Financial Statement documents 2013

Building well-being

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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 2013

Events in 2013

On 5 February the Board of Directors of Orion Corporation decided on an incentive plan for key persons.

On 21 March Orion announced that it had submitted a marketing authorisation application for a combined budesonide-formoterol formulation in the Easyhaler® product family in Europe.

On 10 April Orion Diagnostica gave a negotiation proposal on streamlining operations and reducing the number of personnel in Finland by no more than 80.

On 23 April the Board of Directors of Orion Corporation decided to acquire shares in the Company as authorised by the Annual General Meeting on 19 March 2013 to be used as part of the execution of the long-term Incentive Plan 2013 for key persons of the Orion Group.

On 3 June Orion Diagnostica's statutory co-operation negotiations were completed.

On 4 June Orion announced that it would be issuing a EUR 150 million domestic bond.

On 11 June the listing prospectus for Orion's bond was published.

On 25 July Orion announced that it had reached agreement with Mylan Pharmaceuticals Inc. in the patent dispute concerning the proprietary drug Stalevo®.

On 21 October Orion Corporation and Hospira, Inc. announced that they had extended the licensing agreement concerning the sedative agent Precedex® in the markets outside Europe.

On 22 October Orion Corporation and Phyxius Pharma, Inc. announced that they had entered into an agreement for licensing levosimendan injection rights in the USA and Canada to Phyxius Pharma.

On 19 November Orion announced that Markku Huhta-Koivisto, Senior Vice President responsible for the Specialty Products and Fermion business divisions, and Dr. Liisa Hurme, Senior Vice President responsible for the Proprietary Products business division, would exchange their responsibility areas with effect from 1 January 2014.

On 5 December Orion announced that Orion Corporation and Hospira, Inc. had settled their patent dispute with Sandoz Inc. and Sandoz Canada Inc. over the proprietary drug Precedex®.

On 11 December Orion announced that it had completed the acquisition of its own shares.

On 19 December Orion announced that it had signed a licensing agreement with Janssen Pharmaceuticals for the development and commercialisation of a new drug for Alzheimer's disease.

Events after the period

There were no significant events after the period.

Financial review

Net sales

The Orion Group's net sales in 2013 were EUR 1,007 million (EUR 980 million in 2012). The net effect of currency exchange rates was EUR -16 million of which about half was due to depreciation of the Japanese yen.

The Pharmaceuticals business's net sales were EUR 953 (929) million. Net sales of Orion's Stalevo® (carbidopa, levodopa and entacapone) and Comtess®/Comtan® (entacapone) Parkinson's drugs were down by 17% at EUR 207 (250) million, which was 22% (27%) of the Pharmaceuticals business's net sales. The net sales of other products in the portfolio were up by 10% at EUR 746 (679) million.

The Diagnostics business's net sales were up by 5% at EUR 57 (54) million.

Operating profit

The Orion Group's operating profit was down by 4% at EUR 268 (278) million.

The Pharmaceuticals business's operating profit was down by 5% at EUR 273 (287) million. The gross profit percentage was lower than in the comparative period due to products with lower margins accounting for an increasing proportion of sales, lower prices and higher production costs. Costs were increased by the extensive investment and production facility modification projects in progress during the year, which temporarily decreased production capacity and at the same time increased costs. Operating expenses were slightly down. The operating profit for the review period includes about EUR 3 million received from Janssen Pharmaceuticals as part of the total payment of EUR 23 million under the licensing agreement. Net sales and operating profit in the comparative period were enhanced by a total of EUR 10 million of long-term compensatory payments related to the pricing of partner deliveries.

The Diagnostics business's operating profit was up by 97% at EUR 4.6 (2.3) million due to good growth in sales. The profit includes EUR 1.4 million of expenses 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 EUR 205 (206) million.

R&D expenses were down by 4% at EUR 102 (106) million and accounted for 10% (11%) of the Group's net sales. Pharmaceutical R&D expenses amounted to EUR 94 (98) million. Research projects are reported in more detail under Pharmaceuticals in the Business Reviews.

Administrative expenses were EUR 45 (46) million.

Other operating income and expenses increased profit by EUR 6 (6) million.

Group's profit

The Group's profit before taxes totalled EUR 264 (277) million. Basic earnings per share were EUR 1.46 (1.47) and diluted earnings per share were EUR 1.46 (1.47). The decline of earnings per share was smaller than the decline of operating profit due to decrease in deferred tax liabilities as a result of a change in tax rate in Finland. Equity per share was EUR 3.66 (3.62). The return on capital employed before taxes (ROCE) was 39% (46%) and the return on equity after taxes (ROE) 40% (41%).

Financial position

The Group's gearing was 8% (-2%) and the equity ratio 54% (61%).

The Group's **total liabilities** at 31 December 2013 were EUR 465 (326) million. At the end of the period, interest-bearing liabilities amounted to EUR 258 (137) million, including EUR 233 (107) million of long-term loans.

The Group had EUR 215 (145) million of **cash and cash equivalents** at the end of the period, which are invested in short-term interest-bearing instruments issued by financially solid financial institutions and corporations.

Cash flow

Cash flow from operating activities was slightly lower than in the comparative period at EUR 215 (221) million. The decline was due to the decrease in operating profit. The amount of cash tied up into working capital increased slightly less than in the comparative period. The clear year-on-year increase in inventories was mainly due to ensuring the reliability of deliveries as the product portfolio and supply chain were expanded, and the lower margin of products sold. The higher amount tied up into working capital than in the comparative period was also due to trade receivables and especially other receivables such as advance payments related to licensing agreements. However, the overall increase in working capital was slowed by a clear increase in non-interest bearing liabilities, including EUR 20 million received from Janssen Pharmaceuticals as part of the total payment of EUR 23 million under the licensing agreement and recorded in advance payments.

Cash flow from investing activities was EUR -71 (-47) million.

Cash flow from financing activities was EUR -74 (-152) million. The difference was mainly due to the EUR 150 million bond issued in June 2013. Orion also purchased its own shares to the value of EUR 10 million.

Capital expenditure

The Group's capital expenditure totalled EUR 78 (47) million. This comprised EUR 70 (40) million on property, plant and equipment and EUR 8 (7) million on intangible assets.

Outlook for 2014

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

Operating profit will be slightly lower than in 2013 (operating profit in 2013 was EUR 268 million).

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

Basis for outlook

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

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

The entacapone molecule patent expired in November 2012 in the main European countries for Orion, and as a result generic competitors to Comtan and Comtess entered these markets in 2013. Data protection of Stalevo expired in the European Union in October 2013, and since then many generic pharmaceutical companies have applied for marketing authorisation for their own products in different European countries. Generic competition is expected to commence in Europe in 2014.

Elsewhere in the world generic competition is not expected to have a material impact on sales volumes of these products in the current year.

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

Marketing expenditure will be similar to the previous year. Because the registrations and launches of new products are projects that take more than a year, the increases in resources and other inputs required in 2014 were planned mainly during the previous year.

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

Near-term risks and uncertainties relating to the outlook

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

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

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

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

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

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

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

Group's financial objectives

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

These objectives are achieved through:

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

Orion's dividend distribution policy

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

Proposal by the Board of Directors for distribution of profit: dividend per share EUR 1.25

The parent company's distributable funds are EUR 237,391,611.21, including EUR 180,767,350.08 of profit for the financial year.

The Board of Directors proposes that a dividend of EUR 1.25 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 140,568,837, on which the total dividend payment would be EUR 175,711,046.25. The Group's payout ratio for the financial year 2013 would be 85.6% (88.4%). The dividend payment date would be 4 April 2014, and shareholders registered in the Company's shareholder register on 28 March 2014 would be entitled to the dividend payment.

The Board of Directors further proposes that EUR 250,000.00 be donated to medical research and other purposes of public interest in accordance with a separate decision by the Board and that EUR 61,430,564.96 remain in equity.

Strategy

In November 2013, Orion's Board of Directors confirmed that the strategic focus remains the same for 2014–2018. Orion's strategic aims are profitable growth and increased shareholder value, whilst keeping business risks under control.

Orion's strategic focus continues to be on:

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

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

Competitive product portfolio

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

Orion's core therapy areas are central nervous system drugs, oncology and critical care drugs, and inhalable Easyhaler® pulmonary drugs. Orion's R&D operations concentrate on early-phase development. In addition to in-house research, Orion invests in early-phase research jointly with universities and other pharmaceutical companies. In the late phase of clinical development, Orion aims to share the costs with other pharmaceutical companies. Orion generally seeks partnerships for undertaking at least Phase III clinical trials, which are the final phase, especially for projects oriented towards markets outside Europe. Orion also seeks to acquire new early-phase product candidates and further developed products to reinforce the research pipeline based on its own research projects.

Orion continues work to build up a competitive product portfolio. As regards Proprietary Products customers, the focus is on neurologists, urologists, pulmonary doctors, critical care doctors and other healthcare professionals in these specialised fields. For Specialty Products, important customer groups in Finland, for example, are general practitioners and pharmacy staff. Orion's primary aim is to exploit all business opportunities from the drugs in the current product portfolio, such as Dexdor®, Stalevo®, Simdax® and the Easyhaler® product family. Orion's next projects in late-phase development and commercialisation are development of inhalable Easyhaler combined formulation products, development of the Parkinson's drug Stalevo for Japanese markets, development of a drug (ORM-12741) for treatment of Alzheimer's disease and development of a drug for treatment of prostate cancer (ODM-201). In early clinical phases Orion is developing drugs for treatment of Parkinson's disease (ODM-103 and ODM-104, new more effective COMT inhibitors). Orion also aims to ensure continuance of clinical trials through active early-phase research.

To be successful in the generic (i.e. off-patent) prescription drug and self-care product sector, it is especially important to have a broad and continually renewed portfolio. Orion seeks to secure a continuous stream of product launches mainly through active product acquisition. Orion determines the product portfolios individually for each market. In Finland Orion strives to maintain a broad range of prescription drugs and self-care products. In other key markets, such as Scandinavia, Eastern Europe and Russia, Orion's product portfolio focuses on generic prescription drugs in certain therapy areas.

Strengthening market position in Europe

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

Flexible and efficient operations

Because the operating environment changes all the time, the agility and flexibility of operations will in future be as crucial as cost-effectiveness. Orion's key projects to improve operating efficiency have been implementing a new research and development model, building up partnership models for early-phase research, maintaining high delivery reliability in the supply chain cost efficiently, capacity reorganisation, managing diversification, improving the competitiveness of sales operations, and general simplification and streamlining of operating practices.

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

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

Business Reviews

Pharmaceuticals

According to IMS Health pharmaceutical sales statistics (previously Finnish Pharmaceutical Data Ltd), **Finnish wholesale of human pharmaceuticals** in 2013 was up by 2% on the previous year at EUR 2,067 (2,031) million.

Finland is the most important individual market for Orion, generating about one-quarter of the total net sales. Orion was able to increase its sales faster than the markets as a whole and strengthened 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 2013 amounted to EUR 233 (219) million, up by 6% compared with the previous year. Orion's market share of Finnish pharmaceuticals markets grew slightly and was 11% (11%).

According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in September 2013 **the total sales of Parkinson's drugs** in the United States were up by 5% at USD 791 million (USD 751 million in the previous 12-month period). The five largest European markets for Parkinson's disease drugs were Germany, the United Kingdom, France, Spain and Italy. In these countries, the combined sales of Parkinson's drugs totalled EUR 979 (955) million in the 12-month period ending in September 2013, and the average market growth was 3%. In Japan sales of Parkinson's drugs were down by 11% at EUR 523 (584) million.

According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in September 2013 **the total sales of Parkinson's drugs containing entacapone** were USD 163 (196) million in the United States and EUR 153 (156) million in the five largest European markets.

The most important individual therapy area for Orion is still the treatment of Parkinson's disease. Orion's branded Parkinson's drugs containing entacapone (Stalevo®, Comtess® and Comtan®) account for about one-fifth of the Group's net sales. Sales of these products clearly decreased in the United States and slightly decreased in Europe. In Japan sales grew slightly better than the market as a whole. According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in September 2013, **sales of Orion's branded Parkinson's drugs** in the United States were down by 71% at USD 48 (162) million. Sales were down by 3% at EUR 151 (156) million in the five largest markets in Europe, and in Japan sales were EUR 59 (66) million. The market share of Orion's branded Parkinson's drugs was 6% in the United States, on average 16% in the five largest European markets and 11% in Japan.

According to IMS Health pharmaceutical sales statistics, **sales of Precedex® intensive care sedative** (dexmedetomidine) were up by 30% at USD 323 million in the 12-month period ending in September 2013 (USD 249 million in the previous 12-month period). About four-fifths of the sales amounting to USD 264 (195) million were in the United States, where Precedex sales grew by 36%.

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 2013 were EUR 476 (471) million. According to IMS Health pharmaceutical sales statistics, in the 12-month period ending in September 2013 sales of Orion's dexdor® intensive care sedative (dexmedetomidine) were up by 143% at EUR 20 (8) million in Europe.

Net sales and operating profit of the Pharmaceuticals business

Net sales of the Pharmaceuticals business in 2013 were EUR 953 (929) million, up by 3% compared with the previous year. The operating profit of the Pharmaceuticals business was down by 5% at EUR 273 (287) million. The operating profit of the Pharmaceuticals business was 29% (31%) of the segment's net sales.

Net sales of Orion's top ten pharmaceuticals in 2013 were down by 2% at EUR 458 (468) million. They accounted for 48% (50%) 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 2013 were down by 3% on the previous year at EUR 390 (404) million.

Orion's drugs for treatment of Parkinson's disease are Stalevo® (active ingredients carbidopa, levodopa and entacapone) and Comtess®/Comtan® (entacapone), and their net sales in 2013 totalled EUR 207 (250) million. Sales of Parkinson's drugs were down by 17% and accounted for 22% (27%) of the total net sales of the Pharmaceuticals business. Net sales from deliveries of Stalevo and Comtan to Novartis were down by 24% at EUR 115 (152) million. Deliveries of Stalevo to Novartis were down by 15% at EUR 81 (95) million and deliveries of Comtan were down by 41% at EUR 34 (56) million. Total net sales generated by Stalevo and Comtess in Orion's own sales organisation were down by 6% at EUR 92 (98) million. Sales of Stalevo through Orion's own sales network were down by 3% at EUR 84 (86) million. Sales of Comtess were down by 32% at EUR 9 (13) million. The entacapone molecule patent expired in October 2013 in the United States, where generic competition had already commenced in April 2012. Orion has delivered generic entacapone products to its partners in the United States and will continue these deliveries after the expiry of the patent. In Europe data protection of Stalevo expired in October 2013, and since then generic competitors have been able to refer to results from Orion's clinical trials in their applications for marketing authorisation.

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

Net sales of Simdax®, a drug for treatment of acute decompensated heart failure, in 2013 were up by 6% at EUR 46 (44) million.

Total net sales of the Easyhaler® product family for treatment of asthma and chronic obstructive pulmonary disease were up by 8% in 2013 at EUR 29 (27) million. Sales of Easyhaler products through Orion's own sales network in Europe continued to grow strongly even though the repatriation of rights to Easyhaler products in 2012, especially in Poland and to some extent in Germany, and the related transitional phase slowed sales growth in 2013.

Net sales of the Precedex® intensive care sedative (dexmedetomidine) were up by 30% in 2013 at EUR 59 (45) million. In the United States and markets outside Europe the sedative is sold by Orion's partner Hospira. About four-fifths of net sales of Precedex are in US markets, where the Precedex basic patent expired after the review period in January 2014. Generic products have not yet entered US markets. In October Orion and Hospira announced that they had extended their licensing agreement concerning the sedative agent Precedex in the markets outside Europe.

Net sales of Orion's dexdor® intensive care sedative (dexmedetomidine) in 2013 were up by 95% at EUR 25 (13) million. The launching of the product progressed according to plan in 2013, and it is already available in almost all countries in Europe.

Specialty Products

Net sales of the Specialty Products business division's off-patent, i.e. generic prescription drugs and self-care products in 2013 were up by 5% at EUR 385 (367) million. Sales of generic entacapone products were down by 40% at EUR 10 (17) million. Sales of products from the rest of the portfolio were up by 7%.

Launches of generic prescription drugs and self-care products were weighted more than before towards prescription drugs, consequently the total number of launches was less than in 2012. There were 99 (116) product (product/market) launches in 2013.

Net sales of Orion’s human pharmaceuticals in Finland in 2013 were up by 7% at EUR 255 (238) million. Specialty Products accounted for the majority of sales. Orion managed to increase its sales, especially in prescription drugs.

Net sales of Orion’s human pharmaceuticals in Eastern Europe and Russia in 2013 were up by 18% at altogether EUR 74 (63) million. Specialty Products account for the majority of sales in the region.

Animal Health

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

Net sales of the Animal Health business division in 2013 were EUR 71 (69) million. Sales of the animal sedative product family at EUR 25 (23) million accounted for 35% (33%) 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 2013 excluding pharmaceutical ingredients supplied for Orion’s own use were up by 31% at EUR 64 (48) million and accounted for about two-thirds of Fermion’s entire net sales. Several key products performed well, even though competition in the markets remained intense. Capacity utilisation at Fermion’s plants was very high during the review period. Capacity utilisation was increased by manufacturing active ingredients required for development work on Orion’s own proprietary drugs, in addition to the normal product range.

Research and development projects

The Group’s **R&D expenses** in 2013 were down by 4% at EUR 102 (106) million, of which the Pharmaceuticals business accounted for EUR 94 (98) million. The Group’s R&D expenses accounted for 10% (11%) of the Group’s net sales. R&D expenses also include expenses related to development of the current portfolio.

The Phase II clinical trial of an **androgen receptor inhibitor (ODM-201)** for the treatment of prostate cancer showed that initial results concerning efficacy were promising, and the product was well tolerated with no significant adverse events detected. Results were presented at the international ECCO oncology congress at the end of September 2013 and at the international ASCO GU oncology congress in January 2014. Orion and Endo Pharmaceuticals, which is part of Endo Health Solutions Inc., terminated their collaboration agreement concerning development of ODM-201 in October 2013. All rights to ODM-201 reverted to Orion, with Orion paying Endo a royalty. Ending collaboration with Endo will not affect progress of the project. Orion has commenced preparations for a Phase III clinical trial and also continues negotiations to find a suitable partner for collaboration on the next phase of worldwide development and commercialisation of the product. The broader collaboration agreement between Orion and Endo concerning oncology drug research, development and commercialisation was also terminated in October 2013. All the drug candidates covered by the agreement and all their rights reverted to the respective originators.

Orion has ongoing projects to broaden the range of the inhalable **Easyhaler® drugs** product family. Orion submitted an application for marketing authorisation for a **combined budesonide-formoterol formulation** in Europe in March 2013, and the application is being processed. While the application was being processed, Orion decided to withdraw the application for marketing authorisation in the United Kingdom, France, Germany, the Netherlands and Austria. In this formulation, budesonide acts as an anti-inflammatory agent and formoterol acts as a long-acting bronchodilator.

In addition, Orion has another Easyhaler research programme in progress to develop a **combined fluticasone-salmeterol formulation** for European markets. In this formulation fluticasone acts as an anti-inflammatory agent and salmeterol acts as a long-acting bronchodilator.

Orion is collaborating with Novartis to develop **Stalevo® drug** for the Japanese markets. Novartis submitted an application for marketing authorisation for the product in June 2013.

Orion has completed Phase II clinical trials with an **alpha-2c adrenoceptor antagonist (ORM-12741)**. The trials investigated the efficacy and safety of the drug candidate in treatment of cognitive and behavioural symptoms related to Alzheimer's disease. Positive results from Phase IIa clinical trials were presented at the annual meeting of the American Academy of Neurology in mid-March 2013. In December 2013 Orion entered into a licensing agreement with Janssen Pharmaceuticals, Inc. for further development and commercialisation of new alpha-2c adrenoceptor antagonists for treatment of symptoms of Alzheimer's disease, including the ORM-12741 molecule, in clinical trials.

Orion has completed Phase I clinical trials with another **alpha-2c adrenoceptor antagonist (ODM-102)**, which was a backup molecule to ORM-12741. It was decided on the basis of the results not to continue development of ODM-102.

Orion has decided not to develop the new **more effective levodopa product (ODM-101)** into a finished product. ODM-101 does not contain a new chemical molecule, so it cannot get strong product protection. That in turn substantially limits the commercial potential of the product. However, the positive results obtained from trials of ODM-101 and formulations can be utilised in development of new Parkinson's drugs.

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

In October Orion and Phyxius Pharma, Inc. agreed on licensing of levosimendan injection rights to Phyxius Pharma. Under the agreement, Phyxius Pharma will develop and commercialise levosimendan in US and Canadian markets for a new cardiovascular indication, prevention of Low Cardiac Output Syndrome in cardiac surgery patients.

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 2013 were up by 5% at EUR 57 (54) million.

QuikRead® infection tests remained the main product, with sales continuing strong. Launching of the QuikRead go® hsCRP+Hb test progressed as planned during the year. Two results, for CRP and haemoglobin, can be obtained from a single sample with the test. Launching of the QuikRead go iFOBT (Faecal Occult Blood) quantitative test also commenced in the last quarter of the year. The new product version is helpful in screening gastrointestinal disorders.

In December 2013 Orion Diagnostica signed a technology licensing agreement with Eurofins Medigenomix GmbH concerning Orion Diagnostica's SIBA® isothermal nucleic acid detection technology, to which Orion Diagnostica owns global rights in all fields of application.

Through the measures decided following the negotiations in accordance with the Act on Co-operation within Undertakings, in 2013 Orion Diagnostica streamlined its operations and improved profitability by, among other things, simplifying the product portfolio. As a result of the co-operation negotiations, it was decided to give notice of termination of employment to about 60 employees. In addition, about 20 employees left their posts through for example retirement or ending of a fixed-term contract.

The operating profit of the Diagnostics business was up by 97% at EUR 4.6 (2.3) million due to good growth in sales and measures to improve cost efficiency. The profit includes EUR 1.4 million of expenses related to contraction of the product portfolio, closure of the Turku manufacturing plant and personnel reductions.

Shares and shareholders

On 31 December 2013 Orion had a total of 141,257,828 (141,257,828) shares, of which 42,022,816 (43,267,218) were A shares and 99,235,012 (97,990,610) B shares. The Group's share capital was EUR 92,238,541.46 (92,238,541.46). At the end of December 2013 Orion held 688,991 (325,991) B shares as treasury shares. On 31 December 2013 the aggregate number of votes conferred by the A and B shares was 939,002,341 (963,008,979) excluding treasury shares.

At the end of December 2013, Orion had 56,762 (56,519) 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 the General Meetings of Shareholders. The Company itself and Orion Pension Fund do not have the right to vote at Orion Corporation's General Meetings of Shareholders.

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

Conversion of shares

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. In 2013 a total of 1,244,402 shares were converted.

Trading in Orion's shares

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

On 31 December 2013 the market capitalisation of the Company's shares excluding treasury shares was EUR 2,868 million.

In 2013 a total of 2,736,284 A shares and 76,574,409 B shares were traded on NASDAQ OMX Helsinki. The total value of the shares traded was EUR 1,600 million. During the year, 6% of the A shares and 78% of the B shares were traded. The average turnover in Orion's shares was 56%.

The price of Orion's A shares decreased by 8% and the price of its B shares decreased by 8% during 2013. On 31 December 2013 the closing quotation was EUR 20.35 for the A shares and EUR 20.42 for the B shares. The highest quotation for Orion's A shares in 2013 was EUR 24.42 and the lowest quotation was EUR 17.30. The highest quotation for the B shares in 2013 was EUR 24.58 and the lowest quotation was EUR 17.28.

Orion shares are also traded on various alternative trading platforms in addition to NASDAQ OMX Helsinki. In 2013 NASDAQ OMX Helsinki accounted for about 92% of the entire trading volume in Orion A shares. In 2013 NASDAQ OMX Helsinki accounted for about 50% 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 is valid for 18 months and the authorisation to issue shares is valid for 5 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.

On 23 April 2013 Orion's Board of Directors decided to acquire shares in the Company as authorised by the Annual General Meeting. In the period 22 November to 11 December 2013 the Company acquired 500,000 B shares in the Company in accordance with the decision. The shares were acquired for use as part of the 2013 long-term incentive plan for the Orion Group's key persons. Following the acquisition, the Board of Directors does not have any outstanding authorisation to decide to acquire shares in the Company.

The Board of Directors is authorised to decide on conveyance of no more than 600,000 Orion Corporation B shares held by the Company. Such shares held by the Company can be conveyed either against or without payment. Such shares held by the Company can be conveyed by selling them in the regulated market of the Stock Exchange; in a share issue placement to the Company's shareholders in proportion to their holdings at the time of the conveyance regardless of whether they own A or B shares; or in a share issue placement deviating from shareholders' pre-emptive rights if there is a weighty financial reason, such as the development of the capital structure of the Company, using the shares to finance possible corporate acquisitions or other business arrangements of the Company, financing capital expenditure or as part of the Company's incentive plan. The share issue placement can be without payment only if there is an especially weighty financial reason in the view of the Company and to the benefit of all its shareholders. The amounts paid for shares in the Company conveyed shall be recorded in a distributable equity fund. The Board of Directors shall decide on other matters related to the conveyance of shares held by the Company. The decision to authorise the share issue revoked the unexercised portion of the outstanding share issue authorisation approved at Orion Corporation's Annual General Meeting on 24 March 2010.

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

Orion Group's 2013 long-term incentive plan

In February 2013 Orion's Board of Directors decided on a new share-based incentive plan for key persons of the Group. The Plan includes earning periods and the Board of Directors will annually decide on the beginning and duration of the earning periods in 2013, 2014 and 2015. The Board of Directors will decide on the earnings criteria and on targets to be established for them at the beginning of each earning period. The target group of the Plan consists of approximately 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. The incentive plan is reported in more detail in a stock exchange release on 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 December 2013 Orion had a total of 56,762 (56,519) registered shareholders, of whom 95% (95%) were private individuals holding 46% (48%) of the entire share stock and 64% (64%) of the total votes. There were altogether 48 (47) million nominee-registered shares, which was 34% (33%) of all shares, and they conferred entitlement to 7% (7%) of the total votes.

At the end of December 2013 Orion held 688,991 (325,991) B shares as treasury shares, which is 0.5% (0.2%) of the Company's total share stock and 0.07% (0.03%) of the total votes.

Notification threshold

Orion did not receive any threshold notification and no transactions exceeding the threshold regarding shareholdings or votes were brought to the attention of the Company during 2013.

Management's shareholdings

At the end of 2013, the members of the Board of Directors owned a total of 2,166,557 of the Company's shares, of which 1,825,264 were A shares and 341,293 B shares. At the end of 2013, the President and CEO owned 37,250 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 143,775 of the Company's shares, which were all B shares. Thus, the Company's executive management held 1.67% of all of the Company's shares and 3.94% 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.

Changes in Executive Management Board

Members of Orion's Executive Management Board Liisa Hurme and Markku Huhta-Koivisto exchanged their responsibility areas with effect from 1 January 2014, so since that date Markku Huhta-Koivisto has been Senior Vice President responsible for the Proprietary Products business division and Liisa Hurme Senior Vice President responsible for the Specialty Products and Fermion business divisions.

Annual General Meeting on 19 March 2013

Orion Corporation's Annual General Meeting was held on 19 March 2013 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 proposals concerning authorisation of the Board of Directors to decide on acquisition and conveyance of shares in the Company.

Distribution of a dividend of EUR 1.30 per share was approved for 2012, 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 19 March 2013.

Annual General Meeting on 25 March 2014

Orion Corporation's Annual General Meeting will be held on Tuesday 25 March 2014 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 2013 was 3,540 (3,495). At the end of December 2013 the Group had a total of 3,519 (3,486) employees, of whom 2,816 (2,783) worked in Finland and 703 (703) outside Finland.

Salaries and other personnel expenses in 2013 totalled EUR 218 (215) million.

As a result of co-operation negotiations held in Orion Diagnostica in 2013, notice of termination of employment was given to a total of about 60 employees in Finland. In addition, about 20 employees left their posts through for example retirement or ending of a fixed-term contract.

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 against the Sandoz companies have been settled

On 5 December 2013 Orion announced that Orion and Hospira, Inc. ("Hospira") had executed a settlement agreement with Sandoz Inc. and Sandoz Canada Inc. (hereinafter collectively "Sandoz") in the patent enforcement lawsuit filed by Orion and Hospira in the United States against Sandoz regarding Sandoz's submission of an abbreviated new drug application ("ANDA") for a generic version of Orion's Precedex® product. The settlement relates to a lawsuit concerning Orion's patent No. 4,910,214 and Orion's and Hospira's commonly owned patent No. 6,716,867.

Under the terms of the settlement agreement, Sandoz may launch a generic version of Precedex in US markets on 26 December 2014, unless certain conditions relating to launch, if triggered, lead to an earlier Sandoz market entry date.

Legal proceedings against Caraco Pharmaceutical Laboratories, Ltd.

On 12 November 2010 Orion Corporation and Hospira, Inc. jointly filed a patent infringement lawsuit in the United States against Caraco Pharmaceutical Laboratories, Ltd. to enforce Orion's and Hospira's joint patent No. 6,716,867 valid in the United States. Gland Pharma Ltd. has since been added as a defendant in the lawsuit.

Caraco had submitted an application for authorisation to produce and market in the United States a generic version of Orion's proprietary drug Precedex® (dexmedetomidine hydrochloride 100 µg/ml), which is marketed in the United States by Orion's licensee Hospira.

Orion expects the costs of the legal proceedings against Caraco to be substantially less than the costs of the entacapone patent litigation that had previously been pending in the United States.

Basic information on Orion's shares

31 December 2013	A share	B share	Total
Trading code on NASDAQ OMX Helsinki	ORNAV	ORNBV	
Listing day	1 Jul 2006	1 Jul 2006	
ISIN code	FI0009014369	FI0009014377	
ICB code	4500	4500	
Reuters code	ORNAV.HE	ORNBV.HE	
Bloomberg code	ORNAV.FH	ORNBV.FH	
Share capital, EUR million	27.4	64.8	92.2
Counter book value per share, EUR	0.65	0.65	
Total number of shares	42,022,816	99,235,012	141,257,828
% of total share stock	30%	70%	100%
Number of treasury shares		688,991	688,991
Total number of shares excluding treasury shares	42,022,816	98,546,021	140,568,837
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	840,456,320	98,546,021	939,002,341
% ot total votes	90%	10%	100%
Total number of shareholders	18,429	44,541	56,762

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

Ownership base by type of shareholder

31 December 2013	Owners	%	A shares	%	B shares	%	Total shares	%	Total votes	%
Households	54,003	95.14	28,208,570	67.13	36,903,531	37.19	65,112,101	46.09	601,074,931	63.97
Nominee-registered and foreign shareholders	215	0.38	844,891	2.01	46,842,273	47.20	47,687,164	33.76	63,740,093	6.78
Public sector entities	39	0.07	3,527,552	8.39	3,829,213	3.86	7,356,765	5.21	74,380,253	7.92
Non-financial and housing corporations	1,776	3.13	5,990,119	14.25	3,992,112	4.02	9,982,231	7.07	123,794,492	13.17
Non-profit organisations	675	1.19	3,300,393	7.85	4,570,774	4.61	7,871,167	5.57	70,578,634	7.51
Financial and insurance institutions	53	0.09	85,135	0.20	2,345,134	2.36	2,430,269	1.72	4,047,834	0.43
Others	0	0.00	66,156	0.16	62,984	0.06	129,140	0.09	1,386,104	0.15
Number of treasury shares	1	0.00	0	0.00	688,991	0.69	688,991	0.49	688,991	0.07
Total	**56,762**	**100.00**	**42,022,816**	**100.00**	**99,235,012**	**100.00**	**141,257,828**	**100.00**	**939,691,332**	**100.00**

Ownership base by number of shares

31 December 2013	Owners	%	A shares	%	B shares	%	Total shares	%	Total votes	%
1–100	15,228	26.83	300,780	0.72	717,697	0.72	933,986	0.66	5,853,618	0.62
101–1,000	30,354	53.48	3,638,282	8.66	10,382,522	10.46	12,465,999	8.82	67,119,119	7.14
1,001–10,000	10,185	17.94	10,561,578	25.13	20,463,674	20.62	28,990,930	20.52	210,888,456	22.44
10,001–100,000	914	1.61	9,092,795	21.64	11,799,204	11.89	23,023,023	16.30	215,713,062	22.96
100,001–1,000,000	70	0.12	9,583,565	22.81	8,463,855	8.53	18,678,314	13.22	206,540,484	21.98
1,000,001–	10	0.02	8,779,660	20.89	46,656,085	47.02	56,347,445	39.89	231,521,498	24.64
In joint account	0	0.00	66,156	0.16	62,984	0.06	129,140	0.09	1,386,104	0.15
Total	56,761	100.00	42,022,816	100.00	98,546,021	99.31	140,568,837	99.51	939,022,341	99.93
Of which nominee registered	10	0.02	486,347	1.16	45,775,023	46.45	46,261,370	32.91	55,501,963	5.91
Number of treasury shares	1	0.00	0	0.00	688,991	0.69	688,991	0.49	668,991	0.07
Total number of shares	**56,762**	**100.00**	**42,022,816**	**100.00**	**99,235,012**	**100.00**	**141,257,828**	**100.00**	**939,691,332**	**100.00**

Largest shareholders[1]

31 December 2013		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	5.32%	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	4.43%	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	4.15%	3.
4.	Social Security Institution of Finland, KELA	0	1,658,368	1,658,368	1.17%	1,658,368	0.18%	14.
5.	Ylppö Jukka	1,247,136	295,518	1,542,654	1.09%	25,238,238	2.69%	4.
6.	Orion Pension Fund[2]	1,200,624	150,000	1,350,624	0.96%	24,162,480	2.57%	5.
7.	Aho Group Oy's controlling votes	1,169,906	2,429	1,172,335	0.83%	23,400,549	2.49%	6.
	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	7,792	0			155,840		
	Aho Ville	10,915	425			218,725		
8.	Into Ylppö and controlling votes	785,492	242,848	1,028,340	0.73%	15,952,688	1.70%	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.	Jouko Brade (deceased's estate) and companies	672,689	338,500	1,011,189	0.72%	13,792,280	1.47%	9.
	Brade Jouko (deceased's estate)	255,800	29,600			5,145,600		
	Brade Oy	726	100			14,620		
	Medical Investment Trust Oy	414,974	307,065			8,606,545		
	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		
10.	Saastamoinen Foundation	889,996	0	889,996	0.63%	17,799,920	1.89%	7.

31 December 2013		A shares	B shares	Total shares	% of shares	Total votes	% of votes	Order by number of votes
11.	Swiss National Bank	0	756,876	756,876	0.54%	756,876	0.08%	15.
12.	Local Government Pensions Institution, Keva	0	712,336	712,336	0.50%	712,336	0.08%	16.
13.	Eero Karvonen and companies	546,200	25,178	571,378	0.40%	10,949,178	1.17%	10.
	Karvonen Eero	73,170	8,507			1,471,907		
	EVK-Capital Oy	473,030	16,671			9,477,271		
14.	Evli Eurooppa Mutual Fund	0	519,146	519,146	0.37%	519,146	0.06%	17.
15.	The State Pensionfund	0	500,000	500,000	0.35%	500,000	0.05%	18.
16.	Elo Mutual Pension Insurance Company	292,800	170,000	462,800	0.33%	6,026,000	0.64%	11.
17.	OP-Delta Fund	0	435,000	435,000	0.31%	435,000	0.05%	19.
18.	Orion Research Foundation	132,996	282,514	415,510	0.29%	2,942,434	0.31%	13.
19.	Finnish Cultural Foundation	0	413,930	413,930	0.29%	413,930	0.04%	20.
20.	Salonen Seppo	255,287	98,000	353,287	0.25%	5,203,740	0.55%	12.
Twenty largest shareholders total		**13,725,026**	**6,626,798**	**20,351,824**	**14.41%**	**281,127,318**	**29.92%**	
Nominee-registered		486,347	45,775,023	46,261,370	32.75%	55,501,963	5.91%	
Others		27,811,443	46,144,200	73,955,643	52.36%	602,373,060	64.10%	
Orion´s treasury shares[2]		0	688,991	688,991	0.49%	688,991	0.07%	
Total		**42,022,816**	**99,235,012**	**141,257,828**	**100.00%**	**939,691,332**	**100.00%**	

[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 2013	A shares	Change since 1 Jan 2013	B shares	Change since 1 Jan 2013	Total shares	% of total shares	% of total votes
Hannu Syrjänen, Chairman	10,000	0	10,335	1,487	20,335	0.01	0.02
Jukka Ylppö, Vice chairman	1,247,136	0	295,518	998	1,542,654	1.10	2.69
Sirpa Jalkanen	0	0	4,915	743	4,915	0.00	0.00
Eero Karvonen	546,200	0	25,178	743	571,378	0.41	1.17
Timo Maasilta	21,928	0	1,769	743	23,697	0.02	0.05
Heikki Westerlund	0	0	3,578	743	3,578	0.00	0.00
Board of directors total	**1,825,264**	**0**	**341,293**	**5,457**	**2,166,557**	**1.54**	**3.92**

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

Shareholdings of Executive Management Board members[1]

31 December 2013	A shares	Change since 1 Jan 2013	B shares	Change since 1 Jan 2013	Total shares	% of total shares	% of total votes
Timo Lappalainen, President and CEO	0	0	37,250	-7,500	37,250	0.03	0.00
Satu Ahomäki	0	0	18,826	2,700	18,826	0.01	0.00
Markku Huhta-Koivisto	0	0	16,350	-10,500	16,350	0.01	0.00
Olli Huotari	0	0	22,723	7,370	22,723	0.02	0.00
Liisa Hurme	0	0	20,325	2,800	20,325	0.01	0.00
Jari Karlson	0	0	21,268	-1,630	21,268	0.02	0.00
Virve Laitinen	0	0	9,583	5,870	9,583	0.01	0.00
Reijo Salonen	0	0	34,700	10,600	34,700	0.02	0.00
Executive Management Board total[2]	**0**	**0**	**181,025**	**9,710**	**181,025**	**0.13**	**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

	2009	2010	2011	2012	2013
Net sales, EUR million	771.5	849.9	917.9	980.4	1,006.9
International operations, EUR million	548.2	620.7	677.2	723.1	732.3
% net sales	71.1%	73.0%	73.8%	73.8%	72.7%
Operating profit., EUR million	207.0	254.2	282.9	278.3	267.7
% net sales	26.8%	29.9%	30.8%	28.4%	26.6%
Profit before taxes, EUR million	203.7	252.6	282.0	276.6	264.0
% net sales	26.4%	29.7%	30.7%	28.2%	26.2%
Income tax expense, EUR million	52.3	67.9	72.4	69.7	57.8
R&D expenses, EUR million	95.2	85.5	87.5	105.8	101.9
% net sales	12.3%	10.1%	9.5%	10.8%	10.1%
Capital expenditure, EUR million	60.4	39.2	49.4	46.8	77.9
% net sales	7.8%	4.6%	5.4%	4.8%	7.7%
Assets total, EUR million	727.1	745.8	779.1	835.7	979.0
Equity ratio, %	60.6%	62.7%	64.2%	61.0%	53.6%
Gearing, %	-8.9%	-12.2%	-6.9%	-1.7%	8.4%
Interest-bearing liabilities, EUR million	131.5	110.0	88.7	136.7	257.8
Non-interest-bearing liabilities, EUR million	156.5	168.4	190.5	189.5	207.3
Cash and cash equivalents and money market investments, EUR million	170.5	167.2	123.0	145.2	214.7
ROCE (before taxes) , %	37.4%	45.0%	49.4%	45.9%	38.5%
ROE (after taxes). %	35.3%	40.7%	43.3%	41.0%	40.3%
Personnel at the end of the period	3,147	3,131	3,425	3,486	3,519
Average personnel during the period	3,192	3,137	3,328	3,495	3,540
Personnel expenses, EUR million	171.4	170.3	186.0	214.8	218.1

Performance per share

	2009	2010	2011	2012	2013
Basic earnings per share, EUR	1.07	1.31	1.49	1.47	1.46
Diluted earnings per share, EUR	1.07	1.31	1.49	1.47	1.46
Cash flow per share before financial items, EUR	1.03	1.26	1.10	1.23	1.02
Equity per share, EUR	3.11	3.32	3.55	3.62	3.66
Total dividend, EUR million	141.0	168.9	183.1	183.2	175.7[1]
Payout ratio, %	93.5%	91.6%	87.2%	88.4%	85.6%[1]
Dividend per share, EUR	1.00	1.20	1.30	1.30	1.25[1]
Repayment of capital from the expendable fund and reserve for invested unrestricted equity, EUR	0.10	0.06	0.12		
A shares					
Number of shares at 31 Dec	51,340,668	47,563,565	44,993,218	43,267,218	42,022,816
Effective dividend yield, %	6.6%	7.3%	8.6%	5.9%	6.1%[1]
Price/earnings ratio (P/E)	14.07	12.52	10.19	15.00	13.94
Closing quotation at 31 Dec, EUR	15.06	16.40	15.18	22.05	20.35
Lowest quotation during the period, EUR	10.42	12.21	13.10	13.31	17.30
Average quotation during the period, EUR	12.65	15.13	16.09	16.82	20.60
Highest quotation during the period, EUR	15.75	17.82	18.05	22.57	24.42
Shares traded, 1,000 shares	3,816	7,780	4,586	4,055	2,736
% of the total number of shares	7.4%	15.8%	9.9%	9.1%	6.4%
B shares					
Number of shares at 31 Dec excluding treasury shares	89,637,130	93,177,609	95,850,856	97,664,619	98,546,021
Treasury shares at 31 Dec	280,030	516,654	413,754	325,991	688,991
Number of shares at 31 Dec including treasury shares	89,917,160	93,694,263	96,264,610	97,990,610	99,235,012
Effective dividend yield, %	6.6%	7.3%	8.6%	5.9%	6.1%[1]
Price/earnings ratio (P/E)	14.07	12.50	10.10	15.09	13.99
Closing quotation at 31 Dec, EUR	15.05	16.37	15.05	22.18	20.42
Lowest quotation during the period, EUR	10.35	13.20	13.19	13.31	17.28
Average quotation during the period, EUR	12.21	15.10	16.09	16.26	20.16
Highest quotation during the period, EUR	15.34	17.88	18.14	22.74	24.58
Shares traded, 1,000 shares	84,569	93,247	77,594	84,056	76,574
% of the total number of shares	94.1%	101.2%	81.8%	86.9%	77.6%
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	140,969,942	140,917,406	140,827,159	140,914,572	141,006,092
Shares traded, % of all shares	62.6%	71.5%	58.2%	62.4%	56.1%
Market capitalisation at 31 Dec, excluding treasury shares, EUR million	2,122.2	2,305.4	2,125.6	3,120.2	2,867.5

[1] Proposal of the Board of Directors to the AGM for the year 2013.

Calculation of the key figures

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

Consolidated financial statements (IFRS)

Consolidated statement of comprehensive income

EUR million	Note	2013	2012
Net sales	1	1,006.9	980.4
Cost of goods sold		-393.5	-350.8
Gross profit		613.4	629.6
Other operating income and expenses	2	5.6	6.3
Selling and marketing expenses	3, 4	-204.9	-206.1
R&D expenses	3, 4	-101.9	-105.8
Administrative expenses	3, 4	-44.5	-45.7
Operating profit		267.7	278.3
Finance income	5	4.4	4.9
Finance expenses	5	-8.3	-6.6
Share of associated companies' results		0.3	0.1
Profit before income taxes		264.0	276.6
Income tax expense	6	-57.8	-69.7
Profit for the period		206.2	206.9
OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS			
Change in value of cash flow hedges		0.1	-0.2
Change in value of available-for-sale financial assets			0.3
Translation differences		-1.3	1.1
Items that may be reclassified subsequently to profit and loss		-1.2	1.2
Items due to remeasurement of defined benefit plans		-9.7	25.6
Items that will not be reclassified to profit and loss		-9.7	25.6
Other comprehensive income net of tax		-10.9	26.8
Comprehensive income for the period including tax effects		195.3	233.7
PROFIT ATTRIBUTABLE TO			
Owners of the parent company		206.2	206.9
Non-controlling interests		0.0	0.0
COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent company		195.3	233.7
Non-controlling interests		0.0	0.0
Basic earnings per share, EUR[1]	7	1.46	1.47
Diluted earnings per share, EUR[1]	7	1.46	1.47
Depreciation, amortisation and impairment		38.5	40.0
Personnel expenses		218.1	214.8

[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	Note	31 Dec 2013	31 Dec 2012	1 Jan 2012
Property, plant and equipment	8	247.3	205.3	190.7
Goodwill	9	13.5	13.5	13.5
Intangible rights	9	54.0	58.0	66.6
Other intangible assets	9	3.3	4.3	4.8
Investments in associates	10	1.7	1.4	1.4
Available-for-sale financial assets	11	0.5	0.5	1.1
Pension asset	12	26.6	38.4	4.4
Deferred tax assets	13	1.2	2.0	1.4
Other non-current receivables	14	1.2	1.6	1.8
Non-current assets total		349.2	325.0	285.5
Inventories	15	195.5	179.2	151.4
Trade receivables	16	169.9	151.5	155.3
Other receivables	16	49.7	34.8	30.8
Cash and cash equivalents	17	214.7	145.2	123.0
Current assets total		629.8	510.7	460.5
Assets total		979.0	835.7	746.0

Equity and liabilities

EUR million	Note	31 Dec 2013	31 Dec 2012	1 Jan 2012
Share capital		92.2	92.2	92.2
Expendable fund		0.5	0.5	0.5
Other reserves		1.6	0.8	17.6
Retained earnings		419.6	416.0	364.2
Equity attributable to owners of the parent company		513.9	509.5	474.6
Non-controlling interests		0.0	0.0	0.0
Equity total	18	513.9	509.6	474.6
Deferred tax liabilities	13	32.1	42.5	34.0
Pension liability	12	1.6	1.4	1.1
Provisions	19	0.1	0.1	0.3
Interest-bearing non-current liabilities	20	233.3	107.4	66.0
Other non-current liabilities	21	0.5	0.8	0.3
Non-current liabilities total		267.6	152.2	101.6
Trade payables	22	60.0	59.3	66.3
Current tax liabilities		1.7	8.0	6.4
Other current liabilities	22	111.2	77.4	74.5
Provisions	19	0.1		0.0
Interest-bearing current liabilities	20	24.5	29.3	22.7
Current liabilities total		197.5	173.9	169.9
Liabilities total		465.1	326.1	271.4
Equity and liabilities total		979.0	835.7	746.0

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

Consolidated statement of changes in equity

EUR million	Note	Equity attributable to owners of the parent company							
		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 2011 before change in accounting policies		92.2	0.5	17.6		-3.8	393.4	0.0	500.0
Effect of change in accounting policies					-25.4				-25.4
Equity at 1 January 2012		92.2	0.5	17.6	-25.4	-3.8	393.4	0.0	474.6
Profit for the period							206.9		206.9
Other comprehensive income									
Change in value of cash flow hedges				-0.2					-0.2
Change in value of available-for-sale investments				0.3					0.3
Translation differences						1.1			1.1
Items due to remeasurement of defined benefit plans					25.6				25.6
Transactions with owners									
Dividend and capital repayment	18			-16.9			-183.2		-200.1
Share-based incentive plan	4						1.5		1.5
Other adjustments				0.0			-0.1		-0.1
Equity at 31 December 2012		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	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	-0.2
Equity at 31 December 2013		92.2	0.5	1.6	-9.5	-3.9	433.0	0.0	513.9

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

Consolidated statement of cash flows

EUR million	Note	2013	2012
Operating profit		267.7	278.3
Depreciation, amortisation and impairment	3	38.5	40.0
Gains/losses on sales or disposals of property, plant and equipment and intangible assets		-0.1	-0.3
Unrealised foreign exchange gains and losses		0.9	-0.5
Change in pension asset and pension obligation	12	-0.0	0.3
Change in provisions	19	0.0	-0.1
Other adjustments		2.8	2.2
Total adjustments to operating profit		42.2	41.5
Change in trade and other receivables		-35.1	-0.2
Change in inventories		-16.6	-27.8
Change in trade and other payables		29.8	-0.9
Total change in working capital		-21.9	-28.9
Interest and other financial expenses paid		-6.1	-6.1
Interest and other financial income received		3.7	4.9
Dividends received		0.3	0.0
Income taxes paid	6	-70.8	-68.6
Total net cash flow from operating activities		215.2	221.0
Investments in property, plant and equipment	8	-65.9	-42.4
Investments in intangible assets	9	-7.4	-6.7
Sales of property, plant and equipment and available-for-sale financial assets	8	2.0	2.0
Sales of intangible assets	9	0.0	-0.0
Total net cash flow from investing activities		-71.3	-47.1
Current loans raised	20	41.6	1.0
Repayments of current loans	20	-42.6	-2.2
Non-current loans raised	20	149.0	75.0
Repayments of non-current loans	20	-28.1	-26.4
Repurchase of own shares	18	-9.6	
Dividends paid and other distribution of profits	18	-183.7	-199.9
Total net cash flow from financing activities		-73.5	-152.4
Net change in cash and cash equivalents		70.3	21.5
Cash and cash equivalents at 1 Jan	17	145.2	123.0
Foreign exchange differences		-0.9	0.8
Net change in cash and cash equivalents		70.3	21.5
Cash and cash equivalents at 31 Dec	17	214.7	145.2

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

Notes to the Consolidated Financial Statements

General information

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

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

At its meeting on 4 February 2014, 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 2013. 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 2013

The following new standards, interpretations and amendments to existing standards and interpretations endorsed by the EU have been adopted as of 1 January 2013:

- IFRS 7 (Amendment), *Financial Instruments: Financial Statement Disclosures*
- IFRS 13, *Fair Value Measurement*
- IAS 1 (Amendment), *Presentation of Financial Statements*
- IAS 19 (Revised), *Employee Benefits*
- IASB's published annual improvements to the following standards:
  - IAS 1, *Presentation of Financial Statements*
  - IAS 16, *Property, Plant and Equipment*
  - IAS 32, *Financial Instruments: Presentation*
  - IAS 34, *Interim Financial Reporting*

The effects of the IAS 1 amendment and IAS 19 revision on the Consolidated Financial Statements are described below. The other amendments and improvements to IFRS standards, and the new IFRS 13 had no material effect on the Consolidated Financial Statements.

IAS 1, Presentation of Financial Statements (amendment)

Following the adoption of the amendment to IAS 1, the Group has changed the presentation of components under other comprehensive income. Components of other comprehensive income that will not be reclassified to profit and loss are presented separately from other items under other comprehensive income that may subsequently be reclassified to profit and loss.

IAS 19, Employee Benefits (revised)

Following adoption of the revised IAS 19, the Group has changed its accounting procedure concerning defined benefit plans. The Group has stopped using the corridor approach and, in accordance with the revised standard, recognises all amounts arising from remeasurement of defined benefit plan assets directly into components of other comprehensive income. Service costs and net interest arising from plan assets are recognised functionally above operating profit. When the previous standard was effective, interest expenses and the return anticipated on plan assets were also recorded into the operative components above operating profit. Net interest is calculated on defined benefit plan net debt using a discount rate. The revised standard has also affected the contents of the note about defined benefit plans (see Note 12).

The accounting principle of the revised standard has been applied retrospectively since 1 January 2013. The effects of the revised standard on the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position are presented at the end of the accounting policies. The revised standard has no material effect on the Group's key figures.

Consolidation Principles

Subsidiaries

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

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

Associates and joint ventures

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

Joint ventures are companies half-owned by the parent company or a subsidiary, and half-owned by another company outside the Group, and jointly controlled by them. Associates and joint ventures are incorporated into the consolidated financial statements using the equity method of accounting.

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

Segment reporting

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

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

Property, plant and equipment

Property, plant and equipment 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 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 in the statement of financial position.

Recognition and measurement

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

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

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

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

A financial asset is derecognised in the statement of financial position when the Group no longer has the contractual rights to receive the cash flows or when it has substantially transferred the risks and 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 electricity derivative contracts that hedge highly probable forecast cash flows associated with electricity purchases and interest rate derivatives that hedge capital and interest cash flows of currency-denominated 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 operating expenses as regards electricity derivatives and under finance income and expenses as regards interest rate derivatives.

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.

Administrative expenses

Administrative expenses include general administrative and Group management costs.

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

Critical accounting estimates and assumptions, 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:

Impairment testing

Actual cash flows can differ from estimated discounted future cash flows because changes in the long-term economic life of the Company's assets, the forecast selling prices of products, production costs and the discount rate applied in the calculations can lead to the recognition of impairment losses,

Employee benefits

The Group has various pension plans to provide for the retirement of its employees or to provide for when the employment ends. Various statistical and other actuarial assumptions are applied in calculating the expenses and liabilities of employee benefits, such as the discount rate, 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 standards, interpretations and amendments to existing standards are adopted by the Group as of 1 January 2014:

- IFRS 10, *Consolidated financial statements*. IFRS 10 includes principles for the preparation and presentation of consolidated financial statements. The standard defines the principle of control, and establishes controls as the basis for consolidation. The standard also includes the accounting requirements for the preparation of consolidated financial statements. The standard is not expected to have a material impact on the consolidated financial statements.

- IFRS 11, *Joint arrangements*. IFRS 11 includes instructions on how to consolidate joint arrangements. The standard is not expected to have a material impact on the consolidated financial statements.

- IFRS 12, *Disclosures of interests in other entities*. The standard includes the disclosure requirements for all forms of interests in other entities. The standard is not expected to have a material impact on the consolidated financial statements.

- An amendment to transitional provisions relating to the following standards: IFRS 10, *Consolidated Financial Statements*, IFRS 11, *Joint arrangements*, IFRS 12 *Disclosures of interests in other entities*. There is a relief in the transitional provisions in that adjusted comparative data will be required for only one financial period. The relief in the transitional provisions is not expected to have a material impact on the consolidated statements.

- IAS 28 (revised), *Associates and joint ventures*. The revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The revised standard is not expected to have a material impact on the consolidated financial statements.

- IAS 32 (amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*. The amended standard clarifies the instructions on the right to offset financial assets and liabilities as a net asset in the statement of financial position. The amendment is not expected to have a material impact on the consolidated financial statements.

- IAS 36 (amendment), *Impairment of Assets*. Disclosure requirements for notes are modified under IAS 36 when measuring the recoverable amount of an impaired asset. The amendment affects a situation in which the value of an asset is based on fair value less costs of disposal. The amendment is not expected to have a material impact on the consolidated financial statements.

- IAS 39 (amendment), *Financial Instruments: Recognition and Measurement*. The amendment allows continuing hedge accounting if a company has a hedging OTC derivative that it is obliged to novate with a central counterparty in order to decrease counterparty risk. The amendment is not expected to have a material impact on the consolidated financial statements.

- IFRIC 21[1], *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.

- IAS 19[1] (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[1]. 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*

- IASB's annual improvements to standards, 2011–2013 cycle[1]. The improvements are not expected to have a material impact on the consolidated financial statements. The improvements affect the following standards:
  - IFRS 1, *First-time Adoption of International Financial Reporting Standards*
  - IFRS 3, *Business Combinations*
  - IFRS 13, *Fair Value Measurement*
  - IAS 40, *Investment Property*

The following standards and amendments to existing standards will be adopted by the Group later. When they would enter into force was undecided when the financial statements were being compiled.

- IFRS 9[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. Management is currently assessing the impact of the standard on the consolidated financial statements.

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

Restated figures in Consolidated Statement of Comprehensive Income and Statement of Financial Position

	2012		
	Reported earlier	IAS 19 adjustment	Restated
Operating profit, EUR million	280.9	-2.6	278.3
% of net sales	28.7%	-0.3%	28.4%
Profit before taxes, EUR million	279.3	-2.6	276.6
% of net sales	28.5%	-0.3%	28.2%
Income tax expense, EUR million	70.4	-0.6	69.7
R&D expenses, EUR million	104.8	1.0	105.8
% of net sales	10.7%	0.1%	10.8%
Cost of goods sold, EUR million	350.0	0.8	350.8
% of net sales	35.7%	0.1%	35.8%
Sales and marketing expenses, EUR million	205.7	0.4	206.1
% of net sales	21.0%	0.0%	21.0%
Administrative expenses, EUR million	45.3	0.4	45.7
% of net sales	4.6%	0.0%	4.7%
Profit for the period, EUR million	208.9	-2.0	206.9
Other comprehensive income net of tax, EUR million	1.1	25.7	26.8
Pension assets, EUR million	39.6	-1.2	38.4
Pension liabilities, EUR million	0.3	1.0	1.4
Deferred tax liabilities, EUR million	43.1	-0.6	42.5
Equity total, EUR million	511.3	-1.7	509.6
Assets total, EUR million	836.9	-1.2	835.7
Personnel expenses, EUR million	212.1	2.6	214.8

1. Segment reporting

The Group has two strategic segments, which are Pharmaceuticals business and Diagnostics business. These are also Group's reportable segments. The Pharmaceuticals business develops, manufactures and markets pharmaceuticals and active pharmaceutical ingredients. The Diagnostics business develops, manufactures and markets diagnostic tests.

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

The pricing between segments is based on market prices.

Operating segments

	Pharmaceuticals		Diagnostics		Group items		Group total	
EUR million	2013	2012	2013	2012	2013	2012	2013	2012
Sale of goods	886.8	874.8	57.0	54.1			943.8	928.9
Rendering of services	5.5	2.3	0.0	0.0			5.5	2.4
Royalties and milestone payments	57.6	49.1	0.0	0.0			57.6	49.1
Sales to external customers	949.9	926.2	57.0	54.1			1,006.9	980.4
Sales to other segments	3.1	2.7	0.1	0.0	-3.2	-2.7		
Net sales	953.0	928.9	57.1	54.1	-3.2	-2.7	1,006.9	980.4
Operating profit	272.9	286.5	4.6	2.3	-9.9	-10.5	267.7	278.3
Assets	704.3	627.3	47.3	47.2	227.5	161.2	979.0	835.7
Liabilities	160.1	127.3	16.6	16.2	288.4	182.6	465.1	326.1
Capital expenditure	73.8	42.0	3.3	4.2	0.8	0.7	77.9	46.8
Depreciation and amortisation	34.5	33.8	2.1	1.9	0.5	0.5	37.1	36.2
Impairments	1.4	3.8					1.4	3.8
Cash flow from operating activities	287.9	298.4	7.5	3.4	-80.2	-80.8	215.2	221.0
Cash flow from investing activities	-67.5	-43.1	-3.2	-4.0	-0.6	-0.0	-71.3	-47.1
Cash flow from financing activities							-73.5	-152.4
Average number of personnel	3,188	3,132	329	339	23	24	3,540	3,495

The Group items include the following Group eliminations: net sales EUR 3.2 (2012: 2.7) million, operating profit EUR 0.0 (2012: 0.0) million, assets and liabilities EUR 11.8 (2012: 10.1) 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	2013	2012
Pharmaceuticals	953.0	928.9
Proprietary Products	390.4	403.7
Specialty Products	384.9	367.2
Animal Health	70.8	69.2
Fermion	63.5	48.4
Contract manufacturing and other	43.3	40.5
Diagnostics	57.1	54.1
Group items	-3.2	-2.7
Group total	1,006.9	980.4

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	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Sales to external customers	274.6	257.3	130.7	126.3	328.8	302.5	146.0	150.7	126.8	143.7	1,006.9	980.4
Assets	897.2	762.8	24.3	27.5	57.1	45.1			0.4	0.3	979.0	835.7
Capital expenditure	77.2	45.9	0.3	0.5	0.3	0.4			0.1	0.1	77.9	46.8

2. Other operating income and expenses

EUR million	2013	2012
Gains on sales of property, plant and equipment and intangible assets	0.9	0.5
Rental income	0.3	0.5
Exchange rate gains and losses	1.9	-0.4
Other operating income	2.9	5.9
Other operating expenses	-0.5	-0.2
Total	5.6	6.3

3. Depreciation, amortisation and impairment

Depreciation, amortisation and impairment by function

EUR million	2013	2012
Cost of goods sold	17.0	15.0
Selling and marketing	9.6	12.3
Research and development	4.3	4.8
Administration	7.6	8.0
Total	38.5	40.0

Depreciation, amortisation and impairment by type of assets

EUR million	2013	2012
Buildings and constructions	7.6	6.7
Machinery and equipment	18.5	17.8
Other tangible assets	0.1	0.1
Property, plant and equipment total	26.2	24.5
Intangible rights	10.8	13.8
Other intangible assets	1.6	1.7
Intangible assets total	12.3	15.5

During the period, an impairment charge of EUR 1.4 (2012: 3.8) 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	2013	2012
Wages and salaries	173.8	170.3
Pension costs		
Defined contribution plans	23.1	21.0
Defined benefit plans	3.2	4.3
Share-based incentive plan		
Equity-settled	1.8	1.8
Cash-settled	2.0	3.4
Other social security expenses	14.3	14.0
Total	218.1	214.8
Average number of personnel	3,540	3,495

The number of personnel in each segment is presented in Note 1, Segment reporting.

The management's employee benefits are presented in Note 29, Related party transactions.

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 earning period 2010–2012 on the total return on Orion Corporation B shares. Potential reward for earning periods 2011–2013 and 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. Potential reward under the plan for the earning period 2013 is based on the Orion Group's operating profit and for the earning period 2013–2015 on the total return on Orion Corporation B shares.

This potential reward shall be paid partly in the form of the Company's B shares and partly in cash in 2014 for the earning period 2013, in 2014 for the earning period 2011–2013, in 2015 for the earning period 2012–2014 and in 2016 for the earning period 2013–2015. Reward for the earning period 2010 was paid partly in the form of the Company's B shares and partly in cash in 2011. Reward for the earning period 2011 was paid partly in the form of the Company's B shares and partly in cash in 2012. Reward for the earning period 2012 and the earning period 2010–2012 was paid partly in the form of the Company's B shares and partly in cash in 2013.

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 2013 a total of 327,663 Orion Corporation B shares had been paid as rewards.

The target group of the plan that began in 2013 consists of approximately 35 people. The total maximum amount of reward 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.

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

	2013	2013–2015	2012–2014	2011–2013
Start date of earning period	1 Jan 2013	1 Jan 2013	1 Jan 2012	1 Jan 2011
End date of earning period	31 Dec 2013	31 Dec 2015	31 Dec 2014	31 Dec 2013
End date of restricted period	31 Dec 2015			
Grant date of share rewards	20 Mar 2013	20 Mar 2013	19 Mar 2012	17 Feb 2011
Fair value of shares at granting, EUR[1]	20.65	20.65	16.60	16.39
Fair value of reward at grant date, EUR[1]		6.06	4.96	4.85

[1] B share closing price on granting date.

Transferred shares

	2013	2012	2011
Number of shares transferred during the period	137,000	87,763	102,900
Price per transferred share, EUR[1]	22.79	16.38	16.75
Total price of transferred shares, EUR million	3.1	1.4	1.7
End date of restricted period[2]	31 Dec 2014	31 Dec 2013	31 Dec 2012

[1] Average price of B shares on transfer date.
[2] Applies only to the shares granted based on the calendar-year earning period.

Auditor’s remuneration

EUR million	2013	2012
Auditing	0.2	0.2
Assingments in accordance with the Auditing Act	0.0	0.0
Advice on taxation	0.0	0.1
Other services	0.0	0.0
Total	0.3	0.4

5. Finance income and expenses

EUR million	2013	2012
Interest income on cash and cash equivalents	0.4	0.8
Dividend income on available-for-sale financial assets	0.3	0.0
Foreign exchange gains on held-for-trading financial assets and liabilities	3.6	4.0
Other finance income	0.0	0.0
Finance income, total	4.4	4.9
Interest expenses on financial liabilities measured at amortised cost	4.0	2.6
Foreign exchange losses on held-for-trading financial assets and liabilities	3.7	3.1
Other finance expenses	0.5	0.9
Finance expenses, total	8.3	6.6
Finance income and expenses, total	-3.9	-1.7

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	2013	2012
In net sales	-2.9	-0.4
In cost of goods sold	-0.2	0.0
In other income and expenses	1.9	-0.4
In functions' expenses	0.3	-0.1

6. Income taxes

EUR million	2013	2012
Current taxes	65.0	70.0
Adjustments in respect of prior periods	0.2	0.0
Deferred taxes	-7.4	-0.3
Total	57.8	69.7

Taxes recognised in other comprehensive income

EUR million	2013	2012
Change in value of cash flow hedges (income -/ expense +)	0.0	-0.1
Change in value of available-for-sale financial assets (income -/ expense +)		0.1
Items due to remeasurement of defined benefit plans (income -/ expense +)	-2.4	8.3

Reconciliation between tax expense in statement of comprehensive income and taxes calculated from Group´s 24.5% domestic tax rate

EUR million	2013	2012
Profit before taxes	264.0	276.6
Consolidated income taxes at Group's domestic tax rate	64.7	67.8
Impact of change in tax rate	-7.0	
Impact of different tax rates of foreign subsidiaries	0.4	1.1
Tax-exempt income	-0.4	-0.1
Non-deductible expenses	1.1	0.8
Tax adjustments for previous financial years	0.2	0.0
Other items	-1.1	0.1
Income tax expense recognised in consolidated income statement	57.8	69.7
Effective tax rate	21.9%	25.2%

7. Earnings and dividend per share

Basic earnings per share

	2013	2012
Profit for the period attributable to owners of the parent company, EUR million	206.2	206.9
Weighted average number of shares during the period (1,000 shares)	141,006	140,915
Basic earnings per share, EUR	1.46	1.47

Diluted earnings per share

	2013	2012
Profit used to determine diluted earnings per share, EUR million	206.2	206.9
Weighted average number of shares for diluted earnings per share (1,000 shares)	141,006	140,915
Diluted earnings per share, EUR	1.46	1.47

Earnings per share are calculated by dividing the profit for the period attributable to owners by the weighted average number of shares outstanding during the period. The weighted average number of shares has been adjusted for the number of treasury shares held by the Company during 2013.

Dividend per share

	2013	2012
Dividend paid during the period, EUR million	183.4	183.2
Number of shares at 31 Dec, (1,000 shares)	140,569	140,932
Dividend per share paid during the period, EUR	1.30	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 688,991 Company’s B shares as treasury shares at 31 December 2013.

For the financial year 2013 a dividend of EUR 1.25 per share, in total EUR 175,7 million is proposed to the Annual General Meeting on 25 March 2014. 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	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Historical cost at 1 Jan	6.1	6.1	247.0	238.0	328.5	320.1	4.1	3.8	21.7	12.4	607.3	580.4
Additions	0.0	0.0	12.2	6.9	16.5	17.1	0.7	0.2	40.7	15.9	70.1	40.2
Disposals	-0.2	-0.0	-0.5	-0.1	-9.5	-13.4	-0.1		-0.3		-10.6	-13.5
Transfers between statement of financial position items			3.5	2.2	6.9	4.5	0.0		-10.4	-6.6	-0.0	0.0
Translation differences					-0.3	0.2	-0.0	0.0	-0.0		-0.3	0.2
Historical cost at 31 Dec	5.9	6.1	262.3	247.0	342.2	328.5	4.6	4.1	51.6	21.7	666.6	607.3
Accumulated depreciation and impairment at 1 Jan	0.2	0.2	-159.3	-152.8	-239.7	-234.1	-3.2	-3.1			-402.0	-389.8
Accumulated depreciation on disposals and transfers			0.4	0.1	8.2	12.3	0.1				8.8	12.4
Depreciation for the period			-7.6	-6.7	-18.5	-17.8	-0.1	-0.1			-26.2	-24.5
Translation differences					0.2	-0.1	0.0	-0.0			0.2	-0.1
Accumulated depreciation and impairment at 31 Dec	0.2	0.2	-166.5	-159.3	-249.8	-239.7	-3.2	-3.2			-419.3	-402.0
Carrying amount at 1 Jan	6.3	6.3	87.7	85.3	88.8	86.1	0.9	0.7	21.7	12.4	205.3	190.7
Carrying amount at 31 Dec	6.1	6.3	95.8	87.7	92.4	88.8	1.4	0.9	51.6	21.7	247.3	205.3

[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	2013	2012
Historical cost	13.1	12.5
Accumulated depreciation	-10.8	-10.3
Carrying amount	2.3	2.2

The additions to the historical cost of machinery and equipment include EUR 1.3 (2012: 0.5) 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

EUR million	Goodwill 2013	Goodwill 2012	Intangible rights[1] 2013	Intangible rights[1] 2012	Other intangible assets[2] 2013	Other intangible assets[2] 2012	Total 2013	Total 2012
Historical cost at 1 Jan	13.5	13.5	138.7	138.2	55.1	53.8	207.3	205.5
Additions			6.8	5.3	0.7	1.3	7.5	6.6
Disposals			-0.8	-4.8	-0.3	-0.0	-1.1	-4.8
Transfers between statement of financial position items			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	144.7	138.7	55.5	55.1	213.6	207.3
Accumulated amortisation and impairments at 1 Jan			-80.7	-71.7	-50.7	-49.0	-131.4	-120.7
Accumulated amortisation on disposals			0.8	4.8	0.1		0.9	4.8
Amortisation for the period			-9.4	-10.0	-1.6	-1.7	-10.9	-11.7
Impairment			-1.4	-3.8			-1.4	-3.8
Translation differences			0.0	-0.0			0.0	-0.0
Accumulated amortisation and impairment at 31 Dec			-90.7	-80.7	-52.2	-50.7	-142.9	-131.4
Carrying amount at 1 Jan	13.5	13.5	58.0	66.6	4.3	4.8	75.8	84.8
Carrying amount at 31 Dec	13.5	13.5	54.0	58.0	3.3	4.3	70.8	75.8

[1] Intangible rights comprise mainly product rights and marketing authorisations with carrying amount EUR 35.4 (2012: 39.3) 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 operating segment.

In the impairment tests, the recoverable amount is determined on the basis of the value-in-use calculation. The cash flow forecasts are based on the detailed five-year plans adopted by the management. The cash flows beyond the forecast period adopted by the management have been calculated cautiously assuming zero per cent growth. The management’s forecasts are based on the growth of global pharmaceutical markets, market shares in sales of pharmaceuticals, and 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 4.9% (4.7%).

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 18.1 (2012: 16.4) million.

Impairment charges recognised in the period

During the period impairment charges totalling EUR 1.4 (2012: 3.8) million were recognised on the intangible rights of the Pharmaceuticals business. Intangible rights not yet available for use accounted for EUR 0.5 (2012: 2.1) 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 and affiliates

EUR million	2013	2012
Carrying amount at 1 Jan	1.4	1.4
Share of associated companies' results	0.3	0.1
Carrying amount at 31 Dec	1.7	1.4

Associates and affiliates of the Group

Holding at 31 Dec, %	Domicile	2013	2012
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	2013	2012
Assets	4.8	3.1
Liabilities	4.9	3.8
Revenues	13.4	5.3
Profit (+) or loss (-) for the period	0.6	0.2

The most recent available financial statements of the associates are for the years 2012 and 2011.

11. Available-for-sale financial assets

Available-for-sale financial assets, with asset value of EUR 0.5 (2012: 0.5) million at 31 December 2013, include mainly shares and investments in unlisted companies. The shares and investments are stated at cost, because their fair value cannot be determined reliably.

12. Pension assets and pension liabilities

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 2013	Other 2013	Pension Fund 2012	Other 2012
Present value of funded obligations	247.4	7.7	217.4	7.3
Fair value of plan assets	-274.0	-6.7	-255.7	-6.1
Surplus (-) / deficit (+)	-26.6	1.0	-38.3	1.2
Present value of unfunded obligations	0.0	0.7	0.0	0.1
Net asset (-) / liability (+) recognised in the statement of financial position	-26.6	1.6	-38.3	1.3

Amounts in consolidated statement of financial position

EUR million	Pension Fund 2013	Other 2013	Pension Fund 2012	Other 2012
Liabilities	2.0	1.6	1.1	1.4
Asset	-28.6	0.0	-39.4	-0.1
Net asset (-) / liability (+) recognised in the statement of financial position	-26.6	1.6	-38.3	1.3

Defined benefit plan pension expenses in consolidated statement of comprehensive income

EUR million	Pension Fund 2013	Other 2013	Pension Fund 2012	Other 2012
Current service cost	4.8	0.5	3.9	0.5
Interest expense and income, total	-1.6	0.0	-0.1	0.1
Pension expense (+) / income (-) in income statement	3.2	0.6	3.7	0.6
Items due to remeasurement	11.6	0.6	-33.9	-0.0
Pension expense (+) / income (-) in statement of comprehensive income	14.7	1.2	-30.2	0.5

Defined benefit plan pension expenses by function

EUR million	Pension Fund 2013	Other 2013	Pension Fund 2012	Other 2012
Cost of goods sold	1.1		1.2	
Selling and marketing	0.5	0.1	0.6	0.2
Research and development	1.1		1.4	
Administration	0.5	0.5	0.6	0.4
Pension expense (+) / income (-) in the income statement	3.2	0.6	3.7	0.6

Changes in present value of obligation

EUR million	Pension Fund 2013	Other 2013	Pension Fund 2012	Other 2012
Defined benefit plan obligation at 1 Jan	217.4	7.5	215.4	6.9
Current service cost	4.8	0.5	3.9	0.5
Interest expense	8.6	0.3	10.0	0.3
Items due to remeasurement				
Gains (-) or losses (+) due to change in economic assumptions	22.1	0.4	-6.2	0.4
Experienced gains (-) or losses (+)	-0.2	0.3	-0.7	-0.4
Total	21.9	0.7	-6.9	-0.0
Foreign exchange differences		-0.3		0.1
Benefits paid	-5.2	-0.3	-4.9	-0.4
Obligation at 31 Dec	247.4	8.4	217.4	7.5

Changes in fair value of plan assets

EUR million	Pension Fund 2013	Other 2013	Pension Fund 2012	Other 2012
Fair value of plan assets at 1 Jan	255.7	6.1	220.3	5.4
Interest income	10.2	0.2	10.1	0.2
Items due to remeasurement				
Return on plan assets excluding items in interest expense and income	10.3	0.1	27.0	0.0
Total	10.3	0.1	27.0	0.0
Foreign exchange differences		-0.3		0.1
Employer contributions	3.0	0.7	3.2	0.6
Benefits paid	-5.2	-0.2	-4.9	-0.2
Fair value of plan assets at 31 Dec	274.0	6.7	255.7	6.1

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

%	2013	2012
Equity in developed markets	43%	41%
Equity in emerging markets	8%	9%
Bonds	31%	36%
Certificates of deposit and commercial paper	7%	4%
Properties	7%	4%
Other	4%	6%
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 2013 include shares issued by the parent company Orion Corporation with fair value EUR 27.5 (2012: 36.3) million that account for 9.7% (2012: 14.2%) of the plan assets.

Actuarial assumptions used by the Orion Pension Fund

%	2013	2012
Discount rate	3.5	4.0
Inflation rate	2.0	2.0
Future salary increases	1.2–2.3	1.2–2.3
Future pension increases	2.0–2.5	2.0–2.5

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.

In 2014 the Group expects to contribute EUR 17 million to its pension plans, including EUR 1 million for the defined benefit plans.

The EUR 247.4 million liability of the Orion Pension Fund has been discounted at a discount rate of 3.5%. The impact on the liability of a change in the discount rate of +/- 0.5 percentage points would be EUR -23.7/+24.5 million.

The revised IAS 19 standard was adopted by the Orion Group as of 1 January 2013. The effect of the revised standard on the Group's reporting is described in the accounting policies for the consolidated financial statements.

The weighted average duration of the defined benefit liability is 23 years.

Anticipated maturity breakdown of undiscounted pension benefits of Orion Pension Fund

EUR million	2013
Less than 1 year	5.2
1–5 years	40.1
5–10 years	42.8
10–15 years	45.0
15–20 years	46.2
20–30 years	85.4
Over 30 years	103.0
Total	367.6

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	2013	2012
Pension liability	0.3	0.1
Internal inventory margin	0.6	1.7
Other deductible temporary differences	0.3	0.2
Total	1.2	2.0

Deferred tax liabilities

EUR million, 31 Dec	2013	2012
Depreciation difference and untaxed reserves	19.7	24.0
Pension assets	5.4	9.1
Effects of consolidation and elimination	0.3	0.4
Capitalised cost of inventory	4.6	6.4
Other taxable temporary differences	2.1	2.6
Total	32.1	42.5

Change in deferred tax arises from

EUR million	2013	2012
Pension assets/liabilities	4.3	0.0
Internal inventory margin	-1.1	0.8
Depreciation difference and untaxed reserves	4.3	0.6
Consolidation effects	0.1	0.1
Capitalised cost of inventory	1.8	-1.0
Deductible losses and other timing differences	0.3	-0.1
Total	9.7	0.3

At 31 December 2013 the Group had a total of EUR 5.2 (2012: 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, a decrease in equity of EUR 2.4 (2012: a decrease of EUR 8.3 million) million due to income taxes was recognised, and the equity includes EUR 2.4 (2012: 0.0) million of recognised taxes.

In December 2013 the Finnish Parliament approved a change in the corporate income tax rate from 24.5% to 20%. The Group's deferred taxes have been calculated on the basis of the 20% tax rate.

14. Other non-current receivables

EUR million, 31 Dec	2013	2012
Loan receivables from associates	0.7	0.9
Other loan receivables		0.2
Other non-current receivables	0.5	0.4
Total	1.2	1.6

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	2013	2012
Raw materials and consumables	38.9	44.4
Work in progress	37.3	37.4
Finished products and goods	119.3	97.5
Total	195.5	179.2

The value of inventories has been impaired by EUR 16.1 (2012: 10.7) 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	2013	2013	2012	2012
Trade receivables	169.9	169.9	151.5	151.5
Current tax assets	0.9	0.9	1.4	1.4
Receivables due from associates	0.0	0.0	0.0	0.0
Prepaid expenses and accrued income	22.3	22.3	24.9	24.9
Receivables on derivative contracts	0.8	0.8	0.7	0.7
Other receivables	25.7	25.7	7.7	7.7
Total	219.7	219.7	186.3	186.3

The most substantial item in other receivables is VAT receivables EUR 3.8 (2012: 3.2) million.

Ageing analysis of trade receivables

	Carrying amount	Fair value	Carrying amount	Fair value
EUR million, 31 Dec	2013	2013	2012	2012
Not yet due	132.6	132.6	116.3	116.3
1 to 30 days past due	27.6	27.6	24.8	24.8
31 to 60 days past due	3.3	3.3	2.2	2.2
61 to 90 days past due	0.8	0.8	1.1	1.1
Over 90 days overdue	5.6	5.6	7.1	7.1
Total	169.9	169.9	151.5	151.5

The maturities of the money market investments on their acquisition dates were over three months but no more than six months. The carrying amount of trade receivables and other current receivables is a reasonable estimate of their fair value. Impairment charges recognised on trade receivables and other receivables for the period were EUR 0.4 (2012: 0.3) million.

Material items included in prepaid expenses and accrued income

EUR million, 31 Dec	2013	2012
Receivables from royalties	12.2	15.9
Pending credits for research services	2.2	1.4
Share remunerations for restricted period	1.5	1.0
Pre-payments for IT services	1.3	1.4
Pending R&D contributions	0.9	0.5
Pending compensations	0.9	0.8
Price differential payments	0.5	0.9
Other prepaid expenses and accrued income	2.9	3.0
Total	22.3	24.9

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	2013	2012
Cash at bank and in hand	187.7	130.2
Money market investments	27.0	15.0
Total	214.7	145.2

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 2012	**44,993,218**	**96,264,610**	**141,257,828**	**92.2**
Conversions of A shares to B shares in 1 Jan–31 Dec 2012	-1,726,000	1,726,000		
Total number of shares at 31 Dec 2012	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**
Number of treasury shares at 31 Dec 2013		-688,991	-688,991	
Total number of shares at 31 Dec 2013 excluding treasury shares	**42,022,816**	**98,546,021**	**140,568,837**	
Total number of votes at 31 Dec 2013 excluding treasury shares	**840,456,320**	**98,546,021**	**939,002,341**	

On 31 December 2013 Orion had a total of 141,257,828 (2012: 141,257,828) shares, of which 42,022,816 (2012: 43,267,218) were A shares and 99,235,012 (2012: 97,990,610) B shares. The Group's share capital was EUR 92,238,541.46 (2012: 92,238,541.46). At the end of 2013 Orion held 668,991 (2012: 325,991) B shares as treasury shares. On 31 December 2013 the aggregate number of votes conferred by the A and B shares was 939,002,341 (2012: 963,008,979) excluding treasury shares.

All shares issued have been paid in full.

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

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

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

Under Section 3 of the Company's Articles of Association, shareholders are entitled to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. During 2013, a total of 1,244,402 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 is valid for 18 months and the authorisation to issue shares is valid for five years from the decision taken by the Annual General Meeting.

The Board of Directors is authorised to decide on conveyance of no more than 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 1.25 per share to be distributed.

Expendable fund

EUR million	2013	2012
Expendable fund at 1 Jan	0.5	0.5
Expendable fund at 31 Dec	0.5	0.5

Other reserves

EUR million	2013	2012
Reserve for invested unrestricted equity	0.9	0.9
Reserve funds	0.8	0.2
Hedging reserve	-0.1	-0.2
Total	1.6	0.8

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 1.30 (2012: 1.30) per share and no repayment of capital from the reserve for invested unrestricted equity (2012: EUR 0.12) were distributed in the 2013 financial year. In addition, donations of EUR 0.3 (2012: 0.3) million were distributed from profit funds.

19. Provisions

EUR million	Pension provisions	Restructuring provisions	Other provisions	Total
1 Jan 2013	0.1		0.0	0.1
Utilised during the period	-0.1			-0.1
Additions to provisions	0.1	0.1	0.0	0.1
31 Dec 2013	0.1	0.1	0.0	0.2

EUR million, 31 Dec	2013	2012
Non-current provisions	0.1	0.1
Current provisions	0.1	
Total	0.2	0.1

Pension provision

Pension provisions include provisions for unemployment pension expenses for persons made redundant in 2009 and provisions for unemployment security 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 1–5 years.

20. Interest-bearing liabilities

EUR million, 31 Dec	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Loans from financial institutions	83.0	82.1	106.0	103.5
Bonds	148.9	147.7		
Finance lease liabilities	1.4	1.6	1.5	1.7
Non-current liabilities total	233.3	231.4	107.4	105.2

EUR million, 31 Dec	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Repayments of non-current loans	23.0	23.8	28.0	29.0
Finance lease liabilities	1.1	1.2	0.9	1.0
Other interest-bearing liabilities	0.4	0.4	0.3	0.3
Current liabilities total	24.5	25.4	29.3	30.4

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 0.39–1.11%, to which a company-specific margin has been added in discounting. The fair value of the bond has been determined by using market value received from the bank.

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

Maturities of finance lease liabilities

Minimum lease payments

EUR million, 31 Dec	2013	2012
No later than 1 year	1.2	1.0
Later than 1 year but no later than 5 years	1.5	1.1
Later than 5 years		0.5
Total	2.7	2.6

Present value of minimum lease payments

EUR million, 31 Dec	2013	2012
No later than 1 year	1.1	0.9
Later than 1 year but no later than 5 years	1.4	1.0
Later than 5 years		0.5
Present value of minimum lease payments	2.5	2.4
Future finance charges	0.2	0.3
Minimum lease payments, total	2.7	2.6

21. Other non-current liabilities

EUR million, 31 Dec	2013	2012
Liabilities on derivative contracts	0.4	0.7
Other non-current liabilities	0.1	0.1
Total	0.5	0.8

22. Trade payables and other current liabilities

EUR million, 31 Dec	2013	2012
Trade payables	60.0	59.3
Current tax liabilities	1.7	8.0
Other current liabilities to associates	0.2	0.2
Accrued liabilities and deferred income	76.0	61.3
Liabilities on derivative contracts	0.6	0.4
Other current liabilities	34.4	15.5
Total	173.0	144.6

The most substantial item in other liabilities is EUR 5.3 (2012: 4.5) million of VAT liabilities.

Material items included in accrued liabilities and deferred income

EUR million, 31 Dec	2013	2012
Liabilities from share-based incentive plan	5.3	3.1
Other accrued salary, wage and social security payments	38.3	40.3
Sales revenue received in advance	8.3	0.7
Accrued price adjustments	5.9	3.1
Accrued royalties	3.7	4.4
Accrued price reductions	2.7	2.2
Accrued interest	2.5	0.2
Accrued R&D expenses	1.5	2.1
Other accrued liabilities and deferred income	7.8	5.2
Total	76.0	61.3

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 category

EUR million, 31 Dec	2013	2012
Hedge-accounting derivatives		
Current	0.0	0.0
Financial assets at fair value through profit and loss		
Held-for-trading financial assets		
Non-hedge-accounting derivatives	0.8	0.7
Loans and other receivables		
Other non-current assets	0.5	0.7
Trade receivables	169.9	151.5
Other receivables	13.9	17.6
Cash and cash equivalents	214.7	145.2
Available-for-sale financial assets		
Available-for-sale investments	0.5	0.5
Financial assets total	400.2	316.1
Hedge-accounting derivatives		
Non-current	0.2	0.7
Current	0.0	0.2
Financial liabilities at fair value through profit and loss		
Held-for-trading financial liabilities		
Non-hedge-accounting derivatives	0.9	0.2
Financial liabilities measured at amortised costs		
Interest-bearing non-current liabilities	233.3	107.4
Other non-current liabilities	0.1	0.1
Trade payables	60.0	59.3
Other current liabilities	13.8	10.1
Interest-bearing current liabilities	24.5	29.3
Financial liabilities total	332.7	207.3

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

24. Financial risk management

The objective of the Group's financial risk management is to decrease 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 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's treasury department.

24.1. Market risk

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

24.1.1. Foreign exchange risk

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

Transaction risk

Transaction risk arises from operational items (such as sales and purchases) and financial items (such as loans, deposits and 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 risk in terms of value is posed by sales based on US dollars. Other significant currencies are the Japanese yen, the Swedish krona, the Norwegian krona, the British pound, the Polish zloty and the Russian ruble. As regards other currencies, no individual currency has a significant effect on the Group's overall position.

In accordance with the Treasury Policy, items based on significant currencies in the statement of financial position are normally hedged 90–105% and the forecast cash flows over the upcoming 12 months 0–50%. Foreign 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	2013	2012	2013	2012
Net position in statement of financial position	23.0	14.4	26.5	13.8
Forecast net position (12 months)	46.7	88.1	82.4	70.4
Net position, total	69.7	102.5	109.0	84.2
Foreign hedge-accounting currency derivatives	-32.8	-28.3	-20.6	-21.2
Net open position total	36.8	74.2	88.4	63.0

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 or 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 2013 the equity in these subsidiaries totalled EUR 59.1 (2012: 49.9) million. The most significant translation risk arises from the British pound. This translation position has not been hedged.

Sensitivity analysis

The effect of changes in foreign exchange rates on the Group's profit (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	2013	2012	2013	2012
USD +/- 10%	0.9/-1.1	1.3/-1.5	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 Orion 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 hedged using standard electricity derivative instruments quoted on Nord Pool as hedging instruments.

The nominal values of the derivatives totalled EUR 2.5 (5.0) million. Nord Pool's closing prices are used for market valuation of derivatives. In 2013 the Group no longer applied 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 2013, the Group's interest-bearing liabilities totalled EUR 257.8 (2012: 136,7) million. The Group is exposed to interest rate risk associated with long-term loans raised from the European Investment Bank. At 31 December 2013, the nominal value of these loans with interest rates tied to the Euribor rate totalled EUR 106.0 (2012: 124.4) million. EUR 18.8 million of these loans has been hedged with an interest rate swap for which Orion pays fixed-rate interest.

If interest rates rose in 2014 in parallel by one percentage point (1%) compared with market interest rates at the end of the reporting period, and other factors remained unchanged, the estimated interest expenses of the Group would rise by EUR 0.9 million in 2014 (before taxes).

The Group's exposure to risks related to changes in market rates is somewhat reduced by the fact that the Group's money market investments, which at 31 December 2013 totalled EUR 27.0 (2012: 15.0) million, are invested in short market rate instruments. If these investments were taken into account in the sensitivity analysis presented above, the forecast net finance expenses would increase by EUR 0.6 million in 2014.

Cash flow hedge accounting under IAS 39 is applied to the loans hedged with interest rate derivatives. At 31 December 2013 a fair value valuation of EUR -0.2 (2012: -0.3) million (before taxes) for interest rate derivatives was recognised in the equity. The nominal values of these interest rate derivatives totalled EUR 18.8 (2012: 31.9) million.

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 2013 is the total of financial assets less carrying amounts of derivatives in financial liabilities, which totals EUR 386.5 (2012: 315.0) million. The main risks relate to trade receivables and cash and cash equivalents.

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

The Group Customer Credit Policy defines the requirements for the creditworthiness of the customers. In the pharmaceutical industry trade receivables are typically generated by distributors representing different geographical areas. In certain countries, products are also sold directly to local hospitals. The Group's 25 largest customers generated about 70% of the trade receivables. The most significant individual customers are Novartis, a marketing partner in pharmaceutical sales, and Oriola-KD Corporation, a pharmaceuticals distributor. The trade receivables are not considered to involve significant risk. Credit losses for the period recognised through profit or loss were EUR 0.4 million.

24.3. Liquidity risk

The Group seeks to maintain a good liquidity position in all conditions. In addition to cash flows from operating activities 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 2013 were EUR 257.8 (2012: 136.7) million. The average maturity for interest-bearing liabilities excluding finance lease liabilities is four years and four months. At 31 December 2013 the Group's cash and cash equivalents, which decrease liquidity risk, totalled EUR 214.7 (2012: 145.2) 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 cash flows of financial liabilities and interest payments (undiscounted)

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 loans	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	11.3	0.1				11.4
Cash flow total, non-interest-bearing financial liabilities	71.3	0.1				71.4
Derivative contracts	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	101.6	29.2	21.6	21.5	187.7	361.7

EUR million, 31 Dec 2012	2013	2014	2015	2016	2017–	Total
Repayments of loans from financial institutions	28.0	23.0	23.0	15.9	44.1	134.0
Repayments of finance lease loans	0.9	0.6	0.3	0.3	0.2	2.4
Repayments of other liabilities	0.3					0.3
Interest payments	1.5	1.2	1.2	1.0	1.7	6.7
Cash flow total, interest-bearing financial liabilities	30.8	24.9	24.5	17.2	45.9	143.3
Trade payables	59.3					59.3
Other non-interest-bearing financial liabilities	10.1	0.1			0.0	10.2
Cash flow total, non-interest-bearing financial liabilities	69.4	0.1			0.0	69.5
Derivative contracts	0.4	0.4	0.3			1.1
Cash flow total, derivative contracts	0.4	0.4	0.3			1.1
Cash flow total, all	100.6	25.4	24.8	17.2	46.0	214.0

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

24.4. Management of capital structure

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

The 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 2013.

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	2013	2012
Equity, EUR million	513.9	509.6
Equity and liabilities total, EUR million	979.0	835.7
Equity ratio, (including advance payments) %	52.5%	61.0 %

Group interest-bearing liabilities / Group EBITDA

EUR million, 31 Dec	2013	2012
Interest-bearing liabilities	257.8	136.7
EBITDA	306.2	318.3
Interest-bearing liabilities / EBITDA	0.8	0.4

Group EBITDA / net interest expenses

EUR million, 31 Dec	2013	2012
EBITDA	306.2	318.3
Net interest expenses	3.6	1.7
EBITDA / net interest expenses	85	182

25. Contingent liabilities

Commitments and contingencies

EUR million, 31 Dec	2013	2012
Contingencies for own liabilities		
Mortgages on land and buildings	32.0	41.0
of which those to Orion Pension Fund		9.0
Guarantees	2.4	1.5
Other	0.3	0.3

Significant legal proceedings

Legal proceedings against the Sandoz companies have been settled

On 5 December 2013 Orion announced that Orion and Hospira, Inc. (“Hospira”) had executed a settlement agreement with Sandoz Inc. and Sandoz Canada Inc. (hereinafter collectively “Sandoz”) in the patent enforcement lawsuit filed by Orion and Hospira in the United States against Sandoz regarding Sandoz’s submission of an abbreviated new drug application (“ANDA”) for a generic version of Orion’s Precedex® product. The settlement relates to a lawsuit concerning Orion’s patent No. 4,910,214 and Orion’s and Hospira’s commonly owned patent No. 6,716,867.

Under the terms of the settlement agreement, Sandoz may launch a generic version of Precedex in US markets on 26 December 2014, unless certain conditions relating to launch, if triggered, lead to an earlier Sandoz market entry date.

Legal proceedings against Caraco Pharmaceutical Laboratories, Ltd.

On 12 November 2010 Orion Corporation and Hospira, Inc. jointly filed a patent infringement lawsuit in the United States against Caraco Pharmaceutical Laboratories, Ltd. to enforce Orion's and Hospira's joint patent No. 6,716,867 valid in the United States. Gland Pharma Ltd. has since been added as a defendant in the lawsuit.

Caraco had submitted an application for authorisation to produce and market in the United States a generic version of Orion's proprietary drug Precedex® (dexmedetomidine hydrochloride 100 µg/ml), which is marketed in the United States by Orion's licensee Hospira.

Orion expects the costs of the legal proceedings against Caraco to be substantially less than the costs of the entacapone patent litigation that had previously been pending in the United States.

26. Derivatives

Nominal values and maturity of derivatives

EUR million, 31 Dec	2013	2012
Currency derivatives[1]		
Currency forward contracts and currency swaps	67.8	52.0
Currency options	47.2	51.3
Interest rate swaps[2]	18.8	22.3
Cross currency swaps[3]		9.6
Nominal value of electricity derivatives, GWh	57	110

EUR million, 31 Dec	2013	2012
Maturity of electricity derivatives		
No later than 1 year	1.6	2.5
Later than 1 year but not later than 2 years	0.9	1.6
Later than 2 years		0.9
Total	2.5	5.0

[1] Currency derivatives with maturity less than one year.
[2] Interest rate swaps with maturity within four years.
[3] Cross currency swaps with maturity less than two years.

Fair values of derivatives

	2013			2012
EUR million, 31 Dec	Positive	Negative	Net	Net
Non-hedge-accounting derivatives				
Currency forward contracts and currency swaps	0.6	-0.1	0.5	0.3
Currency options	0.1	-0.1	0.1	0.2
Electricity derivatives		-0.7	-0.7	
Hegde-accounting derivatives				
Interest rate swaps	0.0	-0.2	-0.2	-0.3
Cross currency swaps				0.2
Electricity derivatives				-0.6

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 the fair value have been reported in the consolidated statement of financial position on a gross basis. Valid derivatives netting agreements are subject to offsetting only in the case where there is a failure by a counterparty to pay when due.

Derivative categories using fair value hierarchy

EUR million, 31 Dec 2013	Level 1	Level 2	Level 3	Total
Currency forward contracts and currency swaps		0.5		0.5
Currency options		0.1		0.1
Interest rate swaps		-0.2		-0.2
Electricity derivatives	-0.7			-0.7

EUR million, 31 Dec 2012	Level 1	Level 2	Level 3	Total
Currency forward contracts and currency swaps		0.3		0.3
Currency options		0.2		0.2
Interest rate swaps		-0.3		-0.3
Cross currency swaps		0.2		0.2
Electricity derivatives	-0.6			-0.6

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

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

27. Operating leases

Group as lessee

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

EUR million, 31 Dec	2013	2012
No later than 1 year	2.5	2.4
Later than 1 year but no later than 5 years	3.9	4.1
Total	6.4	6.5
Rents paid on the basis of other operating leases during the period	4.7	3.9

Other lease expenses comprise mainly expenses for business premises abroad.

Group as lessee

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 2013

	Group		Parent company	
	Ownership, %	Share of votes, %	Ownership, %	Share of votes %
Pharmaceuticals				
Parent company Orion Corporation				
Fermion Oy, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Harmaaparta, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Kalkkipellontie 2, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Kapseli, Hanko	100.00	100.00		
Kiinteistö Oy Pilleri, Hanko	70.39	70.39		
Kiinteistö Oy Tonttuvainio, Espoo	100.00	100.00	100.00	100.00
Orion Export Oy, Espoo[1]	100.00	100.00	100.00	100.00
Saiph Therapeutics Oy, Espoo[1]	100.00	100.00	100.00	100.00
FinOrion Pharma India Pvt. Ltd.	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 Ilac Pazarlama Ticaret Limited Sirketi, Turkey[1]	100.00	100.00	90.00	90.00
Orion Pharma Kft., Hungary	100.00	100.00	100.00	100.00
Orion Pharma Poland Sp. z.o.o., Poland	100.00	100.00	100.00	100.00
Orion Pharma Romania S.R.L., Romania[1]	100.00	100.00	100.00	100.00
Orion Pharma S.L., Spain	100.00	100.00	100.00	100.00
Orion Pharma S.r.l., Italy	100.00	100.00	100.00	100.00
Orion Pharma 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	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	2013	2012
Salaries and other short-term employment benefits	6.0	4.0
Post-employment benefits	0.5	0.4

Salaries and remuneration[1]

EUR million	2013	2012
Timo Lappalainen, President and CEO	1.4	1.0
Hannu Syrjänen, Chairman	0.1	0.1
Jukka Ylppö, Vice Chairman	0.1	0.1
Sirpa Jalkanen	0.0	0.1
Eero Karvonen	0.0	0.1
Matti Kavetvuo		0.0
Timo Maasilta	0.1	0.1
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 0.2 million was recorded as expenses for the statutory pension and EUR 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 0.7 million to Pharmaservice Oy with conditional interest payment, and an interest-free loan of EUR 0.0 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	2013	2012
Net sales	1	812.4	808.9
Other operating income	2	9.0	12.4
Operating expenses	3,4	-587.5	-553.0
Depreciation, amortisation and impairment	4	-28.7	-30.4
Operating profit		205.1	237.9
Finance income and expenses	5	10.2	7.9
Profit before extraordinary items, appropriations and taxes		215.3	245.8
Extraordinary items	6	21.5	11.0
Appropriations	7	-1.6	2.2
Income tax expense	8	-54.4	-61.3
Profit for the period		180.8	197.7

Balance sheet

Assets

EUR million. 31 Dec	Note	2013	2012
Intangible rights		43.2	47.5
Other long-term expenditure		3.1	4.2
Intangible assets total	9	46.3	51.7
Land		3.5	3.7
Buildings and constructions		82.8	73.1
Machinery and equipment		63.7	61.7
Other tangible assets		1.2	0.6
Advance payments and construction in progress		44.7	14.9
Tangible assets total	10	196.0	154.0
Holdings in Group companies		88.6	89.5
Holdings in associates		2.0	2.2
Other investments		0.7	0.8
Investments total	11	91.4	92.5
Non-current assets total		333.6	298.1
Inventories	12	139.5	127.6
Non-current receivables	13	0.1	0.2
Trade receivables	14	151.3	134.2
Other current receivables	14	65.4	40.1
Investments	15	27.0	15.0
Cash and bank		158.4	104.8
Current assets total		541.7	421.9
Assets total		875.4	720.0

Liabilities

EUR million, 31 Dec	Note	2013	2012
Share capital		92.2	92.2
Fair value reserve		-0.2	-0.3
Expendable fund		0.5	0.5
Reserve for invested unrestricted equity		0.9	0.9
Retained earnings		55.2	47.5
Profit for the period		180.8	197.7
Shareholders' equity	16	329.5	338.5
Appropriations	17	71.6	70.0
Provisions	18	0.6	0.7
Loans from financial institutions		83.0	106.0
Bonds		148.9	
Other non-current liabilities		0.4	0.7
Non-current liabilities total	19	232.3	106.7
Trade payables		55.8	56.0
Other current liabilities		185.5	148.0
Current liabilities total	20	241.3	204.0
Liabilities total		875.4	720.0

Cash flow statement

EUR million	2013	2012
Operating profit	205.1	237.9
Depreciation, amortisation and impairment	28.7	30.4
Other adjustments	4.1	1.0
Total adjustments to operating profit	32.8	31.4
Change in non-interest-bearing current receivables	-21.4	12.6
Change in inventories	-11.9	-21.8
Change in non-interest-bearing current liabilities	24.2	-18.6
Total change in working capital[1]	-9.2	-27.7
Interest paid	-6.2	-6.5
Dividends received[2]	14.4	9.8
Interest received[2]	3.5	4.6
Income tax paid	-60.4	-60.5
Total net cash flow from operating activities	180.0	188.9
Investments in intangible assets	-6.7	-6.3
Investments in tangible assets	-57.2	-32.1
Sales of intangible assets	0.0	0.0
Sales of tangible assets	1.7	1.2
Investments in subsidiary shares	-0.1	-0.0
Sales of other investments		0.6
Loans granted		-0.0
Repayments of loan receivables	1.2	1.2
Total net cash flow from investing activities	-61.0	-35.4
Current loans raised	9.6	13.8
Repayments of current loans	-1.5	-1.1
Non-current loans raised	148.9	75.0
Repayments of non-current loans	-28.0	-26.4
Repurchase of own shares	-9.6	
Dividends paid and other distribution of profits	-183.8	-200.1
Group contributions received	11.0	10.5
Total cash flow from financing activities	-53.4	-128.2
Net change in cash and cash equivalents	65.6	25.3
Cash and cash equivalents at 1 Jan[3]	119.8	94.4
Net change in cash and cash equivalents	65.6	25.3
Cash and cash equivalents at 31 Dec[3]	185.4	119.8

[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 2013 (FAS)

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	2013	2012
Pharmaceuticals business	812.4	808.9
Total	812.4	808.9

Net sales by market area

EUR million	2013	2012
Finland	271.8	253.8
Scandinavia	85.4	81.5
Other Europe	249.8	229.4
North America	109.0	124.2
Other countries	96.3	120.0
Total	812.4	808.9

2. Other operating income

EUR million	2013	2012
Service charges received from Group companies	5.7	5.8
Gains on sales of property, plant and equipment and intangible assets	0.9	0.4
Rental income	0.8	0.6
Other operating income	1.7	5.7
Total	9.0	12.4

3. Change in provisions

EUR million	2013	2012
Change in other provisions	0.1	0.1
Total, increase (-), decrease (+)	0.1	0.1

4. Operating expenses, depreciation, amortisation and impairment

Operating expenses

EUR million	2013	2012
Increase (-) or decrease (+) in stocks of finished goods or work in progress	-16.1	-11.8
Production for own use	-2.2	-3.7
Raw materials and services		
Purchases during the financial year	220.4	210.0
Increase (-) or decrease (+) in stocks	4.2	-10.0
External services	37.0	36.2
Total	261.5	236.2
Personnel expenses		
Wages and salaries	109.5	106.1
Pension expenses	18.3	17.1
Share-based incentive plan	4.8	4.9
Other social security expenses	7.3	7.3
Total	139.8	135.4
Other operating expenses	204.5	196.9
Total	587.5	553.0

Voluntary social security expenses are included in other operating expenses.

Auditor's remuneration

EUR million	2013	2012
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	0.1
Other services	0.0	0.0
Total	0.1	0.2

Depreciation, amortisation and impairment

EUR million	2013	2012
Impairment	1.4	3.8
Other depreciation and amortisation	27.4	26.6
Total	28.7	30.4

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

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

Average number of employees

	2013	2012
Average number of employees during the financial year	2,269	2,267

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 earning period 2010–2012 on the total return on Orion Corporation B shares. Potential reward for earning periods 2011–2013 and 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. Potential reward under the plan for the earning period 2013 is based on the Orion Group's operating profit and for the earning period 2013–2015 on the total return on Orion Corporation B shares.

This potential reward shall be paid partly in the form of the Company's B shares and partly in cash in 2014 for the earning period 2013, in 2014 for the earning period 2011–2013, in 2015 for the earning period 2012–2014 and in 2016 for the earning period 2013–2015. Reward for the earning period 2010 was paid partly in the form of the Company's B shares and partly in cash in 2011. Reward for the earning period 2011 was paid partly in the form of the Company's B shares and partly in cash in 2012. Reward for the earning period 2012 and the earning period 2010–2012 was paid partly in the form of the Company's B shares and partly in cash in 2013.

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 2013 a total of 327,663 Orion Corporation B shares had been paid as rewards.

The target group of the plan that began in 2013 consists of approximately 35 people. The total maximum amount of reward 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.

5. Finance income and expenses

EUR million	2013	2012
Income from Group companies	14.1	9.8
Income from other non-current investments		
Gains from share sales		0.1
Dividend income from other shares and equity	0.3	0.0
Interest income from Group companies	0.1	0.2
Other interest and finance income		
Interest income from Group companies	0.0	0.0
Interest income from other companies	0.3	0.7
Other finance income	3.4	3.6
Interest expenses and other finance expenses		
Interest expenses to Group companies	-0.3	-1.0
Interest expenses to others	-3.9	-2.4
Other finance expenses	-3.8	-3.1
Total	10.2	7.9

Finance income and expenses include:

EUR million	2013	2012
Income from equity in other companies	14.4	9.8
Interest income	0.4	1.0
Interest expenses	-4.2	-3.5

6. Extraordinary items

EUR million	2013	2012
Group contribution received	21.5	11.0
Total	21.5	11.0

7. Appropriations

EUR million	2013	2012
Change in cumulative accelerated depreciation	-1.6	2.2
Total increase (-) / decrease (+)	-1.6	2.2

8. Income taxes

EUR million	2013	2012
Income tax on ordinary activities	54.4	61.2
Tax adjustments for previous financial years	0.0	0.1
Total	54.4	61.3

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	2013	2012
Provisions	0.1	0.2
Total	0.1	0.2

Deferred tax liability

EUR million	2013	2012
Appropriations	14.3	17.2
Revaluations	3.3	4.0
Total	17.6	21.2

9. Intangible assets

	Intangible rights		Goodwill		Other capitalised expenditure		Total	
EUR million	2013	2012	2013	2012	2013	2012	2013	2012
Acquisition cost at 1 Jan[1]	119.9	119.9	68.3	68.3	53.8	52.5	241.9	240.6
Additions	6.1	4.8			0.6	1.3	6.7	6.1
Disposals	-0.8	-4.8			-0.3	-0.0	-1.0	-4.8
Transfers between Balance Sheet items	0.0						0.0	
Acquisition cost at 31 Dec	125.3	119.9	68.3	68.3	54.1	53.8	247.6	241.9
Accumulated amortisation and impairment at 1 Jan[1]	-72.4	-64.1	-68.3	-68.3	-49.6	-47.9	-190.3	-180.2
Accumulated amortisation on disposals	0.7	4.8			0.1		0.8	4.8
Amortisation for the financial year	-9.0	-9.3			-1.5	-1.7	-10.5	-11.0
Impairment	-1.4	-3.8					-1.4	-3.8
Accumulated amortisation and impairment at 31 Dec	-82.0	-72.4	-68.3	-68.3	-51.1	-49.6	-201.4	-190.3
Book value at 1 Jan	47.5	55.8			4.2	4.6	51.7	60.4
Book value at 31 Dec	43.2	47.5			3.1	4.2	46.3	51.7
Accumulated difference between total and planned amortisation at 1 Jan	3.7	4.2			0.8	1.1	4.6	5.2
Change in cumulative accelerated amortisation, increase (+) / decrease (-)	-0.6	-0.4			-0.3	-0.2	-0.9	-0.7
Accumulated difference at 31 Dec	3,2	3,7			0,5	0,8	3,7	4,6

[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	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Acquisition cost at 1 Jan[1]	3.7	3.7	176.6	169.4	206.4	199.7	1.8	1.8	14.9	8.9	403.3	383.5
Additions	0.0	0.0	11.5	5.6	11.7	12.8	0.6	0.0	36.2	11.8	60.1	30.2
Disposals	-0.2	-0.0	-0.3	-0.1	-5.0	-10.3	-0.0		-0.0		-5.5	-10.4
Transfers between Balance Sheet items			3.3	1.8	3.1	4.1			-6.4	-5.9	-0.0	
Acquisition cost at 31 Dec	3.5	3.7	191.1	176.6	216.1	206.4	2.4	1.8	44.7	14.9	457.9	403.3
Accumulated depreciation at 1 Jan[1]			-103.5	-99.5	-144.6	-142.5	-1.2	-1.1			-249.3	-243.2
Accumulated depreciation on disposals and transfers			0.3	0.1	4.0	9.3	0.0				4.3	9.4
Depreciation for the financial year			-5.0	-4.1	-11.8	-11.4	-0.0	-0.0			-16.9	-15.6
Accumulated depreciation at 31 Dec			-108.3	-103.5	-152.4	-144.6	-1.2	-1.2			-261.9	-249.3
Book value at 1 Jan	3.7	3.7	73.1	69.9	61.7	57.2	0.6	0.6	14.9	8.9	154.0	140.3
Book value at 31 Dec	3.5	3.7	82.8	73.1	63.7	61.7	1.2	0.6	44.7	14.9	196.0	154.0
Accumulated difference between total and planned depreciation at 1 Jan			31,5	32,4	34,0	34,6	0,0	0,0			65,5	67,0
Change in cumulative accelerated depreciation, increase (+) / decrease (-)			0,3	-0,9	2,1	-0,6	0,0	-0,0			2,4	-1,5
Accumulated difference at 31 Dec			31,7	31,5	36,2	34,0	0,1	0,0			67,9	65,5

[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 2013 was EUR 41,9 (39.0) million. The revaluation included in the acquisition cost of land was EUR 0.1 (0.1) million and in the acquisition cost of buildings EUR 16.5 (16.5) million.

11. Investments

	Shares in Group companies		Receivables from Group companies		Holdings in associated companies		Receivables from associated companies[1]		Other shares and equity		Loan receivables[1]		Total	
EUR million	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Acquisition cost at 1 Jan	121.7	121.7	10.6	11.7	1.3	1.3	0.9	0.9	0.5	1.8	0.3	0.3	135.4	137.8
Additions	0.1	0.0		0.0									0.1	0.0
Disposals			-0.9	-1.1			-0.2			-1.3	-0.0	-0.0	-1.2	-2.4
Translation differences			-0.0	0.0									-0.0	0.0
Acquisition cost at 31 Dec	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
Accumulated impairment at 1 Jan	-40.0	-40.0	-2.9	-2.9						-0.8			-42.9	-43.7
Change during the period										0.8				0.8
Accumulated impairment at 31 Dec	-40.0	-40.0	-2.9	-2.9									-42.9	-42.9
Book value at 1 Jan	81.7	81.7	7.8	8.8	1.3	1.3	0.9	0.9	0.5	1.0	0.3	0.3	92.5	94.1
Book value at 31 Dec	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

[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	2013	2012
Raw materials and consumables	30.9	35.5
Work in progress	13.2	14.8
Finished products/goods	92.5	74.7
Other inventories	3.0	2.6
Total	139.5	127.6

13. Non-current receivables

EUR million, 31 Dec	2013	2012
Other receivables from Group companies	0.0	0.0
Loan receivables from associated companies		0.0
Other loan receivables	0.1	0.2
Total	0.1	0.2

14. Current receivables

EUR million, 31 Dec	2013	2012
Trade receivables	114.3	103.1
Receivables from Group companies		
Trade receivables	37.1	31.1
Loan receivables	4.1	3.1
Other receivables	0.2	0.2
Prepayments and accrued income	21.5	11.0
Total	62.9	45.4
Loan receivables from associated companies	0.0	0.0
Other loan receivables	0.2	0.2
Other receivables	18.5	2.7
Prepayments and accrued income	20.8	22.9
Total	216.7	174.3

Material items included in prepayments and accrued income

EUR million, 31 Dec	2013	2012
Receivables from royalties	12.2	15.9
Pending credits	2.2	1.4
Prepayments for IT services	1.3	1.4
Prepaid remunerations under incentive plan	1.3	0.9
Receivables based on derivative contracts	0.8	0.7
Pending R&D contributions	0.6	0.3
Pending price difference payments	0.5	0.9
Other prepayments and accrued income	1.9	1.5
Total	20.8	22.9

15. Investments

EUR million, 31 Dec	2013	2012
Other securities: interest instruments	27.0	15.0
Total	27.0	15.0

Difference between market value and book value

EUR million, 31 Dec	2013	2012
Market value	27.0	15.0
Corresponding book value	-27.0	-15.0
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	2013	2012
Share capital at 1 Jan	92.2	92.2
Share capital at 31 Dec	92.2	92.2

Fair value reserve

EUR million	2013	2012
Fair value reserve at 1 Jan	-0.3	-0.0
Electricity derivative hedges	-0.0	0.0
Cross currency swaps	0.1	-0.1
Interest rate swaps	0.1	-0.3
Fair value reserve at 31 Dec	-0.2	-0.3

Expendable fund

EUR million	2013	2012
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	2013	2012
Reserve for invested unrestricted equity at 1 Jan	0.9	17.8
Capital repayment	0.0	-16.9
Reserve for invested unrestricted equity at 31 Dec	0.9	0.9

Retained earnings

EUR million	2013	2012
Retained earnings at 1 Jan	245.2	229.4
By decision of Annual General Meeting		
dividends distributed	-183.4	-183.2
donations made	-0.3	-0.3
repurchase of own shares	-9.6	
share rewards paid	3.1	1.4
Unpaid dividends	0.1	0.1
Profit for the financial year	180.8	197.7
Retained earnings at 31 Dec	236.0	245.2

Parent company share capital by share class

	2013		2012	
31 Dec	number	EUR	number	EUR
A shares (20 votes/share)	42,022,816		43,267,218	
B shares (1 vote/share)	99,235,012		97,990,610	
Total	141,257,828	92,238,541.46	141,257,828	92,238,541.46

During the financial year 1 January to 31 December 2013 a total of 1,244,402 A share were converted into B shares.

17. Appropriations

EUR million, 31 Dec	2013	2012
Cumulative accelerated depreciation	71.6	70.0
Total	71.6	70.0

18. Provisions

EUR million, 31 Dec	2013	2012
Pension provisions	0.6	0.7
Total	0.6	0.7

19. Non-current liabilities

EUR million, 31 Dec	2013	2012
Loans from financial institutions	83.0	106.0
Bonds	148.9	
Liabilities on derivative contracts	0.4	0.7
Total	232.3	106.7

Loans due later than 5 years

EUR million, 31 Dec	2013	2012
Bonds	150.0	
Loans financial institutions	12.4	28.2
Total	162.4	28.2

20. Current liabilities

EUR million, 31 Dec	2013	2012
Loans from financial institutions	23.0	28.0
Advances received	20.0	
Trade payables	45.9	46.1
Liabilities to Group companies		
Trade payables	10.0	9.9
Other liabilities	71.9	57.8
Accruals and deferred income	0.2	0.3
Total	82.1	68.0
Other liabilities	8.8	10.8
Accruals and deferred income	61.6	51.1
Total	241.3	204.0

Material items included in accruals and deferred income

EUR million, 31 Dec	2013	2012
Liabilities from share-based incentive plan	3.1	3.1
Other accrued salary, wage and social security payments	29.8	27.9
Sales revenue received in advance	8.3	0.7
Accrued price adjustments	5.9	3.1
Accrued royalties	3.7	4.4
Accrued price reductions	2.7	2.2
Accrued interest	2.5	0.2
Accrued R&D expenses	1.5	2.1
Compensation related to sales	0.8	0.2
Liabilities on derivative contracts	0.6	0.4
Current tax liability	0.3	6.3
Other accrued liabilities and deferred income	2.5	0.7
Total	61.6	51.1

Liabilities include

EUR million, 31 Dec	2013	2012
Non-current interest-bearing liabilities	231.9	106.0
Non-current non-interest-bearing liabilities	0.4	0.7
Current interest-bearing liabilities	95.3	86.1
Current non-interest-bearing liabilities	146.0	117.9
Total	473.6	310.7

21. Notes relating to members of administrative bodies

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

EUR million	2013	2012
President and CEO and members of Board of Directors	1.7	1.4

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	2013	2012
Mortgages on land and buildings	32.0	41.0

Guarantees on behalf of Group companies

EUR million, 31 Dec	2013	2012
Guarantees given	2.4	1.5

Total guarantees

EUR million, 31 Dec	2013	2012
Total mortgages on land and building	32.0	41.0
Total guarantees	2.4	1,5

23. Liabilities and commitments

Lease agreements

EUR million, 31 Dec	2013	2012
Payments payable under lease agreements		
within next 12 months	1.3	1.1
later than 12 months	1.8	1.5
Total	3.1	2.6

The terms of lease agreements are normal.

Other liabilities

EUR million, 31 Dec	2013	2012
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 2008–2013 if the use subject to VAT decreases during the review period. The maximum liability is EUR 6.1 million and the last review year is 2022.

24. Derivative contracts

Currency forward contracts and currency swaps

EUR million, 31 Dec	2013	2012
Fair value	0.5	0.3
Nominal value	67.8	52.0

Currency options

EUR million, 31 Dec	2013	2012
Fair value	0.1	0.2
Nominal value	47.2	51.3

Cross currency swaps

EUR million, 31 Dec	2013	2012
Fair value		0,2
Nominal value		9,6

Interest rate swaps

EUR million, 31 Dec	2013	2012
Fair value	-0.2	-0.3
Nominal value	18.8	22.3

Electricity derivatives

EUR million, 31 Dec	2013	2012
Fair value	-0.7	-0.6
Nominal value	2.5	5.0
Nominal amount, GWh	57	110

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 2013

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 237,391,611.21, including EUR 180,767,350.08 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 1.25 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 140,568,837, on which the total dividend would be	EUR 175,711,046.25
– donations to medical research and other purposes of public interest as decided by the Board of Directors	EUR 250,000.00
– retention in equity	EUR 61,430,564.96
	EUR 237,391,611.21

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 2014

Hannu Syrjänen Chairman	Jukka Ylppö Vice Chairman	Sirpa Jalkanen
Eero Karvonen	Timo Maasilta	Heikki Westerlund
Timo Lappalainen President and CEO		

Our auditors' report has been issued today.

Espoo, 4 February 2014

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, 2013. 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 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
Authorised Public Accountant