group has two share-based incentive plans in force for the Group's key persons.

The plan that started in 2010 includes earning periods and the Board of Directors annually decided on the beginning and duration of the earning periods in 2010, 2011 and 2012. The Board of Directors decided on the earning criteria and targets to be established for them at the beginning of each earning period. Two earning periods, calendar year 2010 and calendar years 2010–2012, commenced upon implementation of the plan. Two earning periods, calendar year 2011 and calendar years 2011–2013, commenced in 2011 and two earning periods, calendar year 2012 and calendar years 2012–2014, in 2012. A prerequisite for participation in all earning periods and for receipt of reward based on these earning periods was that the key person held the Company's shares as determined by the Board of Directors. The reward under the plan for the one-calendar-year earning periods 2010, 2011 and 2012 was dependent on the Orion Group's operating profit performance and for the three-calendar-year earning periods 2010–2012 and 2011–2013 on the total return on Orion Corporation B shares. Potential reward for earning period 2012–2014 is based on the total return on Orion Corporation B shares.

The plan that started in 2013 includes earning periods and the Board of Directors shall annually decide on the beginning and duration of the earning periods in 2013, 2014 and 2015. The Board of Directors shall decide on the earning criteria and targets to be established for them at the beginning of each earning period. Two earning periods, calendar year 2013 and calendar years 2013–2015, commenced upon implementation of the plan. Two earning periods commenced in 2014, calendar year 2014 and calendar years 2014–2016. The reward under the plan for the earning period 2013 was based on the Orion Group's operating profit. The potential reward for the earning period 2014 is based on the Orion Group's operating profit and for the earning periods 2013–2015 and 2014–2016 on the total return on Orion Corporation B shares.

The rewards under the plans shall be paid partly in the form of the Company's B shares and partly in cash. Rewards have been paid and potential future ones shall be paid as follows:

Earning period	Reward paid / potential reward to be paid in
2010	2011
2011	2012
2012	2013
2010−2012	2013
2013	2014
2011−2013	2014
2014	2015
2012−2014	2015
2013−2015	2016
2014−2016	2017

The plans include a restricted period during which shares received under the plan cannot be transferred. The dates when the restricted periods end are shown in the table below. For the three-year earning periods, there is no restricted period.

The target group of the plan that began in 2010 consists of approximately 30 people. The total maximum amount of rewards to be paid on the basis of the plan is 500,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares. By 31 December 2014, a total of 365,113 Orion Corporation B shares had been paid as rewards under this plan.

The target group of the plan that began in 2013 consists of approximately 35 people. The total maximum amount of rewards to be paid on the basis of the plan is 500,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares. By 31 December 2014, a total of 81,876 Orion Corporation B shares had been paid as rewards under this plan.

The costs due to the plan are recorded as expenses during the restricted period. The anticipated dividends have not been taken into account separately because they are taken into account in determining the share-based rewards. The fair values of the rewards granted based on the total return on Orion Corporation B shares for the earning periods are shown in the table below. The fair values have been determined using the binary asset-or-nothing call option method.

Earning periods currently in effect

	2014	2014–2016	2013–2015	2012–2014
Start date of earning period	1 Jan 2014	1 Jan 2014	1 Jan 2013	1 Jan 2012
End date of earning period	31 Dec 2014	31 Dec 2016	31 Dec 2015	31 Dec 2014
End date of restricted period	31 Dec 2016			
Grant date of share rewards	27 Feb 2014	27 Feb 2014	20 Mar 2013	19 Mar 2012
Fair value of shares at granting, EUR[1]	24.00	24.00	20.65	16.60
Fair value of reward at grant date, EUR[1]		12.09	6.06	4.96

[1] B share closing price on granting date.

Transferred shares

	2014	2013	2012
Number of shares transferred during the period	119,326	137,000	87,763
Price per transferred share, EUR[1]	23.48	22.79	16.38
Total price of transferred shares, EUR million	2.8	3.1	1.4
End date of restricted period[2]	31 Dec 2015	31 Dec 2014	31 Dec 2013

[1] Average price of B shares on transfer date.

[2] Concerns only shares, which are granted based on earning period term of calendar year

Auditor's remuneration

EUR million	2014	2013
Auditing	0.2	0.2
Assignments in accordance with the Auditing Act	0.0	0.0
Advice on taxation	0.1	0.0
Other services	0.0	0.0
Total	0.4	0.3

5. Finance income and expenses

EUR million	2014	2013
Interest income on loans and cash and other receivables	0.5	0.4
Interest income on available-for sale financial assets	0.0	
Dividend income on available-for-sale financial investments	0.2	0.3
Foreign exchange gains on held-for-trading financial assets and liabilities	4.1	3.6
Other finance income	0.0	0.0
Finance income, total	4.8	4.4
Interest expenses on financial liabilities measured at amortised cost	5.5	4.0
Foreign exchange losses on held-for-trading financial assets and liabilities	4.0	3.7
Other finance expenses	0.3	0.5
Finance expenses, total	9.9	8.3
Finance income and expenses, total	-5.0	-3.9

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

Foreign exchange gains (+) and losses (-) above the operating profit line

EUR million	2014	2013
In net sales	-4.5	-2.9
In cost of goods sold	1.3	-0.2
In other income and expenses	-0.1	1.9
In functions' expenses	-0.2	0.3

6. Income taxes

EUR million	2014	2013
Current taxes	54.5	65.0
Adjustments in respect of prior periods	0.3	0.2
Deferred taxes	1.8	-7.4
Total	56.6	57.8

Taxes recognised in oteher comprehensive income

EUR million	2014	2013
Change in value of cash flow hedges (income -/ expense +)	-0.0	0.0
Change in value of available-for-sale financial investments (income -/ expense +)	1.0	
Items due to remeasurement of defined benefit plans (income -/ expense +)	-10.3	-2.4

Reconciliation between tax expense in statement of comprehensive income and taxes calculated from Group's 20.0% (2013: 24.5%) domestic tax rate

EUR million	2014	2013
Profit before taxes	267.8	264.0
Consolidated income taxes at Group's domestic tax rate	53.6	64.7
Impact of different tax rates of foreign subsidiaries	2.4	0.4
Tax-exempt income	-0.8	-0.4
Non-deductible expenses	1.2	1.1
Utilisation of deductible losses	-0.4	-0.2
Impact of change in tax rate		-7.0
Tax adjustments for previous financial years	0.3	0.2
Other items	0.3	-1.0
Income tax expense recognised in consolidated income statement	56.6	57.8
Effective tax rate	21.1%	21.9%

7. Earnings and dividend per share

Basic earnings per share

	2014	2013
Profit for the period attributable to owners of the parent company, EUR million	211.3	206.2
Weighted average number of shares during the period (1,000 shares)	140,668	141,006
Basic earnings per share, EUR	1.50	1.46

Diluted earnings per share

	2014	2013
Profit used to determine diluted earnings per share, EUR million	211.3	206.2
Weighted average number of shares for diluted earnings per share (1,000 shares)	140,668	141,006
Diluted earnings per share, EUR	1.50	1.46

Earnings per share are calculated by dividing the profit for the period attributable to owners by the weighted average number of shares outstanding during the period. The weighted average number of shares has been adjusted for the number of treasury shares held by the Group during 2014.

Dividend per share

	2014	2013
Dividend paid during the period, EUR million	175.9	183.4
Number of shares at 31 Dec, (1,000 shares)	140,688	140,569
Dividend per share paid during the period, EUR	1.25	1.30

Dividend per share is calculated by dividing the dividend distributed during the period by the number of shares outstanding at 31 December. The Group held 569,665 Company's B shares as treasury shares at 31 December 2014.

For the financial year 2014 a dividend of EUR 1.30 per share, in total EUR 182.9 million is proposed to the Annual General Meeting on 24 March 2015. These financial statements do not reflect the proposed dividend.

8. Property, plant and equipment

	Land and water		Buildings and constructions		Machinery and equipment		Other property, plant and equipment[1]		Advance payments and construction in progress		Total	
EUR million	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Historical cost at 1 Jan	5.9	6.1	262.3	247.0	342.2	328.5	4.6	4.1	51.6	21.7	666.6	607.3
Additions		0.0	18.0	12.2	16.2	16.5	0.1	0.7	17.2	40.7	51.5	70.1
Disposals		-0.2	-0.0	-0.5	-9.6	-9.5	-0.0	-0.1		-0.3	-9.6	-10.6
Transfers between statement of financial position items			27.0	3.5	17.6	6.9	0.0	0.0	-44.7	-10.4	-0.0	-0.0
Translation differences					-0.3	-0.3	-0.1	-0.0	-0.0	-0.0	-0.4	-0.3
Historical cost at 31 Dec	5.9	5.9	307.3	262.3	366.0	342.2	4.7	4.6	24.1	51.6	708.0	666.6
Accumulated depreciation and impairment at 1 Jan	0.2	0.2	-166.5	-159.3	-249.8	-239.7	-3.2	-3.2			-419.3	-402.0
Accumulated depreciation on disposals and transfers			-0.0	0.4	7.9	8.2	0.0	0.1			7.9	8.8
Depreciation for the period			-7.7	-7.6	-20.0	-18.5	-0.2	-0.1			-27.9	-26.2
Translation differences			0.0		0.2	0.2	0.1	0.0			0.3	0.2
Accumulated depreciation and impairment at 31 Dec	0.2	0.2	-174.2	-166.5	-261.7	-249.8	-3.3	-3.2			-438.9	-419.3
Carrying amount at 1 Jan	6.1	6.3	95.8	87.7	92.4	88.8	1.4	0.9	51.6	21.7	247.3	205.3
Carrying amount at 31 Dec	6.1	6.1	133.1	95.8	104.4	92.4	1.4	1.4	24.1	51.6	269.1	247.3

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

Finance leases

Assets leased through finance lease agreements included in machinery and equipment

EUR million, 31 Dec	2014	2013
Historical cost	13.5	13.1
Accumulated depreciation	-11.5	-10.8
Carrying amount	1.9	2.3

The additions to the historical cost of machinery and equipment include EUR 0.8 (2013: 1.3) million of assets leased through finance lease agreements.

There have been no other indications that the value of property, plant and equipment might have been impaired during the period.

9. Intangible assets

	Goodwill		Intangible rights[1]		Other intangible assets[2]		Total	
EUR million	2014	2013	2014	2013	2014	2013	2014	2013
Historical cost at 1 Jan	13.5	13.5	144.7	138.7	55.5	55.1	213.6	207.3
Additions			4.4	6.8	0.7	0.7	5.1	7.5
Disposals			-2.5	-0.8		-0.3	-2.5	-1.1
Transfers between statement of financial position items			0.0	0.0	-0.0		0.0	0.0
Translation differences			-0.0	0.0	-0.0	-0.0	-0.0	-0.0
Historical cost at 31 Dec	13.5	13.5	146.6	144.7	56.2	55.5	216.2	213.6
Accumulated amortisation and impairments at 1 Jan			-90.7	-80.7	-52.2	-50.7	-142.9	-131.4
Accumulated amortisation on disposals			2.3	0.8		0.1	2.3	0.9
Amortisation for the period			-8.8	-9.4	-1.2	-1.6	-10.0	-10.9
Impairment			-1.8	-1.4			-1.8	-1.4
Translation differences			0.0	0.0			0.0	0.0
Accumulated amortisation and impairment at 31 Dec			-98.9	-90.7	-53.4	-52.2	-152.3	-142.9
Carrying amount at 1 Jan	13.5	13.5	54.0	58.0	3.3	4.3	70.8	75.8
Carrying amount at 31 Dec	13.5	13.5	47.7	54.0	2.7	3.3	63.9	70.8

[1] Intangible rights comprise mainly product rights and marketing authorisations with carrying amount EUR 30.2 (2013: 35.4) million, and also software, trademarks, patents and paid-up policies.

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

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

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

Goodwill

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

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

The discount rate used is the weighted average cost of capital (WACC), in which the special risks related to the cash generating unit have been taken into account. The discount rate is defined before taxes. The discount rate for the period is 4.7% (2013: 4.9%).

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

A change in any of the main variables used would, reasonably judged, not lead to a situation in which the recoverable amounts of a group of cash-generating units were lower than their carrying amount.

Intangible assets not yet available for use

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

The carrying amount of intangible assets not yet available for use was EUR 15.2 (2013: 18.1) million.

Impairment charges recognised in the period

During the period impairment charges totalling EUR 1.8 (2013: 1.4) million were recognised on the intangible rights of the Pharmaceuticals business. Intangible rights not yet available for use accounted for EUR 0.5 (2013: 0.5) million of the impairments. The most significant impairment charges relate to acquired rights to products the development of which has ceased, and to products that are already in markets, but for which the forecast recoverable cash flows were less than the carrying amount. The full carrying amount of rights to products the development of which has ceased has been recognised as an expense.

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

10. Investments in associates, affiliates and joint arrangements

EUR million	2014	2013
Carrying amount at 1 Jan	1.7	1.4
Share of associated companies' results	0.4	0.3
Carrying amount at 31 Dec	2.1	1.7

Associates and affiliates of the Group

Holding at 31 Dec, %	Domicile	2014	2013
Hangon Puhdistamo Oy	Hanko	50.0%	50.0%
Regattalämpö Oy	Hanko	42.6%	42.6%
Pharmaservice Oy	Helsinki	49.0%	49.0%

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

Summarised financial information of associates

EUR million	2014	2013
Assets	4.9	4.8
Liabilities	4.2	4.9
Revenues	17.7	13.4
Profit (+) or loss (-) for the period	0.9	0.6

The most recent available financial statements of the associates are for the years 2013 and 2012.

Licensing, development and commercialisation agreement between Orion and Bayer

In June 2014 Orion commenced global collaboration with Bayer in the development and commercialisation of the ODM-201 androgen receptor inhibitor. ODM-201 is in clinical development for the treatment of patients with prostate cancer. A Phase III trial was started in 2014 for further evaluation of the efficacy and safety of ODM-201 in patients with non-metastatic castration-resistant prostate cancer (nm-CRPC).

Orion and Bayer have set up a joint steering group for the project, and they are considered to have joint control over the project. The agreement does not involve a separate investment instrument, so the project is considered a joint operation under IFRS 11. In accordance with the agreement, Bayer will take main responsibility for future costs. Bayer will commercialise the product globally. Orion has the right to co-promote it in Europe and to royalties on product sales. Orion will be responsible for manufacturing of the product.

In accordance with the agreement, in the 2014 financial year Orion received from Bayer an upfront payment of EUR 50 million, of which EUR 21 million was used for the development costs of ODM-201. EUR 29 million of the upfront payment was recorded in net sales during 2014.

Licensing, development and commercialisation agreement between Orion and Janssen

During the 2013 financial year Orion entered into an agreement with Janssen Pharmaceuticals for further development and commercialisation of alpha-2c adrenoceptor antagonists for treatment of symptoms of Alzheimer’s disease, including the ORM-12741 molecule in clinical trials. Orion has completed Phase IIa clinical trials with the ORM-12741 molecule and Orion and Janssen will jointly fund further trials.

Orion and Janssen have a joint steering group related to the agreement, and the parties are considered to have joint control over the project. The agreement does not involve a separate investment instrument, so the project is considered as a joint operation under IFRS 11. Orion will spend a major part of the upfront payment on additional Phase IIa clinical trials. Orion retains exclusive rights for commercialisation of the products in Europe, and grants Janssen a global exclusive license to develop ORM-12741 and other molecules in the alpha-2c platform. Janssen has exclusive rights for commercialisation of the molecules outside Europe.

At the end of the 2013 financial year Orion received a EUR 23 million upfront payment related to the agreement, which boosted the operating profit for the 2013 financial year by EUR 3 million. In the 2014 financial year EUR 3 (2013: 0) million was used for additional trials with the ORM-12741 molecule. At the end of the period, Orion had EUR 17 (2013: 20) million of the upfront payments related to the agreement in the consolidated statement of financial position.

11. Available-for-sale investments

Available-for-sale investments, with asset value of EUR 5.6 (2013: 0.5) million at 31 December 2014, include mainly shares and investments in listed and unlisted companies. The shares and investments in unlisted companies are stated at cost, because their fair value cannot be determined reliably.

12. Pension assets and pension liabilities

The Orion Group has defined benefit pension plans in Finland and Norway. The regulation of these pension plans is quite similar. The most significant individual pension plan in Finland is the Orion Pension Fund, through which pension plans are provided for white-collar staff working in Finland. The Pension Fund includes statutory pension insurance to which all white-collar staff are entitled (Department B), only part of which is treated as defined benefit based under IAS 19, and supplementary insurance for some white-collar staff (Department A), which is entirely defined benefit based. Assets of the Orion Pension Fund are invested in accordance with Finnish legislation. The management and Board of Directors of the Pension Fund are responsible for management of the assets of the Fund. The Group also has other defined benefit pension plans in Finland and Norway for which a party outside the Group provides asset management.

Defined benefit plans - amounts recognised in the statement of financial position

EUR million, 31 Dec	Pension Fund 2014	Other 2014	Pension Fund 2013	Other 2013
Present value of funded obligations	323.4	9.7	247.4	7.7
Fair value of plan assets	-294.8	-7.8	-274.0	-6.7
Surplus (-) / deficit (+)	28.6	1.8	-26.6	1.0
Present value of unfunded obligations		0.7		0.7
Net asset (-) / liability (+) recognised in the statement of financial position	28.6	2.5	-26.6	1.6

Amounts in consolidated statement of financial position

EUR million	Pension Fund 2014	Other 2014	Pension Fund 2013	Other 2013
Liabilities	28.6	2.5	2.0	1.6
Asset			-28.6	
Net asset (-) / liability (+) recognised in the statement of financial position	28.6	2.5	-26.6	1.6

Defined benefit plan pension expenses in consolidated statement of comprehensive income

EUR million	Pension Fund 2014	Other 2014	Pension Fund 2013	Other 2013
Current service cost	6.8	0.6	4.8	0.5
Interest expense and income, total	-1.0	0.0	-1.6	0.0
Pension expense (+) / income (-) in income statement	5.8	0.7	3.2	0.6
Items due to remeasurement	50.5	1.1	11.6	0.6
Pension expense (+) / income (-) in statement of comprehensive income	56.4	1.7	14.7	1.2

Defined benefit plan pension expenses by function

EUR million	Pension Fund 2014	Other 2014	Pension Fund 2013	Other 2013
Cost of goods sold	2.0		1.1	
Selling and marketing	0.9	0.1	0.5	0.1
Research and development	2.0		1.1	
Administration	0.9	0.6	0.5	0.5
Pension expense (+) / income (-) in the income statement	5.8	0.7	3.2	0.6

Changes in present value of obligation

EUR million	Pension Fund 2014	Other 2014	Pension Fund 2013	Other 2013
Defined benefit plan obligation at 1 Jan	247.4	8.4	217.4	7.5
Current service cost	6.8	0.6	4.8	0.5
Interest expense	8.6	0.3	8.6	0.3
Items due to remeasurement:				
Gains (-) or losses (+) due to change in economic assumptions	73.2	1.4	22.1	0.4
Experienced gains (-) or losses (+)	-6.6	0.1	-0.2	0.3
Total	66.6	1.5	21.9	0.7
Foreign exchange differences		-0.2		-0.3
Benefits paid	-6.0	-0.3	-5.2	-0.3
Obligation at 31 Dec	323.4	10.4	247.4	8.4

Changes in fair value of plan assets

EUR million	Pension Fund 2014	Other 2014	Pension Fund 2013	Other 2013
Fair value of plan assets at 1 Jan	274.0	6.7	255.7	6.1
Interest income	9.5	0.3	10.2	0.2
Items due to remeasurement:				
Return on plan assets excluding items in interest expense and income	16.1	0.4	10.3	0.1
Total	16.1	0.4	10.3	0.1
Foreign exchange differences		-0.2		-0.3
Employer contributions	1.2	0.8	3.0	0.7
Benefits paid	-6.0	-0.3	-5.2	-0.2
Fair value of plan assets at 31 Dec	294.8	7.8	274.0	6.7

Fair values of assets of benefit plan arranged through the Orion Pension Fund by asset category as percentages of fair value of all plan assets

%	2014	2013
Equity in developed markets	40%	43%
Equity in emerging markets	9%	8%
Bonds	27%	31%
Certificates of deposit and commercial paper	7%	7%
Properties	10%	7%
Other	7%	4%
Total	100%	100%

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

The Pension Fund plan assets in 2014 include shares issued by the parent company Orion Corporation with fair value EUR 26.0 (2013: 27.5) million that account for 8.8% (2013: 9.7%) of the plan assets.

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

Actuarial assumptions used by the Orion Pension Fund

%	2014	2013
Discount rate	2.25	3.50
Inflation rate	2.00	2.00
Future pension increases	1.20–2.30	1.20–2.30
Future salary increases	2.00–2.50	2.00–2.50

In 2015 the Group expects to contribute EUR 15 (2013: 17) million to its pension plans, including EUR 1 (2013: 1) million for the defined benefit plans.

The EUR 323.4 (2013: 247.4) million liability of the Orion Pension Fund has been discounted at a discount rate of 2.25%. The impact on the liability of a change in the discount rate of +/- 0.50 percentage points would be EUR -32.1/+37.5 (-23.7/+24.5) million.

The weighted average duration of the defined benefit liability is 27 (2013: 23) years.

The defined benefit plans expose the Group to risks, the most significant of which are described in more detail below.

Volatility related to assets and liability

The discount rate applied in calculating the net liability due to the plans is based on the return of low-risk bonds issued by companies. The Group's target over the long-term for defined benefit plan assets is to achieve a return exceeding the discount rate because some of the assets are equity instruments for which the return over the long term is expected to be higher than the return of bonds on which the discount rate is based. The value of defined benefit assets changes as the return rises above or decreases below the discount rate. This may generate a surplus or deficit of plan assets. The solidity of the Orion Pension Fund is good, so the Orion Pension Fund can withstand quite a heavy fall in stock markets.

Changes in returns of bonds

The Group may have to change the discount rate if the return on bonds changes. That would alter the liabilities of the defined benefit plans and the components relating to defined benefit plans to be recorded in the statement of comprehensive income. However, some of the assets of the plans are invested in bonds, and the change in their value may partly compensate for the effect of the change in the liability on the value of the net debt.

Inflation risk

The liability of the defined benefit plans would increase if inflation increased. Some of the plan assets are invested in equity instruments that are affected only a little by inflation. Acceleration of inflation would therefore increase the deficit of the defined benefit plans.

Anticipated life expectancy

Defined benefit plan liabilities to a large extent relate to the generation of life-long benefits for members. A rise in anticipated life expectancy would therefore increase the defined benefit liability.

13. Deferred tax assets and liabilities

Deferred tax assets

EUR million, 31 Dec	2014	2013
Pension liability	6.2	0.3
Internal inventory margin	0.4	0.6
Other deductible temporary differences	0.2	0.3
Total	6.7	1.2

Deferred tax liabilities

EUR million, 31 Dec	2014	2013
Depreciation difference and untaxed reserves	22.4	19.7
Capitalised cost of inventory	4.2	4.6
Available-for-sale investments	1.0	
Effects of consolidation and elimination	0.3	0.3
Pension assets		5.4
Other taxable temporary differences	2.2	2.1
Total	30.1	32.1

Change in deferred tax arises from

EUR million	2014	2013
Pension assets/liabilities	11.3	4.3
Internal inventory margin	-0.2	-1.1
Depreciation difference and untaxed reserves	-2.8	4.3
Capitalised cost of inventory	0.5	1.8
Available-for-sale investments	-1.0	
Deductible losses and other timing differences	-0.3	0.4
Total	7.5	9.7

At 31 December 2014 the Group had a total of EUR 4.5 (2013: 5.2) million of temporary differences for which no deferred tax asset has been recognised. These unrecognised deferred tax assets relate to tax losses of foreign subsidiaries which will not expire but realisation of the tax benefit included in them is not likely.

During the period, an increase in equity of EUR 10.0 (2013: 2.4) million due to income taxes was recognised. The equity includes EUR 12.4 (2013: 2.4) million of recognised taxes.

14. Other non-current receivables

EUR million, 31 Dec	2014	2013
Loan receivables from associates	1.3	0.7
Other non-current receivables	0.3	0.5
Total	1.6	1.2

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

15. Inventories

EUR million, 31 Dec	2014	2013
Raw materials and consumables	31.6	38.9
Work in progress	33.1	37.3
Finished products and goods	113.9	119.3
Total	178.7	195.5

The value of inventories has been impaired by EUR 18.1 (2013: 16.1) million for the period so it corresponds to net realisable value.

16. Trade and other receivables

	Carrying amount	Fair value	Carrying amount	Fair value
EUR million, 31 Dec	2014	2014	2013	2013
Trade receivables	174.0	174.0	169.9	169.9
Current tax assets	6.4	6.4	0.9	0.9
Receivables due from associates	0.0	0.0	0.0	0.0
Prepaid expenses and accrued income	14.5	14.5	22.3	22.3
Receivables on derivative contracts	1.7	1.7	0.8	0.8
Other receivables	18.6	18.6	25.7	25.7
Money market investments	73.0	73.0		
Total	288.2	288.2	219.7	219.7

The most substantial item in other receivables is VAT receivables EUR 3.2 (2013: 3.8) million.

The maturities of the money market investments on their acquisition dates were over three months but no more than six months. The carrying amount of trade receivables and other current receivables is a reasonable estimate of their fair value.

Ageing analysis of trade receivables

EUR million, 31 Dec	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Not yet due	143,1	143,1	132,6	132,6
1 to 30 days past due	23,2	23,2	27,6	27,6
31 to 60 days past due	2,6	2,6	3,3	3,3
61 to 90 days past due	1,1	1,1	0,8	0,8
Over 90 days overdue	3,9	3,9	5,6	5,6
Total	174,0	174,0	169,9	169,9

Impairment charges recognised on trade receivables and other receivables for the period were EUR 0.2 (2013: 0.4) million.

Material items included in prepaid expenses and accrued income

EUR million, 31 Dec	2014	2013
Receivables from royalties	3.3	12.2
Pre-payments for service and maintenance	1.6	1.3
Share remunerations for restricted period	1.5	1.5
Price differential payments	1.4	0.5
Pending compensations	0.9	0.9
Pending R&D contributions	0.9	0.9
Pending credits	0.7	2.2
Other prepaid expenses and accrued income	4.2	2.9
Total	14.5	22.3

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

17. Cash and cash equivalents

EUR million, 31 Dec	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Cash at bank and in hand	179.5	179.5	187.7	187.7
Money market investments	6.0	6.0	27.0	27.0
Total	185.5	185.5	214.7	214.7

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

18. Equity

Changes in share capital

	A shares	B shares	Total	Share capital EUR million
Total number of shares at 1 Jan 2013	**43,267,218**	**97,990,610**	**141,257,828**	**92.2**
Conversions of A shares to B shares in 1 Jan–31 Dec 2013	-1,244,402	1,244,402		
Total number of shares at 31 Dec 2013	42,022,816	99,235,012	141,257,828	92.2
Conversions of A shares to B shares in 1 Jan–31 Dec 2014	-1,609,835	1,609,835		
Total number of shares at 31 Dec 2014	**40,412,981**	**100,844,847**	**141,257,828**	**92.2**
Number of treasury shares at 31 Dec 2014		-569,665	-569,665	
Total number of shares at 31 Dec 2014 excluding treasury shares	**40,412,981**	**100,275,182**	**140,688,163**	
Total number of votes at 31 Dec 2014 excluding treasury shares	**808,259,620**	**100,275,182**	**908,534,802**	

On 31 December 2014 Orion had a total of 141,257,828 (141,257,828) shares, of which 40,412,981 (42,022,816) were A shares and 100,844,847 (99,235,012) B shares. The Group's share capital was EUR 92,238,541.46 (92,238,541.46). At the end of December 2014 Orion held 569,665 (688,991) B shares as treasury shares. On 31 December 2014 the aggregate number of votes conferred by the A and B shares was 908,534,802 (939,002,341) excluding treasury shares.

All shares issued have been paid in full.

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

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

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

Under Company's Articles of Association, shareholders are entitled to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. During 2014, a total of 1,609,835 shares were converted.

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

Orion's Board of Directors was authorised by the Annual General Meeting on 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 Board of Directors is authorised to decide on conveyance of no more than 600,000 Orion Corporation B shares held by the Company. The authorisation was exercised as described in Note 4 under "Share-based payments".

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

After the end of the period, the Board of Directors proposed a dividend of EUR 1.30 per share to be distributed.

Expendable fund

EUR million	2014	2013
Expendable fund at 1 Jan	0.5	0.5
Expendable fund at 31 Dec	0.5	0.5

Other reserves

EUR million	2014	2013
Reserve for invested unrestricted equity	0.9	0.9
Reserve funds	1.0	0.8
Fair value reserve	4.1	
Hedging reserve	-0.1	-0.1
Total	5.9	1.6

The fair value reserve includes possible gains and losses arising from revaluation of available-for-sale investments. The hedging reserve includes the effective portions of fair value changes of derivatives instruments for hedging cash flow.

Translation differences

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

Dividends and other distribution of profits

A dividend of EUR 1.25 (2013: 1.30) per share were distributed in the 2014 financial year. In addition, donations of EUR 0.3 (2013: 0.3) million were distributed from profit funds.

19. Provisions

EUR million	Pension provisions	Restructuring provisions	Other provisions	Total
1 Jan 2014	0.1	0.1	0.0	0.2
Utilised during the period	-0.0		-0.0	-0.0
Additions to provisions	0.0	0.1	0.1	0.2
31 Dec 2014	0.1	0.2	0.1	0.4

EUR million, 31 Dec	2014	2013
Non-current provisions	0.4	0.1
Current provisions		0.1
Total	0.4	0.2

Pension and restructuring provisions

Pension provisions include provisions for unemployment pension expenses for persons made redundant in 2013 who have not yet found work or may possibly not find work. The restructuring provision relates to redundancies in Sweden in 2013. The provisions are expected to materialise in the next 1–4 years.

20. Interest-bearing liabilities

EUR million, 31 Dec	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Loans from financial institutions	60,0	59,2	83,0	82,1
Bonds	149,1	156,3	148,9	147,7
Finance lease liabilities	0,9	1,1	1,4	1,6
Non-current liabilities total	210,0	216,6	233,3	231,4

EUR million, 31 Dec	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Repayments of non-current loans	23.0	23.4	23.0	23.8
Finance lease liabilities	1.1	1.2	1.1	1.2
Other interest-bearing liabilities	0.3	0.3	0.4	0.4
Current liabilities total	24.5	24.9	24.5	25.4

The fair values of the liabilities have been determined by discounting future cash flows to present value using the market interest rate applicable to a Group loan at the end of the reporting period. At the end of the reporting period, market interest rates were 0.17–0.22%, to which a company-specific margin has been added in discounting. The fair value of the bond has been determined by using estimated market value received from the bank.

Most of the interest-bearing liabilities are euro-denominated.

Maturities of finance lease liabilities

Minimum lease payments

EUR million, 31 Dec	2014	2013
No later than 1 year	1.2	1.2
Later than 1 year but no later than 5 years	1.0	1.5
Total	2.2	2.7

Present value of minimum lease payments

EUR million, 31 Dec	2014	2013
No later than 1 year	1.1	1.1
Later than 1 year but no later than 5 years	0.9	1.4
Present value of minimum lease payments	2.1	2.5
Future finance charges	0.1	0.2
Minimum lease payments, total	2.2	2.7

21. Other non-current liabilities

EUR million, 31 Dec	2014	2013
Liabilities on derivative contracts	0.1	0.4
Other non-current liabilities	0.0	0.1
Total	0.2	0.5

22. Trade payables and other current liabilities

EUR million, 31 Dec	2014	2013
Trade payables	66.6	60.0
Current tax liabilities	1.1	1.7
Other current liabilities to associates	0.2	0.2
Accrued liabilities and deferred income	89.9	76.0
Liabilities on derivative contracts	0.7	0.6
Other current liabilities	31.8	34.4
Total	190.3	173.0

The most substantial item in other liabilities is EUR 5.2 (2013: 5.3) million of VAT liabilities.

Material items included in accrued liabilities and deferred income

EUR million, 31 Dec	2014	2013
Liabilities from incentive plans	21.5	17.6
Other accrued salary, wage and social security payments	23.8	26.0
Sales revenue received in advance	13.8	8.3
Accrued price adjustments	8.5	5.9
Accrued price reductions	3.2	2.7
Accrued R&D expenses	2.9	1.5
Accrued royalties	2.8	3.7
Accrued interest	2.5	2.5
Accrued purchase of materials	2.5	
Other accrued liabilities and deferred income	8.5	7.8
Total	89.9	76.0

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

23. Financial assets and liabilities by value category

EUR million, 31 Dec	2014	2013
Hedge-accounting derivatives		
Current		0.0
Financial assets at fair value through profit and loss		
Non-hedge-accounting derivatives	1.7	0.8
Loans and other receivables		
Other non-current assets	1.1	0.5
Trade receivables	174.0	169.9
Other receivables	6.5	16.0
Cash and cash equivalents	185.5	214.7
Available-for-sale financial assets		
Available-for-sale investments	5.6	0.5
Money market investments	73.0	
Financial assets total	447.4	402.4
Hedge-accounting derivatives		
Non-current	0.1	0.2
Current	0.0	0.0
Financial liabilities at fair value through profit and loss		
Non-hedge-accounting derivatives	0.7	0.9
Financial liabilities measured at amortised costs		
Interest-bearing non-current liabilities	210.0	233.3
Other non-current liabilities	0.0	0.1
Trade payables	66.6	60.0
Other current liabilities	22.5	16.4
Interest-bearing current liabilities	24.5	24.5
Financial liabilities total	324.5	335.4

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

Fair value measurement and hierarchy

Financial instruments measured at fair value in the statement of financial position are grouped as follows into three hierarchy levels depending on the valuation technique.

EUR million, 31 Dec 2014	Level 1	Level 2	Level 3	Total
Derivatives				
Currency derivatives		1.7		1.7
Available-for-sale financial assets				
Shares and investments	5.3		0.3	5.6
Money market investments		73.0		73.0
Assets total	5.3	74.7	0.3	80.3
Derivatives				
Currency derivatives		-0.4		-0.4
Interest rate swaps		-0.1		-0.1
Electricity derivatives	-0.3			-0.3
Liabilities total	-0.3	-0.5		-0.8

EUR million, 31 Dec 2013	Level 1	Level 2	Level 3	Total
Derivatives				
Currency derivatives		0.8		0.8
Interest rate swaps		0.0		0.0
Available-for-sale financial assets				
Shares and investments			0.5	0.5
Assets total		0.8	0.5	1.3
Derivatives				
Currency derivatives		-0.2		-0.2
Interest rate swaps		-0.2		-0.2
Electricity derivatives	-0.7			-0.7
Liabilities total	-0.7	-0.3		-1.0

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

The Group applies the principle of recognising transfers between levels of fair value hierarchy on the date on which the event triggering the transfer occurred. During the financial period about EUR 5.3 million of shares and investments were transferred from level 3 to level 1 because a market price is available for the share. Following the share revaluation, EUR 5.1 million of income (excluding tax effect) was recognised in other comprehensive income. The income is disclosed in the row “Change in value of available-for-sale investments”.

24. Financial risk management

The objective of the Group's financial risk management is to decrease the negative effects of market and counterparty risks on the Group's results and cash flows and to ensure sufficient liquidity. The Group's most important financial risks are foreign exchange rate risk and counterparty risk.

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

24.1. Market risk

The Group is exposed to market risks related to foreign currency exchange rate, interest rate and electricity price. In addition, the Group has some price risk related to equities.

24.1.1. Foreign currency exchange rate risk

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

Transaction risk

Transaction risk arises from operational items (such as sales and purchases) and financial items (such as loans, deposits and interest flows) in foreign currency in the statement of financial position, and from forecast cash flows over the upcoming 12 months. Transaction risk is monitored and hedged actively. The largest foreign currency exchange risk in terms of value is posed by sales based on US dollars. Since the recent volatility and weakening of the Russian rouble, its significance for the Group's foreign exchange risk has increased. Other significant currencies are the British pound, the Japanese yen, the Norwegian krona, the Polish zloty and the Swedish krona. As regards these currencies, no individual currency has a significant effect on the Group's overall position.

In accordance with the Treasury Policy, items based on significant currencies in the statement of financial position are normally hedged 90–105% and the forecast cash flows over the upcoming 12 months 0–50%. Currency derivatives with maturities up to 12 months are used as hedging instruments. The positions of operational items are presented below.

	USD		**Other significant currencies**	
EUR million, 31 Dec	2014	2013	2014	2013
Net position in statement of financial position	10.9	23.0	23.1	26.5
Forecast net position (12 months)	26.9	46.7	82.6	82.4
Net position, total	37.8	69.7	105.7	109.0
Currency derivatives for hedging	-17.5	-32.8	-25.3	-20.6
Net open position total	20.3	36.8	80.5	88.4

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

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

Translation risk

Translation risk arises from the equity of subsidiaries outside the eurozone. At 31 December 2014 the equity in these subsidiaries totalled EUR 65.9 (2013: 59.1) million. The most significant translation risk arises from the British pound. The translation position has not been hedged.

Sensitivity analysis

The effect of changes in foreign currency exchange rates on the Group's results (before taxes) and equity at the reporting date is presented below for the EUR/USD exchange rate. The assumption used in the sensitivity analysis is a +/- 10% change in the exchange rate (USD depreciates/appreciates by 10%) while other factors remain unchanged. In accordance with IFRS 7, the sensitivity analysis includes only the financial assets and liabilities in the statement of financial position, and so the analysis does not take into account the forecast upcoming 12-month foreign currency cash flow included in the position. The potential translation position is not taken into account in the sensitivity analysis.

	Impact on profit		Impact on equity	
EUR million, 31 Dec	2014	2013	2014	2013
USD +/- 10%	0.6/-0.7	0.9/-1.1	0	0

24.1.2. Electricity price risk

The price risk refers to the risk resulting from changes in electricity market prices. The market price of electricity fluctuates greatly due to weather conditions, hydrology and emissions trading, for example. The Group obtains its electricity through deliveries that are partly fixed-price contracts and partly tied to the spot price of the price area of Finland, and in the latter case is therefore exposed to electricity price fluctuation. The price risk is partially hedged using standard electricity derivatives quoted on Nord Pool as hedging instruments.

The nominal values of the derivatives totalled EUR 0.9 (2013: 2.5) million. Nord Pool's closing prices are used for market valuation of derivatives. The Group does not apply hedge accounting under IAS 39.

24.1.3. Interest rate risk

Changes in interest rates affect the Group's cash flow and results. At 31 December 2014, the Group's interest-bearing liabilities totalled EUR 234.5 (2013: 257.8) million. The Group is exposed to interest rate risk associated with long-term loans raised from the European Investment Bank. At 31 December 2014, the nominal value of these loans with interest rates tied to the Euribor rate totalled EUR 83.0 (2013: 106.0) million. EUR 15.2 million of these loans has been hedged with an interest rate swap for which Orion pays fixed-rate interest.

The effect of an interest rate rise on net interest expenses has been estimated through a sensitivity analysis in which interest rates are assumed to rise in 2015 in parallel by one percentage point (1%) compared with market interest rates at the end of the reporting period while other factors (including liabilities) remain unchanged. The estimated interest expenses of the Group would then rise by EUR 0.7 million in 2015 (before taxes). The Group's exposure to a rise in market interest rates is reduced because the Group's money market investments, which at 31 December 2014 totalled EUR 79.0 (2013: 27.0) million, are invested in short-term interest-bearing instruments.

Cash flow hedge accounting under IAS 39 is applied to the loans hedged with interest rate derivatives. At 31 December 2014 a fair value valuation of EUR -0.1 (2013: -0.2) million (before taxes) for interest rate derivatives was recognised in the equity. The nominal values of these interest rate derivatives totalled EUR 15.2 (2013: 18.8) million. In 2014 EUR -0.1 (2013: -0.1) million due to interest rate derivatives was recognised in net interest expenses.

24.2. Counterparty risk

Counterparty risk is realised when a counterparty to the Group does not fulfil its contractual obligations, resulting in non-payment of funds to the Group. The maximum credit risk exposure at 31 December 2014 is the total of financial assets less carrying amounts of derivatives in financial liabilities, which totals EUR 446.6 (2013: 386.5) million. The main risks relate to trade receivables as well as cash and cash equivalents and money market investments.

The Group Treasury Policy defines the requirements for the creditworthiness of the financial institutions acting as counterparties to Group companies. Limits have been set for counterparties on the basis of creditworthiness and solidity, and they are regularly monitored and updated. Money market investments are made mainly in interest-bearing instruments with duration up to six months that are tradable in secondary markets.

The Group Customer Credit Policy defines the basis for classifying customers and setting limits for them, and the ways through which the credit risk is managed. Payment performance and the financial situation of customers are monitored, and effective collection is regularly undertaken. Credit risk can be reduced by requiring advance payment, a letter of credit or a bank guarantee as a payment term, or by using credit insurance. In the pharmaceutical industry trade receivables are typically generated by distributors representing different geographical areas. In certain countries, products are also sold directly to local hospitals. The most significant individual customer groups are Novartis, a marketing partner in pharmaceutical sales, and Oriola and Phoenix, pharmaceuticals distributors, and sales to them exceed 10% of the Group's net sales. They are customers of the Pharmaceuticals business. The trade receivables are not considered to involve significant risk. Credit losses for the period recognised through profit and loss were EUR 0.2 (2013: 0.4) million.

24.3. Liquidity risk

The Group seeks to maintain a good liquidity in all conditions. In addition to cash flows from operating activities and cash and cash equivalents and other money market investments, the liquidity is ensured by EUR 100 million of committed undrawn bilateral credit limits that will mature in 2017. In addition to this, the Group has undrawn bank overdraft limits and a EUR 100 million unconfirmed commercial paper programme from which no commercial papers had been issued on the reporting date.

The Group's interest-bearing liabilities at 31 December 2014 were EUR 234.5 (2013: 257.8) million. The average maturity for interest-bearing liabilities excluding finance lease liabilities is three years and nine months. At 31 December 2014 the Group's cash and cash equivalents and money market investments, which decrease liquidity risk, totalled EUR 258.5 (2013: 214.7) million. To ensure the Group's liquidity, surplus cash is invested mainly in short-term euro-denominated interest-bearing instruments with good creditworthiness that are tradable in secondary markets. An investment-specific limit is determined for each investment.

Forecast undiscounted cash flows of financial liabilities, interest payments and derivatives

EUR million, 31 Dec 2014	2015	2016	2017	2018	2019–	Total
Repayments of loans from financial institutions	23.0	15.9	15.9	15.9	12.4	83.0
Repayments of bonds					150.0	150.0
Repayments of finance lease liabilities	1.1	0.4	0.3	0.2		2.1
Repayments of other liabilities	0.3					0.3
Interest payments	4.8	4.7	5.0	4.8	4.6	23.8
Cash flow total, interest-bearing financial liabilities	29.3	21.0	21.1	20.8	167.0	259.2
Trade payables	66.6					66.6
Other non-interest-bearing financial liabilities	22.5	0.0				22.5
Cash flow total, non-interest-bearing financial liabilities	89.1	0.0				89.1
Derivative contracts, net	-1.0	0.1				-0.9
Cash flow total, derivative contracts	-1.0	0.1				-0.9
Cash flow total, all	117.4	21.1	21.1	20.8	167.0	347.5

EUR million, 31 Dec 2013	2014	2015	2016	2017	2018–	Total
Repayments of loans from financial institutions	23.0	23.0	15.9	15.9	28.2	106.0
Repayments of bonds					150.0	150.0
Repayments of finance lease liabilities	1.1	0.6	0.4	0.4		2.5
Repayments of other liabilities	0.4					0.4
Interest payments	5.2	5.2	5.2	5.3	9.5	30.4
Cash flow total, interest-bearing financial liabilities	29.7	28.9	21.5	21.5	187.7	289.2
Trade payables	60.0					60.0
Other non-interest-bearing financial liabilities	16.4	0.1				16.5
Cash flow total, non-interest-bearing financial liabilities	76.4	0.1				76.5
Derivative contracts, net	0.6	0.2	0.2			1.0
Cash flow total, derivative contracts	0.6	0.2	0.2			1.0
Cash flow total, all	106.7	29.2	21.6	21.5	187.7	366.8

Forward rates or the average reference rate per contract have been used for forecasts of interest payments on floating-rate loans.

24.4. Capital structure management

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

The terms of loans from financial institutions of the Company include covenants that specify that if the covenants are breached, the lender optionally has the right to demand early repayment of the loan. The following tables show the levels of financial covenants specified in the terms of the loans and the corresponding values at 31 December 2014.

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

Group equity ratio (including advance payments)

31 Dec	2014	2013
Equity, EUR million	514.9	513.9
Equity and liabilities total, EUR million	1,001.5	979.0
Equity ratio, (including advance payments) %	51.4%	52.5%

Group interest-bearing liabilities / Group EBITDA

EUR million, 31 Dec	2014	2013
Interest-bearing liabilities	234.5	257.8
EBITDA	312.1	306.2
Interest-bearing liabilities / EBITDA	0.8	0.8

Group EBITDA / net interest expenses

EUR million, 31 Dec	2014	2013
EBITDA	312.1	306.2
Net interest expenses	5.0	3.6
EBITDA / net interest expenses	62	85

25. Derivatives

Nominal values and maturity of derivatives

EUR million, 31 Dec	2014	2013
Currency derivatives[1]		
Currency forward contracts and currency swaps	51.3	67.8
Currency options	39.7	47.2
Interest rate swaps[2]	15.2	18.8
Nominal value of electricity derivatives, GWh	22	57

EUR million, 31 Dec	2014	2013
Maturity of electricity derivatives		
No later than 1 year	0.9	1.6
Later than 1 year but not later than 2 years		0.9
Total	0.9	2.5

[1] Currency derivatives with maturity less than one year.

[2] Interest rate swaps with maturity within three years.

Fair values of derivatives

	2014			2013
EUR million, 31 Dec	Positive	Negative	Net	Net
Non-hedge-accounting derivatives				
Currency forward contracts and currency swaps	1.4	-0.3	1.1	0.5
Currency options	0.3	-0.1	0.2	0.1
Electricity derivatives		-0.3	-0.3	-0.7
Hedge-accounting derivatives				
Interest rate swaps		-0.1	-0.1	-0.2

All derivatives are OTC derivatives, and market quotations at the end of the reporting period have been used for determining their fair value. Derivatives measured at fair value have been reported in the consolidated statement of financial position on a gross basis. Derivative contract terms agreed with banks allow netting in the event of payment default or bankruptcy, among other things. At the end of the reporting period, after netting the counterparty risk to Orion was EUR 1.3 (2013: 0.6) million and to counterparties EUR 0.4 (2013: 0.9) million.

26. Contingent liabilities

Commitments and contingencies

EUR million, 31 Dec	2014	2013
Contingencies for own liabilities		
Mortgages on land and buildings	32.0	32.0
Guarantees	2.7	2.4
Other	0.3	0.3

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 Sun Pharmaceutical Industries, Inc. (previously 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 with Hospira and Orion as plaintiffs.

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

The previously reported lawsuit brought by Par Sterile Products, LLC against Hospira and Orion has since been settled.

27. Operating leases

Group as lessee

Minimum lease payments payable on the basis of other non-cancellable leases

EUR million, 31 Dec	2014	2013
No later than 1 year	2.5	2.5
Later than 1 year but no later than 5 years	4.5	3.9
Over 5 years	1.2	
Total	8.1	6.4
Rents paid on the basis of other operating leases during the period	3.5	4.7

Other lease expenses comprise mainly expenses for business premises abroad and other non-financial lease items.

Group as lessor

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

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

28. Group companies

Group companies at 31 December 2014

	Group		Parent company	
	Ownership, %	Share of votes, %	Ownership, %	Share of votes, %
Pharmaceuticals				
Parent company Orion Corporation, Espoo				
Fermion Oy, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Harmaaparta, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Kalkkipellontie 2, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Kapseli, Hanko	100.00	100.00		
Kiinteistö Oy Pilleri, Hanko	70.39	70.39		
Kiinteistö Oy Tonttuvainio, Espoo	100.00	100.00	100.00	100.00
Orion Export Oy, Espoo[1]	100.00	100.00	100.00	100.00
PetVetBook Oy, Espoo	99.00	99.00	99.00	99.00
Saiph Therapeutics Oy, Espoo[1]	100.00	100.00	100.00	100.00
FinOrion Pharma India Pvt. Ltd., India	100.00	100.00	95.00	95.00
OOO Orion Pharma, Russia	100.00	100.00		
Orion Pharma (Austria) GmbH, Austria	100.00	100.00	100.00	100.00
Orion Pharma (Ireland) Ltd., Ireland	100.00	100.00	100.00	100.00
Orion Pharma (UK) Ltd., United Kingdom	100.00	100.00	100.00	100.00
Orion Pharma A/S, Denmark	100.00	100.00	100.00	100.00
Orion Pharma AB, Sweden	100.00	100.00	100.00	100.00
Orion Pharma AG, Switzerland	100.00	100.00	100.00	100.00
Orion Pharma AS, Norway	100.00	100.00	100.00	100.00
Orion Pharma BVBA, Belgium	100.00	100.00	100.00	100.00
Orion Pharma d.o.o., Slovenia	100.00	100.00	100.00	100.00
Orion Pharma GmbH, Germany	100.00	100.00	100.00	100.00
Orion Pharma Hellas, Pharmakeftiki Mepe, Greece	100.00	100.00	100.00	100.00
Orion Pharma Kft., Hungary	100.00	100.00	100.00	100.00
Orion Pharma Poland Sp.z.o.o., Poland	100.00	100.00	100.00	100.00
Orion Pharma Romania S.R.L., Romania[1]	100.00	100.00	100.00	100.00
Orion Pharma S.L., Spain	100.00	100.00	100.00	100.00
Orion Pharma S.r.l., Italy	100.00	100.00	100.00	100.00
Orion Pharma s.r.o, Czech	100.00	100.00	100.00	100.00
Orion Pharma s.r.o, Slovakia	100.00	100.00	100.00	100.00
Orion Pharma SA, France	100.00	100.00	100.00	100.00
Orion Pharma Ukraine LLC, Ukraine	100.00	100.00	100.00	100.00
Orion Pharma, Inc., USA[1]	100.00	100.00	95.00	95.00
OrionFin Unipessoal Lda, Portugal	100.00	100.00	100.00	100.00
OÜ Orion Pharma Eesti, Estonia	100.00	100.00	100.00	100.00
UAB Orion Pharma, Lithuania	100.00	100.00	100.00	100.00
Diagnostics				
Orion Diagnostica Oy, Espoo	100.00	100.00	100.00	100.00
GeneForm Technologies Ltd., United Kingdom	100.00	100.00		
Orion Diagnostica AB, Sweden	100.00	100.00		
Orion Diagnostica AS, Norway	100.00	100.00		
Orion Diagnostica Danmark A/S, Denmark	100.00	100.00		

[1] These companies are not engaged in business activities.

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

29. Related party transactions

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

Related party transactions

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

Management´s employment benefits

EUR million	2014	2013
Salaries and other short-term employment benefits	6.3	6.0
Post-employment benefits	0.6	0.5

Salaries and remuneration[1]

EUR million	2014	2013
Timo Lappalainen, President and CEO	1.4	1.4
Hannu Syrjänen, Chairman	0.1	0.1
Jukka Ylppö, Vice Chairman	0.1	0.1
Sirpa Jalkanen	0.1	0.0
Eero Karvonen	0.1	0.0
Timo Maasilta	0.1	0.1
Mikael Silvennoinen	0.0	
Heikki Westerlund	0.1	0.1
Board of Directors, total	0.4	0.4

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

The retirement age of the parent company’s President and CEO is agreed to be 60 years and the pension level 60% of the agreed pensionable salary. In addition, one of the members of the Executive Management Board has the right to retire at the age of 60 years, the pension level being 60% of the pensionable salary. During the period EUR 0.1 (2013: 0,1) million was recorded as expenses for the statutory pension and EUR 0.2 (2013: 0,1) million for the supplementary pension of the parent company’s President and CEO.

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

Orion Corporation is the lender of a loan of EUR 0.6 million to Pharmaservice Oy with conditional interest payment, and an interest-bearing loan of EUR 0.8 million to Hangon Puhdistamo Oy.

30. Events after the end of the reporting period

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

Parent company Orion Corporation's financial statements (FAS)

Income statement

EUR million	Note	2014	2013
Net sales	1	827.0	812.4
Other operating income	2	7.5	9.0
Operating expenses	3,4	-588.4	-587.5
Depreciation, amortisation and impairment	4	-29.9	-28.7
Operating profit		216.2	205.1
Finance income and expenses	5	12.4	10.2
Profit before extraordinary items, appropriations and taxes		228.6	215.3
Extraordinary items	6	21.0	21.5
Appropriations	7	-13.6	-1.6
Income tax expense	8	-44.3	-54.4
Profit for the period		191.7	180.8

Balance sheet

Assets

EUR million, 31 Dec	Note	2014	2013
Intangible rights		37.1	43.2
Other long-term expenditure		2.6	3.1
Intangible assets total	9	39.7	46.3
Land		3.5	3.5
Buildings and constructions		118.2	82.8
Machinery and equipment		76.9	63.7
Other tangible assets		1.2	1.2
Advance payments and construction in progress		15.2	44.7
Tangible assets total	10	215.0	196.0
Holdings in Group companies		83.8	88.6
Holdings in associates		1.9	2.0
Other investments		0.7	0.7
Investments total	11	86.3	91.4
Non-current assets total		341.0	333.6
Inventories	12	125.2	139.5
Non-current receivables	13	0.8	0.1
Trade receivables	14	147.8	151.3
Other current receivables	14	51.9	65.4
Investments	15	79.0	27.0
Cash and bank		155.2	158.4
Current assets total		559.9	541.7
Assets total		900.9	875.4

Liabilities

EUR million, 31 Dec	Note	2014	2013
Share capital		92.2	92.2
Fair value reserve		-0.1	-0.2
Expendable fund		0.5	0.5
Reserve for invested unrestricted equity		0.9	0.9
Retained earnings		62.8	55.2
Profit for the period		191.7	180.8
Shareholders' equity	16	348.1	329.5
Appropriations	17	85.2	71.6
Provisions	18	0.6	0.6
Loans from financial institutions		60.0	83.0
Bonds		149.1	148.9
Other non-current liabilities		0.1	0.4
Non-current liabilities total	19	209.2	232.3
Trade payables		55.5	55.8
Other current liabilities		202.4	185.5
Current liabilities total	20	257.8	241.3
Liabilities total		900.9	875.4

Cash flow statement

EUR million	2014	2013
Operating profit	216.2	205.1
Depreciation, amortisation and impairment	29.9	28.7
Other adjustments	3.8	4.1
Total adjustments to operating profit	33.7	32.8
Change in non-interest-bearing current receivables	41.9	-21.4
Change in inventories	14.4	-11.9
Change in non-interest-bearing current liabilities	1.0	24.2
Total change in working capital[1]	57.3	-9.2
Interest paid	-9.7	-6.2
Dividends received[2]	17.9	14.4
Interest received[2]	4.1	3.5
Income tax paid	-50.6	-60.4
Total net cash flow from operating activities	268.8	180.0
Investments in intangible assets	-4.7	-6.7
Investments in tangible assets	-40.4	-57.2
Sales of intangible assets		0.0
Sales of tangible assets	1.0	1.7
Investments in subsidiary shares	0.0	-0.1
Sales of other investments	0.3	
Loans granted	-0.8	
Repayments of loan receivables	5.1	1.2
Total net cash flow from investing activities	-39.5	-61.0
Current loans raised	8.1	9.6
Repayments of current loans	-11.0	-1.5
Non-current loans raised		148.9
Repayments of non-current loans	-23.0	-28.0
Repurchase of own shares		-9.6
Dividends paid and other distribution of profits	-176.1	-183.8
Group contributions received	21.5	11.0
Total cash flow from financing activities	-180.5	-53.4
Net change in cash and cash equivalents	48.8	65.6
Cash and cash equivalents at 1 Jan[3]	185.4	119.8
Net change in cash and cash equivalents	48.8	65.6
Cash and cash equivalents at 31 Dec[3]	234.2	185.4

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

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

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

Parent company notes to the financial statements for 2014

General information

The parent company of the Orion Group is Orion Corporation, business ID 1999212-6, domiciled in Espoo.

The Orion Group's first financial year was 1 July–31 December 2006, because the Group came into being on 1 July 2006 following the demerger of its predecessor Orion Group into a pharmaceuticals and diagnostics business and a pharmaceutical wholesale and distribution business. Orion Corporation was listed on the Helsinki stock exchange on 3 July 2006.

Accounting policies

The Financial Statements of Orion Corporation are prepared in accordance with the Finnish Accounting Act, as well as other provisions and regulations related to compilation of financial statements.

Non-current assets

The Balance Sheet values of intangible and tangible assets are based on their historical costs, depreciated according to plan. The depreciation according to plan is based on the economic life of the assets, following the straight-line depreciation method.

The historical cost of the intangible and tangible assets includes assets with remaining economic life, as well as fully depreciated non-current asset items that are still in operative use. The corresponding policies are applied to the accumulated depreciation.

The economic lives of various asset categories are as follows:

- intangible rights and other capitalised expenditure 5–10 years
- goodwill 5–20 years
- buildings 20–40 years
- machinery, equipment and furniture 5–10 years
- vehicles 6 years
- other tangible assets 10 years

As a rule, goodwill is amortised over five years. In certain cases, however, the estimated economic life of the goodwill is longer, but at maximum twenty years. Other long-term expenditure items that generate or maintain income for three years or longer are capitalised and are normally depreciated over five years.

Land areas and revaluations are not depreciated according to plan. The production and office facilities were revalued in the Orion Group in the 1970s and 1980s. The revaluations are based on valuation of each asset separately.

Research and development expenses

R&D expenses are entered as expenses during the financial year in which they are incurred.

Inventories

Inventories are presented in the Balance Sheet using the standard price for self-manufactured products, and for purchased products the weighted average cost method using the value of the purchase and variable conversion costs, or if lower, the net realisable or replacement value.

Investments

The investments include short-term interest-bearing instruments. Financial instruments are valued at their historical cost or at market value, if lower.

Receivables, liabilities and derivatives denominated in foreign currencies

The valuation of the receivables and liabilities denominated in foreign currencies is based on the exchange rates quoted by the European Central Bank on the reporting date. The resulting translation gains and losses are recognised through profit or loss. Translation gains and losses related to business operations are recorded as adjustments of sales and purchases, whereas those related to financial items are recognised under financial income or expenses.

Foreign exchange derivatives acquired for hedging purposes are valued at fair value, using the exchange rates quoted on the reporting date. The fair values of foreign exchange derivatives that hedge operative items are recorded in other operating income and expenses, whereas the fair value of foreign exchange derivatives that hedge loans and receivables denominated in foreign currencies are recorded in translation differences in the financial items.

The Company has also entered into electricity derivative contracts that hedge highly probable forecast cash flows associated with electricity purchases and interest rate derivatives that hedge cash flows of loans. The effectiveness of the hedging relationship is verified before commencement of hedge accounting and subsequently regularly at least quarterly. The change in the fair value of the effective portion of qualifying derivative instruments that hedge cash flow is directly recognised against the fair value reserve included in the equity. The gains and losses recognised in equity are transferred to the income statement in the period during which the hedged cash flow is recognised in the income statement. The ineffective portion of the hedging relationship is recognised in the income statement under other operating expenses as regards electricity derivatives and under financial income and expenses as regards interest rate derivatives.

Provisions

Commitments by the Company to future expenses that are unlikely to generate corresponding revenue are deducted from income as provisions. Similarly, future losses that are likely to materialise are deducted from income.

Net sales

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

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

Share-based payment

The benefits under the share-based incentive plan for key employees approved by the Board of Directors are valued at fair value on the reporting date and recognised as an expense in the income statement during the vesting period of the benefit. The estimate of the final number of shares and associated cash payments is updated at each reporting date.

Pension arrangements

The pension security of the Company's employees has been arranged through the Orion Pension Fund and pension insurance companies. Supplementary pension security has been arranged through the pension fund for employees whose employment began prior to 25 June 1990 and continues until retirement. Supplementary pensions for some executives have also been arranged through pension insurance companies. The pension liability of the Orion Pension Fund is covered in full.

Income taxes

Income taxes comprise the taxes based on taxable profit and tax adjustments to previous financial periods. The financial statements do not itemise the deferred tax liabilities and assets, but the notes record the deferred tax liabilities and assets recognised in the balance sheet. These deferred tax liabilities or assets are calculated from material differences due to timing between the tax assessment and the financial statements, using the tax rate confirmed at the time of the financial statements for subsequent years.

1. Net sales

Net sales by business area

EUR million	2014	2013
Pharmaceuticals business	827.0	812.4
Total	827.0	812.4

Net sales by market area

EUR million	2014	2013
Finland	293.4	271.8
Scandinavia	94.0	85.4
Other Europe	278.2	249.8
North America	77.2	109.0
Other countries	84.1	96.3
Total	827.0	812.4

2. Other operating income

EUR million	2014	2013
Service charges received from Group companies	5.3	5.7
Rental income	0.8	0.8
Gains on sales of property, plant and equipment and intangible assets	0.3	0.9
Other operating income	1.1	1.7
Total	7.5	9.0

3. Change in provisions

EUR million	2014	2013
Change in other provisions	0.0	0.1
Total, increase (-), decrease (+)	0.0	0.1

4. Operating expenses, depreciation, amortisation and impairment

Operating expenses

EUR million	2014	2013
Increase (-) or decrease (+) in stocks of finished goods or work in progress	6.9	-16.1
Production for own use	-3.7	-2.2
Raw materials and services		
Purchases during the financial year	197.7	220.4
Increase (-) or decrease (+) in stocks	7.5	4.2
External services	34.0	37.0
Total	239.2	261.5
Personnel expenses		
Wages and salaries	108.8	109.5
Pension expenses	16.7	18.3
Share-based incentive plan	7.1	4.8
Other social security expenses	6.1	7.3
Total	138.7	139.8
Other operating expenses	207.3	204.5
Total	588.4	587.5

Voluntary social security expenses are included in other operating expenses.

Auditor’s remuneration

EUR million	2014	2013
Auditing fee	0.1	0.1
Assignments under Auditing Act Section 1 Subsection 1 Paragraph 2	0.0	0.0
Consultation on taxation	0.0	0.0
Other services	0.0	0.0
Total	0.2	0.1

Depreciation, amortisation and impairment

EUR million	2014	2013
Impairment	1.8	1.4
Other depreciation and amortisation	28.1	27.4
Total	29.9	28.7

See Balance Sheet Notes 9–10 for depreciation and amortisation by Balance Sheet item for the financial year.

See Accounting Policies for the financial statements of the parent company for basis of provisions according to plan.

Average number of employees

	2014	2013
Average number of employees during the financial year	2,239	2,269

Share-based payments

The Group has two share-based incentive plans in force for the Group's key persons.

The plan that started in 2010 includes earning periods and the Board of Directors annually decided on the beginning and duration of the earning periods in 2010, 2011 and 2012. The Board of Directors decided on the earning criteria and targets to be established for them at the beginning of each earning period. Two earning periods, calendar year 2010 and calendar years 2010–2012, commenced upon implementation of the plan. Two earning periods, calendar year 2011 and calendar years 2011–2013, commenced in 2011 and two earning periods, calendar year 2012 and calendar years 2012–2014, in 2012. A prerequisite for participation in all earning periods and for receipt of reward based on these earning periods was that the key person held the Company's shares as determined by the Board of Directors. The reward under the plan for the one-calendar-year earning periods 2010, 2011 and 2012 was dependent on the Orion Group's operating profit performance and for the three-calendar-year earning periods 2010–2012 and 2011–2013 on the total return on Orion Corporation B shares. Potential reward for earning period 2012–2014 is based on the total return on Orion Corporation B shares.

The plan that started in 2013 includes earning periods and the Board of Directors shall annually decide on the beginning and duration of the earning periods in 2013, 2014 and 2015. The Board of Directors shall decide on the earning criteria and targets to be established for them at the beginning of each earning period. Two earning periods, calendar year 2013 and calendar years 2013–2015, commenced upon implementation of the plan. Two earning periods commenced in 2014, calendar year 2014 and calendar years 2014–2016. The reward under the plan for the earning period 2013 was based on the Orion Group's operating profit. The potential reward for the earning period 2014 is based on the Orion Group's operating profit and for the earning periods 2013–2015 and 2014–2016 on the total return on Orion Corporation B shares.

The rewards under the plans shall be paid partly in the form of the Company's B shares and partly in cash. Rewards have been paid and potential future ones shall be paid as follows:

Earning period	Reward paid / potential reward to be paid in
2010	2011
2011	2012
2012	2013
2010–2012	2013
2013	2014
2011–2013	2014
2014	2015
2012–2014	2015
2013–2015	2016
2014–2016	2017

The plans include a restricted period during which shares received under the plan cannot be transferred. For the three-year earning periods, there is no restricted period.

The target group of the plan that began in 2010 consists of approximately 30 people. The total maximum amount of rewards to be paid on the basis of the plan is 500,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares. By 31 December 2014, a total of 365,113 Orion Corporation B shares had been paid as rewards under this plan.

The target group of the plan that began in 2013 consists of approximately 35 people. The total maximum amount of rewards to be paid on the basis of the plan is 500,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares. By 31 December 2014, a total of 81,876 Orion Corporation B shares had been paid as rewards under this plan.

5. Finance income and expenses

EUR million	2014	2013
Income from Group companies	17.7	14.1
Income from other non-current investments		
Gains from share sales	0.3	
Dividend income from other shares and equity	0.2	0.3
Interest income from Group companies	0.0	0.1
Other interest and finance income		
Interest income from Group companies	0.0	0.0
Interest income from other companies	0.4	0.3
Other finance income	3.7	3.4
Interest expenses and other finance expenses		
Interest expenses to Group companies	-0.3	-0.3
Interest expenses to others	-5.4	-3.9
Impairment	-0.0	
Other finance expenses	-4.1	-3.8
Total	12.4	10.2

Finance income and expenses include

EUR million	2014	2013
Income from equity in other companies	18.1	14.4
Interest income	0.5	0.4
Interest expenses	-5.8	-4.2

6. Extraordinary items

EUR million	2014	2013
Group contribution received	21.0	21.5
Total	21.0	21.5

7. Appropriations

EUR million	2014	2013
Change in cumulative accelerated depreciation	-13.6	-1.6
Total increase (-) / decrease (+)	-13.6	-1.6

8. Income taxes

EUR million	2014	2013
Income tax on ordinary activities	44.1	54.4
Tax adjustments for previous financial years	0.2	0.0
Total	44.3	54.4

Deferred tax liability and deferred tax asset

No deferred tax liability or deferred tax asset of the Parent company has been recorded in the Company's Balance sheet.

Deferred tax asset

EUR million	2014	2013
Provisions	0.1	0.1
Total	0.1	0.1

Deferred tax liability

EUR million	2014	2013
Appropriations	17.0	14.3
Revaluations	3.3	3.3
Total	20.4	17.6

9. Intangible assets

	Intangible rights		Goodwill		Other capitalised expenditure		Total	
EUR million	2014	2013	2014	2013	2014	2013	2014	2013
Acquisition cost at 1 Jan[1]	125.3	119.9	68.3	68.3	54.1	53.8	247.6	241.9
Additions	4.2	6.1			0.7	0.6	4.9	6.7
Disposals	-0.3	-0.8				-0.3	-0.3	-1.0
Transfers between Balance Sheet items	0.0	0.0					0.0	0.0
Acquisition cost at 31 Dec	129.2	125.3	68.3	68.3	54.9	54.1	252.3	247.6
Accumulated amortisation and impairment at 1 Jan[1]	-82.0	-72.4	-68.3	-68.3	-51.1	-49.6	-201.4	-190.3
Accumulated amortisation on disposals	0.0	0.7				0.1	0.0	0.8
Amortisation for the financial year	-8.3	-9.0			-1.2	-1.5	-9.5	-10.5
Impairment	-1.8	-1.4					-1.8	-1.4
Accumulated amortisation and impairment at 31 Dec	-92.1	-82.0	-68.3	-68.3	-52.3	-51.1	-212.6	-201.4
Book value at 1 Jan	43.2	47.5			3.1	4.2	46.3	51.7
Book value at 31 Dec	37.1	43.2			2.6	3.1	39.7	46.3
Accumulated difference between total and planned amortisation at 1 Jan	3.2	3.7			0.5	0.8	3.7	4.6
Change in cumulative accelerated amortisation, increase (+) / decrease (-)	0.2	-0.6			-0.1	-0.3	0.0	-0.9
Accumulated difference at 31 Dec	3.3	3.2			0.4	0.5	3.7	3.7

[1] Initial values include fixed asset items with remaining useful life and fully depreciated asset items still in operational use. Accumulated depreciation is calculated in the corresponding way.

10. Tangible assets

	Land and water		Buildings and structures		Machinery and equipment		Other tangible assets		Advance payments and construction in progress		Total	
EUR million	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Acquisition cost at 1 Jan[1]	3.5	3.7	191.1	176.6	216.1	206.4	2.4	1.8	44.7	14.9	457.9	403.3
Additions		0.0	14.4	11.5	12.1	11.7	0.1	0.6	12.2	36.2	38.7	60.1
Disposals		-0.2	-0.0	-0.3	-4.2	-5.0		-0.0		-0.0	-4.2	-5.5
Transfers between Balance Sheet items			26.1	3.3	15.5	3.1			-41.6	-6.4	-0.0	-0.0
Acquisition cost at 31 Dec	3.5	3.5	231.7	191.1	239.5	216.1	2.4	2.4	15.2	44.7	492.3	457.9
Accumulated depreciation at 1 Jan[1]			-108.3	-103.5	-152.4	-144.6	-1.2	-1.2			-261.9	-249.3
Accumulated depreciation on disposals and transfers			0.0	0.3	3.2	4.0		0.0			3.2	4.3
Depreciation for the financial year			-5.1	-5.0	-13.4	-11.8	-0.1	-0.0			-18.6	-16.9
Accumulated depreciation at 31 Dec			-113.4	-108.3	-162.6	-152.4	-1.3	-1.2			-277.3	-261.9
Book value at 1 Jan	3.5	3.7	82.8	73.1	63.7	61.7	1.2	0.6	44.7	14.9	196.0	154.0
Book value at 31 Dec	3.5	3.5	118.2	82.8	76.9	63.7	1.2	1.2	15.2	44.7	215.0	196.0
Accumulated difference between total and planned depreciation at 1 Jan			31.7	31.5	36.2	34.0	0.1	0.0			67.9	65.5
Change in cumulative accelerated depreciation, increase (+) / decrease (-)			5.6	0.3	8.0	2.1	0.0	0.0			13.6	2.4
Accumulated difference at 31 Dec			37.3	31.7	44.2	36.2	0.1	0.1			81.5	67.9

[1] Initial values include fixed asset items with remaining useful life and fully depreciated asset items still in operational use. Accumulated depreciation is calculated in the corresponding way.

The book value of production machines and equipment at 31 December 2014 was EUR 56.8 (2012: 41.9) million. The revaluation included in the acquisition cost of land was EUR 0.1 (2013: 0.1) million and in the acquisition cost of buildings EUR 16.5 (2013: 16.5) million.

11. Investments

EUR million	Shares in Group companies 2014	Shares in Group companies 2013	Receivables from Group companies 2014	Receivables from Group companies 2013	Holdings in associated companies 2014	Holdings in associated companies 2013	Receivables from associated companies[1] 2014	Receivables from associated companies[1] 2013	Other shares and equity 2014	Other shares and equity 2013	Loan receivables[1] 2014	Loan receivables[1] 2013	Total 2014	Total 2013
Acquisition cost at 1 Jan	121.8	121.7	9.7	10.6	1.3	1.3	0.7	0.9	0.5	0.5	0.2	0.3	134.3	135.4
Additions	0.0	0.1	1.0										1.0	0.1
Disposals	-0.0		-5.8	-0.9			-0.2	-0.2	-0.0		-0.0	-0.0	-6.0	-1.2
Translation differences			0.0	-0.0									0.0	-0.0
Acquisition cost at 31 Dec	121.8	121.8	4.9	9.7	1.3	1.3	0.6	0.7	0.5	0.5	0.2	0.2	129.2	134.3
Accumulated impairment at 1 Jan	-40.0	-40.0	-2.9	-2.9									-42.9	-42.9
Change during the period														
Accumulated impairment at 31 Dec	-40.0	-40.0	-2.9	-2.9									-42.9	-42.9
Book value at 1 Jan	81.8	81.7	6.8	7.8	1.3	1.3	0.7	0.9	0.5	0.5	0.2	0.3	91.4	92.5
Book value at 31 Dec	81.8	81.8	2.0	6.8	1.3	1.3	0.6	0.7	0.5	0.5	0.2	0.2	86.3	91.4

[1] A receivable from an associated company and a loan receivable are equity loan receivables under the Companies Act.

12. Inventories

EUR million, 31 Dec	2014	2013
Raw materials and consumables	23.3	30.9
Work in progress	10.3	13.2
Finished products/goods	88.4	92.5
Other inventories	3.1	3.0
Total	125.2	139.5

13. Non-current receivables

EUR million, 31 Dec	2014	2013
Other receivables from Group companies	0.0	0.0
Loan receivables from associated companies	0.8	
Other loan receivables	0.0	0.1
Total	0.8	0.1

14. Current receivables

EUR million, 31 Dec	2014	2013
Trade receivables	116.6	114.3
Receivables from Group companies		
Trade receivables	31.2	37.1
Loan receivables	0.4	4.1
Other receivables		0.2
Prepayments and accrued income	21.0	21.5
Total	52.6	62.9
Loan receivables from associated companies	0.0	0.0
Other loan receivables	0.2	0.2
Other receivables	11.4	18.5
Prepayments and accrued income	18.9	20.8
Total	199.7	216.7

Material items included in prepayments and accrued income

EUR million, 31 Dec	2014	2013
Income tax receivable	6.3	0.1
Receivables from royalties	3.3	12.2
Receivables based on derivative contracts	1.7	0.8
Prepayments for services and maintenance	1.6	1.3
Pending price difference payments	1.4	0.5
Prepaid remunerations under incentive plan	1.2	1.3
Pending credits	0.7	2.2
Other prepayments and accrued income	2.8	2.4
Total	18.9	20.8

15. Investments

EUR million, 31 Dec	2014	2013
Other securities: interest instruments	79.0	27.0
Total	79.0	27.0

Difference between market value and book value

EUR million, 31 Dec	2014	2013
Market value	79.0	27.0
Corresponding book value	-79.0	-27.0
Accrued interest from interest instruments included in prepayments and accrued income	-0.0	-0.0
Difference	0.0	0.0

16. Shareholder's equity

Share capital

EUR million	2014	2013
Share capital at 1 Jan	92.2	92.2
Share capital at 31 Dec	92.2	92.2

Fair value reserve

EUR million	2014	2013
Fair value reserve at 1 Jan	-0.2	-0.3
Electricity derivative hedges		-0.0
Cross currency swaps		0.1
Interest rate swaps	0.0	0.1
Fair value reserve at 31 Dec	-0.1	-0.2

Expendable fund

EUR million	2014	2013
Expendable fund at 1 Jan	0.5	0.5
Expendable fund at 31 Dec	0.5	0.5

Reserve for invested unrestricted equity

EUR million	2014	2013
Reserve for invested unrestricted equity at 1 Jan	0.9	0.9
Reserve for invested unrestricted equity at 31 Dec	0.9	0.9

Retained earnings

EUR million	2014	2013
Retained earnings at 1 Jan	236.0	245.2
By decision of Annual General Meeting		
dividends distributed	-175.9	-183.4
donations made	-0.3	-0.3
repurchase of own shares		-9.6
share rewards paid	2.8	3.1
Unpaid dividends	0.1	0.1
Profit for the financial year	191.7	180.8
Retained earnings at 31 Dec	254.6	236.0

Parent company share capital by share class

	2014		2013	
31 Dec	number	EUR	number	EUR
A shares (20 votes/share)	40,412,981		42,022,816	
B shares (1 vote/share)	100,844,847		99,235,012	
Total	141,257,828	92,238,541.46	141,257,828	92,238,541.46

During the financial year 1 January to 31 December 2014 a total of 1,609,835 A share were converted into B shares.

17. Appropriations

EUR million, 31 Dec	2014	2013
Cumulative accelerated depreciation	85.2	71.6
Total	85.2	71.6

18. Provisions

EUR million, 31 Dec	2014	2013
Pension provisions	0.6	0.6
Total	0.6	0.6

19. Non-current liabilities

EUR million, 31 Dec	2014	2013
Loans from financial institutions	60.0	83.0
Bonds	149.1	148.9
Liabilities on derivative contracts	0.1	0.4
Total	209.2	232.3

Loans due later than 5 years

EUR million, 31 Dec	2014	2013
Bonds		150.0
Loans financial institutions	4.2	12.4
Total	4.2	162.4

20. Current liabilities

EUR million, 31 Dec	2014	2013
Loans from financial institutions	23.0	23.0
Advances received	17.4	20.0
Trade payables	46.3	45.9
Liabilities to Group companies		
Trade payables	9.1	10.0
Other liabilities	78.9	71.9
Accruals and deferred income	0.1	0.2
Total	88.2	82.1
Other liabilities	8.4	8.8
Accruals and deferred income	74.5	61.6
Total	257.8	241.3

Material items included in accruals and deferred income

EUR million, 31 Dec	2014	2013
Liabilities from share-based incentive plan	5.1	3.1
Other accrued salary, wage and social security payments	30.9	29.8
Sales revenue received in advance	13.8	8.3
Accrued price adjustments	8.5	5.9
Accrued price reductions	3.2	2.7
Accrued R&D expenses	2.9	1.5
Accrued royalties	2.8	3.7
Accrued purchase of materials	2.5	
Accrued interest	2.4	2.5
Compensation related to sales	0.7	0.8
Liabilities on derivative contracts	0.7	0.6
Other accrued liabilities and deferred income	1.1	2.7
Total	74.5	61.6

Liabilities include

EUR million, 31 Dec	2014	2013
Non-current interest-bearing liabilities	209.1	231.9
Non-current non-interest-bearing liabilities	0.1	0.4
Current interest-bearing liabilities	102.3	95.3
Current non-interest-bearing liabilities	155.6	146.0
Total	467.0	473.6

21. Notes relating to members of administrative bodies

Salaries and remuneration paid to members of administrative bodies of the Company

EUR million	2014	2013
President and CEO and members of Board of Directors	1.8	1.7

No partial remuneration has been paid.

No loans have been granted to the members of administrative bodies.

Management pension commitments

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

22. Contingencies

Contingencies for own liabilities

EUR million, 31 Dec	2014	2013
Mortgages on land and buildings	32,0	32,0

Guarantees on behalf of Group companies

EUR million, 31 Dec	2014	2013
Guarantees given	2.7	2.4

Total guarantees

EUR million, 31 Dec	2014	2013
Total mortgages on land and building	32.0	32.0
Total guarantees	2.7	2.4

23. Liabilities and commitments

Lease agreements

EUR million, 31 Dec	2014	2013
Payments payable under lease agreements		
within next 12 months	1.4	1.3
later than 12 months	1.6	1.8
Total	3.0	3.1

The terms of lease agreements are normal.

Other liabilities

EUR million, 31 Dec	2014	2013
Drug damage liability	0.3	0.3

VAT liability for real estate investments

The company is liable to review VAT deductions made for real estate investments completed in 2008–2014 if the use subject to VAT decreases during the review period. The maximum liability is EUR 14.0 million and the last review year is 2023.

24. Derivative contracts

Currency forward contracts and currency swaps

EUR million, 31 Dec	2014	2013
Fair value	1.1	0.5
Nominal value	51.3	67.8

Currency options

EUR million, 31 Dec	2014	2013
Fair value	0.2	0.1
Nominal value	39.7	47.2

Interest rate swaps

EUR million, 31 Dec	2014	2013
Fair value	-0.1	-0.2
Nominal value	15.2	18.8

Electricity derivatives

EUR million, 31 Dec	2014	2013
Fair value	-0.3	-0.7
Nominal value, EUR million	0.9	2.5
Nominal amount, GWh	22	57

25. Holdings in other companies

See Note 28 Group companies in the Notes to the Consolidated financial statements for the Parent Company’s holdings in other companies.

Account Books and Document types 1 January–31 December 2014

Account books

Journal	electronic filing	10 years
General ledger	electronic filing	10 years

Types of accounting record

	Document number	Document type		
Fixed asset entries	0400000000 - 0499999999	AA	paper record/electronic filing	6 years
Sales invoices, manual entry	1100000000 - 1199999999	DA, DG, DR	paper record/electronic filing	6 years
Rent invoicing	1100000000 - 1199999999	ZB	paper record/electronic filing	6 years
Accounts receivable allocations, money received	1200000000 - 1299999999	DZ	paper record/electronic filing	6 years
Accounts payable allocations	1200000000 - 1299999999	KZ	paper record/electronic filing	6 years
Purchase invoices	1300000000 - 1399999999	KA, KG, KR, KF	paper record/electronic filing/ CD_ROM	6 years
Inventory price differences	1500000000 - 1599999999	PR	paper record/electronic filing	6 years
Purchase invoices, orders	1600000000 - 1699999999	RE, RA, RZ	paper record/electronic filing	6 years
Payroll interface, salaries and wages	1700000000 - 1799999999	01	paper record/electronic filing	6 years
Manual corrections to salaries and wages	1700000000 - 1799999999	Z1	paper record/electronic filing	6 years
Depreciation on fixed asset disposals	1700000000 - 1799999999	AG	paper record/electronic filing	6 years
Foreign exchange rate setting	1700000000 - 1799999999	SA	paper record/electronic filing	6 years
Representative offices	1800000000 - 1899999999	ZR	paper record/electronic filing	6 years
Inventory entries	1900000000 - 1999999999	WA, WE, WI, WL	electronic filing	6 years
Travel interface	2000000000 - 2999999999	04	paper record/electronic filing	6 years
Sales invoices, automatic entry	3200000000 - 3299999999	RV	paper record/electronic filing	6 years
Banking days, money going out	3300000000 - 3399999999	AB	paper record/electronic filing	6 years
Automatic entry of account statements	3300000000 - 3399999999	EB	paper record/electronic filing	6 years
GR / IR corrections	3600000000 - 3699999999	RN	paper record/electronic filing	6 years
Self invoicing	3700000000 - 3799999999	ZN	paper record/electronic filing	6 years
Group invoicing	3800000000 - 3899999999	IC	paper record/electronic filing	6 years
Memo vouchers	6100000000 - 6199999999	ZM	paper record/electronic filing	6 years
Memo vouchers, Tuohilampi	6200000000 - 6299999999	ZT	paper record/electronic filing	6 years
Cash receipts	7100000000 - 7199999999	ZK	paper record/electronic filing	6 years
Memo vouchers, regular accruals	8100000000 - 8199999999	ZI	paper record/electronic filing	6 years
Memo vouchers, accruals	8100000000 - 8199999999	ZJ	paper record/electronic filing	6 years
Payroll interface, holiday pay accrual	8200000000 - 8299999999	03	paper record/electronic filing	6 years
Holiday pay accrual, manual correction	8200000000 - 8299999999	Z3	paper record/electronic filing	6 years
Payroll interface, bonus accrual	8300000000 - 8399999999	05	paper record/electronic filing	6 years
IFRS records	9100000000 - 9199999999	ZX	paper record/electronic filing	6 years
Depreciation and amortisation, plus depreciation difference	9300000000 - 9399999999	AF	paper record/electronic filing	6 years

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

The parent company's distributable funds are EUR 255,953,061.62, including EUR 191,746,498.98 of profit for the financial year.

The Board of Directors proposes that the distributable funds of the parent company be used as follows:

• distribution of EUR 1.30 of dividend per share. No dividend shall be paid on treasury shares held by the Company on the record date for dividend payment. On the day when the profit distribution was proposed, the number of shares conferring entitlement to receive dividend totalled 140,688,163, on which the total dividend would be	EUR 182,894,611.90
• donations to medical research and other purposes of public interest as decided by the Board of Director	EUR 250,000.00
• retention in equity	EUR 72,808,449.72
	EUR 255,953,061.62

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

Signatures for the Financial Statements and Report by the Board of Directors

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

Espoo, 4 February 2015

Hannu Syrjänen
Chairman

Jukka Ylppö
Vice Chairman

Sirpa Jalkanen

Eero Karvonen

Timo Maasilta

Mikael Silvennoinen

Heikki Westerlund

Timo Lappalainen
President and CEO

On auditors' report has been issued today.

Espoo, 4 February 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti,
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of Orion Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Orion Corporation for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

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

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

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

Opinion on the Consolidated Financial Statements

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

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

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

Other Opinions

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

Espoo, 4 February 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
Authorised Public Accountant