

# ANNUAL REPORT 1998



**ORION GROUP**

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## Annual General Meeting

The Annual General Meeting of Orion Corporation will be held on Thursday, April 8, 1999 at 5.00 p.m. at the company's pharmaceutical plant in Mankkaa, Espoo, street address Orionintie 1.

The matters to be handled by the AGM will comprise

- the matters to be dealt with by the AGM in accordance with the by-laws of the company,
- the Board's proposal to amend the by-laws by deleting metal industry from the company's line of business,
- the Board's proposal to introduce the euro as the currency of the share capital together with corresponding amendments to the by-laws and a corresponding increase of the nominal value of the shares from 1.68 euro to 1.7 euro through a bonus issue, and
- the Board's proposal to change the terms of the company's 1998 Bond Loan to reflect the introduction of the euro.

The registration period for the AGM will close on Tuesday, April 6, 1999 at 9.00 a.m., phone +358 9 429 3719 or +358 9 429 3718.

## Payment of dividends

If the Annual General Meeting approves the Board of Directors' proposal for distribution of the profits for the financial year that ended on Dec. 31, 1998, a dividend of FIM 6.50 per share shall be paid to Orion Corporation shareholders entered in the

shareholders' register maintained by the Central Share Register of Finland on the record date, i.e. April 13, 1999. Thus, shares acquired no later than April 8, 1999 entitle the shareholder to full dividends for 1998. The date for the payment of dividends is April 20, 1999.

Shareholders having not registered their shares in the book-entry securities system by the record day for dividend payment, shall receive the dividend payment only after the registration of their shares in the system.

## Financial information

The publication schedule for the financial reviews by Orion Corporation in 1999:

Financial Statements	
Bulletin 1998	February 26, 1999
Annual Report 1998	March 22, 1999
Interim Report 1-3/1999	May 7, 1999
Interim Report 1-6/1999	August 12, 1999
Interim Report 1-9/1999	November 9, 1999

The reviews will be published in Finnish and English. Copies may be ordered from the Corporate Communications department of Orion Corporation, P.O. Box 65, FIN-02101 Espoo, Finland, by e-mail [minna.lyhykainen@orion.fi](mailto:minna.lyhykainen@orion.fi) or by phone +358 9 429 3504.

The company announcements and financial reviews are also available on the Orion Group homepage, <http://www.orion.fi>

# ORION GROUP 1998

## Highlights

- Profitability of operations declined from the previous year, due to increased marketing and R&D costs, as well as the consequences of the sudden standstill in Noiro's exports to Russia.
- Products demonstrating the best growth were the hormone replacement therapy products, the breast cancer drug Fareston, the animal sedatives and the diltiazem bulk substance.
- The EU marketing authorisation was received in September for Comtess/Comtan (entacapone), a drug for Parkinson's Disease based on Orion's own research. The product was launched in those countries with an Orion Pharma subsidiary.
- The review by the U.S. FDA of the new drug application for Simdax (levosimendan), for decompensated heart failure, was started towards the end of the year. The corresponding process for an EU approval started in early 1999.
- The new drug applications for dexmedetomidine, a sedative for patients in intensive care, were simultaneously filed with the U.S. and European regulatory authorities at year-end.
- Oriola's share of the Finnish pharmaceutical distribution in Finland rose to 38%. Also the Medical and Technical sector grew substantially.
- Sales of the QuikRead system by Orion Diagnostica for measuring CRP started positively.
- The Normet division was divested in February 1999.

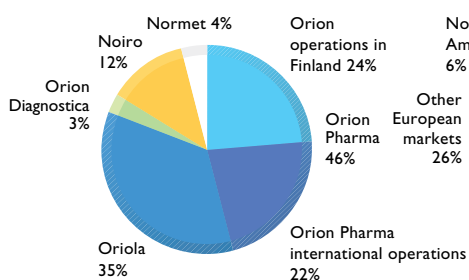
## Key indicators

	1998		1997		Change %
	FIM million	EUR million	FIM million	EUR million	
Net sales	5 172	870	4 695	790	10.2%
International operations	1 864	314	1 726	290	8.0%
% of net sales	36.0%	36.0%	36.8%	36.8%	
Operating profit	650	109	717	121	9.3%
% of net sales	12.6%	12.6%	15.3%	15.3%	
Profit before extraordinary items and taxes	720	121	827	139	13.0%
% of net sales	13.9%	13.9%	17.6%	17.6%	
Profit after taxes without extraordinary items	503	85	596	100	-15.6%
% of net sales	9.7%	9.7%	12.7%	12.7%	
Balance Sheet total	5 683	956	5 722	962	-0.7%
Earnings per share (adjusted), FIM/EUR	7.19	1.21	8.51	1.43	-15.6%
Dividend per share (adjusted)	90.4%	90.4%	88.1%	88.1%	
Return on invested capital before extraordinary items and taxes	16.2%	16.2%	19.0%	19.0%	
Return on equity	11.6%	11.6%	14.4%	14.4%	
Solvency ratio	77.0%	77.0%	75.8%	75.8%	

1 euro = 5.94573 FIM  
1 US dollar = 5.096 FIM  
(Jan. 4, 1999)

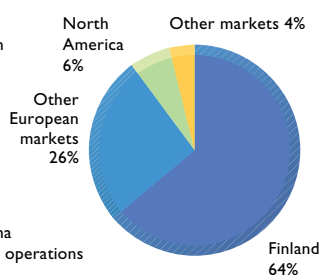
### Breakdown of net sales by Division

FIM 5 172 million



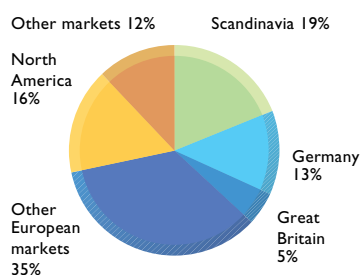
### Breakdown of net sales by market area

FIM 5 172 million



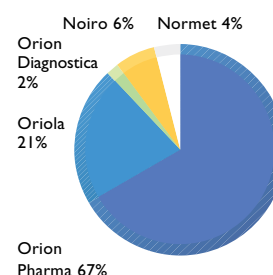
### Breakdown of international operations by market area

FIM 1 864 million



### Breakdown of operating profit by Division

FIM 650 million



# ORION GROUP



The Orion Group is the leading company in the Finnish healthcare sector. Operations related to healthcare account for 88 percent of the consolidated net sales of the company. These include Orion Pharma, which develops, manufactures and markets pharmaceuticals; Oriola, a wholesaler and distributor and Orion Diagnostica, engaged in diagnostic products. Noiro is a division specialising in cosmetics and detergents.

In 1998, the Group net sales were FIM 5,172 million (EUR 870 million and USD 1,015 million) of which international operations accounted for FIM 1,864 million. The average number of personnel was 5,517. Orion shares are listed on the HEX Helsinki Exchanges.

## Goals and strategies

The business divisions develop their own strategy and operate independently towards sound profitability targets.

**Orion Pharma** and **Orion Diagnostica** are seeking a substantial role in pharmaceuticals and diagnostics in Europe. This aim is pursued by developing competitive products through in-house R&D for specific areas, and by strengthening and expanding the achieved market position.

**Oriola** is developing its advanced logistics services further and, in close cooperation with its business partners, provides distribution and marketing services for them in Finland and the neighbouring areas, starting with the Baltic countries. Through partnerships, Oriola's distribution and logistic services extend across the other Nordic countries. In dental products, Oriola is establishing itself in Sweden.

**Noiro** is strengthening its domestic market position by focusing on the development and marketing of strong branded products. Growth in sales to the Scandinavian countries and other neighbouring areas is generated through cosmetics and personal care products.

## Divisions of the Orion Group



### HEALTHCARE

#### Orion Pharma

Orion Pharma concentrates on the manufacture and marketing, as well as research and development of pharmaceuticals. The division accounts for almost half of the entire Orion Group's net sales. Orion is the leading manufacturer and supplier of pharmaceuticals on the Finnish market, with a market share of 21%. The product range encompasses most principal human drug groups as well as veterinary drugs.

International operations account for 47,3% of the total net sales of Orion Pharma. On international markets, Orion promotes its products both through its European subsidiaries and in collaboration with international pharmaceuticals companies, whose extensive sales networks provide an efficient channel for Orion Pharma's proprietary drugs worldwide. Through an increasing engagement in pharmaceutical research and development, Orion is seeking innovative proprietary drug discoveries, the focus being on neurology, hormone replacement therapies, cardiac insufficiency and asthma.

#### Oriola

Oriola is a wholesaler, distributor and niche sector marketer serving the healthcare sector comprehensively. In Finland and the Baltic countries Oriola provides pharmaceutical distribution and logistics services for international pharmaceuticals companies and other healthcare marketers, as well as for its own units and their principals, and for other divisions of the Orion Group. Oriola's market share of the pharmaceutical distribution in Finland is 38%. The import, wholesale and marketing operations of Oriola comprise the equipment of over 2,000 international suppliers. Moreover, Oriola is engaged in the manufacture of specific products of healthcare, based on own R&D and marketed worldwide.

#### Orion Diagnostica

Orion Diagnostica develops, manufactures and markets tests and test systems mainly for clinical laboratories and private practitioners. Its operations are concentrated on specific protein assays, diagnosis of infectious diseases and on various hormone and bone metabolism assays. International operations account for almost 80% of Orion Diagnostica's net sales.

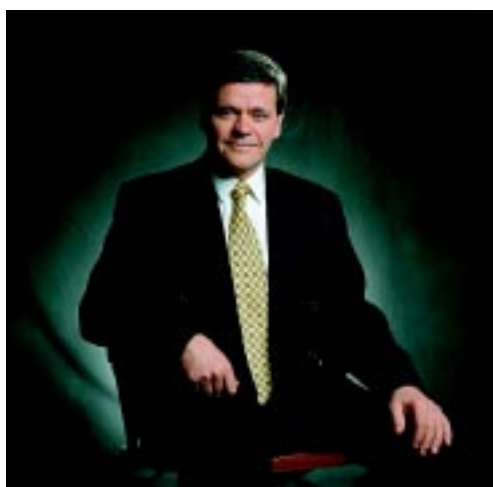
### COSMETICS AND DETERGENTS

#### Noiro

Noiro develops, manufactures, imports and markets products for personal care and home care, cosmetics, hairdressing products, and products for institutional and industrial cleaning and hygiene. Noiro's export operations focus on Scandinavia, Poland, Russia and the Baltic markets. Exports account for 30% of net sales.

## PRESIDENT'S REVIEW

The years 1998 and 1999 will mark a significant turning point for Orion Pharma. In September 1998, an EU-wide market authorisation was received for Comtess<sup>®</sup>/Comtan<sup>®</sup> (entacapone), a proprietary drug for the treatment of Parkinson's disease, and the review of the application for a U.S. approval was started in February 1998. Towards the end of the year, the U.S. application for a new drug approval was filed for Simdax<sup>®</sup> (levosimendan), for decompensated heart failure, and the review of the corresponding European file started in early 1999. Also dexmedetomidine progressed in the pipeline: the phase 3 clinical trials with the drug for use in patients in an intensive care setting were completed by Abbott Laboratories, the partner, and the product was simultaneously filed with the U.S. and EU regulatory authorities.



The total research and development expenditure by the Orion Group was FIM 376 million, FIM 44 million more than in the previous year. Orion Pharma accounted for FIM 335 million of the total R&D expenses. The focus of Orion's pharmaceutical research is on central nervous system disorders, menopausal symptoms, cardiac insufficiency and asthma.

Orion, the leading player in the Finnish pharmaceutical market, is a healthcare conglomerate with the main focus on the pharmaceutical industry. In February 1999, the engineering division Normet was divested. In addition to Orion Pharma, the present Group business divisions include Oriola, a wholesaler and distributor of pharmaceuticals and a broad range of other healthcare equipment and supplies, Orion Diagnostica, which develops,

manufactures and markets diagnostic tests and test systems, as well as Noiro, engaged in the development, manufacture, marketing and importing of consumer products for personal care, cosmetics and hairdressing, as well as institutional cleaning and hygiene products.

Group earnings per share were FIM 7.19, FIM 1.32 less than those for the previous year. According to the proposal by the Board of Directors to the Annual General Meeting, a dividend of FIM 6.50 be paid per share, which means a payout ratio of 90.4%. At year-end, the Group solvency ratio was 77.0% and the liquidity was good. Under these circumstances, the high payout ratio is now justified, regarding the future needs for investing in R&D and other activities. The expansion of the pharmaceutical research center in Espoo is the most significant project among the Group's current investments in progress. The planned expenditure on research and development activity in 1999 is altogether FIM 390 million, and investments in fixed assets are budgeted at FIM 340 million.

As in earlier years, the fruitful cooperation between Orion's clients and the Group personnel brought about good results in 1998, and I would like to express my deepest gratitude to all of you. In a constantly changing competitive environment, we at Orion shall do our utmost to further develop our products and services, to measure up to the trust upon us by our clients.

Espoo, February 25, 1999

Markku Talonen  
President and CEO

# ORION PHARMA

FIM million	1998	1997	% change
Net sales	2 432	2 308	+5.4%
Exports and subsidiaries abroad	1 150	1 067	+7.8%
– % of net sales	47.3%	46.2%	
Exports from Finland	804	674	+19.3%
R&D expenses	335	294	+14.0%
Operating profit	448	465	-3.6%
Investments	209	195	
Personnel	2 912	2 818	
– abroad	374	353	
Profitability: Very satisfactory			
Share of group net sales	46%	48%	

Orion Pharma conducts research on, develops, manufactures and markets pharmaceuticals, bulk drug substances, and related products for the prevention and treatment of diseases.

Orion Pharma comprises the following subsidiaries: Suomen Rohdos Oy, Hiven Oy, Oy Pharmal Ab; Orion Pharma AB, Sweden; Ercopharm A/S, Denmark; Orion Pharma A/S, Norway; Orion Pharma GmbH, Germany; Interorion AG, Switzerland; Orion Pharma AG, Switzerland; Finorion Kft, Hungary; Orion Pharma, Inc., USA; Orion Pharma (UK) Ltd., UK; Orion Pharma (Ireland) Ltd., Ireland; and Orion Pharma SA, France.

Orion Pharma net sales grew by 5.4% to FIM 2,432 million.

Net sales from international operations grew by FIM 83 million, or 7.8%. The patented preparations from Orion Pharma's research together with other proprietary pharmaceuticals accounted for the majority of the growth. The domestic net sales of Orion Pharma's human drugs and veterinary drugs grew by 3.8%.

The Finnish market for human drugs, veterinary drugs and other pharmaceutical preparations at wholesale prices grew by 8.0% to FIM 5,829 million (FIM 5,396 million in 1997).

As a whole, the operating profit of Orion Pharma fell short of that of the previous year and the budgeted level.

## Pharmaceutical research, product development and registration

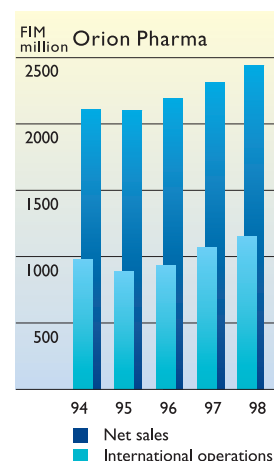
Orion Pharma's R&D operations focus on the treatment of neurological disorders, postmenopausal symptoms, cardiac insufficiency and asthma. The activity embraces all phases of pharmaceutical research ranging from basic research carried out in Finland to multinational clinical trials. Orion Pharma's Scandinavian subsidiaries are playing an increasingly important role in the major pharmaceutical research projects. Orion Pharma R&D expenditure corresponded to 14.8% of net sales of pharmaceutical preparations. Medical research and development activity employed 745 persons.

### Comtess®/Comtan® (entacapone)

An EU-wide marketing approval for Comtess/Comtan (entacapone) for Parkinson's disease was received in September 1998. Comtess was launched within Orion's marketing territory by the end of the year. As a marketing partner, Novartis will cover the other European countries, the USA and the rest of the world under the trademark Comtan. The new drug application for Comtan has been under review by the U.S. FDA since February 1998. During the year, Novartis has filed new drug applications for Comtan in numerous other countries, too. In January 1999, Comtan was authorised for marketing in several South American countries. Comtan has been launched in Austria and the Netherlands in February 1999. Launches in France, Italy, Spain and Switzerland are imminent.

A specific safety update on Comtess/Comtan was provided to the European regulatory authority in late 1998, when a competing product was suspended from the EU market. The Summary of Product Characteristics was slightly amended, but no additional restrictions for using the product were issued.

Further clinical studies with entacapone are progressing in Europe and the USA. Comtess is a drug administered together with levodopa, the mainstay of Parkinson's disease treatment, to inhibit



the COMT enzyme from breaking down levodopa in the periphery. Comtess enhances the effect of levodopa by improving its bioavailability.

#### **Simdax® (levosimendan)**

The review of the new drug application for the intravenous formulation of Simdax (levosimendan), a calcium sensitiser for decompensated heart failure, was started by the U.S. FDA in late 1998. The corresponding registration process for the EU started in early 1999, through the mutual recognition procedure. Additional phase 3 studies with levosimendan are being conducted. The clinical studies with an orally administered formulation of the compound are progressing in phase 2 in Europe and the USA.

As agreed with Abbott Laboratories on the intravenously administered Simdax, Abbott will market the product world-wide except in the Nordic countries and those Central European countries having an Orion Pharma subsidiary, where Orion's own network will market the product.

Simdax, for acute cardiac insufficiency and severe chronic heart failure, increases the contractility of the heart muscle with a novel pharmacological mechanism of action, calcium sensitising.

#### **Dexmedetomidine**

The multi-centered phase 3 clinical studies with dexmedetomidine, conducted by Abbott Laboratories in Europe and the USA, for the sedation of intensive care patients were completed. In early 1999, Abbott simultaneously filed the applications for new drug approval with both the U.S. and the European regulatory authorities.

Dexmedetomidine, a new sedative for intensive care patients, is an adrenergic alpha-2 agonist with analgesic properties. Clinical studies have demonstrated that dexmedetomidine has favourable properties not found in currently available ICU sedatives. Dexmedetomidine not only provides sedation but also helps to eliminate pain, decrease anxiety and to maintain stable respiration and hemodynamics. Importantly also, the patients are able to cooperate with the nursing staff, which is a unique property among the drugs used for sedation. In clinical studies, dexmedetomidine has been tolerated well.

Orion's agreement with Abbott provides Abbott with the rights for the completion of the clinical research, as well as marketing. Orion has the marketing rights in all the Nordic countries, whereas Abbott will cover the rest of the world.

#### **Fareston® (toremifene)**

The registration program for the breast cancer drug Fareston (toremifene) continued. The product is already authorised and available on the EU, Japanese and US markets. International long-term phase 3 trials with Fareston are progressing to extend the indication to the adjuvant treatment of the earlier stages of breast cancer.

#### **Hormone replacement therapy products**

The registration and development process of Orion's hormone replacement therapy (HRT) product range is continuing through an extensive research program aiming at the creation of a versatile line of products for the treatment of menopausal symptoms.

The latest developments in the HRT family include a new sequential one-month cycle product, and Indivina®, a range of estrogen-progestin products allowing an individual therapy and without the requirement for a withdrawal bleed. The files for both preparations are under review by EU regulatory authorities since early 1999.

#### **Buventol® Easyhaler® and Beclomet® Easyhaler®**

The clinical research program continued on the Easyhaler multiple dose dry powder inhaler developed by Orion for the treatment of bronchial asthma. The mutual recognition procedure, which precedes the marketing authorisation, was completed in most EU countries.

#### **Other pharmaceutical research and development projects**

In addition to the above, Orion Pharma has several other clinical drug research projects ongoing. They are based on patented molecules discovered through Orion's own basic research, as well as on initially in-licensed product candidates. In February 1999, Orion acquired the rights from R.P. Scherer Corporation for the further clinical development of the fast-dissolving Zydis® formulation of apomorphine, now in phase 2. Apomorphine is a medication for Parkinson's disease. The license agreement also provides Orion with rights to market the product across Europe.



## OPERATIONS IN FINLAND

The most important government measures aiming to contain the growth in medicinal costs in Finland include reductions of the wholesale prices of already marketed reimbursed products, as well as granting the prices for a fixed period only. All therapy groups will be reviewed by the price authorities during 1998 and 1999. The new prices will be set for a maximum of five years, and the prices set now will be subject to another review towards the end of each time period. One of the main objectives is to increase cost-consciousness among healthcare professionals. The impacts of these measures are difficult to predict.

The inclusion of a new chemical entity within the basic reimbursement system will take longer than before, and the criteria for granting special reimbursement have been tightened.

The Finnish market for human pharmaceuticals grew by 8%. The development was particularly rapid towards the end of the year, boosting the overall growth rate to exceed the previous year's level. Total sales at wholesale prices amounted to FIM 5,703 million. The market growth was largely due to the introduction of completely new products for diseases lacking efficient earlier medication. Part of the growth was generated by new, more expensive products replacing traditional preparations.

Foreign companies increased their pharmaceutical sales by 8% in Finland. Pharmacy sales increased by almost 9% to FIM 4,547 million. Hospital sales amounted to FIM 1,283 million, up 4%.

## Orion on the Finnish pharmaceutical market

Orion's domestic net sales of human pharmaceuticals grew by 3.9% to FIM 1,163 million. Over half of the increase is explained by the acquisition of Oy Pharmacial Ab in the beginning of the year. Orion's market share decreased by 1.4 percentage points to 21.3%, partly due to intensified price competition.



As of the beginning of 2000, the Boehringer Mannheim products now marketed by Orion, will be taken over by F. Hoffmann-LaRoche, Boehringer's parent company. The total 1998 net sales of these products amounted to FIM 123 million. Orion is taking action to compensate for these product exits. During the autumn, the Finnish marketing organisation and its operations were

*Ketorin Hot is a new hot drink powder with ketoprofen for the treatment of influenza.*

adapted to comply with the changes in both Orion's product range and the market.

The future growth of net sales is sought by the further development of the product portfolio. The objective of product acquisition and product development is to be able to exploit all sub-sectors of the pharmaceutical market.

## Prescription drugs

The Finnish market for prescription drugs grew by 8.8% to FIM 5,000 million. The fastest growing segments were neuroleptics, lipid-lowering agents, neurological drugs as well as a number of special therapies. In the heavily competitive situation, the basic Orion drugs performed according to expectations and maintained their strong position. Also infusion solutions maintained their position despite the increasing competition.

Orion's total sales of cardiovascular and metabolic drugs grew at a rate lower than the average of this therapy segment. However, the basic range of cardiac drugs developed according to expecta-



*Zeclar (claritromycine) is a microbic drug belonging to the macrolides. It is mainly indicated for respiratory infections and the eradication of Helicobacter pylori as part of a combination treatment.*

*The Antibiotic Disc, designed by Orion together with doctors, is a helpful tool for practitioners. The disc provides treatment recommendations for the most common infections, dosing guidelines of pediatric mixtures according to the patient's weight, as well as the indications, recommended doses and available package sizes of tablet preparations.*



*Lovacol (lovastatin) is a cholesterol lowering therapy for preventing the progress of coronary atherosclerosis in patients with increased cholesterol level. Lisipril (lisinopril) is a modern treatment for hypertension.*

tions and maintained their market share. **Lisipril**<sup>®</sup> (lisinopril), **Lovacol**<sup>®</sup> (lovastatin) as well as the older brand **Furesis**<sup>®</sup> (furosemide) are preparations on the rise. In the rapidly growing category of angiotensin antagonists, **Teveten**<sup>®</sup> (eprosartan) will be introduced as soon as the decision for basic reimbursement has been received.

Among the pain relievers, **Burana**<sup>®</sup> (ibuprofen) continued to grow steadily, as did the newly extended **Tramal**<sup>®</sup> (tramadol) product family. **Primaspan**<sup>®</sup> (acetylsalicylic acid) shows good growth, and also other pain relievers, such as **Disperin**<sup>®</sup> (acetylsalicylic acid), performed according to expectations.

In the category of asthma drugs, the **Easyhaler**<sup>®</sup> product range continued to grow rapidly. The **Beclomet**<sup>®</sup> and **Buventol**<sup>®</sup> Easyhaler<sup>®</sup> are establishing themselves as efficient and favourably priced standard treatments for asthma.

**Comtess**<sup>®</sup> (entacapone), the Parkinson's disease drug based on Orion's proprietary molecule, was introduced in November 1998. The preparation was granted basic reimbursement as of the beginning of 1999, but it is awaiting still the special

*Froidir (clozapine) is a novel antipsychotic for long-term treatment of schizophrenia in Orion's product portfolio. Zopinax (zopiclone) is a rapidly affecting aid for temporary insomnia.*



reimbursement status normally associated with Parkinson's drugs. Despite this, the preparation was very positively received and it is rapidly penetrating the market. The standard neurological preparations, including **Eldepryl**<sup>®</sup> (selegiline) and **Absenor**<sup>®</sup> (valproate sodium) continued their steady growth.

Sales of antibiotics developed favourably, and the principal drugs have maintained their position as drugs of choice for practitioners. Among the new preparations, **Zeclar**<sup>®</sup> (claritromycine) has grown substantially. The **Helipak**<sup>®</sup> combination treatment for the elimination of *Helicobacter pylori* met a new direct competitor which stemmed its growth.

The psychopharmaceuticals lost some of their market share to rapidly expanding new competing products. Under the pressure of price competition, the price of the antidepressant **Seronil**<sup>®</sup> (fluoxetine) was cut, which resulted in improved volume. The schizophrenia drug **Froidir**<sup>®</sup> (clozapine) and the sleeping pill **Zopinax**<sup>®</sup> (zopiclone) were introduced towards the end of the year.

Among the hormone replacement products, **Divigel**<sup>®</sup> performed particularly well, and **Expros**<sup>®</sup> (tamsulosine), for benign prostatic hyperplasia, continued to grow rapidly.

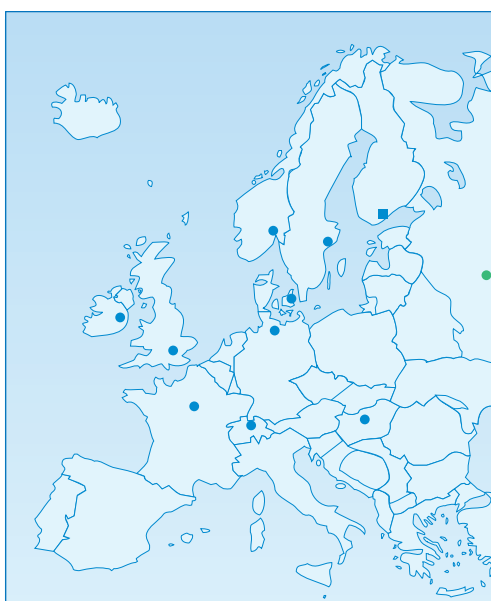
### Self-medication products

As in the previous year, the total market for the non-prescription self-medication drugs continued to grow slower than the total drug market, at a rate of 3.4%. The growth is hampered by price competition and the low number of novel products. The pain reliever **Burana**<sup>®</sup> (ibuprofen) faced intense price competition, but maintained its overall strong position despite slightly reduced sales. This was compensated by the growth of **Ibusal**<sup>®</sup> (ibuprofen), as well as by the strong position of **Burana Caps** and **Burana C**. The **Ketorin**<sup>®</sup> (ketoprofen) range was complemented by a novel product addition, the water-soluble **Ketorin**<sup>®</sup> Hot.

The multivitamin preparation **Multivita**<sup>®</sup>, has grown to be one of the largest brands in Orion's OTC product portfolio, and continues to grow steadily. The sales of **Nizoral**<sup>®</sup> (ketoconazole) took a new, rapid upward turn. Sales of Orion's basic skin creams have grown, and their status as established basic skin care preparations is strong and stable.

## OPERATIONS OUTSIDE FINLAND

In 1997, the global pharmaceutical market amounted to USD 294 billion at ex-factory prices, 1.1% up from the previous year (IMS World Review). North America, Europe and Japan accounted for about 81% of the total sales. According to the preliminary estimates of IMS, the total figure for 1998, at manufacturers' selling prices is prospected to total USD 301 billion. The growth outlook is improving. Many industrial countries have managed to contain the growth of the pharmaceutical market through government measures addressed to prices and reimbursement, as well as to doctors' prescription practise. However, the ageing population and the introduction of new and more expensive drugs are growth driving factors. It also seems that an all-time high number of new innovative compounds will enter the market during the next few years.



*Orion Pharma has marketing subsidiaries in nine European countries, and a representative office in Moscow.*

### Human pharmaceuticals

Orion Pharma's international operations amounted to FIM 1,150 million, up 7.8%. The major markets were the US, Germany, Denmark, Sweden and the UK. The net sales from pharmaceuticals, excluding received payments based on marketing agreements, were FIM 887 million, and they grew by 6.8%. Bulk drug substances accounted for FIM 237 million of international operations, up 10.6%. Veterinary drugs grew by 25.5% to FIM 92 million.

The net sales of international operations include payments related to marketing agreements at a total of FIM 37 million (FIM 32 million). In February, a FIM 11 million milestone payment was received from Novartis Pharma AG, associated with the U.S. filing of the new drug application for Comtan. In September, FIM 10 million were paid by Novartis in relation to the EU marketing au-

thorisation for Comtess/Comtan. Also in February, a FIM 14 million payment was received from Abbott Laboratories, associated with the signing of the marketing agreement for the intravenous Simdax.

The major export preparations were the Divina® family of hormone replacement therapy products, the breast cancer drug Fareston® (toremifene), the Parkinson's disease drug

Eldepryl® (selegiline), the calcium antagonist Cardil® (diltiazem), the animal sedatives Domitor®, Domosedan® and Antisedan®, and the Easyhaler® range for asthma. In bulk drug substances, diltiazem grew substantially and azathioprine maintained the previous year's level. Fastest growing products included the hormone replacement therapy drugs, Fareston and the animal sedatives, as well as the Parkinson's disease drug Comtess® (entacapone) which was launched towards the end of the year. Sales of Beclomet Easyhaler and

Cardil were somewhat lower than in 1997. As a consequence of price competition, the exports of Eldepryl decreased further by 34%. Including Finland, the total sales of Eldepryl amounted to circa FIM 90 million.

The combined net sales of **Fareston®**, the breast cancer drug amounted to FIM 93 million, domestic sales included. Due to lower prices and the unfavourable exchange rates of the yen, the Japanese sales of Fareston for Orion decreased slightly to FIM 39 million. The sales to patients in Japan have developed favourably. The sales of Fareston to the U.S. increased but sales to patients have not started in the desired manner.

The sales of the **Divina®**, **Divitren®**/**Tridestra®** and **Divigel®** hormone replacement therapy preparations grew, and their importance in the export portfolio continued to increase. Divina was the best-seller, whereas Divigel, a gel packed in single doses, showed the strongest growth. The

launching of Divigel progressed both inside and outside Europe, and the number of users is steadily increasing. The market area of Divina continues to expand, and now the product is widely available not only in Europe but also in some countries in South America and Asia as well as in South Africa. Divitren® is sold in Finland, Denmark, Sweden, Switzerland, the UK, Belgium, Turkey, South Korea and South Africa. The UK marketing rights for



*The hormone replacement therapies, based on in-house research and development, are important items in Orion Pharma's international product portfolio.*

Tridestra were reacquired from Sanofi in May.

Germany was the main market for the **Easyhaler®** product family. Other than Germany, the **Buventol® Easyhaler®**, containing salbutamol, is sold in Finland, Denmark, Sweden, Switzerland, Norway, Iceland, Rumania and certain Asian countries. **Beclomet® Easyhaler®**, using beclomethasone, is marketed in Finland, Germany, Denmark, Sweden, Norway and some Asian countries. For patent reasons, the Easyhaler products cannot be marketed in North America.

**Comtess®** (entacapone), based on Orion's own research and indicated for the treatment of Parkinson's disease, was launched in November-December. By year-end, Comtess was available in Germany, the UK, Ireland, Sweden, Denmark and Finland. The total net sales, Finland included, were FIM 21 million, also including pre-launch deliveries to Novartis, the marketing partner.

## Development of subsidiaries

Net sales of the Swedish subsidiary **Orion Pharma AB** grew by 11.0% to SEK 123 million. The most vigorously growing products were the prostate cancer drug Enanton® (leuproreline acetate) as well as the hormone replacement therapy products Divigel® and Divina®Plus. The major products were the cancer drug Enanton® (leuproreline acetate), the migraine treatment Pronaxen® (naproxen), Divigel, Andapsin® (sucralfate) for gastro-intestinal disorders, Trivina®, Absenor® (natrium valproate) and Eldepryl. The company's market share in Sweden was 0.8%.

Net sales of the Danish subsidiary **Ercopharm A/S** increased by 0.7% to DKK 251 million and the market share was 1.3%. The sluggish development was the result of a growing generic product market and tough price competition. Major products were the cardiac drugs Cardil® (diltiazem) and Cardopax® (isosorbide dinitrate). The marketing of the diagnostic products of Boehringer Mannheim through Ercopharm will cease in May 1999. The net sales generated by these products amounted to about FIM 50 million in 1998. In addition, Boehringer Mannheim pharmaceuticals worth of some FIM 40 million will exit from Ercopharm's portfolio in 1999.

Net sales of **Orion Pharma GmbH**, the German subsidiary, were DEM 49 million, down 12.2%. The largely generic product range of the subsidiary suffered from tough price competition. Major products were Beclomet® Easyhaler® for asthma, Eldepryl and the hormone replacement therapy preparations. Sales of both Eldepryl and Easyhaler decreased, however.

Net sales of **Orion Pharma (UK) Ltd.** grew by 40.9% to GBP 6.4 million. The growth was mainly generated by Tridestra®. The marketing rights to this hormone replacement therapy preparation were reacquired in May. Major products were Tridestra, Eldepryl for Parkinson's disease, the diuretic Frusene® (frusemide and triamterene), and Comtess, for Parkinson's disease.

The net sales of the Irish subsidiary **Orion Pharma (Ireland) Ltd.** totalled IEP 0.9 million, up 1.3%. Major products were Eldepryl, and the cardiac drugs Veramil® (verapamil) and Entrydil® (diltiazem hydrochloride).

Japan, the U.S. and France were the major export countries with no local subsidiary.

**Orion Pharma SA**, a marketing subsidiary for France was established towards the end of the year. Operations will start in summer 1999.

### **Fermion, a manufacturer of bulk drug substances**

Fermion's net sales were FIM 284 million, up 3.4%. Exports accounted for 80% of the total net sales. The best selling products were diltiazem, azathioprine, trazodon, pentoxifylline and methotrexate, all of which showed growth. The major foreign markets were the U.S., Canada, the UK, and Israel. The U.S. sales grew rapidly. The litigation proceedings over the diltiazem patent were settled, and the parties mutually withdrew their claims.

### **Animal Health**

Orion develops, manufactures and markets veterinary drugs mainly for the Nordic market. Orion's leadership in the domestic market is based on a comprehensive product range for both livestock and pet animals.

Net sales of veterinary drugs were FIM 188 million, up 11.5%. Exports totalled FIM 92 million, which was almost half of total net sales. Rapid progress continued in exports, which grew 26%. The sales developed positively in all markets, but particularly in Europe and the U.S.

The animal sedatives **Domosedan**<sup>®</sup> (detomidine), **Domitor**<sup>®</sup> (medetomidine) and **Antisedan**<sup>®</sup> (atipamezole), all Orion's original preparations, accounted for the major part of exports. The net sales generated by animal sedatives grew by 30% to FIM 88 million.

The new products launched during the year included **Geepenil**<sup>®</sup>, a benzyl penicillin preparation for livestock, introduced in Sweden, as well as **Galastop**<sup>®</sup> (cabergoline) the drug for canine pseudopregnancy which was launched on the Danish market.

Pharmaceutical companies all over Europe are screening their product portfolios for animal health, due to the increasingly strict EU criteria for market authorisations, especially as concerns livestock. The novelty products, such as **Geepenil**<sup>®</sup>, **Rimadyl**<sup>®</sup> (karprofene), a painkiller for dogs and the fish vaccine **Aproject**<sup>®</sup>, helped Orion to maintain a strong position in the Finnish veterinary drug market.

The net sales of **Hiven Oy** were FIM 36 million, about 4% up. Among the product categories, vitamins, propylenes, gastrointestinal drugs and special feeds did particularly well. Hiven Oy maintained its strong market share.

### **Orion Pharma outlook for 1999**

The Finnish pharmaceutical market is anticipated to grow more slowly, as a reflection of the effects of the measures to contain the growth of public pharmaceutical costs. This will have an adverse impact on the development of Orion's domestic sales.

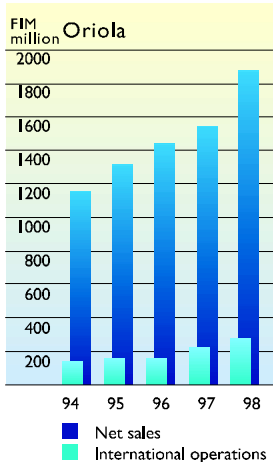
Internationally growing products are the hormone replacement therapy products, the Parkinson's disease drug **Comtess**, and the animal sedatives. The main factors hampering the net sales development include the sluggish start in the U.S. sales of **Fareston**, the continued downward trend in **Eldepryl** sales, as well as the exit of the **Boehringer Mannheim** products from the portfolio of the Danish subsidiary already during 1999.

As a whole, Orion Pharma is expected to demonstrate slow growth in net sales and the previous year's level of operating profit.

*Dr. Seppo Juntunen assisted by Pirve Heinonen at the Apex veterinary clinic in Helsinki performing a routine operation after which the cat patient is supposed to lose his interest in female cats.*



# ORIOLA



The new logo reflects Oriola's versatility: its products and services cover the whole spectrum of healthcare.

Oriola published a history in honour of its 50<sup>th</sup> anniversary.

FIM million	1998	1997	% change
Invoicing	3 249	2 862	+13.5%
Net sales	1 867	1 533	+21.8%
Exports and subsidiaries abroad	265	218	+21.6%
– % of net sales	14.2%	14.2%	
Exports from Finland	136	133	+2.1%
R&D expenses	9	8	+4.9%
Operating profit	143	142	+0.3%
Investments	21	55	
Personnel	1 167	1 089	
– abroad	167	120	
Profitability: Very satisfactory			
Share of group net sales	35%	32%	

Oriola is a wholesale and distribution company providing a comprehensive selection of healthcare products and marketing services. In the area of dental care products, Oriola is engaged in manufacturing and international marketing. The division incorporates Oriola Oy, Panfarma Oy, Kuulolaiteskeskus Oy, Orion Corporation Medion, Orion Corporation Soredex, AS Oriola in Estonia, SIA Oriola Riga in Latvia, UAB Oriola Vilnius in Lithuania, Soredex Inc. in the United States, and Oriola Dentalprodukter AB in Sweden. Additionally, Oriola has distribution partners in all the Nordic countries.

1998 was a year of significant growth for Oriola. Invoicing grew by 13.5% to FIM 3,249 million. Among the Oriola units, particularly favourable sales development was shown by Supplier Services, Wholesale, the Baltic unit of International Distribution, Panfarma, Sairaalaväline and Medion. Net sales rose by 21.8%. Operating profit improved slightly from the previous year and was according to the budget. Start-up costs were included in the Baltic, Russian and Swedish operations.

## Distribution and Wholesale Sector

The net sales of the Distribution and Wholesale sector rose by 30.6% to FIM

1,225 million. Oriola increased its share of pharmaceuticals distribution in Finland to 38%.

The **Distribution** unit is in charge of Oriola's logistics services, which include import and export forwarding, warehousing, order taking and distribution. Deliveries to the customers take place from the central warehouse in Espoo or from the regional warehouses in Kuopio, Oulu and Seinäjoki. These centers constitute the backbone for Oriola's comprehensive distribution network across Finland.

The **Supplier Services** unit offers complete importing, warehousing and distribution services to companies operating in the pharmaceutical and healthcare sectors, including 65 international pharmaceutical manufacturers. The unit also provides its clients with a versatility of other services, such as the Internet-based Oriola Online reporting system, as well as tele-

marketing and information services. In 1998, Vitabalans Oy, Searle Fennica and Oy Lövens Ab were among the new principals who entrusted their distribution to Oriola.

The **Wholesale** unit imports, sells and markets pharmaceutical raw materials, herbal remedies

and chemists' products, hygiene products, cosmetics, detergents and related products, as well as general merchandise and consumer goods to pharmacies, hospital pharmacies, veterinarians and other operators in the health care sector. Lysi, a cod-liver oil, and PanAcido, a lactobacillus product, were particularly successful branded products in 1998.

The **International Distribution** unit provides its principals with extensive healthcare warehousing and distribution systems in Estonia, Latvia and Lithuania. Growth was very rapid in all Baltic countries. Business operations in the St. Petersburg area have started slowly, due to the weak economic situation in Russia.



**Panfarma** provides international pharmaceutical companies with marketing, registration and other administrative services. Panfarma's major partners include Boehringer Ingelheim GmbH and ALK Abelló. Cooperation with Searle Fennica, division of Monsanto Oy, was started towards the end of the year. During 1998, an agreement was also reached with Medeva Pharma Ltd, a manufacturer of influenza vaccines, whereas the contract with Warner Lambert Nordic AB terminated at year's end. Panfarma also operates in all Baltic countries, together with Oriola's International Distribution unit.

**Reformi-Keskus** markets and sells an extensive selection of health foods and functional foods through all major distribution channels. In addition to the representation of many well-known European health food products, Reformi-Keskus has several brands of its own, such as Pansuola®, Dexal® and Femisoija®. Reformi-Keskus continued to strengthen its market position in Finland and the Baltic countries.

The domestic retail and industrial sales of the Pansuola mineral salt progressed well. Export markets include Sweden, the Baltic countries, the UK, Singapore, Japan and Israel. In the United States, Pansuola is manufactured under license by Ambi Inc. and the product is sold nation-wide under the name Cardia® Salt. Cultor Food Science Inc. is in charge of marketing it to the U.S. food industry while American Home Products Corporation takes care of the retail chains. In 1998, the exports of Reformi Femisoija were started to Sweden, Norway and Austria.

## Medical and Technical Sector

**Sairaalaväline (hospital instruments)** markets supplies for clinical examinations, procedures and nursing, as well as medical



equipment, surgical instruments and implants.

Market growth was significantly slower, and the players in the sector were looking for new measures to improve efficiency. The clients responded positively to the opportunity of utilising the reliable logistic services provided by a company with an extensive product selection.

The Sairaalaväline unit developed and intensified its cooperation with globally important manufacturers, such as Hewlett-Packard, LRC Medical, Maersk Medical, Rüsç, Squibb Convatec and Zimmer.

Conventional procedure and nursing products accounted for the increase in Oriola's market share. The portfolio was complemented through the introduction of new products, such as mandibular and microsurgery instruments and incontinence products.

In the Baltic countries, the development was particularly rapid in Estonia.

**Kuulolaittekeskus** and **Apuväline Oriola** offer hearing, speaking, seeing and mobility aids as well as audiological diagnostics. The unit has established itself as one of the leading suppliers of aids for handicaps. Ceiling-fitted hoists, wheelchair lifts and pressure sore pillows were among the new products introduced. The sales of audiological aids grew considerably, the Cochlear inner-ear implants showing a particularly brisk demand.

**Prolab** markets analysers and laboratory equipment and supplies, chemicals and reagents for use in bio-scientific and chemical research and routine analysis laboratories, as well as diagnostic products for hospital and outpatient care. The Sysmex cell counters did very well and strengthened their market position. The sales of immunological analysis systems and

*The Health Food Product of the year 1999 in Finland, Floradix Kräuterblutsaft, represented by Reformi-Keskus in Finland, is a high-quality herbal product manufactured by Salus-Haus, Germany.*



*Top modern obstetrical information management systems by Hewlett-Packard were delivered by Oriola to four major hospitals in Finland. The OB Trace Vue system integrates the fetal monitors (CTG) of all delivery rooms into one system, providing the nurses an overview of the progress of each individual labour on any single patient display.*



*The Quick Fit safety holders and needles are novel items in the high quality Venaject range of sample tubes and needles by Terumo.*

rapid diagnostic tests progressed favourably, and the sales of the microbiological analysis systems manufactured by BioMérieux SA had a very good start. The Baltic sales of laboratory products have shown a positive development, particularly in Latvia and Lithuania.

The marketing by Prolab of the analysers and reagents manufactured by Roche Diagnostics GmbH (former Boehringer Mannheim) will end in the autumn of 1999. However, the Prolab range will be compensated with other representations.

**Medion** markets medical imaging and radiotherapy equipment to the healthcare sector, and infrared devices and non-destructive testing systems to industry.

Medion's operations progressed favourably in all sectors. Several large systems were delivered during the year, enhancing the importance of strong nation-wide technical service. The unit increased its share in image work stations considerably, and the volume of industrial sales grew significantly from the previous year.

**The Graphic Arts Department** markets DuPont's and Agfa's materials and equipment to the graphic and packaging industries.

#### **Oriola Oy**

**Hammasväline (dental care)** is the leading full-service dental dealer in Finland. The products and services comprise all materials, machines and equipment for dental care and dental laboratories, and maintenance services. The unit also provides large-scale training services. An Internet-based ordering system is available for the steadily increasing clientele. The machinery and equipment product group particularly strengthened its market share.

Hammasväline expanded operations in the Baltic countries, the St. Petersburg area, and Sweden where its new subsidiary, Oriola



*The VITEK system by BioMérieux enables rapid identification of microbes.*

Dentalprodukter AB, now offers an extensive range of products to all dental care professionals. The products of Ivoclar AG, the world's leading manufacturer of dental laboratory products, are also included in the range.

Thanks to the volume benefit offered by an extensive operational area, Hammasväline is increasingly efficient in providing its clients with the products of leading manufacturers at competitive prices. The principals can also make full use of cooperation with Hammasväline all over Finland, Sweden, the Baltic countries and the St. Petersburg region.

#### **Industrial Sector**

**Soredex** develops, manufactures and markets dental X-ray equipment as well as Finndent<sup>®</sup> dentist's chairs and dental care units. The X-ray product family comprises Cranex<sup>®</sup> panoramic X-ray equipment, Cranex<sup>®</sup> TOME and Scanora<sup>®</sup> multi-dimensional tomography equipment for dentomaxillofacial imaging and the Digora<sup>®</sup> digital imaging systems. Exports accounted for over 98%

of Soredex sales, with the major export markets in the United States, Germany, other Western European countries, Korea and Russia.



*The new all-ceramic IPS Empress 2 method offers the possibility to fabricate strong and natural-shaded stainings and layerings as well as crowns and bridges that demonstrate properties similar to those of natural teeth.*

#### **Outlook for 1999**

Oriola's net sales are expected to grow substantially along with increased invoicing in distribution. Operating profit is also anticipated to improve.



# ORION DIAGNOSTICA

FIM million	1998	1997	% change
Net sales	177	195	-9.5%
Exports and subsidiaries abroad	137	153	-10.5%
– % of net sales	77.5%	78.4%	
Exports from Finland	100	90	+11.6%
R&D expenses	17	17	+1.6%
Operating profit	16	12	+38.6%
Investments	7	17	
Personnel	335	376	
– abroad	38	63	
Profitability: Satisfactory			
Share of group net sales	3%	4%	

Orion Diagnostica develops, manufactures and markets diagnostic tests and test systems utilising biomedical research. Operations are focused on products for diagnosing infectious diseases, and for specific protein, hormone and bone metabolism assays.

The division includes Orion Corporation, Orion Diagnostica in Finland, as well as subsidiaries in the Nordic countries. Cooperation with the new marketer for Orion Diagnostica's products, LifeSign L.L.C., after the winding up of the U.S. subsidiary, has progressed as planned.

As a result of the reorganisation of the U.S. operations, Orion Diagnostica's net sales decreased, and they were also somewhat below the budgeted level. The comparable net sales decreased by 2.0%. Exports from Finland increased by 11.6%. Profitability improved from the previous year but fell slightly short of the budget.

There was, however, a growing demand for the unit's core products, such as the Uricult® test for urinary tract infections, the CRP assay methods (C-reactive protein), the Pyloriset® tests as well as hygiene tests. Net sales of hormone and marker products also turned upwards. The new QuikRead® CRP test sold very well even on the less traditional markets, such as China. International operations accounted for close to 80% of Orion Diagnostica's net sales. The major markets



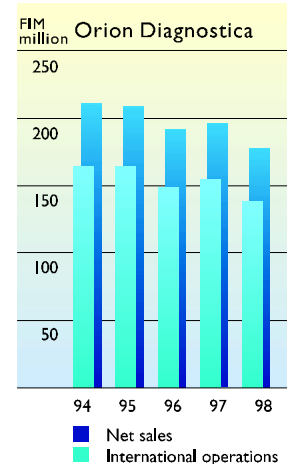
were the Nordic countries, Continental Europe, the U.S. and Japan.

Domestic sales of Orion Diagnostica products declined from the previous year. This was mainly due to the discontinuation of petri dish production and the transition from traditional RIA testing to fully automatic systems. Also the milder than normal influenza epidemic was reflected in lower vaccine sales. Among the subsidiaries, Norway presented a favourable development, particularly thanks to the successful introduction of the QuikRead CRP test system. In Sweden and Denmark the launch of QuikRead was started later. In both countries the total net sales declined and the subsidiaries fell short of their objectives. Sales grew rapidly in China where the distribution of protein products and the sub-assembly of hormone test started.

Product development focused on tests for the detection of *Helicobacter pylori* infection, as well as on bone metabolism and new special markers.

## Outlook for 1999

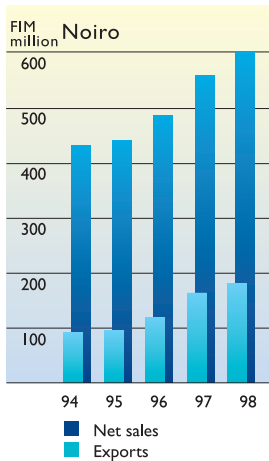
Orion Diagnostica's net sales will slightly grow in result of increased sales of own branded products. Operating profit is expected to improve.



*The IDeA sTfR assay is strengthening its position in the routine diagnosis of iron deficiency anaemia around the world.*

*The PINP assay has proved to be a useful marker in the follow-up of hormone replacement therapy of osteoporosis.*

# NOIRO



FIM million	1998	1997	% change
Net sales	597	554	+7.8%
Exports from Finland	180	162	+11.3%
– % of net sales	30.1%	29.1%	
Operating profit	36	55	-34.4%
Investments	35	22	
Personnel	770	730	
Profitability: Satisfactory			
Share of group net sales	12%	12%	

Noiro manufactures, imports and markets personal care and home care products, cosmetics, hair-dressing products, hospital hygiene products, as well as institutional and industrial cleaning and hygiene products.

Noiro is developing its own strong brands to meet the demands of international markets.

Proprietary brands account for about 80% of Noiro's net sales. International brands represented by Noiro complement the product range.

The Finnish market for cosmetics and detergents continued to grow steadily. Noiro's market share strengthened, and the most positive development was demonstrated by cosmetics and hair-dressing product sales.

Noiro has targetfully reinforced its competitive position in the Nordic countries, Poland, the Baltic countries and Russia.

Despite the abrupt standstill in exports to Russia, the net sales for 1998 were notably above the budgeted level, whereas operating profit was clearly weaker than in 1997, in consequence of the significantly lower exports to Russia during the last quarter of the year. Measures to adapt production were introduced at the Espoo plant.

## Personal daily care and home care products

In the personal daily care and home care products sector, the focus was on the Herbina®, Fii®, Anytime® and Erisan® brands. The sales of Wella®

hair cosmetics represented by Noiro increased substantially. Exports of the Herbina products continued at a sustained level.

## Cosmetics and hairdressing products

Lumene®, representing Noiro's own product development, strengthened its domestic market leadership. Also the exports of Lumene cosmetics grew.

International brands of selective cosmetics, such as Juvena®, Piz Buin® and Babor®, are also represented by Noiro. Juvena did particularly well. The Favora® skin care series developed by Noiro for pharmacy distribution, as well as the Nanoel® cosmetics line strengthened their market position.

Sales of the internationally acclaimed Wella and Kadus® hairdressing products developed favourably. Cutrin®, a hair care line developed by Noiro, increased its sales both in Finland and in export markets.

## Institutional cleaning and hygiene products

Towards the end of the year, the marketing of institutional cleaning and hygiene products and industrial products was regrouped under the name Farnos. The Finnish market for institutional hygiene products grew modestly.

Sales of the Erisan hospital hygiene products, the Farnos industrial hygiene products and cleaning machines, as well as the institutional cleaning machines of Karkone Oy, developed favourably.

## Outlook for 1999

Domestic sales are expected to develop positively whereas exports may decline from the 1998 level due to the uncertainty related to the exports to Russia. Operating profit is estimated to improve from the level of the previous year.



To celebrate its 50<sup>th</sup> anniversary in the autumn of 1998 Noiro introduced a new company identity communicating the harmony of man and nature.



The Lumene and Herbina series were complemented by products for sensitive skin.



# PERSONNEL

In 1998, the average number of the Orion Group personnel was 5,517, up 195 from 1997. The personnel was distributed among 14 locations in Finland, and subsidiaries or representative offices in 17 other countries. The personnel based in Finland, including Normet, totalled 4 889, or 88.6% of the entire staff while the number of those based in other countries was 628, or 11.4%.

Of all employees, 3 828, or 69.4%, were clerical workers and 1 689, or 30.6%, were blue-collar workers.

## The healthcare sector (domestic) and Noiro

Of the Group personnel employed in the healthcare businesses as well as the cosmetics and detergents sector, 2,844 were women (62.1%) and 1,739 (37.9%) men.

The level of education of clerical employees:

secondary school level	631 persons	20.5%
vocational school or post-matriculation level	1,471 persons	47.8%
university level	978 persons	31.7%
	3,080 persons	100.0%

745 persons were engaged in pharmaceutical research and product development.

The average age of the employees was 40 years and the average duration of employment was 10 years.

## Development of competence and well-being

The Orion Group is comprehensively active in the healthcare sector, where broad and deep special skills are required from the personnel. Moreover, growth is sought within the strongest areas of expertise. In the establishment of business strategies, it is therefore vital to understand and manage the core competence of the entire organisation and its operational Divisions. In 1998, the Orion Group spent FIM 20 million to training purchased from external sources, the wages and salaries paid for the training days excluded. Besides conventional training in professional competence, a particular contribution was made to increase managerial and cooperation skills.

Job rotation is an inherent part of the development of competence and expertise. Internal mobility both within and between the Divisions is encouraged, not only to promote versatile skills but also to increase flexibility and overall understanding of Group operations among the employees.

The practical materialisation of the Group values – client satisfaction, personnel appreciation, continuous development and shareholder value – is promoted in the Divisions and in Group personnel collaboration meetings through various introductory addresses and discussions.

The well-being of the personnel is promoted by means of active occupational healthcare and engagement in work safety, by extensive support to personnel recreation activities and by comprehensive attendance to issues dealing with interaction in the working community. Special attention has been paid to managerial work and appraisals. These measures are targeted to provide an overall improvement of physical and mental working capacity.

Personnel turnover increased somewhat whereas the total absence rate remained at the level of previous years, both indicators corresponding to industry averages.

As an incentive measure for long-term commitment, the entire Group personnel were offered an opportunity to subscribe for a bond loan with warrants, in the spring of 1998. Fifty-four percent used their subscription right.

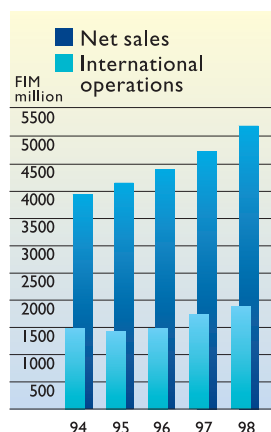


Monica Hildén working with a system used for analysing the dissolution of active substances in orally administered pharmaceutical preparations.

## Personnel of Orion Group by countries 1998 (Average number of personnel)

	Orion Pharma	Oriola	Orion Diagnostica	Noiro	Normet	Central Administration	Total
<b>Finland</b>							
Helsinki region	1 365	837	197	450		25	2 874
Hanko	136						136
Turku region	539	9	47	168			763
Oulu	282	40	49				371
Kuopio	107	36					143
Other localities	65	78		152	308		602
<b>Finland total</b>	<b>2 494</b>	<b>1 000</b>	<b>293</b>	<b>770</b>	<b>308</b>	<b>25</b>	<b>4 890</b>
<b>Foreign countries</b>							
Sweden	58	10	18				86
Denmark	112		6				118
Norway	11		9				20
Germany	140						140
UK	21						21
Ireland	5						5
Switzerland	13						13
USA	6		5				33
Estonia		22					51
Latvia	3	38					41
Lithuania		46					46
Russia	21						21
Other countries	28		4				32
<b>Foreign countries total</b>	<b>418</b>	<b>167</b>	<b>42</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>627</b>
<b>Total</b>	<b>2 912</b>	<b>1 167</b>	<b>335</b>	<b>770</b>	<b>308</b>	<b>25</b>	<b>5 517</b>

# REPORT BY THE BOARD OF DIRECTORS



## Net sales

### GROUP

The Orion Group net sales for 1998 were FIM 5,172 million, (FIM 4,695 million in 1997) and they grew by 10.2% (7.1%) from the previous year. Net sales in Finland grew by 11.4% (2.8%) and international operations by 8.0% (15.5%). Changes in foreign currency exchange rates had little impact on the growth in international operations.

International operations, i.e. exports from Finland and net sales of foreign subsidiaries, accounted for FIM 1,864 million (FIM 1,726 mill.) or 36.0% (36.8%) of the consolidated net sales. The most important markets were Scandinavia, other western Europe and the USA. The most rapid growth was achieved in the USA, Sweden, the Baltic countries and Central Europe.

Net sales of Orion Pharma grew by 5.4% (5.2%). The total Finnish market for pharmaceuticals, including veterinary drugs, grew by 8.0% (5.6%). The domestic net sales of the Orion Pharma division grew by 3.2% (decreased 1.7% in 1997). The market share in Finland was 21.3%, down 1.4 percentage units in result of increased price competition.

International operations of Orion Pharma grew by 7.8% (14.7%) and they contributed 47.3% of the total Orion Pharma net sales. Sales developed positively in Sweden, southern Europe and North America. The largest export products were the Divina hormone replacement therapy series, the breast cancer drug Fareston, Eldepryl for Parkinson's Disease, the calcium blocker Cardil both as a preparation and a drug substance, as well as the animal sedatives. Sales of Fareston to patients in the USA have not started as expected.

The strongest sales growth was demonstrated by the hormone replacement therapy products, Fareston, the animal sedatives, the active substance diltiazem, and Comtess/Comtan (entacapone) for Parkinson's Disease, the sales of which started during the last quarter of the year. The sales of Beclomet Easyhaler and Cardil decreased slightly from the previous year. The export value of Eldepryl declined further by 34.0%, due to price competition.

The international operations of Orion Pharma include a total of FIM 37 million (FIM 32 mill.) agreement-based payments from marketing partners.

Oriola's invoicing grew by 13.5% to FIM 3,249 million. Oriola's development was strong, thanks to the new distribution agreements for Finland

with Zeneca, Hoechst Marion Roussel Oy, Janssen-Cilag Oy and Amgen, a.o., and the growth of operations in the Baltic area. Deliveries to the St. Petersburg region started. The development in the equipment and supplies sector has also been good. Initial costs were included in the operations in the Baltic countries, Russia and Sweden.

Orion Diagnostica developed favourably as a whole, having recovered from the recent years' exits of product representations. Observing the rearrangements of the U.S. operations, the comparable net sales declined by 2.0%, whereas the sales of proprietary products grew by 2.0%. The sales of the QuikRead system for measuring C-reactive protein have grown significantly.

Noiro's growth on the domestic market was good, and also the total exports grew despite the sudden slowdown in exports to Russia during the latter half of the year. Exports to Poland and Sweden developed favourably.

Normet's own mining equipment and forest machines performed well, whereas the net sales of drilling platforms and rock construction equipment suffered from the economic difficulties in the Far East.

The growth of Oriola's net sales gave a strong contribution to the average growth of the Group total. The development of net sales and international operations by business area, by Division and by market area, as well as the development of the operating profit by business area are presented in the table on the next page. Due to eliminations of internal transactions, the consolidated sums cannot be directly derived from the divisional figures.

### PARENT COMPANY

The net sales of the Group parent company Orion Corporation were FIM 3,148 million (FIM 2,961 mill.), up 6.3% (7.0%).

## Profits

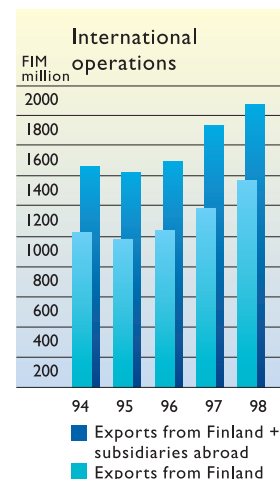
### GROUP

Operating profit for the Orion Group was FIM 67 million less than that of the previous year. This was due to lower gross margins, the increase in the marketing as well as R&D costs of Orion Pharma, as well as the discontinued exports by Noiro to Russia and the related consequences. Other operating income in the consolidated income statement includes FIM 7 million in net gains from the sales of minor real estate property (FIM 22 mill. net gains from sales of shares in September 1997), as well as

\* The figures in parentheses refer to those of 1997. The percentages reflecting changes on the previous year have been calculated from more precise figures than the published ones.

## Net sales and international operations by Division

	Net sales			International operations		
	1998 FIM million	1997 FIM million	Change %	1998 FIM million	1997 FIM million	Change %
<b>HEALTHCARE</b>						
Orion Pharma	2 432	2 308	+ 5.4	1 150	1 067	+ 7.8
Oriola	1 867	1 533	+ 21.8	265	218	+ 21.6
Orion Diagnostica	177	195	- 9.5	137	153	- 10.5
Healthcare total	4 382	3 951	+ 10.9	1 543	1 434	+ 7.6
<b>COSMETICS AND DETERGENTS</b>						
Noiro	597	554	+ 7.8	179	161	+ 11.4
<b>ENGINEERING</b>						
Normet	208	204	+ 2.1	142	132	+ 8.0
<b>Group total</b>	<b>5 172</b>	<b>4 695</b>	<b>+ 10.2</b>	<b>1 864</b>	<b>1 726</b>	<b>+ 8.0</b>



## International operations by market area

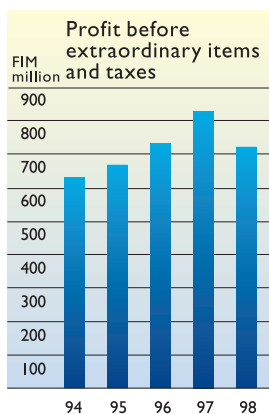
	1998		1997		Change %
	FIM million	%	FIM million	%	
Scandinavia	358	19.2	337	19.5	+ 6.2
Other European markets	981	52.6	907	52.6	+ 8.2
North America	301	16.1	255	14.8	+ 18.0
Other markets	224	12.1	227	13.1	- 1.5
<b>Total</b>	<b>1 864</b>	<b>100.0</b>	<b>1 726</b>	<b>100.0</b>	<b>+ 8.0</b>

## Operating profit by Division

	1998		1997		Change %
	FIM million	%	FIM million	%	
<b>HEALTHCARE</b>					
Orion Pharma	448	68.9	465	64.8	- 3.6
Oriola	143	22.0	142	19.9	+ 0.3
Orion Diagnostica	16	2.5	12	1.6	+ 38.6
Healthcare total	607	93.4	619	86.3	- 2.0
<b>COSMETICS AND DETERGENTS</b>					
Noiro	36	5.6	55	7.7	- 34.4
<b>ENGINEERING</b>					
Normet	24	3.7	29	4.0	- 16.4
Group items	- 17	- 2.7	14	2.0	
<b>Total</b>	<b>650</b>	<b>100.0</b>	<b>717</b>	<b>100.0</b>	<b>- 9.3</b>

## Group net sales and operating profit by quarters

FIM million	7-9/97	10-12/97	1-3/98	4-6/98	7-9/98	10-12/98
Net sales	1 093	1 271	1 344	1 283	1 220	1 325
Operating profit	190	165	210	134	160	146



altogether FIM 27 million in received compensation and reversed expense accruals resulting from the completed litigation proceedings related to the drug substance diltiazem. Net financial income from ordinary financial operations was somewhat less than that of the previous year. The result as a whole was still very satisfactory.

Operating profit was FIM 650 million (FIM 717 mill.), down 9.3% (up 13.4%). Oriola and Orion Diagnostica improved their profits. The profitability of Orion Pharma and Oriola was on a very satisfactory level, whereas Orion Diagnostica's and Noiro's profitability was at a satisfactory level.

Net financial income in the consolidated Income Statement was FIM 70 million (FIM 110 mill.). Net earnings from ordinary financial operations were FIM 6 million less than in the previous year. Net interest income was FIM 39 million (FIM 33 mill.). The net losses from foreign exchange rate changes were FIM 4 million (net gains FIM 7 mill.). Net income from securities other than shares in associated companies, dividends included, were FIM 21 million (FIM 22 mill.). The associated companies contributed FIM 14 million (FIM 48 million) to the financial income. The decreased contribution was mainly due to the reduced earnings of the Instrumentarium Group.

Group profit before extraordinary items and taxes was FIM 720 million (FIM 827 million), down 13.0% (up 12.0%). Taxes for the fiscal year were FIM 217 million (FIM 231 mill.). In accordance with the new Accounting Act, not only the tax expense but also the change in deferred tax liabilities and deferred tax assets is included in the income taxes for the financial year. The corresponding figures for the preceding years have been re-calculated accordingly, as concerns the deferred tax liability included in the appropriations. Other deferred tax liabilities and tax assets for earlier years are presented under extraordinary items for 1998.

Earnings per share were FIM 7.19 against FIM 8.51 in the previous year, down 15.6%. Shareholders' equity per share was FIM 62.05 (FIM 61.76). Group return on invested capital (ROI) before extraordinary items and taxes was 16.2% (19.0%). Return on shareholders' equity (ROE) after taxes was 11.6% (14.4%).

## Financing

Group solvency and liquidity were good. The Group's finance, investment and currency strategy is to support business and to achieve good and

solid long-term earnings in all conditions, by avoiding unnecessary capital risks. A most neutral interest, currency, investment and counterparty portfolio is maintained by means of a diversified money market portfolio.

Accordingly, the Group's cash reserves were placed in money market instruments and bonds issued by approved counterparties. Minor sums were invested in listed shares and investment funds.

The cash flow from imports exceeded slightly the corresponding cash flow from exports. Net exposures have been hedged at Group level.

Derivatives were only utilised for hedging against risks involved in foreign currencies and interest instruments.

Liabilities, in the consolidated Balance Sheet of Dec. 31, 1998 were FIM 1,336 million (FIM 1,395 mill.), deferred tax included, of which the share of interest-bearing liabilities accounted for FIM 307 million (FIM 278 mill.). Short-term interest-bearing debt accounted for 18.4% (5.1%) of total interest-bearing liabilities.

Solvency ratio, the indicator of Group solvency, grew to 77.0% (75.8%) by the financial year end. Gearing, reflecting Group net indebtedness, was -20.7% (-28.1%).

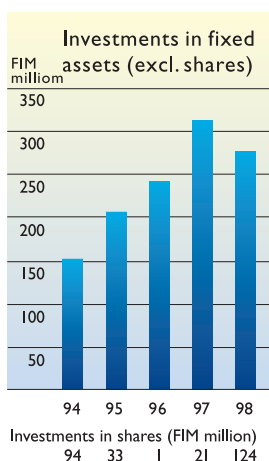
## Investments in fixed assets

Gross investments by the Group were FIM 400 million (FIM 333 mill.), or 7.7% (7.1%) of the net sales. The breakdown of the gross investments was as follows:

FIM million	1998	1997
Land and water	0	10
Buildings	56	59
Machinery and equipment	143	160
Shares	124	21
Other fixed assets	77	83
<b>Total</b>	<b>400</b>	<b>333</b>

Gross investments, excluding those in securities, were FIM 276 million (FIM 312 mill.), or 5.3% (6.6%) of Group net sales. The breakdown of gross investments by business division was as follows:

FIM million	1998	1997
Orion Pharma	209	195
Oriola	21	55
Orion Diagnostica	7	17
Noiro	35	22
Normet	11	10
Central Administration	117	34
<b>Total</b>	<b>400</b>	<b>333</b>



The investments by Orion Pharma were mainly assigned to machinery and equipment. During the financial year, the construction work for expanding the R&D facilities was started, and the upgrading of the tablet packaging department in Espoo was completed. The investments also include the UK marketing rights for the Tridestra hormone replacement therapy products repurchased from Sanofi Winthrop Ltd, and the acquisition of the shares in Oy Pharmaco Ab. Investments within Oriola include the completion of the warehouse expansion in Espoo, and the immaterial rights related to the dental business acquisitions in Sweden. Noiro's main investments were focused on the upgrading of the Espoo plant, as well as machinery and equipment. The investments by the Central Administration consisted mainly of shares issued by Instrumentarium Corporation.

### Acquisitions and Group structure

In January, Orion Corporation Medion acquired the business of NDT-Myynti Kaj Mervasto Oy, specialising in non-destructive testing products. In February, Oy Pharmaco Ab became wholly-owned by Orion Corporation through an acquisition from Schering AG which previously owned half of its share stock. The business of the U.S. subsidiary of Orion Diagnostica was sold in March to LifeSign L.L.C., which continues as a distributor for Orion Diagnostica's products in the USA and Mexico. The shares in Kiinteistö Oy Västanhäll, a real estate company, were sold in March.

Oriola Oy Hammasväline, the dental business of Oriola, expanded its operations to Sweden in May by establishing a subsidiary, Oriola Dentalprodukter AB, which continues the operations of former Dentalprodukter G.T. AB. The product portfolio of the new subsidiary was complemented in September through the acquisition of the business of Dental Medico AB, marketer for dental care products in Sweden. In October, Orion Pharma established a subsidiary, Orion Pharma SA, in France, to start operations during the first half of 1999. In December, the subsidiary Zao Oriola SPb was established by Alnitak Oy, a Group company.

Events after the end of the financial year, include the divestment of the business of the Orion Corporation Normet division to a new company established by Sitra Fenno Management Oy, Sitra Technology Fund Ky and Normet's key persons.

The 1998 net sales of Normet were FIM 208 million and the unit employed 308 persons.

### Personnel

The average total number of personnel employed by the Group was 5,517. The Group personnel increased by 195 persons, or 3.7% from the previous year. The personnel employed by the parent company Orion Corporation increased by 97 persons, or 2.4%.

Group personnel:

	1998	%	1997	%
Orion Corporation	4 081	74.0	3 984	74.8
Subsidiaries in Finland	858	15.5	802	15.1
Total Finland	4 939	89.5	4 786	89.9
Subsidiaries abroad	578	10.5	536	10.1
Group total	5 517	100.0	5 322	100.0

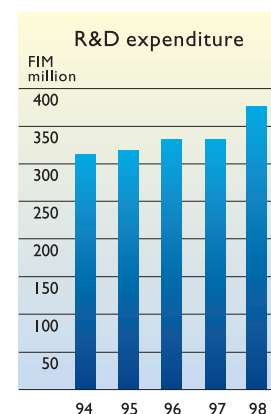
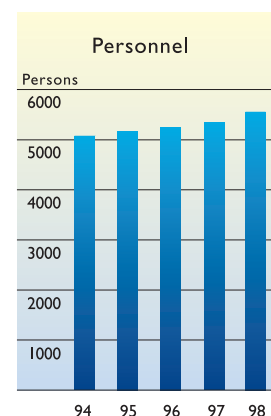
Group personnel by business area and by Division:

	1998	1997
<b>HEALTHCARE</b>		
Orion Pharma	2 912	2 818
Oriola	1 167	1 089
Orion Diagnostica	335	376
Healthcare total	4 414	4 283
<b>COSMETICS AND DETERGENTS</b>		
Noiro	770	730
<b>ENGINEERING</b>		
Normet	308	284
<b>CENTRAL ADMINISTRATION</b>		
	25	25
Group total	5 517	5 322

In accordance with the decision by the Supervisory Board in December, the Board of Directors as of Jan. 1, 1999 continued to be as follows: Juhani Leikola, Chairman, Aatto Prihti, Deputy Chairman, the other members being Erkki Etola, Eero Karvonen, Markku Talonen and Pauli Torkko.

### Research and development

Group expenditure on research and development, excluding received financial contributions, were FIM 376 million (FIM 332 mill.), or 7.3% (7.1%) of the net sales. Orion Pharma R&D expenditure corresponded to 14.8% (13.6%) of the net sales of pharmaceutical preparations. The parent company's share of the total Group R&D expenses was FIM 364 million (FIM 321 mill.), or 11.6% (10.8%). The Group R&D expenditure grew by 13.1% (de-



creased by 0.2%), due to costs mainly associated with clinical drug research projects. Investment in R&D is of vital importance in securing long-term growth and profitability for the Group. The R&D expenditure was proportionally largest in Orion Pharma and Orion Diagnostica.

An EU-wide marketing authorisation was received for the Parkinson's Disease drug Comtess/Comtan (entacapone) in September. By the end of the year, Comtess was launched within Orion's marketing territory in Europe. The New Drug Application dossier for Comtan was filed with the U.S. FDA in February 1998.

The new drug application documentation for the intravenous formulation of Simdax (levosimendan), a calcium sensitiser for severe heart failure, was submitted to the FDA towards the end of 1998. The corresponding European file is under review since early 1999, for seeking approval through the mutual recognition process.

The multinational phase 3 clinical trials with dexmedetomidine were completed by Abbott Laboratories, and the application documents for marketing approvals were submitted simultaneously to both the U.S. FDA and the EMEA for the EU. Dexmedetomidine is an analgetic sedative intended for patients in intensive care setting.

### **Introduction of the euro**

Within the Orion Group, matters associated with the euro have been studied and analysed since late 1996. The euro will be introduced gradually. As of the beginning of 1999, the euro is already used as the currency for those customers and suppliers favouring it. Also the financial information according to the Securities Market Act is reported in euros, as recommended by the HEX Helsinki Exchanges. Within the business divisions, the competitive and other business-related aspects of the transition to the euro have been studied, and each have laid out their individual introduction plans. As of the beginning of 2000, accounting and internal reporting will shift to the euro, although some sub-systems will continue using the markka until the end of the transition period.

About 75% of the Group invoicing takes place within the euro zone. The need for hedging is mainly focused on receivables quoted in USD, GBP and JPY.

### **Year 2000**

Measures to identify and manage the possible business risks related to the approaching millennium change as well as to evaluate the associated costs have been taken within the Group's business divisions. Here, the target is, in collaboration with the business partners, to ensure the function of such information technology, software and hardware as is vital to uninterruptedly continuing business activity in such a way that serious disturbances are avoided. The necessary procedures to upgrade systems are being taken. Moreover, a versatility of efforts are being made to ensure that the millennium change is managed without risking the business relationships with customers.

### **Outlook for 1999**

Within Orion Pharma, the hormone replacement products, the Parkinson's disease drug Comtess/Comtan and the animal sedatives will be the most important growth generators based on own research. On the other hand, factors decreasing the net sales include the sluggish start of Fareston sales in the U.S., the declining sales of Eldepryl, as well as the exit of the Boehringer Mannheim products from the portfolio of the Danish subsidiary. The growth of the Finnish market for pharmaceuticals is estimated to slacken as a result of the new reimbursement regulations, which will be reflected in Orion's sales. Hence, the operating profit for Orion Pharma is estimated to remain on the level of 1998.

The profitability outlook for Oriola, Orion Diagnostica and Noiro is better than in the previous year. Following the divestment of Normet in February 1999, the operating profit for the Group is anticipated to remain at the level of the previous year, and the growth of net sales is expected to level off.

Planned R&D expenditure is FIM 390 million. The budget for investments in fixed assets, excluding possible company and product acquisitions and securities, is FIM 340 million.

### **Share capital and shares of Orion Corporation**

The share capital of Orion Corporation is FIM 699.7 million, and each share has a nominal value of FIM 10. The total stock divides into 37,018,755 A-shares representing 52.9%, and 32,952,874 B-shares, representing 47.1% of the stock.



According to the Bylaws of Orion Corporation, the shareholder can request the conversion of his A-shares into B-shares. During 1998, a total of 44,572 A-shares were converted to B-shares.

At General Meetings, each A-share entitles the shareholder to twenty (20) votes and each B-share to one (1) vote. Both A- and B-shares provide the shareholder with equal rights with respect to company assets and dividends.

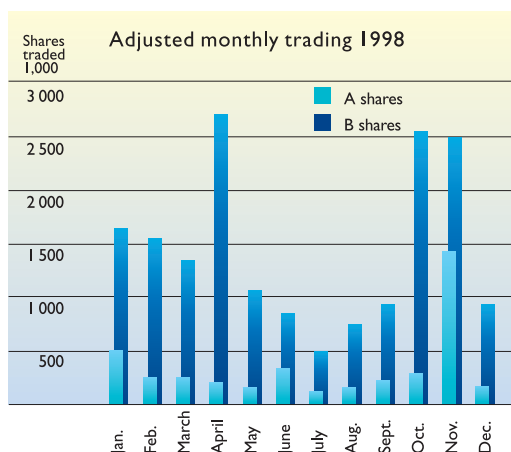
The minimum share capital of Orion Corporation is FIM 500.0 million and the maximum share capital is FIM 2,000.0 million. The share capital can be increased or decreased within these limits without amending the Bylaws.

The Board of Directors has no existing maximum by the General Meeting to raise the share capital or to issue a bond loan, convertible bonds or option rights.

Oriola Oy's holding in Orion Corporation accounts for 2,453,208 A-shares corresponding to 3.51% of the share capital and 6.34% of the total number of votes.

## Quotations and trading

Both Orion Corporation series of shares are quoted on the HEX Helsinki Exchanges. During the



fiscal year, the number of shares traded on the Stock Exchange rose to 21.2 million, corresponding to 30.3% of the share capital. Total value of trading was FIM 3,078.7 million. The traded volumes were 4,026,444 A-shares, or 10.9%, and 17,164,609 B-shares, or 52.1%.

		1998	1997	1996	1995	1994
Share capital	MFIM	699.7	699.7	499.8	499.8	499.8
A-shares	MFIM	370.2	370.6	264.7	264.7	264.7
B-shares	MFIM	329.5	329.1	235.1	235.1	235.1
Share issues						
Bonus issue	MFIM	-	(5:2)199.9	-	-	-
Shareholders		21,783	19,001	17,933	19,223	19,563

## Bond Loan with Warrants to personnel

The Annual General Meeting held on April 20, 1998, approved the proposal by the Board of Directors to offer a bond loan with warrants for subscription to the Group personnel. The subscription period was May 4 - June 5, 1998. The nominal value of each bond certificate was FIM 300, with 100 warrants attached to each. The loan period is three years, and no interest will be paid for the loan. The loan will be repaid in one instalment on May 22, 2001. The total bond loan capital on December 31, 1998 was FIM 11,571,900. The amount includes a loan at FIM 1,209,000 subscribed by Oriola Oy, to be utilised for incentive purposes in future recruitments, by the Board's consent.

On the basis of the bond certificates, up to 3,857,300 new B-shares of FIM 10 nominal value can be subscribed during May 2, 2001 - April 30, 2005, corresponding to 5.5% of the total stock and 0.5% of the total votes. According to the terms of the loan, half of the shares can be subscribed during May 2, 2001 - April 30, 2005 and half during May 2, 2003 - April 30, 2005. The subscription price is FIM 206, and it will be reduced by the amount of dividends distributed after June 19, 1998 but before the date of subscription for the shares, as per each dividend record date. The shares will entitle to dividends for the financial year during which the shares have been subscribed for. In result of subscriptions based on the warrant certificates, the share capital can increase by up to FIM 38,573,000.

## Shareholders by type of owner on Jan. 31, 1999

	A shares			B shares			Total		
	Share-holders	% of share-holders	% of shares	Share-holders	% of share-holders	% of shares	Share-holders	% of share-holders	% of shares
Individuals	10 185	94.7	47.2	15 632	93.2	41.8	20 303	93.2	44.7
Corporations and partnerships	348	3.2	22.5	671	4.0	9.1	921	4.2	16.2
Banks and insurance companies	33	0.3	11.5	70	0.4	10.5	82	0.4	11.0
Public entities	17	0.2	10.9	48	0.3	11.6	52	0.2	11.3
Associations and foundations	130	1.2	6.3	293	1.8	7.6	348	1.6	6.9
Foreign shareholders, incl. nominee registrations	48	0.4	1.5	51	0.3	19.3	77	0.4	9.8
<b>Total</b>	<b>10 761</b>	<b>100.0</b>	<b>99.9</b>	<b>16 765</b>	<b>100.0</b>	<b>99.9</b>	<b>21 783</b>	<b>100.0</b>	<b>99.9</b>
Shares not transferred to the book-entry securities system or not subscribed to			0.1			0.1			0.1
			100.0			100.0			100.0

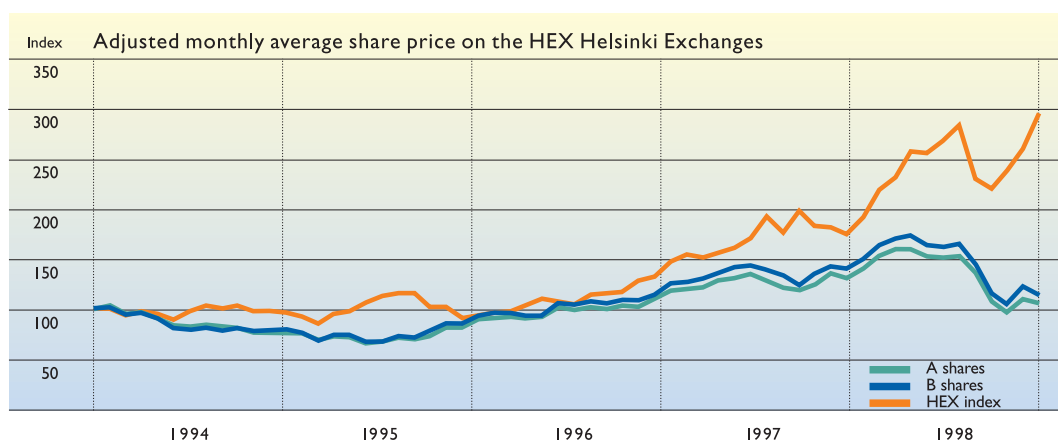
## Shareholders by number of shares held on Jan. 31, 1999

	A shares				B shares				Total			
	Shares	Share-holders	% of share-holders	% of shares	Share-holders	% of share-holders	Shares	% of shares	Share-holders	% of share-holders	Shares	% of shares
1-100	2 120	19.7	117 649	0.3	3 298	19.7	198 847	0.6	4 021	18.5	244 828	0.3
101-500	4 007	37.2	1 053 004	2.8	7 042	42.0	1 946 513	5.9	8 586	39.4	2 332 976	3.3
501-1000	1 899	17.7	1 421 806	3.8	2 939	17.5	2 197 402	6.7	3 444	15.8	2 579 195	3.7
1001-10000	2 430	22.6	6 874 582	18.6	3 211	19.2	7 873 503	23.9	5 132	23.5	14 114 552	20.2
10001-50000	226	2.1	4 874 884	13.2	214	1.3	4 082 526	12.4	469	2.2	9 397 567	13.4
50001-100000	36	0.3	2 507 604	6.8	32	0.2	2 212 162	6.7	64	0.3	4 381 988	6.3
100001-500000	29	0.3	7 241 806	19.6	24	0.1	4 960 367	15.0	45	0.2	9 791 695	14.0
over 500000	14	0.1	12 890 884	34.8	5	0.0	9 442 443	28.7	22	0.1	27 053 181	38.0
<b>Total</b>	<b>10 761</b>	<b>100.0</b>	<b>36 982 219</b>	<b>99.9</b>	<b>16 765</b>	<b>100.0</b>	<b>32 913 763</b>	<b>99.9</b>	<b>21 783</b>	<b>100.0</b>	<b>69 895 982</b>	<b>99.9</b>
Shares not transferred to the book-entry securities system or not subscribed to			36 536	0.1			39 111	0.1			75 647	0.1
			37 018 755	100.0			32 952 874	100.0			69 971 629	100.0

Orion Corporation had a total of 21,783 registered shareholders in the book-entry securities system on Jan. 31, 1999.

There were 6,713,437 nominee registered Orion Corporation shares in the book-entry securities system on Jan. 31, 1999.

This is 9.6% of the total shares and 1.9% of the total votes.



## Major shareholders on January 31, 1999

By number of shares	A shares	B shares	Total	% of shares	Votes	% of votes	By number of votes
1. Pohjola Group	2 698 084	1 438 638	4 136 722	<b>5.91%</b>	55 400 318	<b>7.16%</b>	1.
2. Sampo Group	2 151 374	624 031	2 775 405	<b>3.97%</b>	43 651 511	<b>5.64%</b>	3.
3. Orion Corporation Pension Fund*	1 814 552	646 584	2 461 136	<b>3.52%</b>	36 937 624	<b>4.78%</b>	5.
4. Oriola Oy* (subsidiary of Orion Corp.)	2 453 208	0	2 453 208	<b>3.51%</b>	49 064 160	<b>6.34%</b>	2.
5. Brade Jouko + companies	1 190 500	908 100	2 098 600	<b>3.00%</b>	24 718 100	<b>3.20%</b>	6.
6. Tapiola Group	685 780	1 352 136	2 037 916	<b>2.91%</b>	15 067 736	<b>1.95%</b>	9.
7. Instrumentarium Corporation	2 000 000	0	2 000 000	<b>2.86%</b>	40 000 000	<b>5.17%</b>	4.
8. Etola Erkki + companies	1 185 474	58	1 185 532	<b>1.69%</b>	23 709 538	<b>3.07%</b>	7.
9. The Land and Watertechnology Foundation and Tukinvest Oy	1 011 680	8 398	1 020 078	<b>1.46%</b>	20 241 998	<b>2.62%</b>	8.
10. The Social Insurance Institution	0	829 784	829 784	<b>1.19%</b>	829 784	<b>0.11%</b>	
11. Ylppö Jukka	623 568	142 248	765 816	<b>1.09%</b>	12 613 608	<b>1.63%</b>	10.
12. Saastamoinen Foundation	619 998	0	619 998	<b>0.89%</b>	12 399 960	<b>1.60%</b>	
13. Aho Juhani + companies	551 336	2	551 338	<b>0.79%</b>	11 026 722	<b>1.43%</b>	
14. Fennia Group	137 006	339 748	476 754	<b>0.68%</b>	3 079 868	<b>0.40%</b>	
15. The Finnish Cultural Foundation	130 000	297 690	427 690	<b>0.61%</b>	2 897 690	<b>0.37%</b>	
<b>Total</b>	<b>17 252 560</b>	<b>6 587 417</b>	<b>23 839 977</b>	<b>34.07%</b>	<b>351 638 617</b>	<b>45.47%</b>	
Nominee registrations	424 491	6 288 946	6 713 437	<b>9.59%</b>	14 778 766	<b>1.91%</b>	
Other	19 341 704	20 076 511	39 418 215	<b>56.34%</b>	406 910 591	<b>52.62%</b>	
<b>All shareholders total</b>	<b>37 018 755</b>	<b>32 952 874</b>	<b>69 971 629</b>	<b>100.00%</b>	<b>773 327 974</b>	<b>100.00%</b>	

\* Not entitled to vote at General Shareholders' Meetings.

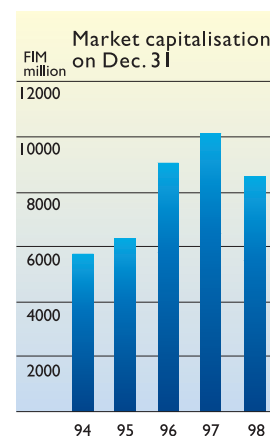
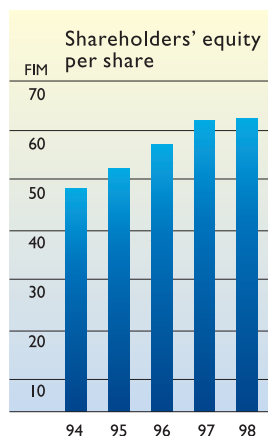
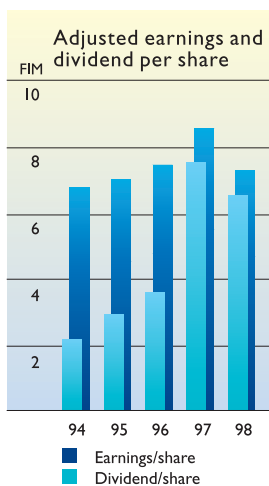
## Management interests Jan. 31, 1999

Members of the Supervisory Board and the Board of Directors, and the President and the Executive Vice President (including the companies in which they hold control) own altogether 4,360,825 shares, or 6.23% of the total stock, entitling to altogether 67,368,473 votes, or 8.71% of the total number of votes. On the basis of the 1998 bond

loan subscriptions, the President and the Executive Vice President are holding altogether 80,000 bond certificates which entitle them to increase their shareholding in the company by altogether 80,000 shares, or 0.11% of the current total share stock and 0.01% of the total votes.

## Adjusted data per share

		1998	1997	1996	1995	1994
Earnings per share (EPS)	FIM	<b>7.19*</b>	8.51	7.41	6.95	6.74
Shareholders' equity per share	FIM	<b>62.05</b>	61.76	56.37	51.49	47.11
Total dividends	MFIM	<b>454.8**</b>	524.8	249.9	199.9	149.9
Dividend per share	FIM	<b>6.50**</b>	7.50	5.00	4.00	3.00
Adjusted dividend per share	FIM	<b>6.50**</b>	7.50	3.57	2.86	2.14
Adjusted dividend per earnings	%	<b>90.4%**</b>	88.1%	48.2%	41.2%	31.8%
Adjusted yield	A %	<b>5.4%**</b>	5.2%	2.7%	3.1%	2.6%
Adjusted yield	B %	<b>5.3%**</b>	5.2%	2.8%	3.2%	2.7%
Adjusted P/E ratio	A	<b>16.85</b>	16.95	17.64	13.10	12.27
Adjusted P/E ratio	B	<b>16.91</b>	16.88	17.11	12.71	11.82
Share price on Dec. 31,	A FIM	<b>120.50</b>	144.00	182.00	124.00	117.00
Share price on Dec. 31,	B FIM	<b>122.40</b>	144.00	177.00	122.00	112.00
Adjusted price on Dec. 31,	A FIM	<b>120.50</b>	144.00	130.00	88.57	83.57
Adjusted price on Dec. 31,	B FIM	<b>122.40</b>	144.00	126.43	87.14	80.00
Adjusted average share price	A FIM	<b>140.74</b>	137.21	108.09	81.26	101.80
Adjusted average share price	B FIM	<b>146.35</b>	135.96	103.79	78.59	93.29
Adjusted lowest share price	A FIM	<b>99.70</b>	122.86	91.43	69.64	82.14
Adjusted lowest share price	B FIM	<b>95.00</b>	122.50	87.86	65.00	75.00
Adjusted highest share price	A FIM	<b>189.00</b>	157.14	132.14	91.43	117.14
Adjusted highest share price	B FIM	<b>185.00</b>	153.47	127.86	90.00	107.14
Market capitalisation on Dec. 31,	MFIM	<b>8 491.0</b>	10 074.2	9 015.6	6 280.6	5 688.0
Adjusted number of A shares traded	000s	<b>4 026</b>	7 380	6 071	2 421	1 729
% of A shares	%	<b>10.9%</b>	19.9%	16.4%	6.5%	4.7%
Adjusted number of B shares traded	000s	<b>17 165</b>	17 113	13 944	7 585	5 657
% of B shares	%	<b>52.1%</b>	52.0%	42.4%	23.1%	17.2%
Shares traded						
% of total share capital	%	<b>30.3%</b>	35.0%	28.6%	14.3%	10.6%
Number of shares on Dec. 31, A shares		<b>37 018 755</b>	37 063 327	26 473 802	26 473 802	26 473 804
B shares		<b>32 952 874</b>	32 908 302	23 505 930	23 505 930	23 505 930
Total		<b>69 971 629</b>	69 971 629	49 979 732	49 979 732	49 979 734
Adjusted number of shares annual average	no.	<b>69 971 629</b>	69 971 629	69 971 625	69 971 625	69 971 628
Adjusted number of shares at the end of the financial year	no.	<b>69 971 629</b>	69 971 629	69 971 625	69 971 625	69 971 628
*Earnings per share, including dilution, FIM		<b>7.13</b>	Formulas for calculating the key indicators on page 27.			
**proposed						



**The key indicators were calculated using the following formulas according to Financial Supervision guidelines**

Return on investment % (ROI)	=	$\frac{\text{Profit before extraordinary items} + \text{interest and other financial expenses}}{\text{Balance Sheet total} - \text{interest-free liabilities (annual average)}}$	x 100
Return on equity % (ROE)	=	$\frac{\text{Profit before extraordinary items} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest}}$	x 100
Solvency ratio %	=	$\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Balance Sheet total} - \text{advances received}}$	x 100
Gearing, %	=	$\frac{\text{Interest-bearing liabilities} - \text{investments in shares and other securities and cash in hand and at banks}}{\text{Shareholders' equity} + \text{minority interest}}$	x 100
Earnings per share, FIM/EUR (EPS)	=	$\frac{\text{Profit before extraordinary items} - \text{minority interest} - \text{income taxes}}{\text{Average adjusted number of shares}}$	
Earnings per share, including dilution, FIM/EUR	=	Earnings increased by market interest, net of tax, on the capital increase corresponding to the warrants outstanding. The warrants outstanding have been included in the number of shares.	
Shareholders' equity per share, FIM/EUR	=	$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares on the day of closing the accounts}}$	
Dividend per share, FIM/EUR	=	$\frac{\text{Dividend for the financial year}}{\text{Adjusted number of shares on Dec. 31}}$	
Dividend per earnings, %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$	x 100
Adjusted yield, %	=	$\frac{\text{Dividend per share}}{\text{Weighted average adjusted price on Dec. 31}}$	x 100
Price per earnings ratio	=	$\frac{\text{Weighted average adjusted price on Dec. 31}}{\text{Adjusted earnings per share}}$	
Adjusted average share price, FIM/EUR	=	$\frac{\text{Total trade of shares, FIM}}{\text{Adjusted number of shares traded during financial year}}$	
Market capitalisation, FIM/EUR million	=	Number of shares at the end of the financial year x weighted average adjusted share price on Dec. 31, by share type	

# FINANCIAL DEVELOPMENT OF THE ORION GROUP

Figures in FIM million	1998	1997	1996	1995	1994
<b>Net sales and profit</b>					
Net sales	5 172	4 695	4 382	4 147	3 943
Change on the previous year %	+10.2%	+7.1%	+5.7%	+5.2%	+6.3%
Exports from Finland	1 362	1 189	1 038	978	1 024
Change on the previous year %	+14.5%	+14.6%	+6.1%	-4.5%	+15.0%
International operations	1 864	1 726	1 495	1 413	1 456
% of net sales	36.0%	36.8%	34.1%	34.1%	36.9%
Change on the previous year %	+8.0%	+15.5%	+5.8%	-3.0%	+12.1%
Depreciation according to plan	233	226	220	204	204
Operating profit	650	717	632	596	584
% of net sales	12.6%	15.3%	14.4%	14.4%	14.8%
Financial income and expenses	+70	+110	+106	+74	+47
% of net sales	+1.4%	+2.3%	+2.4%	+1.8%	+1.2%
Profit before extraordinary items and taxes	720	827	738	670	631
% of net sales	13.9%	17.6%	16.8%	16.1%	16.0%
Extraordinary items (net)	+23	+0	+21	-2	+22
Income taxes*	217	231	220	183	159
Profit after taxes without extraordinary items	503	596	518	486	471
Return on invested capital before extraordinary items and taxes	16.2%	19.0%	18.1%	17.9%	18.4%
Return on equity	11.6%	14.4%	13.7%	14.1%	15.1%
<b>Balance sheet</b>					
Current assets	2 932	3 118	2 968	2 803	2 730
Non-current assets	2 752	2 605	2 454	2 383	2 336
Liabilities	1 336	1 395	1 471	1 575	1 762
Interest-free liabilities	1 029	1 117	1 002	990	1 123
Interest-bearing liabilities	307	278	469	585	639
Provisions	5	6	7	9	8
Shareholders' equity	4 342	4 321	3 944	3 603	3 296
Balance Sheet total	5 683	5 722	5 423	5 186	5 066
Solvency ratio	77.0%	75.8%	72.8%	69.5%	65.1%
Gearing	-20.7%	-28.1%	-27.3%	-22.7%	-20.5%
<b>Investment in fixed assets</b>					
Gross investments	400	333	243	238	244
% of net sales	7.7%	7.1%	5.5%	5.7%	6.2%
Gross investments excluding shares	276	312	241	205	150
% of net sales	5.3%	6.6%	5.5%	4.9%	3.8%
<b>Research and development expenditure</b>					
Research and development expenditure	376	332	333	317	311
% of net sales	7.3%	7.1%	7.6%	7.6%	7.9%
<b>Personnel</b>					
Wages and salaries paid	834	781	775	738	698
Number of employees	5 517	5 322	5 244	5 147	5 042
Net sales per employee, FIM thousand	937	882	836	806	782

\*According to the regulations of the new Finnish Accounting Act the change in deferred tax liabilities and the deferred tax assets has been taken into account in calculating the income taxes. Also the comparison data has been revised.

# INCOME STATEMENT

FIM million	Notes	Orion Group		Orion Corporation	
		Jan. I-Dec.31, 1998	Jan. I-Dec.31, 1997	Jan. I-Dec.31, 1998	Jan. I-Dec.31, 1997
<b>Net sales</b>	1)	<b>5 171.8</b>	4 695.0	<b>3 148.2</b>	2 960.7
Other operating income	2)	<b>+62.5</b>	+65.7	<b>+58.5</b>	+68.6
Operating expenses	3,4)	<b>-4 351.3</b>	-3 818.1	<b>-2 524.2</b>	-2 332.7
Depreciation	3)	<b>-233.0</b>	-225.8	<b>-203.8</b>	-188.8
<b>Operating profit</b>		<b>650.0</b>	716.8	<b>478.7</b>	507.8
Financial income and expenses	5)	<b>+70.0</b>	+110.3	<b>+363.9</b>	+87.4
<b>Profit before extraordinary items and taxes</b>		<b>720.0</b>	827.1	<b>842.6</b>	595.2
Extraordinary items	6)	<b>+23.2</b>	+0.1	-	+55.0
<b>Profit before appropriations and taxes</b>		<b>743.2</b>	827.2	<b>842.6</b>	650.2
Appropriations	7)	-	-	<b>+74.0</b>	+125.3
Income taxes	8)	<b>-217.0</b>	-231.3	<b>-261.6</b>	-223.7
Minority interest		<b>0.0</b>	-	-	-
<b>Profit for the financial year</b>		<b>526.2</b>	595.9	<b>655.0</b>	551.8

# BALANCE SHEET

ASSETS FIM million	Notes	Orion Group		Orion Corporation	
		Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1998	Dec. 31, 1997
<b>Non-current assets</b>	9)				
Intangible assets					
Intangible rights		147.3	142.5	91.4	85.1
Goodwill		187.9	207.0	253.6	296.5
Group goodwill		5.7	-	-	-
Other capitalised expenditure		52.3	19.1	46.7	10.3
		<b>393.2</b>	368.6	<b>391.7</b>	391.9
Tangible assets					
Land and water		47.4	47.8	32.6	32.8
Buildings		935.3	950.4	695.2	706.9
Machinery and equipment		588.5	591.8	499.5	494.4
Other tangible assets		6.7	6.8	5.4	5.5
Advance payments and construction in progress		43.6	4.9	35.6	4.2
		<b>1 621.5</b>	1 601.7	<b>1 268.3</b>	1 243.8
Investments					
Shares and holdings in Group companies		-	-	112.9	95.2
Shares and holdings in associated companies		573.8	467.8	-	-
Own shares		7.6	7.6	-	-
Other investments		155.6	158.9	287.3	258.0
		<b>737.0</b>	634.3	<b>400.2</b>	353.2
<b>Current assets</b>					
Stocks	10)	1 034.4	948.4	565.4	552.9
Deferred tax asset	8)	21.7	-	-	-
Non-current receivables	11)	3.6	4.1	2.8	3.6
Current receivables	11)	665.6	672.1	597.5	579.1
Investments	12)	1 058.7	1 327.3	962.8	1 213.9
Cash in hand and at banks		147.6	165.9	60.7	53.9
		<b>5 683.3</b>	5 722.4	<b>4 249.4</b>	4 392.3



LIABILITIES FIM million	Notes	Orion Group		Orion Corporation	
		Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1998	Dec. 31, 1997
<b>Shareholders' equity</b>	13)				
Share capital		699.7	699.7	699.7	699.7
Reserve for own shares		7.6	7.6	-	-
Reserve fund		8.3	9.0	-	-
Retained earnings		3 099.7	3 009.0	1 134.0	1 107.5
Profit for the financial year		526.2	595.9	655.0	551.8
		<b>4 341.5</b>	4 321.2	<b>2 488.7</b>	2 359.0
<b>Minority interest</b>		<b>0.8</b>	0.2	-	-
<b>Appropriations</b>	14)	-	-	<b>938.7</b>	1 012.7
<b>Provisions</b>	15)	<b>5.3</b>	6.4	<b>4.9</b>	5.8
<b>Liabilities</b>					
Deferred tax liability	8)	337.1	357.0	-	-
Non-current liabilities	16)				
Pension loans		208.0	212.2	105.7	109.1
Other non-current liabilities		52.7	51.4	84.9	49.0
		<b>260.7</b>	263.6	<b>190.6</b>	158.1
Current liabilities	17)				
Advances received		44.5	19.4	6.1	4.7
Trade payables		424.8	419.9	184.3	216.6
Other current liabilities		268.6	334.7	436.1	635.4
		<b>737.9</b>	774.0	<b>626.5</b>	856.7
		<b>5 683.3</b>	5 722.4	<b>4 249.4</b>	4 392.3

# FINANCING REPORT

FIM million	Orion Group		Orion Corporation	
	1998	1997	1998	1997
<u>Business operations</u>				
Income financing				
Operating profit	+649.9	+716.8	+478.7	+507.8
Depreciation	+233.0	+225.8	+203.8	+188.8
Financial income and expenses	+70.0	+110.3	+363.9	+87.4
Extraordinary income	+23.3	+0.1	-	+55.0
Income taxes	-217.0	-270.8	-261.6	-223.7
Other income financing	-50.1	-54.3	-1.4	-19.0
<b>Total income financing</b>	<b>+709.1</b>	<b>+727.9</b>	<b>+783.4</b>	<b>+596.3</b>
<u>Change in working capital</u>				
Increase (-), decrease (+) in stocks	-81.7	-129.6	-12.5	-61.1
Increase (-), decrease (+) in current receivables	+11.3	-73.4	-18.4	-88.1
Increase (+), decrease (-) in interest-free current liabilities	-80.5	+154.5	-107.5	+87.3
	<b>-150.9</b>	<b>-48.5</b>	<b>-138.4</b>	<b>-61.9</b>
<b>Cash flow from business operations</b>	<b>+558.2</b>	<b>+679.4</b>	<b>+645.0</b>	<b>+534.4</b>
<u>Investments</u>				
Investments in fixed assets	-402.0	-333.0	-291.7	-243.9
Sales revenue from fixed assets	+30.0	+33.5	+16.5	+25.4
Increase in investments held as non-current assets	-	-	-0.9	-6.6
Decrease in investments held as non-current assets	-	-	+0.7	-
	<b>-372.0</b>	<b>-299.5</b>	<b>-275.4</b>	<b>-225.1</b>
<b>Cash flow before financial items</b>	<b>+186.2</b>	<b>+379.9</b>	<b>+369.6</b>	<b>+309.3</b>
<u>Finance</u>				
Increase in non-current liabilities	+11.4	+6.7	+46.0	+6.6
Decrease in non-current liabilities	-15.0	-198.1	-13.5	-189.4
Increase (-), decrease (+) in non-current receivables	+0.5	-1.2	+0.8	-1.3
Increase (+), decrease (-) in interest-bearing current liabilities	+42.3	+0.1	-121.9	+24.6
Dividends	-506.4	-241.1	-524.8	-249.9
Other change in shareholders' equity	-0.5	-0.5	-0.5	-0.5
Other financial items	+268.6	+82.4	+251.1	+95.3
	<b>-199.1</b>	<b>-351.7</b>	<b>-362.8</b>	<b>-314.6</b>
<b>Increase (+), decrease (-) in liquid assets</b>	<b>-12.9</b>	<b>+28.2</b>	<b>+6.8</b>	<b>-5.3</b>
Adjustment items	-5.4	-0.3	-	-
<b>= Change in liquid assets according to the Balance Sheet</b>	<b>-18.3</b>	<b>+27.9</b>	<b>+6.8</b>	<b>-5.3</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR 1998

## Principles for the Financial Statements

The consolidated financial statements of the Orion Group have been drawn up in accordance with the Accounting Act, the Decree on Accounting, the Companies Act, and the general guidelines set by the Finnish Accounting Board. In addition, the decision of the Ministry of Trade and Industry with regard to consolidated accounting and the decision by the Ministry of Finance related to the duty of a company issuing securities to provide information on a regular basis, have been observed. As of 1 January 1998, the Orion Group has complied with the regulations of the new Finnish Accounting Act and Decree on Accounting.

## Changes in consolidated accounting principles as of 1 January 1998

The change in consolidated accounting principles concerns the recording of appropriations and deferred taxes. Besides the accounting practice, the Income Statement and Balance Sheet layouts have been renewed. In order to make the financial years comparable, the Income Statement and Balance Sheet for 1997 have been regrouped to correspond to the present layouts.

### Appropriations:

The appropriations include the untaxed reserves pertaining to the tax legislation in many countries, as well as the accumulated difference between depreciation according to plan and accelerated depreciation made for tax purposes. According to the former accounting practice, the appropriations were presented as a separate liabilities item in the Balance Sheet, without specifying the deferred tax liabilities.

As from 1998, the accumulated appropriations from the individual Group company Balance Sheets have been divided into shareholders' equity and deferred tax liability in the consolidated Balance Sheet. Correspondingly, the changes in appropriations during the financial year have been entered in the Income Statement under profit for the financial year and change in deferred tax liability. The figures presented as comparison data have been adjusted to correspond to the present practice. In calculating the key indicators, the appropriations pertaining to the previous financial years have likewise been divided into shareholders' equity and deferred tax liability in the Balance Sheet as well as profit for the financial year and change in deferred tax liability in the Income Statement. The impact of the change in tax rate has been eliminated.

As a result of the changing practice with regard to appropriations, the Group shareholders' equity in the 1997 consolidated Balance Sheet grew by FIM 904 million. According to the Companies Act, the share of appropriations included in the Group shareholders' equity cannot be regarded as distributable equity. Taking the change in accounting practice into account, the profit after taxes for 1997 amounted to FIM 596 million.

### Deferred taxes:

The income taxes for 1998, as shown by the consolidated Income Statement, include the changes in deferred tax liabilities and deferred tax assets, and correspondingly the consolidated Balance Sheet includes the deferred tax liabilities and deferred tax assets. According to the former accounting practice, no deferred taxes were shown in the consolidated financial statements.

The deferred tax liabilities or deferred tax assets, which result from material temporary differences included in the Group company Income Statements and from such consolidation measures as have a bearing to the profit, as well as the deferred tax liabilities included in the accumulated appropriations of the Group companies, have been taken into account when determining the deferred taxes of the Group. In compliance with the prudence principle, the losses of the Group companies have not been taken into account when calculating the deferred tax assets.

Except for the deferred tax liability included in the accumulated appropriations, no other adjustments of the 1997 figures have been made. The deferred tax liabilities and deferred tax assets, caused by the temporary differences pertaining to the previous financial years as well as by consolidation measures related to the Group financial statements, have been presented as a net item under the extraordinary income in the consolidated Income Statement for 1998.

## Scope and consolidation principles in the Group Financial Statements

The Group financial statements consolidate the parent company Orion Corporation as well as all Group companies with over 50% of the voting shares owned directly or indirectly by the parent company.

Internal business transactions, receivables and liabilities, internal distribution of profits as well as the internal margin included in stocks have been eliminated in consolidation. With the exception of the sale of minor items, the internal margin included in fixed assets has also been eliminated and the depreciation has been adjusted accordingly in the Income Statement. Minority interests have been separated from Group profit and shareholders' equity and are shown as separate items in the Income Statement and Balance Sheet.

Internal share ownership has been eliminated according to the past-equity method. When calculating the subsidiary shareholders' equity at the time of acquisition, the impact of untaxed reserves and accelerated depreciation in shareholders' equity have also been taken into account. A part of the difference between the historical cost of the subsidiary shares and shareholders' equity has been allocated to the fixed assets of subsidiaries while the other part is shown in the Balance Sheet as Group goodwill. Group goodwill is depreciated according to the straight-line depreciation method over 5 years. The goodwill allocated to fixed asset items will be depreciated in accordance with the depreciation rules applied to the fixed assets group in question. As concerns the items allocated to fixed assets, the consolidated Balance Sheet per 31 December 1998 includes FIM 3.8 million in land areas and FIM 14.2 million in buildings.

## Associated companies

Associated companies (20 – 50% interest in shares and votes) have been consolidated according to the equity method. As of 1 January 1998, the consolidation of the associated companies also accounts for the impact of the untaxed reserves and accelerated depreciation in shareholders' equity.

The Group share, in proportion to its ownership share, of the profit before extraordinary items and after taxes of the associated companies, as adjusted with the depreciation of goodwill resulting from acquisition, is shown under the consolidated financial items. The Group share of the extraordinary items of the associated companies and their appropriations is shown under the consolidated extraordinary items. The dividends from associated companies have been eliminated from the consolidated dividend income. The Group share of the profit and loss accumulated after the acquisition has been entered in the consolidated Balance Sheet under the acquisition cost of the shares of associated companies.

## Foreign Group companies

The financial statements of foreign Group companies have been converted to correspond to the Finnish accounting practice. Their Income Statements have been translated into Finnish markka according to the mean exchange rate of the financial year while the Balance Sheets have been converted according to the exchange rate quoted by the Bank of Finland on the day in which the accounts were closed. The Balance Sheets drawn up in the national currencies of the euro countries have been translated into markka using the fixed conversion rates.

The translation differences arising from exchange rate differences have

been entered under consolidated shareholders' equity. The translation differences arising from the application of the past-equity method are similarly entered under consolidated shareholders' equity.

## Intangible and tangible 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 acquisition cost includes all assets with remaining economic life at the beginning of the financial year. The economic lives of various asset categories are as follows:

- |   |            |
|---|------------|
| - masonry factories, warehouses as well as administrative and residential buildings | 40 years   |
| - wooden factories, warehouses as well as administrative and residential buildings  | 20 years   |
| - machinery, equipment and furniture as well as vehicles                            | 5-10 years |
| - intangible rights, building components and other tangible assets                  | 10 years   |
| - goodwill, other capitalised expenditure   | 5-20 years |

As a rule, goodwill is depreciated over 5 years. In certain cases, however, the estimated economic life of the goodwill is longer, maximum 20 years. Other long-term expenditure which generate or maintain income for three years or longer, have been capitalised and will normally be depreciated over 5 years.

Land areas and revaluations have not been depreciated according to plan. Production and office facilities have been revaluated in 1984 or prior to that, and the revaluations are based on separate valuation of the real estate items.

## Research and development expenses

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

## Stocks

The stocks of the parent company and subsidiaries are presented in the Balance Sheet according to the FIFO principle, i.e., at the lowest of variable acquisition or production costs, or probable sales price or reacquisition cost.

## Investments held as current assets

The investments include interest instruments and listed shares. The securities are valued at their historical cost or at a lower market value.

## Receivables and liabilities denominated in foreign currencies

For both the parent company and domestic subsidiaries, valuation of receivables and liabilities denominated in the national currencies of euro countries is based on the fixed conversion rates while those denominated in other currencies is based on the rate quoted by Bank of Finland on the day in which the accounts were closed. The resulting translation gains or losses

have bearing on the profit for the financial year. Translation gains and losses related to business operations are recorded as sales and purchase adjustments while those related to financing are under financial income and expenses.

## Provisions

Future expenses to which Group companies have committed and which are likely not to generate corresponding profit, have been deducted as provisions from income. Similarly, the future losses which are likely to materialise, have been deducted from income.

## Accumulated appropriations

The accumulated appropriations in the consolidated Balance Sheet, including untaxed reserves and accelerated depreciation, are partly allocated to shareholders' equity and partly to deferred tax liability. The Balance Sheet of the parent company shows the accumulated appropriations as one item, without dividing it between deferred tax liability and shareholders' equity.

## Net sales

Net sales includes the sales proceeds less rebates and indirect taxes related to sales.

## Pension arrangements

Personnel employed by the Finland-based Orion Group companies are provided with pension security through the Orion Corporation Pension Fund, and through pension insurance companies. The employees whose employment began prior to 25 June, 1990 and continues until retirement, are provided with additional pension security through a pension fund. The pension arrangements of the personnel employed by the foreign subsidiaries comply with the practices in each particular country.

Pension liabilities are covered in full, excluding the statutory liabilities deficit stipulated by the Act 1536/93. This sum is recorded under provisions in the Balance Sheet. As the obligatory liabilities deficit in the pension fund decreases, the provision is diminished accordingly.

## Income taxes

The item income taxes refers to the taxes imposed on the basis of taxable profit, including the tax adjustments pertaining to previous financial years. In the consolidated financial statements, the income taxes include not only the tax expenses payable by the Group companies but, in accordance with the new Accounting Act, also the change in deferred tax liabilities and deferred tax assets.

The avoiron fiscal based on the distribution of dividends of Group companies and associated companies has been deducted from Group income taxes. In the parent company the avoiron fiscal resulting from the internal distribution of dividends is included in financial income whereas respective income tax is recorded under the income taxes for the financial year.

Since the revaluated factory and office premises are not going to be realised in the foreseeable future, these revaluations are considered as having no fiscal impact.

## Notes to the Income Statement

FIM million	Group		Parent company	
	1998	1997	1998	1997
<b>I. NET SALES</b>				
<b>Net sales by business area</b>				
Healthcare	4 381.7	3 951.2	2 356.0	2 215.3
Cosmetics and detergents	596.7	553.8	583.7	541.2
Engineering	208.5	204.2	208.5	204.2
Central administration and internal net sales	-15.1	-14.2	-	-
<b>Total</b>	<b>5 171.8</b>	<b>4 695.0</b>	<b>3 148.2</b>	<b>2 960.7</b>

Internal sales between Group companies, included in net sales by business area, are eliminated under Central administration and internal net sales.

<b>Net sales by market area</b>				
Finland	3 307.7	2 968.8	1 812.4	1 776.3
Scandinavia	358.3	337.4	117.3	93.5
Other European markets	981.1	906.5	726.3	669.3
North America	301.0	255.2	290.3	226.9
Other markets	223.7	227.1	201.9	194.7
<b>Total</b>	<b>5 171.8</b>	<b>4 695.0</b>	<b>3 148.2</b>	<b>2 960.7</b>

### 2. OTHER OPERATING INCOME

Profits from sales of fixed assets and securities	10.5	23.2	7.9	22.7
Damages and reversed expense accruals related to finalised legal proceedings	27.4	6.5	15.4	6.5
Non-collected product development loans	-	6.0	-	6.0
Service charges from Group companies	-	-	15.3	15.4
Rents received	8.7	10.3	7.2	6.9
Income from previous financial years	5.3	2.9	4.8	2.8
Other	10.6	16.8	7.9	8.3
<b>Total</b>	<b>62.5</b>	<b>65.7</b>	<b>58.5</b>	<b>68.6</b>

### 3. OPERATING EXPENSES AND DEPRECIATION

<b>Operating expenses</b>				
Increase (+) or decrease (-) in stocks of finished products	-13.1	-40.0	-16.6	-29.4
Production for own use	-12.3	-12.5	-11.5	-10.8
Raw materials and services				
Purchases during the financial year	2 371.5	2 039.4	934.2	911.1
Increase (-) or decrease (+) in stocks	-68.9	-89.4	4.1	-32.0
External services	132.2	119.5	153.7	140.9
	2 434.8	2 069.5	1 092.0	1 020.0
Staff expenses				
Wages and salaries	834.1	781.2	592.6	561.2
Pension expenses	100.7	84.8	72.7	62.8
Other social security expenses	82.2	76.2	56.0	51.5
	1 017.0	942.2	721.3	675.5
Other operating expenses	924.9	858.9	739.0	677.4
<b>Operating expenses total</b>	<b>4 351.3</b>	<b>3 818.1</b>	<b>2 524.2</b>	<b>2 332.7</b>

Voluntary staff expenses are recorded under other operating expenses.

FIM million	Group		Parent company	
	1998	1997	1998	1997
<b>Depreciation</b>				
Depreciation according to plan	231.6	226.4	203.8	188.8
Depreciation of Group goodwill	1.4	0.0	-	-
Decrease in Group reserve	-	-0.6	-	-
<b>Depreciation total</b>	<b>233.0</b>	<b>225.8</b>	<b>203.8</b>	<b>188.8</b>
Depreciation by balance sheet items for the financial year is presented under item 9.				
Principles used for depreciation according to plan are presented under Principles for the Financial Statements.				
<b>Average number of personnel</b>	<b>5 517</b>	<b>5 322</b>	<b>4 081</b>	<b>3 984</b>

### 4. CHANGES IN PROVISIONS

The following items were entered as income or expenses for the financial period in the Income Statement, and as an increase or decrease in provisions of the Balance Sheet:

Obligatory pension fund liability deficit	+1.0	+0.9	+0.8	+0.7
Guarantee provisions	-0.2	-	-0.2	-
Estimated loss of receivable under litigation	-	+0.3	-	-
Compensation for dissolved product development contract	+0.3	-0.3	+0.3	-0.3
<b>Total (increase - / decrease +)</b>	<b>+1.1</b>	<b>+0.9</b>	<b>+0.9</b>	<b>+0.4</b>

### 5. FINANCIAL INCOME AND EXPENSES

Dividend income from Group companies	-	-	323.5	40.2
Dividend income from associated companies	-	-	8.8	9.5
Income from other investments held as non-current assets:				
Dividend income from other shares and holdings	9.2	9.5	4.1	4.4
Interest income from Group companies	-	-	1.3	1.5
Other interest and financial income:				
Interest income from Group companies	-	-	1.8	1.4
Interest income from other companies	53.2	54.2	47.2	48.8
Dividend income from securities held as current assets	1.4	1.6	1.5	1.5
Other financial income	20.2	25.9	17.5	17.6
Share of associated companies' profits	14.2	48.0	-	-
Reduction in value of investments held as non-current assets	-	-	-8.4	-
Interest and other financial expenses:				
Interest expenses to Group companies	-	-	-15.1	-19.0
Interest expenses to other companies	-13.9	-19.2	-7.2	-13.1
Other financial expenses	-14.3	-9.7	-11.1	-5.4
<b>Financial income and expenses total</b>	<b>70.0</b>	<b>110.3</b>	<b>363.9</b>	<b>87.4</b>

#### Financial income and expenses include:

Total dividend income	10.6	11.1	337.9	55.6
Total interest income	53.2	54.2	50.3	51.7
Total interest expenses	-13.9	-19.2	-22.3	-32.1

FIM million	Group		Parent company	
	1998	1997	1998	1997
<b>6. EXTRAORDINARY ITEMS</b>				
Impact of changed accounting practice	23.2	-	-	-
Share of associated companies' extraordinary items	-	0.1	-	-
Group contribution	-	-	-	55.0
<b>Total</b>	<b>23.2</b>	<b>0.1</b>	<b>-</b>	<b>55.0</b>

#### 7. APPROPRIATIONS

Change in accelerated depreciation	-	-	74.0	-67.1
Decrease in untaxed transitional reserve	-	-	-	187.4
Decrease in untaxed replacement reserve	-	-	-	5.0
<b>Total (increase - / decrease +)</b>	<b>-</b>	<b>-</b>	<b>74.0</b>	<b>125.3</b>

#### 8. INCOME TAXES

Income taxes for the financial year	-235.3	-271.7	-260.1	-222.8
Change in deferred taxes	18.3	39.4	-	-
Taxes from previous financial years	0.0	1.0	-1.5	-0.9
<b>Income taxes total</b>	<b>-217.0</b>	<b>-231.3</b>	<b>-261.6</b>	<b>-223.7</b>

Changes in deferred taxes arise from				
Appropriations	26.8	39.4	-	-
Consolidation measures	-5.6	-	-	-
Temporary differences	-2.9	-	-	-
<b>Total</b>	<b>18.3</b>	<b>39.4</b>	<b>-</b>	<b>-</b>

## Notes to the Balance Sheet

### 9. GROUP NON-CURRENT ASSETS DEC. 31, 1998

FIM million	Intangible rights	Goodwill	Group goodwill	Other capitalised expenditure	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Shares and holdings in associated companies	Own shares	Other shares and holdings
Acquisition cost, Jan. 1 (*)	207.1	636.4	-	37.7	47.8	1 403.7	1 065.9	10.6	4.9	467.8	7.6	170.3
Increase	29.9	2.3	7.1	44.6	0.0	37.6	145.3	0.9	42.8	110.8	-	0.1
Decrease	-2.8	-	-	-0.9	-0.4	-3.3	-35.1	-0.2	-0.0	-4.8	-	-3.4
Transfers between balance sheet items	-	-	-	-	-	-0.1	4.3	-	-4.1	-	-	-
Acquisition cost, Dec. 31	234.2	638.7	7.1	81.4	47.4	1 437.9	1 180.4	11.3	43.6	573.8	7.6	167.0
Accumulated depreciation, Jan. 1 (*)	64.6	429.5	-	18.6	-	453.6	474.6	3.8	-	-	-	-
Accumulated reduction in value, Jan. 1	-	-	-	-	-	-	-	-	-	-	-	11.4
Accumulated depreciation related to decreases, Dec. 31	-0.9	-	-	-0.4	-	-2.3	-6.8	-	-	-	-	-
Depreciation for the financial year	23.2	21.3	1.4	10.9	-	51.3	124.1	0.8	-	-	-	-
Accumulated depreciation, Dec. 31	86.9	450.8	1.4	29.1	-	502.6	591.9	4.6	-	-	-	11.4
<b>Book value, Dec. 31</b>	<b>147.3</b>	<b>187.9</b>	<b>5.7</b>	<b>52.3</b>	<b>47.4</b>	<b>935.3</b>	<b>588.5</b>	<b>6.7</b>	<b>43.6</b>	<b>573.8</b>	<b>7.6</b>	<b>155.6</b>

(\*) The values do not include any assets the economic life of which expired during the previous year.

Non-depreciated Group goodwill related to associated companies amounts to FIM 32.6 million. On Dec. 31, production machines accounted for FIM 332.6 million of book value of machinery and equipment. Revaluation included in the acquisition cost of land and water areas is FIM 0.4 million, and FIM 97.8 million in the acquisition cost of buildings.

FIM million	Group		Parent company	
	1998	1997	1998	1997
<b>Deferred tax assets and liabilities</b>				
Deferred tax assets and liabilities of the parent company are not presented in company's Balance Sheet.				
Deferred tax assets arise from				
Temporary differences	1.5	4.4(*)	1.4	4.2
Consolidation measures	20.2	25.4(*)	-	-
<b>Total</b>	<b>21.7</b>	<b>29.8</b>	<b>1.4</b>	<b>4.2</b>
Deferred tax liabilities arise from				
Consolidation measures	-7.0	-6.6(*)	-	-
Appropriations	-330.1	-357.0	-262.8	-283.6
<b>Total</b>	<b>-337.1</b>	<b>-363.6</b>	<b>-262.8</b>	<b>-283.6</b>

The consolidated Balance Sheet for 1997 only presents the deferred tax liability of FIM 357.0 million included in the appropriations.

(\*) The deferred tax liabilities and assets resulting from material temporary differences and consolidation measures in 1997, totaling FIM 23.2 million, have been recorded as extraordinary income for 1998.

**PARENT COMPANY NON-CURRENT ASSETS DEC. 31, 1998**

FIM million	Intangible rights	Good-will	Other capitalised expenditure	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Shares in Group companies	Receivables from Group companies	Shares and holdings in associated companies	Other shares and holdings
Acquisition cost, Jan. I	137.5	632.3	22.5	32.8	1 066.5	887.1	8.6	4.2	115.2	31.5	136.3	101.7
Increase	21.2	0.5	44.1	0.1	29.3	110.9	0.6	35.4	17.5	0.8	41.6	0.1
Decrease	-1.8	-	-0.1	-0.3	-2.6	-12.9	-0.2	-0.0	-0.2	-7.5	-0.0	-3.3
Transfers between balance sheet items	-	-	-	-	-0.2	4.2	-	-4.0	2.5	-	-2.5	-
Acquisition cost, Dec. 31	156.9	632.8	66.5	32.6	1 093.0	989.3	9.0	35.6	135.0	24.8	175.4	98.5
Accumulated depreciation, Jan. I	52.4	335.8	12.2	-	359.6	392.7	3.0	-	-	-	-	-
Accumulated reduction in value, Jan. I	-	-	-	-	-	-	-	-	20.0	-	-	11.4
Accumulated depreciation related to decreases, Dec. 31	-0.6	-	-	-	-2.0	-1.2	-	-	-	-	-	-
Reduction in value for the financial year	-	-	-	-	-	-	-	-	2.1	-	-	-
Depreciation for the financial year	13.7	43.4	7.6	-	40.2	98.3	0.6	-	-	-	-	-
Accumulated depreciation, Dec. 31	65.5	379.2	19.8	-	397.8	489.8	3.6	-	22.1	-	-	11.4
Book value, Dec. 31	91.4	253.6	46.7	32.6	695.2	499.5	5.4	35.6	112.9	24.8	175.4	87.1
Accelerated depreciation, Jan. I	70.4	1.9	2.2	-	472.2	463.6	1.6	-	-	-	-	-
Increase	-	0.1	2.5	-	-	-	-	-	-	-	-	-
Decrease	-6.7	-	-	-	-27.5	-42.2	-0.2	-	-	-	-	-
Accelerated depreciation, Dec. 31	63.7	2.0	4.7	-	444.7	421.4	1.4	-	-	-	-	-

On Dec. 31, production machines accounted for FIM 313.3 million of book value of machinery and equipment. Revaluation included in the acquisition cost of land and water areas is FIM 0.4 million, and FIM 97.8 million in the acquisition cost of buildings.

**The difference between market value and book value of listed shares and holdings**

FIM million	Group's share of ownership %	Group		Parent company	
		1998	1997	1998	1997
<b>Associated company</b>					
<b>Instrumentarium Oyj</b> 21.9%					
Market value		1 098.2	851.8	377.7	287.9
Corresponding book value (excluding impact of consolidated associated companies)		-447.9	-346.7	-174.7	-133.1
Difference		650.3	505.1	203.0	154.8
<b>Own shares</b>					
Market value		295.6	353.2		
Corresponding book value		-7.6	-7.6		
Difference		288.0	345.6		
<b>Other shares and holdings</b>					
Market value; Tamro Oyj	7.8%	150.7	204.8	66.7	90.7
Market value; other shares and holdings		11.4	1.7	9.9	1.8
Corresponding book value		-138.2	-137.1	-70.9	-70.1
Difference		23.9	69.4	5.7	22.4

Besides listed shares, the other shares and holdings include, among others, a 10.6% interest in Kronans Droghandel AB, a Swedish pharmaceutical distributor company.

**Group Parent company**

FIM million	1998	1997	1998	1997
<b>10. STOCKS</b>				
Raw materials and consumables	237.2	229.4	219.5	209.4
Work in progress	120.5	104.7	119.1	102.3
Finished products/goods	672.6	608.2	224.3	238.5
Other stocks	3.4	5.2	2.0	2.2
Advance payments	0.7	0.9	0.5	0.5
Total	1 034.4	948.4	565.4	552.9

**11. RECEIVABLES**

**Material items included in prepaid expenses and accrued income**

	1998	1997	1998	1997
Accrued interest income	19.4	30.9	18.2	30.4
Income tax receivable	2.8	18.6	1.9	-
Accrued royalties and provisions	8.3	26.8	8.0	26.6
Pending R&D contributions	12.8	4.6	12.8	4.0
Other	27.8	29.9	17.4	19.9
Total	71.1	110.8	58.3	80.9

**Non-current receivables**

	1998	1997	1998	1997
Trade receivables	1.0	1.4	0.4	0.9
Loan receivables	2.6	2.7	2.4	2.7
Total	3.6	4.1	2.8	3.6

FIM million	Group		Parent company	
	1998	1997	1998	1997
<b>Current receivables</b>				
Trade receivables	560.4	530.6	280.6	279.2
Receivables from Group companies	-	-	193.1	170.7
Trade receivables	-	-	51.6	32.2
Loan receivables	-	-	5.3	6.1
Other receivables	-	-	-	-
Prepaid expenses and accrued income	-	-	250.0	209.0
Receivables from associated companies	0.0	0.1	-	0.0
Trade receivables	0.0	0.0	-	-
Loan receivables	-	0.3	0.0	0.3
Other receivables	0.0	0.0	-	-
Prepaid expenses and accrued income	0.0	0.4	0.0	0.3
Loan receivables	0.7	1.0	0.6	0.5
Other receivables	33.4	29.3	8.0	9.2
Prepaid expenses and accrued income	71.1	110.8	58.3	80.9
<b>Current receivables total</b>	<b>665.6</b>	<b>672.1</b>	<b>597.5</b>	<b>579.1</b>

## 12. INVESTMENTS HELD AS CURRENT ASSETS

	1998	1997	1998	1997
Shares and holdings	36.0	47.8	35.9	47.7
Other securities:				
interest instruments	1 022.7	1 279.5	926.9	1 166.2
<b>Investments total</b>	<b>1 058.7</b>	<b>1 327.3</b>	<b>962.8</b>	<b>1 213.9</b>

### Difference between market value and book value

	1998	1997	1998	1997
Market value	1 076.4	1 346.4	980.1	1 233.0
Corresponding book value	-1 058.7	-1 327.3	-962.8	-1 213.9
<b>Difference</b>	<b>17.7</b>	<b>19.1</b>	<b>17.3</b>	<b>19.1</b>

## 13. SHAREHOLDERS' EQUITY

	1998	1997	1998	1997
Share capital, Jan. 1	699.7	499.8	699.7	499.8
Decrease of share capital on Oct. 14, 1997 in virtue of section 27 of the Companies Act transitional provisions	-	-0.0	-	-0.0
Directed issue, Nov. 11, 1997	-	+0.0	-	+0.0
Bonus issue, Dec. 11, 1997	-	+199.9	-	+199.9
<b>Share capital, Dec. 31</b>	<b>699.7</b>	<b>699.7</b>	<b>699.7</b>	<b>699.7</b>

	1998	1997	1998	1997
Premium fund, Jan. 1	0.0	-	0.0	-
Issue profit, Nov. 11, 1997	-	+0.0	-	+0.0
<b>Premium fund, Dec. 31</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

	1998	1997	1998	1997
Own shares reserve, Jan. 1	7.6	-	-	-
Transferred from retained earnings	-	+7.6	-	-
<b>Own shares reserve, Dec. 31</b>	<b>7.6</b>	<b>7.6</b>	<b>-</b>	<b>-</b>

	1998	1997	1998	1997
Reserve fund, Jan. 1	9.0	158.4	-	157.5
Transferred to share capital, bonus issue	-	-157.5	-	-157.5
Transferred from retained earnings	-	+0.1	-	-
Increase arising from consolidation	-	+7.6	-	-
Exchange rate differences	-0.7	+0.4	-	-
<b>Reserve fund, Dec. 31</b>	<b>8.3</b>	<b>9.0</b>	<b>-</b>	<b>-</b>

FIM million	Group		Parent company	
	1998	1997	1998	1997
Retained earnings, Jan. 1	3 604.9	3 285.3	1 659.3	1 400.4
By decision of shareholders' meetings				
dividends distributed	-506.3	-241.1	-524.7	-249.9
donations made	-0.6	-0.6	-0.6	-0.6
Transferred to share capital and reserves	-	-50.1	-	-42.4
Decrease of share capital	-	+0.0	-	+0.0
Increase arising from consolidation	+1.1	+8.9	-	-
Exchange rate differences	+0.6	+6.6	-	-
Profit for the financial year	+526.2	+595.9	+655.0	+551.8
<b>Retained earnings, Dec. 31</b>	<b>3 625.9</b>	<b>3 604.9</b>	<b>1 789.0</b>	<b>1 659.3</b>

### Share of accelerated depreciation

	1998	1997
and untaxed reserves allocated to the shareholders' equity	841.6	904.4

In accordance with the corporate legislation in the countries concerned, the Group foreign subsidiaries have the obligation to transfer FIM 21,000 of their profit for 1998 to the reserve fund.

## Parent company share capital by share type

	1998	1998	1997	1997
	Number of shares	FIM million	Number of shares	FIM million
A shares (20 votes per share)	37 018 755	370.2	37 063 327	370.6
B shares (1 vote per share)	32 952 874	329.5	32 908 302	329.1
<b>Total</b>	<b>69 971 629</b>	<b>699.7</b>	<b>69 971 629</b>	<b>699.7</b>

## 14. APPROPRIATIONS

FIM million	Group		Parent company	
	1998	1997	1998	1997
Accelerated depreciation	-	-	937.9	1 011.9
Untaxed reserves	-	-	0.8	0.8
<b>Total</b>	<b>-</b>	<b>-</b>	<b>938.7</b>	<b>1 012.7</b>

## 15. PROVISIONS

	1998	1997	1998	1997
Obligatory pension fund liability deficit	2.3	3.3	1.9	2.7
Other provisions	3.0	3.1	3.0	3.1
<b>Total</b>	<b>5.3</b>	<b>6.4</b>	<b>4.9</b>	<b>5.8</b>

## 16. NON-CURRENT LIABILITIES

	1998	1997	1998	1997
Loans from credit institutions	0.8	0.8	0.2	0.3
Pension loans	208.0	212.2	105.7	109.1
Liabilities to Group companies	-	-	33.1	-
Other non-current liabilities	51.9	50.6	51.6	48.7
<b>Total</b>	<b>260.7</b>	<b>263.6</b>	<b>190.6</b>	<b>158.1</b>

### Liabilities falling due in five years' time or later

	1998	1997	1998	1997
Loans from credit institutions	0.3	0.4	-	-
Pension loans	208.0	210.9	105.7	108.2
Other liabilities	8.2	14.9	8.2	14.8
<b>Total</b>	<b>216.5</b>	<b>226.2</b>	<b>113.9</b>	<b>123.0</b>



FIM million	Group		Parent company	
	1998	1997	1998	1997
<b>Bond loan with warrants to the Group personnel</b>	<b>10.4</b>	-	<b>11.6</b>	-

Bond loan is included in the non-current liabilities in the Balance Sheets. The loan is interest-free. The bond certificates give subscription rights to a total of 3,857,300 of B shares, with the combined nominal value amounting to FIM 38.6 million. The report of the Board of Directors gives more detailed information on the subscription conditions and validity of the bond certificates. Upon a consent given by the Orion Corporation Board of Directors, the 403,000 bond certificates held by Oriola Oy can be transferred to the personnel. The FIM 1.2 million loan corresponding to the Oriola bond certificates has been eliminated in the consolidated financial statements.

## 17. CURRENT LIABILITIES

Loans from credit institutions	0.3	0.3	0.1	0.1
Pension loans	-	0.4	-	0.3
Advances received	44.5	19.4	6.1	4.7
Trade payables	424.5	417.2	177.7	209.3
Liabilities to Group companies				
Trade payables	-	-	6.2	7.1
Other current liabilities	-	-	283.2	407.7
Accrued liabilities and deferred income	-	-	0.2	-
	-	-	289.6	414.8
Liabilities to associated companies				
Trade payables	0.3	2.7	0.4	0.2
Accrued liabilities and deferred income	-	0.0	-	-
	0.3	2.7	0.4	0.2
Other current liabilities	96.1	95.0	48.0	46.4
Accrued liabilities and deferred income	172.2	239.0	104.6	180.9
<b>Current liabilities total</b>	<b>737.9</b>	<b>774.0</b>	<b>626.5</b>	<b>856.7</b>

## Material items included in accrued liabilities and deferred income

Accrued wage, salary and social security payments	107.4	102.9	87.0	84.5
Accrued pension insurance	14.7	42.8	4.6	42.3
Income tax liability	2.3	41.1	-	41.1
Other	47.8	52.2	13.0	13.0
<b>Total</b>	<b>172.2</b>	<b>239.0</b>	<b>104.6</b>	<b>180.9</b>

## Liabilities comprise

Non-current interest-bearing liabilities	250.3	263.6	179.0	158.1
Non-current interest-free liabilities	347.5	357.0	11.6	-
Current interest-bearing liabilities	56.5	14.2	270.2	392.1
Current interest-free liabilities	681.4	759.8	356.3	464.6
<b>Total</b>	<b>1 335.7</b>	<b>1 394.6</b>	<b>817.1</b>	<b>1 014.8</b>

## Other notes

### 18. INFORMATION RELATED TO ADMINISTRATIVE BODY MEMBERS OF GROUP COMPANIES

#### Salaries and remunerations to members of administrative bodies

Group company Presidents, Vice Presidents, members of the Boards of Directors	16.1	14.9	4.0	2.7
Members of the Supervisory Board	0.4	0.6	0.4	0.6
<b>Total</b>	<b>16.5</b>	<b>15.5</b>	<b>4.4</b>	<b>3.3</b>

#### Loans granted to the Group company Presidents

Loan receivables	0.2	0.2	-	0.1
------------------	-----	-----	---	-----

The interest rate on the loans exceeds the base rate, and the repayment terms are standard.

### Management pension commitments

The Board of Directors of the parent company may, in each individual case, determine 60 years as the retirement age of the executives. Depending on the years of service, the maximum pension level is 60% of the salary earned.

No pension commitments or pension agreements are currently in force, excluding the parent company President, whose agreement provides for an additional pension insurance, retirement at 60 and a pension level of 66% of the salary earned.

FIM million	Group		Parent company	
	1998	1997	1998	1997

## 19. GUARANTEES

### Mortgaged loans

Non-current loans from credit institutions	0.5	0.3	-	0.0
Current loans from credit institutions	0.1	0.1	0.0	0.1
Real estate mortgaged as security for the above	1.9	1.7	0.7	0.7
Non-current pension loans	94.1	93.2	48.6	47.7
Real estate mortgaged as security for the above	95.7	95.8	50.2	50.2
Other non-current liabilities	1.5	2.0	0.0	0.0
Other current liabilities	0.6	0.7	0.0	0.2
Real estate mortgaged as security for the above	8.8	15.1	1.6	8.1
<b>Total mortgages as security for loans</b>	<b>106.4</b>	<b>112.6</b>	<b>52.5</b>	<b>59.0</b>

### Pledged loans

Non-current pension loans	69.8	70.8	47.1	48.1
Book value of marketable securities pledged for the above	87.5	86.5	55.1	57.2
<b>Total pledges as security for loans</b>	<b>87.5</b>	<b>86.5</b>	<b>55.1</b>	<b>57.2</b>

### Other guarantees for own liabilities

Pledges, book value	66.8	66.7	66.8	66.7
Mortgages on real estate	106.2	106.2	90.6	90.6
<b>Total</b>	<b>173.0</b>	<b>172.9</b>	<b>157.4</b>	<b>157.3</b>

### Guarantees on behalf of Group companies

Pledges, book value	-	-	32.4	29.3
Mortgages on real estate	-	-	45.5	45.5
Guarantees	0.4	0.5	35.5	35.4
<b>Total</b>	<b>0.4</b>	<b>0.5</b>	<b>113.4</b>	<b>110.2</b>

### Guarantees on behalf of third parties

Guarantees on behalf of Group company management	-	0.3	-	-
Guarantees on behalf of others	1.4	0.4	-	-
Mortgage on real estate on behalf of others	0.0	0.0	0.0	0.0
<b>Total</b>	<b>1.4</b>	<b>0.7</b>	<b>0.0</b>	<b>0.0</b>

### Total guarantees

Total mortgages on real estate	212.6	218.8	188.6	195.1
Total pledges	154.3	153.2	154.3	153.2
<b>Total guarantees</b>	<b>1.8</b>	<b>1.2</b>	<b>35.5</b>	<b>35.4</b>

FIM million	Group		Parent company	
	1998	1997	1998	1997
<b>20. CONTINGENT LIABILITIES</b>				
<b>Outstanding payments pertinent to leasing agreements</b>				
Beginning financial year	9.7	7.3	1.1	1.0
Following financial years	13.7	9.1	1.9	1.9
<b>Total</b>	<b>23.4</b>	<b>16.4</b>	<b>3.0</b>	<b>2.9</b>

The leasing agreements are made on customary terms.

<b>Repurchase liabilities</b>				
Repurchase price	14.3	18.5	13.7	17.6
Market value exceeds repurchase price	7.3	8.2	7.4	8.5
<b>Other company liabilities</b>				
Drug damage liability	1.1	1.2	1.0	1.0

#### Legal proceedings

In October 1998 Orion Corporation settled its patent disputes with Tanabe Seiyaku Co., Ltd. and Hoechst Marion Roussel, Inc. in the United States and Germany concerning the manufacture and sale of diltiazem hydrochloride. Other operating income includes USD 2.25 million originating from the settlement agreement in question.

The proceedings in the Espoo City Court initiated in 1998 against Orion Corporation by Dr. P. Jackson claiming Orion Corporation's (and Famos Corporation's merged into it) failure to exploit certain patent rights related to a certain animal feed protective solution, were still in the discovery phase. Orion Corporation contests both the grounds and the quantity of the entire claim.

#### 21. DERIVATIVE INSTRUMENTS

<b>Currency derivatives</b>				
<b>Forward contracts</b>				
Market value, Dec. 31	-3.8	-	-3.8	-
Counter value in FIM for currency sold, Dec. 31	36.5	-	36.5	-
<b>Currency swaps</b>				
Market value, Dec. 31	-0.9	-0.0	-	-
Counter value in FIM for currency sold, Dec. 31	33.4	32.9	-	-

The market values of the currency derivatives have been calculated by multiplying the nominal currency value of the contract by the difference of the original forward rate and the indicative forward rate on Dec. 31.

The contracts in foreign currencies have been translated into Finnish markka, applying the exchange rate of the day in which the accounts were closed.

#### 22. SHARES AND HOLDINGS IN OTHER COMPANIES

Group companies	Group's	Group's	Parent	Parent
	share of ownership %	share of votes %	company's share of ownership %	company's share of votes %
Ercopharm A/S, Denmark	100.00	100.00	-	-
Hiven Oy, Paimio	100.00	100.00	100.00	100.00
Interorion AG., Switzerland	100.00	100.00	100.00	100.00
Karkone Oy, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Kangaslammen Rautalava, Iisalmi	54.17	54.17	54.17	54.17
Kiinteistö Oy Kapseli, Hanko	99.93	99.93	99.93	99.93
Kiinteistö Oy Kalkkipellontie 2, Espoo	100.00	100.00	-	-
Kiinteistö Oy Nilsäinkatu 10, Helsinki	100.00	100.00	99.84	99.84
Kiinteistö Oy Pilleri, Hanko	70.39	70.39	70.39	70.39
Kiinteistö Oy Tonttuvainio, Espoo	100.00	100.00	100.00	100.00
Kuulolaitekeskus Oy, Espoo	100.00	100.00	-	-
Oriola Oy, Espoo	100.00	100.00	100.00	100.00
AS Oriola, Estonia	100.00	100.00	-	-
SIA Oriola Riga, Latvia	100.00	100.00	-	-
UAB Oriola Vilnius, Lithuania	100.00	100.00	-	-
ZAO Oriola, Russia	100.00	100.00	-	-
ZAO Oriola SPb, Russia	100.00	100.00	-	-
Oriola Dentalprodukter AB, Sweden	80.00	80.00	-	-
Orion Diagnostica AB, Sweden	100.00	100.00	100.00	100.00
Orion Diagnostica A/S, Norway	100.00	100.00	100.00	100.00
Orion Diagnostica Danmark A/S, Denmark	100.00	100.00	100.00	100.00
Orion Diagnostica Inc., USA	100.00	100.00	100.00	100.00
Orion Pharma, Inc., USA	100.00	100.00	100.00	100.00
Orion Pharma AB, Sweden	100.00	100.00	-	-
Orion Pharma AS, Norway	100.00	100.00	100.00	100.00
Orion Pharma AG, Switzerland	100.00	100.00	-	-
Orion Pharma (Ireland) Ltd., Ireland	100.00	100.00	100.00	100.00
Orion Pharma (UK) Ltd., UK	100.00	100.00	100.00	100.00
Orion Pharma SA, France	100.00	100.00	100.00	100.00
Panfarma Oy, Espoo	100.00	100.00	-	-
Soredex, Inc., USA	100.00	100.00	100.00	100.00
Alnitak Oy, Espoo (former Sanabrite Oy)	100.00	100.00	90.00	90.00
Suomen Rohdos Oy, Espoo	100.00	100.00	100.00	100.00
Oy Pharmacal Ab, Helsinki	100.00	100.00	100.00	100.00
Finorion Kft, Hungary	100.00	100.00	100.00	100.00
Orion Pharma GmbH, Germany	100.00	100.00	100.00	100.00

#### Own shares held by the Group

The Group holds 2,453,208 A shares of Orion Corporation, with the total nominal value amounting to FIM 24.5 million and acquisition cost of FIM 7.6 million.

Associated companies	Group's	Group's	Parent	Parent
	share of ownership %	share of votes %	company's share of ownership %	company's share of votes %
Hangon Puhdistamo Oy, Hanko	50.0	50.0	50.0	50.0
Instrumentarium Oyj, Helsinki	21.90	25.48	7.53	6.94
Kiinteistö Oy Salmenvuokra, Iisalmi	27.0	27.0	27.0	27.0
Medidata Oy, Helsinki	33.3	33.3	-	-
Planeetankadun Paikointus Oy, Espoo	29.5	29.5	29.5	29.5
Regattalämpö Oy, Hanko	42.6	42.6	-	-
Suomen Lääkevahinkokorvaus-osuuskunta, Helsinki	21.2	21.2	19.7	19.7

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

# PROPOSAL FOR DISTRIBUTION OF PROFITS

## Proposal by the Board of Directors for the distribution of profits for 1998

The non-restricted equity in the Consolidated Balance Sheet on December 31, 1998 amounts to FIM 3,633 million, of which FIM 849 million are not distributable. The corresponding parent company figure is FIM 1,788,982,203.22, profit for this financial year accounting for FIM 654,975,691.16.

The Board of Directors proposes to the Annual General Meeting that the non-restricted equity of the parent company be used as follows:

dividend of FIM 6.50 per share on altogether 69,971,629 shares	FIM 454,815,588.50
donations to medical research:	
the Orion Corporation research foundation	FIM 150,000
the Farnos foundation for research and science	FIM 150,000
other medical research	FIM 300,000
<u>to be retained in the profit and loss account</u>	<u>FIM 1,333,566,614.72</u>
	<u>FIM 1,788,982,203.22</u>

We submit these financial statements to the Annual General Meeting for approval.

Espoo, February 25, 1999  
Board of Directors of Orion Corporation

Juhani Leikola  
Chairman of the Board of Directors

Aatto Prihti  
Deputy Chairman

Markku Talonen  
President and CEO

Erkki Etola

Eero Karvonen

Pauli Torkko

# AUDITORS' REPORT

## To the shareholders of Orion Corporation

We have audited the accounting, the financial statements and the corporate administration of Orion Corporation for the period Jan. 1, - Dec. 31, 1998. The financial statements, which include the report of the Board of Directors, and the consolidated and parent company Income Statements, Balance Sheets and Notes to the financial statements have been prepared by the Board of Directors and the Managing Director. Based on our audit we express our opinion on these financial statements and on the company's administration.

We have conducted our audit in accordance with Finnish generally accepted auditing standards. Those standards require, that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate administra-

tion is to examine that the members of the Supervisory Board, the Board of Directors and the Managing Director have complied with the rules of the Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of the consolidated and parent company's results of operations and financial position. The financial statements and consolidated financial statements can be adopted and the members of the Supervisory Board, the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors to the meeting of shareholders regarding the distribution of earnings is in compliance with the Companies Act.

Based on our review it is our understanding that the interim financial statements published during the financial year have been prepared in accordance with the regulations concerning the preparation of such statements.

Espoo, March 1, 1999

Risto Järvinen  
Authorised Public  
Accountant

Pekka Luoma  
Authorised Public  
Accountant

## STATEMENT BY THE SUPERVISORY BOARD OF ORION CORPORATION

We have examined the Statement of Accounts and Auditors' Report for 1998.

We recommend that the Income Statement, Balance Sheet, Consolidated Income Statement and Consolidated Balance Sheet be approved as proposed by the Board of Directors, and that the

profit for the year be utilised in the manner proposed by the Board of Directors.

The following members are in turn to retire from the Supervisory Board: Juhani Aho, Juha Kyttilä, Eeva Kölli-Jäntti, Ilkka Sipilä and Antti Tanskanen.

Espoo, March 8, 1999

Juhani Aho  
Chairman of the Supervisory Board

# **TABLES CONVERTED TO THE EURO CURRENCY**

## ADJUSTED DATA PER SHARE IN EUROS

			1998	1997	1996	1995	1994
Earnings per share (EPS)	EUR		<b>1.21*</b>	1.43	1.25	1.17	1.13
Shareholders' equity per share	EUR		<b>10.44</b>	10.39	9.48	8.66	7.92
Total dividends	MEUR		<b>76.5**</b>	88.3	42.0	33.6	25.2
Dividend per share	EUR		<b>1.09**</b>	1.26	0.84	0.67	0.51
Adjusted dividend per share	EUR		<b>1.09**</b>	1.26	0.60	0.48	0.36
Adjusted dividend per earnings		%	<b>90.4%**</b>	88.1%	48.2%	41.2%	31.8%
Adjusted yield	A	%	<b>5.4%**</b>	5.2%	2.7%	3.1%	2.6%
Adjusted yield	B	%	<b>5.3%**</b>	5.2%	2.8%	3.2%	2.7%
Adjusted P/E ratio	A		<b>16.85</b>	16.95	17.64	13.10	12.27
Adjusted P/E ratio	B		<b>16.91</b>	16.88	17.11	12.71	11.82
Share price on Dec. 31,	A	EUR	<b>20.27</b>	24.22	30.61	20.86	19.68
Share price on Dec. 31,	B	EUR	<b>20.59</b>	24.22	29.77	20.52	18.84
Adjusted price on Dec. 31,	A	EUR	<b>20.27</b>	24.22	21.86	14.90	14.06
Adjusted price on Dec. 31,	B	EUR	<b>20.59</b>	24.22	21.26	14.66	13.46
Adjusted average share price	A	EUR	<b>23.67</b>	23.08	18.18	13.67	17.12
Adjusted average share price	B	EUR	<b>24.61</b>	22.87	17.46	13.22	15.69
Adjusted lowest share price	A	EUR	<b>16.77</b>	20.66	15.38	11.71	13.82
Adjusted lowest share price	B	EUR	<b>15.98</b>	20.60	14.78	10.93	12.61
Adjusted highest share price	A	EUR	<b>31.79</b>	26.43	22.22	15.38	19.70
Adjusted highest share price	B	EUR	<b>31.12</b>	25.83	21.51	15.14	18.02
Market capitalisation on Dec. 31,	MEUR		<b>1 428.1</b>	1 694.4	1 516.3	1 056.3	956.7
Adjusted number of A shares traded		000s	<b>4 026</b>	7 380	6 071	2 421	1 729
% of A shares		%	<b>10.9%</b>	19.9%	16.4%	6.5%	4.7%
Adjusted number of B shares traded		000s	<b>17 165</b>	17 113	13 944	7 585	5 657
% of B shares		%	<b>52.1%</b>	52.0%	42.4%	23.1%	17.2%
Shares traded							
% of total share capital		%	<b>30.3%</b>	35.0%	28.6%	14.3%	10.6%
Number of shares on Dec. 31, A shares			<b>37 018 755</b>	37 063 327	26 473 802	26 473 802	26 473 804
B shares			<b>32 952 874</b>	32 908 302	23 505 930	23 505 930	23 505 930
Total			<b>69 971 629</b>	69 971 629	49 979 732	49 979 732	49 979 734
Adjusted number of shares							
annual average			<b>69 971 629</b>	69 971 629	69 971 625	69 971 625	69 971 628
Adjusted number of shares							
at the end of the financial year			<b>69 971 629</b>	69 971 629	69 971 625	69 971 625	69 971 628
*Earnings per share, including dilution, EUR			<b>1.20</b>	Formulas for calculating the key indicators on page 27.			
**proposed							

1 euro = 5.94573 Finnish markka

# FINANCIAL DEVELOPMENT OF THE ORION GROUP IN EUROS

Figures in EUR million	1998	1997	1996	1995	1994
<b>Net sales and profit</b>					
Net sales	870	790	737	697	663
Change on the previous year %	+10.2%	+7.1%	+5.7%	+5.2%	+6.3%
Exports from Finland	229	200	175	165	172
Change on the previous year %	+14.5%	+14.6%	+6.1%	-4.5%	+15.0%
International operations	314	290	251	238	245
% of net sales	36.0%	36.8%	34.1%	34.1%	36.9%
Change on the previous year %	+8.0%	+15.5%	+5.8%	-3.0%	+12.1%
Depreciation according to plan	39	38	37	34	34
Operating profit	109	121	106	100	98
% of net sales	12.6%	15.3%	14.4%	14.4%	14.8%
Financial income and expenses	+12	+19	+18	+12	+8
% of net sales	+1.4%	+2.3%	+2.4%	+1.8%	+1.2%
Profit before extraordinary items and taxes	121	139	124	113	106
% of net sales	13.9%	17.6%	16.8%	16.1%	16.0%
Extraordinary items (net)	+4	+0	+4	-0	+4
Income taxes*	36	39	37	31	27
Profit after taxes without extraordinary items	85	100	87	82	79
Return on invested capital before extraordinary items and taxes	16.2%	19.0%	18.1%	17.9%	18.4%
Return on equity	11.6%	14.4%	13.7%	14.1%	15.1%
<b>Balance sheet</b>					
Current assets	493	524	499	471	459
Non-current assets	463	438	413	401	393
Liabilities	225	235	247	265	296
Interest-free liabilities	173	188	168	166	189
Interest-bearing liabilities	52	47	79	98	107
Provisions	1	1	1	1	1
Shareholders' equity	730	727	663	606	554
Balance Sheet total	956	962	912	872	852
Solvency ratio	77.0%	75.8%	72.8%	69.5%	65.1%
Gearing	-20.7%	-28.1%	-27.3%	-22.7%	-20.5%
<b>Investments in fixed assets</b>					
Gross investments	67	56	41	40	41
% of net sales	7.7%	7.1%	5.5%	5.7%	6.2%
Gross investments excluding shares	46	52	41	34	25
% of net sales	5.3%	6.6%	5.5%	4.9%	3.8%
<b>Research and development expenditure</b>					
Research and development expenditure	63	56	56	53	52
% of net sales	7.3%	7.1%	7.6%	7.6%	7.9%
<b>Personnel</b>					
Wages and salaries paid	140	131	130	124	117
Number of employees	5 517	5 322	5 244	5 147	5 042
Net sales per employee, EUR thousand	158	148	141	135	132

\*According to the regulations of the new Finnish Accounting Act the change in deferred tax liabilities and the deferred tax assets has been taken into account in calculating the income taxes. Also the comparison data has been revised.

1 euro = 5.94573 Finnish markka

# CONSOLIDATED INCOME STATEMENT IN EUROS

EUR million	Jan. I-Dec. 31, 1998	Jan. I-Dec. 31, 1997
<b>Net sales</b>	<b>869.8</b>	789.6
Other operating income	<b>+10.5</b>	+11.0
Operating expenses	<b>-731.8</b>	-642.1
Depreciation	<b>-39.2</b>	-38.0
<b>Operating profit</b>	<b>109.3</b>	120.5
Financial income and expenses	<b>+11.8</b>	+18.6
<b>Profit before extraordinary items and taxes</b>	<b>121.1</b>	139.1
Extraordinary items	<b>+3.9</b>	+0.0
<b>Profit before taxes</b>	<b>125.0</b>	139.1
Income taxes	<b>-36.5</b>	-38.9
Minority interest	<b>0.0</b>	-
<b>Profit for the financial year</b>	<b>88.5</b>	100.2

1 euro = 5.94573 Finnish markka



# CONSOLIDATED BALANCE SHEET IN EUROS

ASSETS		
EUR million	Dec. 31, 1998	Dec. 31, 1997
<b>Non-current assets</b>		
Intangible assets		
Intangible rights	24.8	24.0
Goodwill	31.6	34.8
Group goodwill	0.9	-
Other capitalised expenditure	8.8	3.2
	<b>66.1</b>	62.0
Tangible assets		
Land and water	8.0	8.0
Buildings	157.3	159.9
Machinery and equipment	99.0	99.5
Other tangible assets	1.1	1.2
Advance payments and construction in progress	7.3	0.8
	<b>272.7</b>	269.4
Investments		
Shares in associated companies	96.5	78.7
Own shares	1.3	1.3
Other investments	26.2	26.7
	<b>124.0</b>	106.7
<b>Current assets</b>		
Stocks	174.0	159.5
Deferred tax asset	3.6	-
Non-current receivables	0.6	0.7
Current receivables	112.0	113.0
Investments	178.1	223.2
Cash in hand and at banks	24.8	27.9
	<b>955.9</b>	962.4

LIABILITIES		
EUR million	Dec. 31, 1998	Dec. 31, 1997
<b>Shareholders' equity</b>		
Share capital	117.7	117.7
Reserve for own shares	1.3	1.3
Reserve fund	1.4	1.5
Retained earnings	521.3	506.1
Profit for the financial year	88.5	100.2
	<b>730.2</b>	726.8
Minority interest	0.1	0.0
Provisions	0.9	1.1
<b>Liabilities</b>		
Deferred tax liability	56.7	60.0
Non-current liabilities		
Pension loans	35.0	35.7
Other non-current liabilities	8.9	8.6
	<b>43.9</b>	44.3
Current liabilities		
Advances received	7.5	3.3
Trade payables	71.4	70.6
Other current liabilities	45.2	56.3
	<b>124.1</b>	130.2
	<b>955.9</b>	962.4

1 euro = 5,94573 mk

# SUPERVISORY BOARD, BOARD OF DIRECTORS AND AUDITORS OF ORION CORPORATION, MARCH 1, 1999

## Supervisory Board

		Present term	Member since
JUHANI AHO, M.D., 68 Helsingin Lääkärikeskus Group, Chief Physician, Chairman of the Board of Directors Yhtyneet Laboratoriot Oy, President	Chairman	1998 - 1999	1978 -
	Member	1996 - 1999	
AHTI TARKKANEN, M.D., 68 Professor	Deputy Chairman	1998 - 1999	1997 -
JOUKO BRADE, M.Sc. (Econ.), MBA, 69 Medical Investment Trust, Chairman of the Board of Directors	Member	1998 - 2001	
PEKKA ELOVAARA, M.Sc. (Pharm.), 49 Luumäen apteekki, Pharmacist		1997 - 2000	1997 -
TIMO ESTOLA, D.V.M., 67 Professor		1997 - 2000	1994 -
PETTERI KARTTUNEN, M.Sc. (Econ.), 38 Gyllenberg Asset Management Oy, President		1998 - 2001	1992 -
JUHA KYTILÄ, M.D., 68		1997 - 2000	1989 -
EEVA KÖLLI-JÄNTTI, M.Sc. (Pharm.), 57 Pukimäen Apteekki, Pharmacist		1996 - 1999	1978 -
JOUKO K. LESKINEN, LL.M., 55 Sampo Group, President and CEO		1996 - 1999	1996 -
TIMO MAASILTA, M.Sc. (Tech.), 44 The Land and Water Technology Foundation, Chairman of the Board		1997 - 2000	1997 -
TATU MIETTINEN, M.D., 68 Professor		1997 - 2000	1991 -
SEPPO SALONEN, M.D., 39 Medivire Työterveyspalvelut Oy, Occupational Health Physician		1998 - 2001	1968 -
ILKKA SIPILÄ, M.D., 56 HUCH, Hospital for children and adolescents, Assistant Chief Physician		1998 - 2001	1995 -
ERKKI TAMMISALO, D.D.S., 66 Professor		1996 - 1999	1995 -
ANTTI TANSSKANEN, Ph.D. (Econ.), 52 OKOBANK (Osuuspankkien Keskuspankki Oyj), Chairman		1998 - 2001	1980 -
IIRO VIINANEN, M.Sc. (Tech.), 54 Pohjola Group Insurance Corporation, President and CEO		1997 - 1999	1997 -

## Board of Directors

JUHANI LEIKOLA, M.D., Professor, 57 Finnish Red Cross Blood Transfusion Service, Director	Chairman	1997 - 1999	1994 -
AATTO PRIHTI, D.Sc. (Econ.), 59 Finnish National Fund for Research and Development, President	Deputy Chairman	1999	1984 -
ERKKI ETOLA, M.Sc. (Tech.), 54 Etola-yhtiöt, President	Member	1999 - 2000	
EERO KARVONEN, M.Sc. (Tech.), 50 EVK-Capital Oy, President		1999 - 2000	1995 -
MARKKU TALONEN, Lic.Sc. (Tech.), 52 Orion Corporation, President and CEO		1999 - 2000	1997 -
PAULI TORKKO, Lic.Sc. (Econ.), 51 Orion Corporation, Executive Vice President		1999 - 2000	1987 -

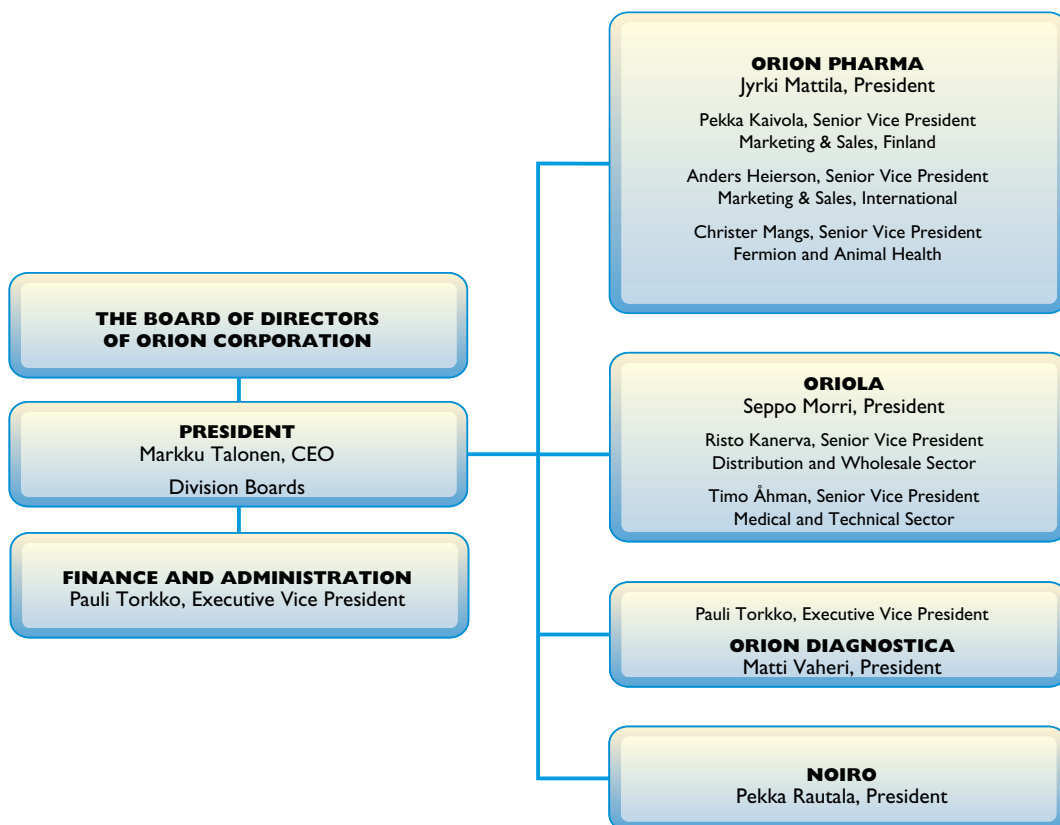
## Auditors

RISTO JÄRVINEN, Lic.Sc. (Econ.), APA  
PEKKA LUOMA, B.Sc. (Econ.), APA

## Deputy Auditors

KALERVO VIRTANEN, Professor, D.Sc. (Econ.), APA  
MIKKO LEPPÄNEN, B.Sc. (Econ.), CPA

# ORGANIZATION AND DIVISIONS OF THE ORION GROUP, FEBRUARY 16, 1999



The Board of Directors of Orion Corporation, and the Chairman of the Supervisory Board. From the left: Eero Karvonen, Erkki Etola, Juhani Leikola, Markku Talonen, Juhani Aho, Aatto Prihti and Pauli Torkko.

# MANAGERIAL STAFF

## ORION PHARMA

**Jyrki Mattila**  
President

### Marketing & Sales, International operations, Human pharmaceuticals

**Anders Heierson**  
Senior Vice President

**Bo Creutzer**  
Orion Pharma AB

**Henning Termansen**  
Ercopharm A/S

**Klaus Meckdenburg**  
Orion Pharma GmbH

**David Boucher**  
Orion Pharma (UK) Ltd.

**Hannu Wennonen**  
France, Norway, Ireland,  
Switzerland

**Markku Huhta-Koivisto**  
Exports and Materials  
Management

**Cecilia Högestätt**  
Cardiology, Critical care

**Barbara Lead**  
Business Unit Respiratory

**Pia Sulin**  
Business Unit CNS

**Antti Viitanen**  
Business Unit HRT &  
Urology

**Lars Ekholm**  
Finance

### Marketing & Sales, Finland

**Pekka Kaivola**  
Senior Vice President

**Timo Lumme**  
**Ari-Matti Myllyniemi**  
**Hilkka Tuhkanen**  
Prescription Drugs

**Antti Loinu**  
OTC Products

**Pekka Järvensivu**  
Marketing Services

**Merja Pitkänen**  
Regulatory Affairs

**Pekka Koivuneva**  
Controller

**Markku Virkki**  
Public Relations

### Animal Health

**Christer Mangs**  
Senior Vice President

**Päivi Lehtonen**  
Nordic Countries

**Kai Lahtonen**  
Exports

**Lasse Koskenniska**  
Research and Product  
Development

**Anssi Hakkala**  
Hiven Oy

### Fermion

**Crister Mangs**  
Senior Vice President

**Jorma Maria**  
Research & Product  
Development and  
Production

**Hanspeter Ros**  
Marketing and Sales

### Centralised operations

**Kari Varkila**  
Clinical Development and  
Regulatory Affairs

**Juhani Elmén**  
HRT & Urology,  
Oncology

**Marjut Ranki-Pesonen**  
Asthma

**Lasse Lehtonen**  
Cardiology

**Kari Reinikainen,**  
**Outi Mäki-Ikola**  
CNS

**Inge-Britt Lindén**  
International Regulatory  
Affairs

**Esa Soppi**  
Project Development

**Aino Takala**  
Health Economics

**Esa Heinonen**  
Preclinical Research

**Heimo Haikala**  
Pharmacology

**Antti Haapalinna**  
Neuropharmacology &  
Toxicology

**Arto Karjalainen**  
Synthetic Chemistry

**Timo Lotta**  
Bioanalytics &  
Pharmacokinetics

**Arja Weckman**  
Industrial Property Rights

**Anne Solkinen**  
Quality Assurance

**Ulla Hirvensalo**  
IRM

**Pasi Salokangas**  
Product Development and  
Production

**Marja Ritala**  
Product Development

**Pekka Korsi**  
Manufacturing, Espoo  
and Kuopio

**Heimo Rantala**  
Manufacturing, Turku  
and Seinäjoki

**Risto Härnäläinen**  
Manufacturing, Oulu  
and Kemijärvi

**Bjorne Grönblom**  
Engineering

**Heikki Rehtjärvi**  
Quality Assurance

**Kalevi Reijonen**  
Business Development and  
Market Intelligence

**Hans Lindroos**  
**Hannu Silvennoinen**  
Product Acquisition

**Kari Ruottinen**  
Finance

**Matti Kuula**  
**Riitta Kytömäki**  
Human Resources

**Jukka Muhonen**  
Legal Affairs

## ORIOLA

**Seppo Morri**  
President

**Timo Leivo**  
Finance

**Merja Lairila**  
Human Resources

### Distribution and wholesale sector

**Risto Kanerva**  
Senior Vice President

**Simon Ollus**  
Supplier Services

**Seppo Hakanpää**  
Distribution Finland

**Eija Kinos**  
Regulatory Affairs, Espoo

**Aki Pitkänen**  
Kuopio

**Janne Leino**  
Oulu

**Jouni Malin**  
Seinäjoki

**Jukka Niemi**  
Wholesale

**Kyösti Aalto**  
International Distribution

**Petri Kiviluoma**  
As Oriola, Estonia

**Inara Buzinska**  
SIA-Oriola, Latvia

**Audrius Pivoras**  
UAB Oriola, Lithuania

**Torri Hakula**  
ZAO Oriola, St.  
Petersburg

**Timo Toivio**  
Panfarma

**Marita Kaurala**  
Reformi-Keskus

### Medical and Technical Sector

**Timo Ähman**  
Senior Vice President

**Pertti Kotkas**  
Health Care Products  
Kuulolaitekeskus

**Juha Blomberg**  
Prolab

**Senja Tynkkynen**  
Hammasväline

**Göran Mattsson**  
Oriola  
Dentalprodukter AB,  
Sweden

**Jyrki Luukko**  
Medion

**Timo Ähman**  
Graphic Arts Department

### Healthcare Industry Sector

**Ilo Ihanamäki**  
Soredex

**David Kelton**  
Soredex Inc. USA

## ORION DIAGNOSTICA

**Matti Vaheri**  
President

**Markku Tilus**  
Senior Vice President  
Controller

**Veli Hänninen**  
Product Development

**Sirkku Holttinen**  
Operations

**Annikka Rantama**  
Quality Assurance

**Markus Sivonen**  
Exports

**Lars Lundin**  
Orion Diagnostica AB

**Jan Ekmorød**  
Orion Diagnostica as

**Steffen Huusom**  
Orion Diagnostica  
Danmark A/S

**Ossi Hiltunen**  
Business Unit Proteins

**Juha Nykänen**  
Business Unit Hormones &  
Markers

**Timo Raines**  
Business Unit Infectious  
Diseases

## NOIRO

**Pekka Rautala**  
President

Marketing

**Harri Mäntynen**  
Personal Care and  
Household Products  
Selective Cosmetics

**Raul Holmborg**  
Wella Hairdressing Products

**Jouko Heinonen**  
Lumene Cosmetics and  
Cutrin Hairdressing  
Products

**Jari Suominen**  
Institutional and Industrial  
Cleaning Products

**Carl-Gustav Malmström**  
Exports

**Juha Suikkanen**  
Production and Logistics

**Leena Kolonen**  
Product Development and  
Quality Assurance

**Juha Koivukoski**  
Finance and  
Administration,  
Strategic Planning

**Pekka Perttilä**  
Materials Management

## CENTRAL ADMINISTRATION

**Markku Talonen**  
President and CEO

**Pauli Torkko**  
Executive Vice President  
Finance and Administration

**Timo Halttunen**  
Group Controller

**Merja Elo**  
Accounting

**Ulla Pihlström**  
Finance

**Heikki Salo**  
Internal Audit

**Henry Haarla**  
Legal Affairs

**Anne Allo**  
Corporate Communications  
and Investor Relations

**Pekka Vaissi**  
Tuohilampi

# ADDRESSES

Registered office:

## Orion Corporation

Central Administration  
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Postal address P.O.Box 65  
FIN-02101 Espoo  
+358-9-4291  
Tel. +358-9-429 2801  
Fax +358-9-429 2801  
Internet <http://www.orion.fi>

## Orion Pharma

### Orion Corporation Orion Pharma

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Fax +358-9-429 3815  
Internet <http://www.orion.fi>

### Marketing subsidiaries

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Postal address P.O.Box 334  
S-19230 Sollentuna,  
Sverige  
Tel. +46-8-623 6440  
Fax +46-8-623 6480  
E-mail [info@orion.se](mailto:info@orion.se)

ORION PHARMA AS  
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Postal address P.O.Box 52  
Økern  
0508 Oslo, Norway  
Tel. +47-22-887 300  
Fax +47-22-653 378  
E-mail [firmapost@orion.telemax.no](mailto:firmapost@orion.telemax.no)

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Fax +45-49-126 612  
E-mail [ercopharm@ercopharm.dk](mailto:ercopharm@ercopharm.dk)

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Germany  
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Fax +49-40-899 68996

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Boulogne, France

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Switzerland  
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Fax +41-41-761 9800

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Hungary  
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Fax +36-1-212 9104  
E-mail [finorion@elender.hu](mailto:finorion@elender.hu)

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Belgard Road,  
Tallaght  
Dublin 24, Ireland  
Tel. +353-1-404 1600  
Fax +353-1-404 1699

ORION PHARMA (UK) LTD.  
Address 1st Floor - Leat House  
Overbridge Square  
Hambridge Lane  
Newbury,  
Berkshire RG14 5UX  
England  
Tel. +44-1635-520 300  
Fax +44-1635-520 319

ORION PHARMA INC.  
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Fax +1-908-526 6021

ORION CORPORATION  
REPRESENTATIVE OFFICE  
Address Mytnaya ul.d.1, stair 2,  
office 21  
117049 Moscow, Russia  
Tel. +7-095-230 0465  
230 0476  
230 0478  
Fax +7-095-230 6511

PHARMACAL OY AB  
Address Elimäenkatu 22 A  
FIN-00510 Helsinki  
Tel. +358-9-146 4900  
Fax +358-9-146 4422

### Pharmaceutical manufacturing

ESPOO SITE  
Address Orionintie 1  
02200 Espoo  
Postal address P.O.Box 65  
FIN-02101 Espoo  
+358-9-4291  
Tel. +358-9-429 3131  
Fax +358-9-429 3131

KEMIJÄRVI SITE  
Address Pöyliöjärventie 2-8  
98120 Kemijärvi  
Postal address P.O.Box 7005  
FIN-98101 Kemijärvi  
Tel. +358-16-858 1100  
Fax +358-16-821 736

KUOPIO SITE  
Address Volttikatu 8  
70700 Kuopio  
Postal address P.O.Box 1780  
FIN-70701 Kuopio  
+358-17-245 111  
Tel. +358-17-245 444  
Fax +358-17-245 444

OULU SITE  
Address Lääketehtaan tie 2  
FIN-90650 Oulu  
+358-8-557 7111  
Tel. +358-8-557 7101  
Fax +358-8-557 7101

SEINÄJOKI SITE  
Address Teollisuustie 16  
FIN-60100 Seinäjoki  
+358-6-416 7111  
Tel. +358-6-416 7502  
Fax +358-6-416 7502

TURKU SITE  
Address Tengströminkatu 6-8  
20360 Turku  
Postal address P.O.Box 425  
FIN-20101 Turku  
+358-2-272 7211  
Tel. +358-2-272 7547  
Fax +358-2-272 7547

### Bulk drug substance production

FERMION  
Address Koivu-Mankkaan tie 6 B  
02200 Espoo  
Postal address P.O.Box 28  
FIN-02101 Espoo  
+358-9-4291  
Tel. +358-9-452 1764  
Fax +358-9-452 1764

HANKO SITE  
Postal address P.O.Box 50  
FIN-10901 Hanko  
+358-19-28081  
Tel. +358-19-280 8223  
Fax +358-19-280 8223

CHEMICAL PLANT, OULU  
Address Lääketehtaan tie 2  
FIN-90650 Oulu  
+358-8-557 7111  
Tel. +358-8-557 7107  
Fax +358-8-557 7107

### Orion Corporation Animal Health

Address Tengströminkatu 8  
20360 Turku

Postal address P.O.Box 425  
FIN-20101 Turku  
+358-2-272 7211  
Tel. +358-2-272 7777  
Fax +358-2-272 7777

Hiven Oy  
Address Yrittäjätie 7  
21530 Paimio

Postal address P.O.Box 25  
FIN-21531 Paimio  
+358-2-477 0211  
Tel. +358-2-477 0252  
Fax +358-2-477 0252

## Oriola

### Oriola Oy

Address Orionintie 5  
02200 Espoo

Postal address P.O.Box 8  
FIN-02101 Espoo

Tel. +358-9-42999  
Fax +358-9-429 3415  
Internet <http://www.oriola.fi>

### PANFARMA OY

Address Harmaaparrankuja 1  
02200 Espoo

Postal address P.O.Box 301  
FIN-02101 Espoo

Tel. +358-9-42998  
Fax +358-9-452 2061

### KUULOLAITEKESKUS OY

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02200 Espoo

Postal address P.O.Box 8  
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Fax +358-9-429 3919

### ORIOLA OY

GRAPHIC ARTS DEPARTMENT  
Address Niilsiänkatu 10-14  
FIN-00510 Helsinki

Tel. +358-9-393 71  
Fax +358-9-393 7364

### ORION CORPORATION MEDION

Address Niilsiänkatu 10-14  
00510 Helsinki

Postal address P.O.Box 79  
FIN-00511 Helsinki

Tel. +358-9-393 71  
Fax +358-9-701 8398

### ORION CORPORATION SOREDEX

Address Niilsiänkatu 10-14  
00510 Helsinki

Postal address P.O.Box 79  
FIN-00511 Helsinki

Tel. +358-9-393 71  
Fax +358-9-701 5261  
Internet <http://www.soredex.com>

Finndent  
Address FIN-07230 Monninkylä  
Tel. +358-19-643 555  
Fax +358-19-643 691

### Regional wholesale centres

#### ORIOLA OY/KUOPIO

Address Volttikatu 7  
FIN-70700 Kuopio

Tel. +358-17-244 111  
Fax +358-17-244 230

### ORIOLA OY/OULU

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FIN-90550 Oulu

Tel. +358-8-551 1000  
Fax +358-8-551 1220

### ORIOLA OY/SEINÄJOKI

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### Subsidiaries abroad

#### AS ORIOLA

Address Saku 8  
EE0013 Tallin, Estonia

Tel. +372-6-500 710  
Fax +372-6-500 720  
E-mail [est@oriola.com](mailto:est@oriola.com)

#### SIA ORIOLA RIGA

Address Senču iela 4  
LV-1012 Riga, Latvia

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+371-7-339 104  
Fax +371-7-339 127

#### UAB ORIOLA VILNIUS

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Plentas 4  
2016 Vilnius, Lithuania

Tel. +370-2-768 736  
Fax +370-2-768 709

#### ZAO ORIOLA SPb

Address Vasilevsky Ostrov  
18th line D.47  
199178 Saint-  
Petersburg, Russia

Tel. +7-812-118 7535  
Fax +7-812-118 7656  
E-mail [zлата@spb.cityline.ru](mailto:zлата@spb.cityline.ru)

#### ORIOLA DENTALPRODUKTER AB

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Postal address P.O.Box 8054, 20041  
Malmö

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Fax +46-40-672 8669

#### ORIOLA DENTALPRODUKTER AB

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Fax +46-8-799 8282

#### SOREDEX INC.

Address 2150 Newmarket  
Parkway, suite 110  
Marietta, Georgia  
30067, USA

Tel. +1-770-226 0500  
Fax +1-770-226 0511  
Internet <http://www.soredexusa.com>

## Orion Diagnostica

### Orion Corporation Orion Diagnostica

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02200 Espoo

Postal address P.O.Box 83  
FIN-02101 Espoo

Tel. +358-9-42995  
Fax +358-9-429 2794  
Internet <http://www.diagnostica.orion.fi>

### TURKU SITE

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Fax +358-2-272 7546

### OULUNSALO SITE

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Fax +358-8-514 2220

### ORION DIAGNOSTICA AB

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Fax +46-156-17355

### ORION DIAGNOSTICA AS

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Postal address P.O.Box 321  
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Fax +47-6690 4788

### ORION DIAGNOSTICA DANMARK A/S

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## Noiro

### Orion Corporation Noiro

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Fax +358-204 877 426

### Other locations

#### HOLLOLA

(Farmos Detergent Sector)  
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15870 Hollola

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FIN-15871 Hollola

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Fax +358-204 877 509

#### TURKU (Farmos Detergent Sector)

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420360 Turku

Postal address P.O.Box 425  
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#### TAMPERE (Cutrin-Kadus Hair Dressing Products)

Address Vestonkatu 11  
33730 Tampere

Postal address P.O.Box 276  
FIN-33101 Tampere

Tel. +358-204 877 120  
Fax +358-204 877 450

#### VALLILA (Cutrin Hairdressing Dept., Erisan Hospital Hygiene Dept.)

Address Niilsiänkatu 8 (Cutrin)  
Niilsiänkatu 10-14 B (Erisan)  
FIN-00510 Helsinki

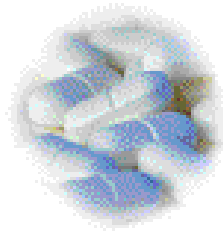
Tel. +358-204 877 121 (Cutrin)  
+358-204 877 135 (Erisan)  
Fax +358-204 877 652 (Cutrin)  
+358-204 877 626 (Erisan)

#### KARKONE OY

Address Niilsiänkatu 8  
FIN-00510 Helsinki

Tel. +358-204 877 150  
Fax +358-204 877 621





**ORION CORPORATION  
CENTRAL ADMINISTRATION**

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