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Orion Group
Financial Statement Release
1 Jan - 31 Dec 2016

Orion Group Financial Statement Release for 2016

Orion's net sales in 2016 totalled EUR 1,074 million (EUR 1,016 million in 2015).

- Operating profit was EUR 315 (267) million.
- Operating profit includes about EUR 22 million of capital gains.
- Profit before taxes was EUR 311 (262) million.
- Equity ratio was 61% (57%).
- ROCE before taxes was 41% (36%).
- ROE after taxes was 40% (38%).
- Basic earnings per share were EUR 1.77 (1.48).
- Cash flow per share before financial items was EUR 1.62 (1.51).
- Financial objectives have been updated.
- The Board of Directors proposes payment of a dividend of EUR 1.35 per share and in addition an extra EUR 0.20 special dividend per share to commemorate Orion's centenary year, in total EUR 1.55 per share.
- Orion estimates that in 2017 net sales will be at similar level to 2016 and operating profit excluding material capital gains will be at least EUR 280 million.

ORION'S KEY FIGURES FOR THE REVIEW PERIOD

	Q4/16	Q4/15	Change %	2016	2015	Change %
Net sales, EUR million	279.9	261.6	+7.0%	1,073.5	1,015.6	+5.7%
Operating profit, EUR million	58.7	50.9	+15.3%	314.6	266.6	+18.0%
% of net sales	21.0%	19.5%		29.3%	26.2%	
Profit before taxes, EUR million	57.7	49.7	+16.0%	310.9	262.3	+18.5%
% of net sales	20.6%	19.0%		29.0%	25.8%	
Income tax expense, EUR million	10.1	10.3	-1.9%	61.9	54.2	+14.3%
R&D expenses, EUR million	37.9	31.6	+19.8%	118.2	108.1	+9.3%
% of net sales	13.5%	12.1%		11.0%	10.6%	
Capital expenditure, EUR million	17.1	14.3	+20.2%	51.1	44.5	+14.9%
% of net sales	6.1%	5.4%		4.8%	4.4%	
Assets total, EUR million				1,062.9	1,047.4	+1.5%
Equity ratio, %				60.8%	57.4%	
Gearing, %				-12.4%	-9.6%	
Interest-bearing liabilities, EUR million				152.5	187.8	-18.8%
Non-interest-bearing liabilities, EUR million				269.0	264.6	+1.6%
Cash and cash equivalents and money market investments, EUR million				231.9	245.2	-5.4%
ROCE (before taxes), %				40.9%	35.7%	
ROE (after taxes), %				40.3%	37.5%	
Basic earnings per share, EUR	0.34	0.28	+21.1%	1.77	1.48	+19.8%
Diluted earnings per share, EUR	0.34	0.28	+21.1%	1.77	1.48	+19.8%
Cash flow per share before financial items, EUR	0.39	0.40	-2.1%	1.62	1.51	+7.3%
Equity per share, EUR				4.57	4.22	+8.1%
Personnel at the end of the period				3,469	3,401	+2.0%
Average personnel during the period				3,446	3,431	+0.4%
Personnel expenses, EUR million				224.4	220.6	+1.7%

President and CEO Timo Lappalainen:

“Another strong year for hundred-year-old Orion”

“In 2016 our net sales and operating profit were higher than in the previous year. The clear growth in operating profit is explained by the growth in net sales and about EUR 22 million of total capital gains.

“The Easyhaler product family for treatment of asthma and chronic obstructive pulmonary disease maintained its strong growth, led by the Bufomix Easyhaler combined formulation. During the year, through the decentralised procedure we received marketing authorisations for the budesonide-formoterol combined formulation in Germany, the United Kingdom and France. The national approval process has been completed in Germany and is ongoing in the United Kingdom and France. In addition, following the positive findings in the pharmacokinetic trials with a salmeterol-fluticasone combined formulation we received in December, we are planning to apply for marketing authorisation for the product in Europe. It is currently estimated that the marketing authorisation application in Europe could be submitted during the first half of 2017.

“As regards our other key proprietary products, intensive care sedative Dexdor continued to grow strongly and sales of Simdax for treatment of acute decompensated heart failure, which has been in the markets for a long time, also continued to grow well. Sales of Orion’s branded Parkinson’s drugs Stalevo, Comtess and Comtan continued to decline, but more slowly than expected. However, growing products were able to compensate for the decline in sales of Parkinson’s drugs and increase the total sales of the Proprietary Products business division. The net sales of the business division turned to growth in 2016 for the first time since the start of generic competition for the Parkinson’s franchise.

“Net sales of the Specialty Products business division grew in all the key market areas: Finland, Scandinavia and Eastern Europe. As regards the business division’s products, sales of the biosimilar Remsima remained strong relative to the comparative period, although the growth rate has clearly slowed since the start of the year due to the timings of tendering competitions and periods covered by delivery agreements. As regards our other businesses, net sales reached the previous year’s level in Animal Health and contract manufacturing. Fermion’s sales declined due to the challenging market situation and the increasing focus of production on the parent company Orion’s products. The decline in Orion Diagnostica’s net sales was mainly due to the ending of some collaboration related to the distribution of products.

“A lot happened in Orion’s research and development in 2016. Jointly with Bayer we have expanded the clinical development programme for androgen receptor antagonist (ODM-201) for treatment of prostate cancer and commenced a new Phase III trial with patients having metastatic hormone-sensitive prostate cancer. In a new project we commenced a Phase I clinical trial with a BET protein inhibitor (ODM-207) which inhibits transcription of key oncogenes in many cancers. In January, after the review period, our partner Tenax completed the Phase III clinical trial with levosimendan. According to the preliminary findings, the trial did not achieve its primary objectives. Tenax has announced that it will continue analysing the findings and will discuss the trial results and possible continuance of development work with the US Food and Drug Administration (FDA). We at Orion completed the Phase II clinical trial with orally administered levosimendan (ODM-109) for treatment of patients with ALS. Although the trial did not achieve its primary objective, the findings were, however, promising. Based on the findings, we are planning to continue the development programme. During the year the project for treatment of symptoms of Parkinson’s disease (ODM-104) and the project for treatment of solid cancerous tumours (ODM-203) progressed into Phase II clinical trials. During the year, we discontinued two early-phase clinical trials based on the findings.

“In addition, we strengthened our early-phase research through strategic collaboration agreements with the German Center for Neurodegenerative Diseases (DZNE) in treatment of neurodegenerative diseases, with the Japanese pharmaceutical company Asahi Kasei Pharma in treatment of pain and with the US University of Wisconsin in treatment of oncological diseases.

“We estimate that in 2017 net sales will be at similar level to 2016. We estimate that operating profit excluding material capital gains will be at least EUR 280 million. Our outlook estimate and the basis for it can be found in this report under ‘Outlook for 2017’ and ‘Basis for outlook’.”

Events during the period

On 22 March Orion Corporation's Annual General Meeting was held in Helsinki.

On 3 June Orion and Bayer announced their expansion of the ODM-201 clinical development programme and initiation of a new Phase III trial (ARASENS) with patients having metastatic hormone-sensitive prostate cancer.

On 15 June Orion upgraded the full-year outlook for 2016.

On 18 July Orion sold its shares in Pharmaservice Oy to Oriola-KD Corporation.

On 2 September Orion and Menarini commenced collaboration in marketing the budesonide-formoterol Easyhaler[®] combined formulation.

On 5 September Orion sold its shares in Ekokem Corporation to Fortum Corporation.

On 12 October the budesonide-formoterol Easyhaler[®] combined formulation received marketing authorisation for Germany through the decentralised procedure (DCP).

On 14 December the budesonide-formoterol Easyhaler[®] combined formulation received marketing authorisation for the United Kingdom and France through the decentralised procedure (DCP).

On 21 December Orion announced that it was planning to apply for marketing authorisation for a salmeterol-fluticasone combined formulation in the Easyhaler[®] product family in Europe.

Events after the period

There were no significant events after the period.

News conference and teleconference

A news conference and teleconference on the published results will be held on Wednesday 8 February 2017 at 13:30 EET in Hotel Kämp, address: Pohjoisesplanadi 29, Helsinki. President and CEO Timo Lappalainen will give a brief presentation in English on the financial review.

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

The teleconference code is 6174081 and the telephone numbers to participate in the teleconference are:

Finland:	+358 (0)9 7479 0361
Sweden:	+46 (0)8 5033 6574
United Kingdom:	+44 (0)330 336 9105
United States:	+1 719 457 1036

News conference recordings

A recording of the webcast of the event in English and a recording of the presentation by the President and CEO in Finnish will be published on the Orion website during Wednesday 8 February 2017.

Financial report material

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

Dates in Orion Calendar 2017

Annual General Meeting 2017	Wednesday 22 March 2017
Interim Report January-March 2017	Wednesday 26 April 2017
Half-Year Financial Report January-June 2017	Wednesday 19 July 2017
Interim Report January-September 2017	Thursday 26 October 2017

The Financial Statements and Report by the Board of Directors for 2016 will be published on the Company's website at the latest in week 9/2017.

For additional information about the financial review:

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

Financial review 1/1/2016-12/31/2016

Net sales

The Orion Group's net sales in 2016 were up by 6% at EUR 1,074 million (EUR 1,016 million in 2015). The net effect of currency exchange rates was minus EUR 10 million.

The Pharmaceuticals business's net sales were up by 6% at EUR 1,022 (961) million. The Pharmaceuticals business's net sales of products in the portfolio other than Stalevo[®], Comtess[®]/Comtan[®] and Precedex[®], and excluding milestone payments, were up by 8% at EUR 863 (798) million. Net sales of Orion's Stalevo[®] (carbidopa, levodopa and entacapone) and Comtess[®]/Comtan[®] (entacapone) Parkinson's drugs were down by 10% at EUR 124 (138) million, which was 12% (14%) of the Pharmaceuticals business's net sales.

The Diagnostics business's net sales were down by 5% at EUR 55 (58) million.

Operating profit

The Orion Group's operating profit was up by 18% at EUR 315 (267) million. Milestone payments accounted for EUR 15 (8) million of the operating profit. Operating profit growth was enhanced by about EUR 22 million of capital gains included in the Pharmaceuticals business's operating profit.

The Pharmaceuticals business's operating profit was up by 18% at EUR 316 (269) million. Milestone payments accounted for EUR 15 (8) million of the operating profit.

The Diagnostics business's operating profit was EUR 8.4 (8.5) million.

Operating expenses

The Group's sales and marketing expenses were EUR 195 (190) million.

R&D expenses were EUR 118 (108) million and accounted for 11% (11%) of the Group's net sales. Pharmaceutical R&D expenses amounted to EUR 112 (101) million. Research projects are reported in more detail under Pharmaceuticals in the Business Reviews.

Administrative expenses were EUR 49 (46) million.

Other operating income and expenses, which include about EUR 22 million of capital gains, were EUR 24 (1) million.

Group's profit

The Group's profit before taxes was up by 19% at EUR 311 (262) million. Basic earnings per share were EUR 1.77 (1.48) and diluted earnings per share were EUR 1.77 (1.48). Equity per share was EUR 4.57 (4.22). The return on capital employed before taxes (ROCE) was 41% (36%) and the return on equity after taxes (ROE) 40% (38%).

Financial position

The Group's gearing was -12% (-10%) and the equity ratio 61% (57%).

The Group's total liabilities at 31 December 2016 were EUR 422 (452) million. At the end of the period, interest-bearing liabilities amounted to EUR 153 (188) million, including EUR 150 (178) million of long-term loans.

The Group had EUR 232 (245) million of cash and cash equivalents and money market investments at the end of the period. The cash and cash equivalents are invested in short-term interest-bearing instruments issued by financially solid financial institutions and corporations.

Cash flow

Cash flow from operating activities was EUR 249 (255) million. Cash flow decreased because working capital increased by more than in the comparative period.

Cash flow from investing activities was EUR -21 (-42) million, the change relative to the comparative period being explained mostly by the sales of shares.

Cash flow from financing activities was EUR -237 (-231) million. The change is mainly due to purchasing of the Company's shares in June (EUR -17 million). The purchase of own shares was based on the decision by the Board of Directors which was announced in a stock exchange release on 27 April 2016.

Capital expenditure

The Group's capital expenditure totalled EUR 51 (44) million. This comprised EUR 44 (39) million on property, plant and equipment and EUR 6 (5) million on intangible assets.

Outlook for 2017 (provided on 8 February 2017)

Net sales are estimated to be at similar level to 2016 (net sales were EUR 1,074 million in 2016).

Operating profit excluding material capital gains is estimated to be at least EUR 280 million (operating profit excluding capital gains was EUR 293 million in 2016).

Basis for outlook

Orion's branded Parkinson's drugs are Comtess[®], Comtan[®] and Stalevo[®]. Generic competition to these products commenced in the United States in 2012 and has already extended to nearly all markets. As a result of the competition, Orion's sales of these products have decreased to low levels in the United States and some other markets, and competition is expected to extend gradually in all markets. However, in 2017 growth in sales of other products is expected to continue to compensate for the decline in sales of these products. Sales of the Easyhaler product family are forecast to continue to grow. A generic competitor to Dexdor[®] has been approved in some European countries. However, the impact of these approvals is not included in the outlook estimate because at this stage it is still difficult to estimate the precise timing and significance of possible competition. The patent for the Simdax[®] molecule expired in September 2015 but this is still not expected to have a material impact on sales of the product in 2017.

Sales of generic products account for a significant proportion of Orion's total sales, and price competition has continued in many markets. Competition in Finland, the most important generic market for Orion, will remain intense in 2017. In addition, at the beginning of the current year in Finland changes were made to the pricing system for substitutable prescription drugs by narrowing the so-called price band. The estimated negative impact of this change on Orion's sales has been taken into account in the outlook estimate. However, product launches continue to support Orion's position as market leader. In 2016 sales of Reimsima[®] generated a significant portion of the growth in net sales of the Speciality Products business division. Sales of the product in the current year are expected to be similar to the previous year.

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

The Group's total capital expenditure in 2017 is expected to be higher than in 2016, when it was EUR 51 million. The largest single ongoing projects are expansion of Fermion's Hanko manufacturing plant and increasing Easyhaler product family production capacity.

Marketing expenditure will be higher than in the previous year due to additional promotion of sales from the Easyhaler product portfolio, for example. Because the registrations and launches of new products are projects that take more than a year, the increases in resources and other inputs required in 2017 were planned mainly during the previous year.

Research and development costs will be similar to 2016. They are partly the Company's internal fixed cost items, such as salaries and maintenance of the operating infrastructure, and partly external variable costs. External costs arise from, among other things, long-term clinical trials, which are typically performed in clinics located in several countries. The most important clinical trials scheduled for 2017 are either ongoing from the previous year or at an advanced stage of planning, therefore their cost level can be estimated rather accurately. The accrued costs are materially affected by collaboration arrangements and how the costs arising are allocated between Orion and its collaboration partners. For instance, Bayer is paying the majority of the ODM-201 research costs.

Near-term risks and uncertainties

Sales of Orion's branded Parkinson's drugs will decrease in 2017 due to generic competition. The effects of the competition have been taken into account in the outlook estimate for the current year. However, the timing of the extension and intensity of generic competition to Stalevo in Europe and elsewhere still entails uncertainty that may materially affect the accuracy of the estimate made at this stage. The basic Simdax and Dexdor patents have expired. However, the products have other still valid product protection. Nevertheless, for these products there is a possibility that generic competition might commence before expiry of the respective product protection. Orion has become aware that marketing authorisation for a generic version of Dexdor has been granted in some European countries. Orion is continuing actions to defend its rights.

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

The exchange rate risk due to the US dollar has decreased in recent years because the share of Orion's net sales invoiced in dollars has fallen to below ten per cent and at the same time the value of purchases in dollars has increased. The greatest exchange rate risk at present relates to European currencies such the Swedish crown and British pound. However, the overall effect of the risk due to currencies of European countries will be abated by the fact that Orion has organisations of its own in most of these countries, which means that in addition to sales income, there are also costs in these currencies. Changes in the Japanese yen exchange rate have become more important as sales of Parkinson's drugs in Japan have increased. The exchange rate effect related to the Russian rouble has increased due to the strong volatility of the currency. However, Russian sales are not a significant portion of Orion's entire net sales.

Orion's broad product range may cause risks to the delivery reliability and make it challenging to maintain the high quality standard required in production. Authorities and key customers in different countries undertake regular and detailed inspections of development and manufacturing of drugs at Orion's production sites. Any remedial actions that may be required may at least temporarily have effects that decrease delivery reliability and increase costs. Orion's product range also includes products manufactured by other pharmaceutical companies. Possible problems related to the delivery reliability or quality of the products of those manufacturers may cause a risk to Orion's delivery reliability.

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

companies. Commencement of these collaboration relationships and their structure also materially affect the schedule and cost level of research projects.

Collaboration arrangements are an important component of Orion's business model. Possible collaboration and licensing agreements related to these arrangements also often include payments to be recorded in net sales that may materially affect Orion's financial results. In 2014-16 the annual payments varied from EUR 8 million to EUR 39 million. The payments may be subject to certain conditions relating to the development of research projects or sales, and whether these conditions are triggered and the timing of triggering always entail uncertainties.

Orion's dividend distribution policy

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

Proposal by the Board of Directors for distribution of profit: total dividend per share EUR 1.55

The parent company's distributable funds are EUR 318,637,450.47, or EUR 2.27 per share, including EUR 240,587,853.53, or EUR 1.71 per share, of profit for the financial year. These per share amounts are calculated excluding treasury shares held by the Company.

The Board of Directors proposes payment of a dividend of EUR 1.35 per share from the parent company's distributable funds, and in addition an extra EUR 0.20 special dividend per share to commemorate Orion's centenary year, in total EUR 1.55 per share.

No dividend shall be paid on treasury shares held by the Company on the dividend distribution record date. On the day when the profit distribution was proposed, the number of shares conferring entitlement to receive dividend totalled 140,474,462, on which the total dividend payment would be EUR 217,735,416.10. The Group's payout ratio for the financial year 2016 would be 87.6% (87.8%). The dividend payment date would be 31 March 2017, and shareholders registered in the Company's shareholder register on 24 March 2017 would be entitled to the dividend payment.

The Board of Directors further proposes that EUR 300,000 (350,000) be donated to medical research and other purposes of public interest in accordance with a separate decision by the Board and that EUR 100,602,034.37 remain in equity.

Strategy

Orion's Board of Directors has confirmed the Company's strategy for 2017-2021.

Operating environment

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

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

Mission and values

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

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

Focus areas

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

- **Quality and safety.** High quality, product safety and complying with requirements of authorities are indispensable in the pharmaceutical industry. To meet ever increasing requirements and expectations of stakeholder groups, Orion is continuously and systematically developing these areas.
- **Productivity and flexibility.** Under pressure from declining prices for drugs, Orion needs cost awareness in its operations and seamless co-operation between different parts of the Company to achieve the targeted profitability level. In addition, operations must be flexible and able to react rapidly to changes identified in the operating environment. Due to its size, Orion can be more agile than large companies and gain a competitive advantage from this.
- **Partnerships.** Orion's operations are almost in their entirety based on utilising worldwide networks in which well-managed partnerships and collaborations are a competitive advantage for the Company. This requires Orion to be unprejudiced and open to learning new things from partners and collaborators. Partnerships must also be managed so that jointly agreed modes of operation and responsibilities are adopted at every level.
- **Competitive and strong portfolio,** which is crucial for Orion's success. This requires from the Company continuous striving to renew the portfolio, which in addition to product development, acquisition or manufacturing, includes effective launching of products and management of their entire life cycle.
- **Strong corporate culture of working together,** the basis of which is valuable and important work for the customer. Orion wants to be an excellent workplace and a responsible and attractive

employer that promotes the well-being of its personnel at work and continuously develops their expertise.

Strategic targets

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

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

Financial objectives

Through the financial objectives Orion aims to develop the Group's shareholder value and ensure financial stability and profitable growth. Orion's financial objectives are:

- Growing net sales more rapidly than growth of the pharmaceuticals market. Achievement of this objective requires continuous investment in development of the product portfolio.
- Maintaining profitability at a good level. The aim is operating profit that exceeds 25% of net sales.
- Keeping the equity ratio at least 50%.
- Distributing an annual dividend that in the next few years will be at least EUR 1.30 per share, and increasing the dividend in the long term.

In the short term what actually happens may deviate from the objectives.

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

Shares and shareholders

On 31 December 2016 Orion had a total of 141,257,828 (141,257,828) shares, of which 38,294,154 (38,906,154) were A shares and 102,963,674 (102,351,674) B shares. The Group's share capital was EUR 92,238,541.46 (92,238,541.46). At the end of 2016 Orion held 783,366 (427,716) B shares as treasury shares. On 31 December 2016 the aggregate number of votes conferred by the A and B shares was 868,063,388 (880,047,038) excluding treasury shares.

At the end of 2016, Orion had 48,547 (48,877) registered shareholders.

Voting rights conferred by shares

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

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

Conversion of shares

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. In 2016 in total 612,000 shares were converted.

Trading in Orion's shares

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

On 31 December 2016 the market capitalisation of the Company's shares, excluding treasury shares, was EUR 5,944 million.

In 2016 a total of 1,983,921 A shares and 57,062,757 B shares were traded on Nasdaq Helsinki. The total value of the shares traded was EUR 2,039 million. During the year, 5.1% of the A shares and 55.6% of the B shares were traded. The average turnover in Orion's shares was 41.8%.

The price of Orion's A shares increased by 33% and the price of its B shares by 32% during 2016. On 31 December 2016 the closing quotation was EUR 42.38 for the A shares and EUR 42.29 for the B shares. The highest quotation for Orion's A shares in 2016 was EUR 42.91 and the lowest quotation was EUR 27.70. The highest quotation for the B shares in 2016 was EUR 43.10 and the lowest quotation was EUR 27.79.

Orion shares are also traded on various alternative trading platforms in addition to Nasdaq Helsinki. In 2016 Nasdaq Helsinki accounted for about 92% of the entire trading volume in Orion A shares. In 2016 Nasdaq Helsinki accounted for about 59% of the entire trading volume in Orion B shares (source: Fidessa Fragmentation Index).

Authorisations of the Board of Directors

Orion's Board of Directors was authorised by the Annual General Meeting on 22 March 2016 to decide on acquisition of shares in the Company and on a share issue in which shares held by the Company can be conveyed.

On 27 April 2016 Orion's Board of Directors decided to acquire shares in the Company as authorised by the Annual General Meeting. In the period 3-15 June 2016 the Company acquired 500,000 B shares in the Company in accordance with the decision. The shares were acquired for use as part of the Orion Group's incentive plans. Following the acquisitions, the Board of Directors does not have any outstanding authorisation to decide to acquire shares in the Company.

The Board of Directors is authorised to decide on conveyance of no more than 600,000 Orion Corporation B shares held by the Company. The authorisation to issue shares is valid for five years from the decision taken by the Annual General Meeting. The terms and conditions of the authorisation were reported in more detail in a stock exchange release on 22 March 2016.

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

Share-based Incentive Plans

Orion Group's Long-Term Incentive Plan 2013

Orion has a currently operating share-based incentive plan for key persons of the Group, which was announced in a stock exchange release published on 5 February 2013.

On 1 March 2016 Orion transferred altogether 144,350 Orion Corporation B shares held by the Company as share bonuses for the earning periods 2013-2015 and 2015 to the key persons belonging to the incentive plans of the Orion Group.

Orion Group's Long-Term Incentive Plan 2016

In February 2016 the Board of Directors of Orion Corporation decided on a new share-based incentive plan for key persons of the Group. The Plan includes earning periods and the Board of Directors will annually decide on the beginning and duration of the earning periods in 2016, 2017 and 2018. The Board of Directors will decide on the earnings criteria and on targets to be established for them at the beginning of each earning period. The target group of the Plan consists of a maximum of 50 people. The total maximum amount of rewards to be paid on the basis of the Plan is 500,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares. The incentive plan is reported in more detail in a stock exchange release on 2 February 2016.

Share ownership

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

At the end of 2016, Orion had a total of 48,547 (48,877) registered shareholders, of whom 96% (96%) were private individuals holding 39% (41%) of the entire share stock and 61% (62%) of the total votes. There were altogether 61 (58) million nominee-registered and foreign-owned shares, which was 43% (41%) of all shares, and they conferred entitlement to 9% (9%) of the total votes.

At the end of 2016 Orion held 783,366 (427,716) B shares as treasury shares, which is 0.6% (0.3%) of the Company's total share stock and 0.09% (0.05%) of the total votes.

Notification threshold

There were no threshold notifications during 2016.

Management's shareholdings

At the end of 2016, the members of the Board of Directors owned a total of 1,633,784 of the Company's shares, of which 1,290,064 were A shares and 343,720 B shares. At the end of 2016, the President and CEO owned 82,519 of the Company's shares, which were all B shares. The members of the Group's Executive Management Board (excluding the President and CEO) owned a total of 186,047 of the Company's shares, which were all B shares. Thus, the Company's executive management held 1.35% of all of the Company's shares and 3.04% of the total votes.

The Company does not have stock option programmes.



Personnel

The average number of employees in the Orion Group in 2016 was 3,446 (3,431). At the end of 2016 the Group had a total of 3,469 (3,401) employees, of whom 2,796 (2,723) worked in Finland and 673 (678) outside Finland.

Salaries and other personnel expenses in 2016 totalled EUR 224 (221) million.

Significant legal proceedings

Companies belonging to the Orion Group are parties to various legal disputes, which are not, however, considered to be significant legal proceedings for the Group.

Business Reviews

Pharmaceuticals

Review of human pharmaceuticals market

Finland is the most important individual market for Orion, generating about one-third of the total net sales. According to IMS Health statistics, Finnish wholesale of human pharmaceuticals in 2016 was up by 4% on the previous year at EUR 2,320 (2,239) million. Orion was able to increase its sales faster than market growth, and strengthened its position as leader in marketing pharmaceuticals in Finland. According to statistics collected by IMS Health, Orion's wholesale of human pharmaceuticals in Finland in 2016 amounted to EUR 299 (270) million, up by 11% compared with the previous year. Orion's market share of Finnish pharmaceuticals markets was 13% (12%).

The most important individual therapy area for Orion is still the treatment of Parkinson's disease. Orion's branded Parkinson's drugs containing entacapone (Stalevo[®], Comtess[®] and Comtan[®]) account for slightly over 10% of the Group's net sales.

Total sales of all Parkinson's drugs:

EUR or USD million		MAT9/2016	MAT9/2015	Change %
United States	USD	64	91	-29%
Europe TOP 5	EUR	113	131	-13%
Japan	EUR	76	63	+22%

Source: IMS Health pharmaceutical sales statistics MAT9/2016 (10/2015–9/2016)

Europe TOP 5: Germany, United Kingdom, France, Spain and Italy

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

EUR or USD million		MAT9/2016	MAT9/2015	Change %
United States	USD	9	13	-31%
Europe TOP 5	EUR	73	99	-27%
Japan	EUR	76	63	+21%

Source: IMS Health pharmaceutical sales statistics MAT9/2016 (10/2015–9/2016)

*) Sales of generic entacapone products by Sandoz, which is part of the Novartis Group, were previously included in US sales but are no longer included.

Europe TOP 5: Germany, United Kingdom, France, Spain and Italy.

Sales of Orion's branded Parkinson's drugs decreased in Europe due to commencement of generic competition. Sales increased in Japan, mainly due to growth in Stalevo, which was launched in that market in 2015.

According to IMS Health pharmaceutical sales statistics, in Europe total sales of the most common intravenous anaesthetics and intensive care sedatives (propofol, midazolam, remifentanyl and dexmedetomidine) in the 12-month period ending in September 2016 were up by 2% at EUR 527 (518) million. According to IMS Health pharmaceutical sales statistics, sales of Orion's Dexdor[®] intensive care sedative (dexmedetomidine) were up by 28% at EUR 44 (34) million in Europe.

Net sales and operating profit of the Pharmaceuticals business

In 2016 the Pharmaceuticals business's net sales were EUR 1,022 (961) million and its operating profit was EUR 316 (269) million. Milestone payments accounted for EUR 15 (8) million of the net sales and operating profit, and comprised mainly a milestone payment of EUR 5 million from Bayer related to ODM-201 project technology transfer and milestone payments related to marketing rights to the Easyhaler[®] product family. The operating profit of the Pharmaceuticals business was 31% (28%) of the segment's net sales.

Net sales of Orion's top ten pharmaceuticals in 2016 were up by 9% at EUR 450 (415) million. They accounted for 44% (43%) of the total net sales of the Pharmaceuticals business. Net sales of the Pharmaceuticals business other than Stalevo[®], Comtess[®]/Comtan[®] and Precedex[®] and excluding milestone payments were up by 8% at EUR 863 (798) million.

Proprietary Products

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

Net sales of Proprietary Products in 2016 were up by 9% at EUR 350 (323) million. Growth was enhanced by higher milestone payments than in the previous year, but product sales were also higher than in the comparative period. Sales of Parkinson's drugs continued to decline, but this decline was compensated by the good growth in sales of other products.

Orion's drugs for treatment of Parkinson's disease are Stalevo[®] (active ingredients carbidopa, levodopa and entacapone) and Comtess[®]/Comtan[®] (entacapone). Their total net sales in 2016 were down by 10% at EUR 124 (138) million. In the United States Orion's Parkinson's drugs have several generic competitors, and competition is increasing in Europe and also other markets. In Japan the first marketing authorisations for generic Comtan products were granted, but generic competition has not yet commenced.

Breakdown of sales of Parkinson's drugs:

EUR million	2016	2015	Change %
Stalevo deliveries to Novartis	65	64	+2%
Comtan deliveries to Novartis	24	27	-11%
Orion's Stalevo sales	31	40	-23%
Orion's Comtess sales	4	6	-36%

Net sales of Simdax[®], a drug for treatment of acute decompensated heart failure, in 2016 were up by 10% at EUR 56 (51) million. Simdax is sold in altogether over fifty countries worldwide.

Total net sales of the Easyhaler[®] product family for treatment of asthma and chronic obstructive pulmonary disease were up by 24% in 2016 at EUR 64 (51) million. The increase was mainly due to sales of the Bufomix Easyhaler[®] combined formulation (budesonide-formoterol). Sales of Bufomix Easyhaler were up by 68% at EUR 27 (16) million in 2016. In the last quarter of 2016, through the decentralised procedure the budesonide-formoterol Easyhaler combined formulation received marketing authorisation for Germany, the United Kingdom and France. The national approval process has been completed in Germany and is ongoing in the United Kingdom and France. Orion is expanding Easyhaler production at the Espoo pharmaceuticals production plant. In 2016 Orion entered into a collaboration agreement with Menarini for the co-marketing of the budesonide-formoterol Easyhaler combined formulation in Germany, Italy, Spain and Portugal. In addition, the parties agreed an exclusive licence and distribution arrangement for Menarini in France and Turkey. At the end of the year Orion entered into a collaboration agreement with Hikma for the marketing of the budesonide-formoterol combined formulation in the Middle East and North Africa (MENA region).

Net sales of Orion's Dexdor[®] intensive care sedative (dexmedetomidine) in 2016 were up by 28% at EUR 57 (45) million.

Specialty Products

Net sales of the Specialty Products business division's off-patent, i.e. generic prescription drugs, self-care products and biosimilars in 2016 were up by 8% at EUR 508 (471) million. Sales of generic entacapone products were down by 47% at EUR 13 (25) million. Sales of products from the rest of the portfolio were up by 11%. About one-third of this growth came from the biosimilar Remsima[®].

Finland, Scandinavia, and Eastern Europe and Russia are the most important markets for Specialty Products. The business division's sales in Finland in 2016 were up by 9% at EUR 300 (276) million. Orion managed to increase its sales, especially in prescription drugs. Sales were up by 10% at EUR 82 (75) million in Scandinavia and up by 11% at EUR 59 (53) million in Eastern Europe and Russia.

Net sales of Remsima[®] for treatment of rheumatoid arthritis among other things were up by 51% at EUR 42 (28) million in 2016. The growth was mainly due to the tendering competitions won in 2015 and 2016, such as the national tendering competition in Denmark. The reason for the slowdown in sales growth for the whole year was that in Norway Orion did not win the national tendering competition and renew its agreement for the twelve-month period beginning in March 2016. However, Orion won the national

tendering competition in Norway for the twelve-month period beginning in March 2017. Remsima is a biosimilar infliximab developed and manufactured by Orion's collaboration partner, for which Orion has marketing rights in the Nordic countries and Estonia.

Animal Health

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

Net sales of the Animal Health business division in 2016 were EUR 77 (77) million. However, product sales grew, as in the comparative period net sales included a milestone payment recorded on the sale of product rights, but no such were recorded in 2016. Sales of the animal sedative product family at EUR 28 (27) million accounted for 36% (35%) of the division's net sales. The product family comprises Orion's animal sedatives Dexdomitor[®] (dexmedetomidine), Domitor[®] (medetomidine) and Domosedan[®] (detomidine), and antagonist Antisedan[®] (atipamezole), which reverses the effects of the sedatives.

Sales of Sileo[®] launched in 2015 and indicated for alleviation of fear associated with noise in dogs have started well, especially thanks to the deliveries made to the partner in the United States. Net sales of Sileo in 2016 were EUR 6 million.

Fermion

Fermion manufactures active pharmaceutical ingredients for Orion and other pharmaceutical companies. Its product range comprises nearly 30 pharmaceutical ingredients. For other pharmaceutical companies Fermion manufactures generic pharmaceutical ingredients and offers contract manufacturing services for development and manufacturing of new active pharmaceutical ingredients. Fermion's net sales in 2016 excluding pharmaceutical ingredients supplied for Orion's own use were down by 10% at EUR 48 (53) million and accounted for over one-half of Fermion's entire net sales. In 2016 Fermion commenced significant investment in expansion of its Hanko manufacturing plant.

Research and development

The Group's R&D expenses in 2016 were EUR 118 (108) million, of which the Pharmaceuticals business accounted for EUR 112 (101) million. The Group's R&D expenses accounted for 11% (11%) of the Group's net sales. R&D expenses also include expenses related to development of the current portfolio.

In 2014 Orion commenced global collaboration with Bayer in the development and commercialisation of the novel oral androgen receptor antagonist (ODM-201). The companies have an ongoing joint Phase III clinical trial (ARAMIS) for evaluation of the efficacy and safety of ODM-201 in patients with non-metastatic castration-resistant prostate cancer (nmCRPC).

In 2016 Orion and Bayer agreed to expand the ODM-201 development programme and towards the end of the year commenced a new Phase III trial (ARASENS) that will evaluate the efficacy and safety of ODM-201 in combination with standard androgen deprivation therapy (ADT) and the chemotherapy drug docetaxel in patients having newly diagnosed metastatic hormone-sensitive prostate cancer (mHSPC) who are starting hormone therapy.

In December 2016 Orion completed trials with a salmeterol-fluticasone combined formulation in the Easyhaler[®] product family. Based on the positive findings, Orion is planning to apply for marketing authorisation for the product in Europe. It is currently estimated that the marketing authorisation application in Europe could be submitted during the first half of 2017. In this formulation fluticasone acts as an anti-inflammatory agent and salmeterol acts as a long-acting bronchodilator. In addition, during the year Orion received marketing authorisation through the decentralised procedure for the budesonide-formoterol combined formulation in the Easyhaler[®] product family in Germany, the United Kingdom and France. The national approval process has been completed in Germany and is ongoing in the United Kingdom and France. In this formulation budesonide acts as an anti-inflammatory agent and formoterol acts as a long-acting bronchodilator.

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

Orion has completed the Phase II clinical trial with orally administered levosimendan (ODM-109) for treatment of patients with amyotrophic lateral sclerosis (ALS). Although the trial did not achieve its primary objective, the findings were, however, promising. Based on the findings, Orion is planning to continue the development programme.

Orion has an ongoing Phase II clinical trial with a drug candidate for treatment of symptoms of Parkinson's disease in which the COMT inhibitor (ODM-104) developed by Orion is combined with the pharmaceutical ingredients carbidopa and long-acting levodopa used to treat Parkinson's disease. In the trial the efficacy of the drug candidate in treating symptoms of Parkinson's disease will be investigated and the product will be compared with a Stalevo product already in the markets in which the active ingredients are the COMT inhibitor entacapone, carbidopa and levodopa.

Orion has an ongoing Phase II clinical trial with a new targeted FGFR+VEGFR inhibitor (ODM-203) for treatment of cancers. The trial will investigate the efficacy of the drug candidate in slowing the growth of solid cancerous tumours in patients in which FGFR changes in cancerous tumours have been detected.

Orion has commenced a Phase I clinical trial with a BET protein inhibitor (ODM-207) which inhibits transcription of key oncogenes such as Myc in many cancers. In preclinical studies, ODM-207 has shown antiproliferative effects in several solid tumour cell lines. The trial will investigate the safety and the tolerability of the drug candidate and provisionally its efficacy in cancer patients.

Orion's partner Tenax Therapeutics, Inc. will develop and commercialise levosimendan in US and Canadian markets for a new cardiovascular indication, prevention of low cardiac output syndrome (LCOS) in cardiac surgery patients. The company has completed the Phase III clinical trial for this indication. According to the preliminary findings, the trial did not achieve its primary objectives. Tenax has announced that it will continue analysing the findings and will discuss the trial results and possible continuance of development work with the US Food and Drug Administration (FDA). In addition, Tenax was investigating the possibility of gaining an additional indication of septic shock for levosimendan, but the trial results reported in October 2016 did not support further development for this indication.

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

In 2016 Orion strengthened its early-phase research through strategic collaboration agreements with the German Center for Neurodegenerative Diseases (DZNE) in treatment of neurodegenerative diseases, with the Japanese pharmaceutical company Asahi Kasei Pharma in treatment of pain and with the US University of Wisconsin in treatment of oncological diseases. Orion now has strategic collaboration partners in both core therapy areas of its pharmaceutical R&D. Earlier, in 2013 Orion and the Hungarian pharmaceutical company Gedeon Richter Plc. had already entered into a collaboration agreement for discovery and development of new drug candidates in the field of cognitive disorders.

In 2016 Orion discontinued trials with a CYP17 enzyme and androgen receptor inhibitor (ODM-204) for treatment of castration-resistant prostate cancer (CRPC) and with a novel, highly potent, selective and reversible negative allosteric modulator of Transient Receptor Potential A1 (TRPA1) ion channel (ODM-108) for treatment of neuropathic pain.

Diagnostics

Orion Diagnostica manufactures convenient and quick in vitro diagnostic tests and testing systems suitable for point-of-care testing. Net sales of the Diagnostics business in 2016 were down by 5% at EUR 55 (58) million mainly due to the ending of some collaboration related to the distribution of products in early 2016.

QuikRead[®] infection tests remained the main product, with sales continuing to increase. With the help of CRP tests from the QuikRead go[®] product family in infectious disease diagnostics, antibiotic treatment can be targeted at patients that need it and unnecessary use of antibiotics avoided in situations in which a patient would not benefit from them. Avoiding unnecessary antibiotic treatments helps in tackling the growing problem of antibiotic resistance.

In 2016 the QuikRead go[®] CRP test received clearance from the US Food and Drug Administration (FDA) for marketing of the product for laboratory use in the United States, and preparation to launch the product in US markets is ongoing.

Launching of the first Orion GenRead[®] test system products - a test for detecting *C. difficile* bacteria - continued as planned. The product family was expanded late in the year with a *Campylobacter* test. The test gives prompt diagnosis in less than one hour and so aids in targeted treatment of patients. Orion GenRead[®] is based on an isothermal nucleic acid amplification technique, SIBA[®] technology. The product family will next be expanded with a test to detect the most important virus-based respiratory infections, the most important being influenza A and B, and RSV.

The operating profit of the Diagnostics business was EUR 8.4 (8.5) million. The operating profit accounted for 15% (15%) of the segment's net sales.

Espoo, 8 February 2017

Board of Directors of Orion Corporation

Orion Corporation

Timo Lappalainen
President and CEO

Jari Karlson
CFO

Tables

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Q4/16	Q4/15	Change %	2016	2015	Change %
Net sales	279.9	261.6	+7.0%	1,073.5	1,015.6	+5.7%
Cost of goods sold	-113.2	-114.6	-1.2%	-421.7	-405.8	+3.9%
Gross profit	166.7	147.0	+13.4%	651.8	609.8	+6.9%
Other operating income and expenses	1.9	0.7	+171.4%	24.3	1.5	
Sales and marketing expenses	-57.3	-52.8	+8.5%	-194.7	-190.4	+2.2%
R&D expenses	-37.9	-31.6	+19.8%	-118.2	-108.1	+9.3%
Administrative expenses	-14.8	-12.4	+18.8%	-48.7	-46.2	+5.4%
Operating profit	58.7	50.9	+15.3%	314.6	266.6	+18.0%
Finance income	0.2	0.2	+0.5%	0.8	0.8	-1.1%
Finance expenses	-1.2	-1.4	-14.6%	-4.9	-5.5	-11.4%
Share of associated companies' results				0.4	0.4	-5.2%
Profit before taxes	57.7	49.7	+16.0%	310.9	262.3	+18.5%
Income tax expense	-10.1	-10.3	-1.9%	-61.9	-54.2	+14.3%
Profit for the period	47.6	39.4	+20.8%	249.0	208.2	+19.6%

OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS

Change in value of cash flow hedges		0.0			0.1	
Change in value of available-for-sale financial assets		0.2		-5.2	1.1	
Translation differences	0.6	0.2		-4.6	1.8	
Items that may be reclassified subsequently to profit and loss	0.6	0.5		-9.8	3.0	
Items due to remeasurement of defined benefit plans	3.7	49.4		3.7	49.1	
Items that will not be reclassified to profit and loss	3.7	49.4		3.7	49.1	
Other comprehensive income net of tax	4.3	49.9		-6.1	52.1	
Comprehensive income for the period including tax effects	51.8	89.3	-41.9%	243.0	260.2	-6.6%

PROFIT ATTRIBUTABLE TO:

Owners of the parent company	47.6	39.4	+20.8%	249.0	208.2	+19.6%
Non-controlling interests	0.0	0.0		0.0	0.0	

COMPREHENSIVE INCOME ATTRIBUTABLE TO:

Owners of the parent company	51.8	89.3	-41.9%	243.0	260.2	-6.6%
Non-controlling interests	0.0	0.0		0.0	0.0	

Basic earnings per share, EUR ¹⁾	0.34	0.28	+21.1%	1.77	1.48	+19.8%
Diluted earnings per share, EUR ¹⁾	0.34	0.28	+21.1%	1.77	1.48	+19.8%

Depreciation, amortisation and impairment	10.2	10.7	-5.0%	40.6	41.8	-2.8%
Personnel expenses	62.0	57.3	+8.2%	224.4	220.6	+1.7%

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

EUR million	12/16	12/15	Change %
Property, plant and equipment	289.1	276.4	+4.6%
Goodwill	13.5	13.5	
Intangible rights	37.9	41.7	-9.2%
Other intangible assets	2.5	2.5	-0.4%
Investments in associates	0.1	2.6	-97.3%
Available-for-sale financial assets	0.4	6.9	-94.9%
Pension asset	22.8	24.4	-6.6%
Deferred tax assets	1.5	1.1	+42.3%
Other non-current assets	3.8	4.1	-6.8%
Non-current assets total	371.5	373.3	-0.5%
Inventories	227.5	205.7	+10.6%
Trade receivables	200.1	192.1	+4.2%
Other receivables	31.9	31.1	+2.7%
Money market investments	31.0		
Cash and cash equivalents	200.9	245.2	-18.1%
Current assets total	691.4	674.1	+2.6%
Assets total	1,062.9	1,047.4	+1.5%

EQUITY AND LIABILITIES

EUR million	12/16	12/15	Change %
Share capital	92.2	92.2	
Expendable fund	0.5	0.5	
Other reserves	2.0	6.9	-70.4%
Retained earnings	546.6	495.3	+10.4%
Equity attributable to owners of the parent company	641.4	594.9	+7.8%
Non-controlling interests	0.0	0.0	
Equity total	641.4	594.9	+7.8%
Deferred tax liabilities	37.1	37.8	-1.9%
Pension liability	3.2	3.1	+3.9%
Provisions	0.3	0.3	-7.1%
Interest-bearing non-current liabilities	150.2	177.9	-15.6%
Other non-current liabilities	0.0	0.0	+1.9%
Non-current liabilities total	190.8	219.2	-12.9%
Trade payables	106.1	99.1	+7.1%
Current tax liabilities	9.1	1.2	+642.7%
Other current liabilities	112.9	122.8	-8.1%
Provisions	0.2	0.3	-19.0%
Interest-bearing current liabilities	2.3	9.9	-76.5%
Current liabilities total	230.7	233.3	-1.1%
Liabilities total	421.5	452.5	-6.8%
Equity and liabilities total	1,062.9	1,047.4	+1.5%

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

EUR million	<u>Equity attributable to owners of the parent company</u>							
	a.	b.	c.	d.	e.	f.	g.	h.
Equity at 1 January 2015	92.2	0.5	5.9	-50.8	-3.3	470.4	0.0	514.9
Profit for the period						208.2		208.2
Other comprehensive income:								
Change in value of cash flow hedges			0.1					0.1
Change in value of available-for-sale financial assets			1.1					1.1
Translation differences					1.8			1.8
Items due to remeasurement of defined benefit plans				49.1				49.1
Transactions with owners								
Dividend and capital repayment						-183.1		-183.1
Share-based incentive plan						3.1		3.1
Other adjustments			-0.1			-0.1	-0.0	-0.2
Equity at 31 December 2015	92.2	0.5	6.9	-1.6	-1.5	498.4	0.0	594.9
Equity at 1 January 2016	92.2	0.5	6.9	-1.6	-1.5	498.4	0.0	594.9
Profit for the period						249.0		249.0
Other comprehensive income:								
Change in value of available-for-sale financial assets			-5.2					-5.2
Translation differences					-4.6			-4.6
Items due to remeasurement of defined benefit plans				3.7				3.7
Transactions with owners								
Dividend and capital repayment						-183.3		-183.3
Treasury shares						-16.8		-16.8
Share-based incentive plan						3.4		3.4
Other adjustments			0.3			-0.2		0.1
Equity at 31 December 2016	92.2	0.5	2.0	2.0	-6.2	550.7	0.0	641.4

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	2016	2015
Operating profit	314.6	266.6
Adjustments	26.8	53.5
Change in working capital	-33.0	-14.9
Interest paid	-11.9	-10.9
Interest received	7.7	7.7
Dividends received	0.1	0.2
Income taxes paid	-55.2	-47.2
Total net cash flow from operating activities	249.1	254.9
Investments in property, plant and equipment	-41.0	-38.4
Investments in intangible assets	-6.7	-4.8
Sales of property, plant and equipment, and available-for-sale investments, and divestments of associates	26.6	1.0
Total net cash flow from investing activities	-21.1	-42.2
Current loans raised	1.2	1.4
Repayments of current loans	-1.5	-2.7
Repayments of non-current loans	-36.7	-46.2
Treasury shares	-16.8	
Dividends paid and other distribution of profits	-183.6	-183.3
Total net cash flow from financing activities	-237.4	-230.8
Net change in cash and cash equivalents	-9.4	-18.1
Cash and cash equivalents at the beginning of the period	245.2	258.5
Foreign exchange differences	-3.9	4.8
Net change in cash and cash equivalents	-9.4	-18.1
Cash and cash equivalents at the end of the period	231.9	245.2
Reconciliation of cash and cash equivalents in statement of financial position		
Cash and cash equivalents in statement of financial position at the end of the period	200.9	245.2
Money market investments at the end of the period	31.0	
Cash and cash equivalents in the statement of cash flows	231.9	245.2

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	12/16	12/15
Carrying amount at the beginning of the period	276.4	269.1
Additions	44.5	38.7
Disposals	-1.4	-1.1
Depreciation and impairments	-30.5	-30.2
Carrying amount at the end of the period	289.1	276.4

CHANGES IN INTANGIBLE ASSETS (EXCLUDING GOODWILL)

EUR million	12/16	12/15
Carrying amount at the beginning of the period	44.3	50.4
Additions	6.2	5.4
Disposals	-0.0	
Amortisation and impairments	-10.1	-11.5
Carrying amount at the end of the period	40.4	44.3

COMMITMENTS AND CONTINGENCIES

EUR million	12/16	12/15
CONTINGENCIES FOR OWN LIABILITIES		
Guarantees	4.1	5.2
OTHER LIABILITIES		
Leasing liabilities (excluding finance lease contracts)	6.7	7.3
Other liabilities	0.3	0.3

DERIVATIVES

EUR million	12/16	12/15
CURRENCY FORWARD CONTRACTS AND CURRENCY SWAPS		
Fair value, EUR million	-0.1	-0.0
Nominal value, EUR million	25.1	49.1
CURRENCY OPTIONS		
Fair value, EUR million	-0.0	-0.0
Nominal value, EUR million	31.7	39.2
INTEREST RATE SWAPS		
Fair value, EUR million		-0.0
Nominal value, EUR million		11.6

FAIR VALUE MEASUREMENT AND HIERARCHY OF FINANCIAL INSTRUMENTS

EUR million	Level 1	Level 2	Level 3	Total
Assets				
Derivatives				
Currency derivatives		0.1		0.1
Available-for-sale financial assets				
Shares and investments			0.4	0.4
Assets total		0.1	0.4	0.5
Liabilities				
Derivatives				
Currency derivatives		-0.2		-0.2
Liabilities total		-0.2		-0.2

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

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

No transfers between levels occurred during the reporting period.

RELATED PARTY TRANSACTIONS

EUR million	2016	2015
Management's employment benefits	6.8	6.6

Operating segment performance

NET SALES BY BUSINESS DIVISION

EUR million	Q4/16	Q4/15	Change %	2016	2015	Change %
Pharmaceuticals	267.1	247.3	+8.0%	1,021.6	960.9	+6.3%
Proprietary Products	81.7	78.1	+4.6%	350.4	322.5	+8.7%
Specialty Products	135.9	132.5	+2.5%	507.8	471.2	+7.8%
Animal Health	23.7	17.7	+33.8%	77.3	77.0	+0.3%
Fermion	14.6	9.2	+59.8%	47.6	52.7	-9.6%
Contract manufacturing and other	11.2	9.8	+14.2%	38.5	37.5	+2.7%
Diagnostics	13.5	15.2	-11.3%	54.8	57.8	-5.2%
Group items	-0.7	-0.9	-19.7%	-2.8	-3.1	-8.8%
Group total	279.9	261.6	+7.0%	1,073.5	1,015.6	+5.7%

OPERATING PROFIT BY BUSINESS AREA

EUR million	Q4/16	Q4/15	Change %	2016	2015	Change %
Pharmaceuticals	59.6	52.1	+14.3%	316.4	269.0	+17.6%
Diagnostics	1.7	1.7	+0.5%	8.4	8.5	-1.4%
Group items	-2.6	-2.9	-11.0%	-10.2	-10.9	-6.4%
Group total	58.7	50.9	+15.3%	314.6	266.6	+18.0%

NET SALES BY ANNUAL QUARTERS

EUR million	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Pharmaceuticals	267.1	245.7	259.5	249.3	247.3	227.1	242.0	244.5
Diagnostics	13.5	13.4	14.4	13.5	15.2	12.5	13.9	16.2
Group items	-0.7	-0.6	-0.7	-0.8	-0.9	-0.5	-0.9	-0.8
Group total	279.9	258.6	273.1	262.0	261.6	239.1	255.0	259.9

OPERATING PROFIT BY ANNUAL QUARTERS

EUR million	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Pharmaceuticals	59.6	91.8	84.9	80.1	52.1	59.7	75.8	81.4
Diagnostics	1.7	2.2	1.8	2.6	1.7	1.1	1.6	4.0
Group items	-2.6	-2.0	-3.2	-2.4	-2.9	-2.3	-3.5	-2.2
Group total	58.7	92.0	83.5	80.3	50.9	58.6	74.0	83.1

GEOGRAPHICAL BREAKDOWN OF NET SALES BY ANNUAL QUARTERS

EUR million	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Finland	91.8	84.4	82.1	80.1	85.1	78.1	76.9	78.4
Scandinavia	45.5	39.6	44.3	44.7	47.0	39.1	40.9	36.9
Other Europe	89.0	78.1	85.5	83.2	81.9	70.7	77.5	86.6
North America	29.7	18.7	19.6	18.2	16.1	17.9	20.6	21.6
Other markets	23.9	37.8	41.6	35.8	31.5	33.2	39.1	36.4
Group total	279.9	258.6	273.1	262.0	261.6	239.1	255.0	259.9

Business reviews

KEY FIGURES FOR PHARMACEUTICALS BUSINESS

EUR million	Q4/16	Q4/15	Change %	2016	2015	Change %
Net sales	267.1	247.3	+8.0%	1,021.6	960.9	+6.3%
Operating profit	59.6	52.1	+14.3%	316.4	269.0	+17.6%
% of net sales	22.3%	21.1%		31.0%	28.0%	
R&D expenses	36.2	29.7	+21.8%	111.5	101.0	+10.4%
% of net sales	13.6%	12.0%		10.9%	10.5%	
Capital expenditure	16.7	13.1	+26.7%	49.7	40.6	+22.2%
% of net sales	6.2%	5.3%		4.9%	4.2%	
Sales revenue from proprietary products	94.6	83.8	+12.8%	377.0	354.7	+6.3%
Assets				776.9	740.8	
Liabilities				209.0	211.0	
Personnel at the end of the period				3,161	3,078	

TOP TEN BEST-SELLING PHARMACEUTICAL PRODUCTS

EUR million	Q4/16	Q4/15	Change %	2016	2015	Change %
Stalevo [®] , Comtess [®] and Comtan [®] (Parkinson's disease)	21.9	25.2	-13.1%	124.2	137.5	-9.7%
Easyhaler [®] product family (asthma, COPD)	16.9	14.7	+15.0%	63.7	51.3	+24.2%
Dexdor [®] (intensive care sedative)	16.2	12.4	+30.4%	56.8	44.5	+27.6%
Simdax [®] (acute decompensated heart failure)	15.6	13.7	+14.5%	56.4	51.1	+10.4%
Remsima [®] (rheumatoid arthritis, inflammatory bowel diseases)	11.2	11.4	-1.8%	42.3	28.1	+50.6%
Dexdomitor [®] , Domitor [®] , Domosedan [®] and Antisedan [®] (animal sedatives)	12.3	6.5	+89.8%	28.1	27.3	+3.1%
Burana [®] (inflammatory pain)	6.5	5.8	+13.3%	23.1	22.7	+2.0%
Precedex [®] (intensive care sedative)	4.0	5.4	-26.4%	19.6	17.8	+9.9%
Marevan [®] (anticoagulant)	4.1	5.0	-18.5%	18.2	19.2	-4.8%
Atorvastatin Orion [®] (hypercholesterolaemia)	5.0	4.7	+7.2%	17.9	15.2	+18.2%
Total	113.8	104.8	+8.6%	450.3	414.6	+8.6%
Share of pharmaceutical net sales	43%	42%		44%	43%	

KEY FIGURES FOR DIAGNOSTICS BUSINESS

EUR million	Q4/16	Q4/15	Change %	2016	2015	Change %
Net sales	13.5	15.2	-11.3%	54.8	57.8	-5.2%
Operating profit	1.7	1.7	+0.5%	8.4	8.5	-1.4%
% of net sales	12.9%	11.4%		15.3%	14.7%	
R&D expenses	1.7	1.9	-10.2%	6.9	7.3	-5.3%
% of net sales	12.8%	12.6%		12.6%	12.6%	
Capital expenditure	0.3	1.1	-73.7%	1.1	3.7	-70.1%
% of net sales	2.1%	7.2%		2.0%	6.4%	
Assets				48.8	48.3	
Liabilities				17.6	16.2	
Personnel at the end of the period				284	296	

KEY CLINICAL PHARMACEUTICAL DEVELOPMENT PROJECTS

Project	Indication	PHASE			Registration
		I	II	III	
Bufomix Easyhaler® (budesonide-formoterol)	Asthma, COPD	Bioequivalence study			<u>Registration</u> ¹⁾
Easyhaler® salmeterol-fluticasone	Asthma, COPD	<u>Bioequivalence study</u> ²⁾			
ODM-201 (androgen receptor antagonist) ³⁾	Prostate cancer (nmCRPC)	I	II	III*	
ODM-201 (androgen receptor antagonist) ³⁾	Prostate cancer (mHSPC)	I	II	III*	
Levosimendan ⁴⁾	Low Cardiac Output Syndrome	I	II	III	
ORM-12741 (alpha-2c adrenoceptor antagonist) ⁵⁾	Alzheimer's disease	I	IIa*		
ODM-109 (oral levosimendan)	ALS	I	II ⁶⁾		
ODM-104 (more effective COMT inhibitor)	Parkinson's disease	I	II*		
ODM-203 (targeted FGFR+VEGFR inhibitor)	Solid tumours	I	II*		
ODM-207 (BET protein inhibitor)	Cancer	I			
¹⁾ Germany, Great Britain and France. Phase completed. ²⁾ Phase completed ³⁾ In collaboration with Bayer ⁴⁾ Partner: Tenax Therapeutics, Inc. Top-line results announced. ⁵⁾ In collaboration with Janssen Pharmaceuticals. ⁶⁾ Phase completed. ODM-204 (CYP17 enzyme and androgen receptor inhibitor) project discontinued.		*	= Phase ongoing		
		III	= Status changed vs. previous quarter		

Information on Orion's shares

BASIC SHARE INFORMATION 31 DECEMBER 2016

	A shares	B shares	Total
Trading code on Nasdaq Helsinki	ORNAV	ORNBV	
Listing day	1.7.2006	1.7.2006	
ISIN code	FI0009014369	FI0009014377	
ICB code	4500	4500	
Reuters code	ORNAV.HE	ORNBV.HE	
Bloomberg code	ORNAV.FH	ORNBV.FH	
Share capital, EUR million	25.0	67.2	92.2
Counter book value per share, EUR	0.65	0.65	
Total number of shares	38,294,154	102,963,674	141,257,828
% of total share stock	27%	73%	100%
Number of treasury shares		783,366	783,366
Total number of shares excluding treasury shares	38,294,154	102,180,308	140,474,462
Minimum number of shares			1
Maximum number of A and B shares, and maximum number of all shares	500,000,000	1,000,000,000	1,000,000,000
Votes per share	20	1	
Number of votes excluding treasury shares	765,883,080	102,180,308	868,063,388
% of total votes	88%	12%	100%
Total number of shareholders	16,786	37,362	48,547

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

INFORMATION ON TRADING ON NASDAQ HELSINKI 1 JANUARY - 31 DECEMBER 2016

	A shares	B shares	Total
Shares traded	1,983,921	57,062,757	59,046,678
% of the total number of shares	5.1%	55.6%	41.8%
Trading volume, EUR million	68.2	1,970.9	2,039.1
Closing quotation on 31 December 2015, EUR	31.83	31.97	
Lowest quotation, EUR (A and B 9 February 2016)	27.70	27.79	
Average quotation, EUR	34.37	34.54	
Highest quotation, EUR (A and B 16 December 2016)	42.91	43.10	
Closing quotation on 31 December 2016, EUR	42.38	42.29	
Market capitalisation on 31 December 2016 excluding treasury shares, EUR million	1,622.9	4,321.2	5,944.1

PERFORMANCE PER SHARE

	Q4/16	Q4/15	Change %	2016	2015	Change %
Basic earnings per share, EUR	0.34	0.28	+21.1%	1.77	1.48	+19.8%
Diluted earnings per share, EUR	0.34	0.28	+21.1%	1.77	1.48	+19.8%
Cash flow per share before financial items, EUR	0.39	0.40	-2.1%	1.62	1.51	+7.3%
Equity per share, EUR				4.57	4.22	+8.1%
Proposed dividend per share, EUR				1.55	1.30	+19.2%
Proposed payout ratio, %				87.6	87.8%	
Total proposed dividend, EUR million				217.7	183.1	+18.9%
Effective dividend yield according to proposal, %						
A share				3.7%	4.1%	
B share				3.7%	4.1%	
Price/earnings ratio (P/E)						
A share				23.94	21.51	+11.3%
B share				23.89	21.60	+10.6%
Average number of shares excluding treasury shares, 1,000 shares	140,474	140,830		140,671	140,806	

Appendices

Reporting

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

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

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

Accounting policies

The Consolidated Financial Statements of the Orion Group have been prepared in accordance with International Financial Reporting Standards (IFRS) applying the IAS and IFRS standards as well as SIC and IFRIC interpretations effective at 31 December 2016.

The following new standards, interpretations and amendments to existing standards and interpretations endorsed by the EU have been adopted as of 1 January 2016:

- IAS 1 (amendment), Presentation of Financial Statements
- IAS 16 and IAS 38 (amendment), Property, Plant and Equipment and Intangible Assets
- IFRS 11 (amendment), Joint arrangements
- IASB's published annual improvements (2012-2014) to the following standards:
 - IFRS 5, Non-current Assets Held for Sale and Discontinued Operations
 - IFRS 7, Financial Instruments: Disclosures
 - IAS 19, Employee Benefits
 - IAS 34, Interim Financial Reporting

The amendments or improvements made to the IFRS standards have no material effect on the consolidated financial statements.

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

Other matters

The data in this financial review are audited.

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

CALCULATION OF THE KEY FIGURES

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

Publisher:

Orion Corporation

<http://www.orion.fi/>
<http://www.twitter.com/OrionCorplR>

Orion is a globally operating Finnish pharmaceutical company - a builder of well-being. Orion develops, manufactures and markets human and veterinary pharmaceuticals, active pharmaceutical ingredients and diagnostic tests. The company is continuously developing new drugs and treatment methods. The core therapy areas of Orion's pharmaceutical R&D are central nervous system (CNS) disorders, oncology and respiratory for which Orion develops inhaled Easyhaler[®] pulmonary drugs. Orion's net sales in 2016 amounted to EUR 1,074 million and the Company had about 3,500 employees. Orion's A and B shares are listed on Nasdaq Helsinki. Orion, established in 1917, is celebrating its centenary in 2017.