



Orion Group
Half-Yearly Report
January-June 2016

ORION CORPORATION / HALF-YEARLY REPORT / JANUARY–JUNE 2016 / 19 July 2016 at 12:00 noon EEST

Orion Group Half-Yearly Report January–June 2016

Orion's net sales in January–June 2016 totalled EUR 535 million (EUR 515 million in January–June 2015).

- Operating profit was EUR 164 (157) million.
- Profit before taxes was EUR 162 (156) million.
- Equity ratio was 57% (50%).
- ROCE before taxes was 45% (45%).
- ROE after taxes was 46% (51%).
- Basic earnings per share were EUR 0.92 (0.88).
- Cash flow per share before financial items was EUR 0.56 (0.67).
- The outlook estimate for 2016 was updated during the review period. Orion estimates that in 2016 net sales will be slightly higher than in 2015. Operating profit excluding possible capital gains is estimated to exceed EUR 270 million.

ORION'S KEY FIGURES FOR THE REVIEW PERIOD

	Q2/16	Q2/15	Change %	H1/16	H1/15	Change %	2015
Net sales, EUR million	273.1	255.0	+7.1%	535.1	514.9	+3.9%	1,015.6
Operating profit, EUR million	83.5	74.0	+12.9%	163.9	157.1	+4.3%	266.6
% of net sales	30.6%	29.0%		30.6%	30.5%		26.2%
Profit before taxes, EUR million	82.6	72.9	+13.3%	162.3	155.6	+4.3%	262.3
% of net sales	30.2%	28.6%		30.3%	30.2%		25.8%
Income tax expense, EUR million	16.9	15.2	+11.7%	33.3	32.1	+3.5%	54.2
R&D expenses, EUR million	28.4	28.0	+1.6%	53.4	53.2	+0.3%	108.1
% of net sales	10.4%	11.0%		10.0%	10.3%		10.6%
Capital expenditure, EUR million	13.2	11.2	+17.3%	22.2	19.3	+15.4%	44.5
% of net sales	4.8%	4.4%		4.2%	3.7%		4.4%
Assets total, EUR million				935.7	944.1	-0.9%	1,047.4
Equity ratio, %				56.5%	49.5%		57.4%
Gearing, %				12.8%	13.1%		-9.6%
Interest-bearing liabilities, EUR million				186.7	229.6	-18.7%	187.8
Non-interest-bearing liabilities, EUR million				225.9	253.6	-10.9%	264.6
Cash and cash equivalents and money market investments, EUR million				119.7	169.4	-29.4%	245.2
ROCE (before taxes), %				45.2%	45.3%		35.7%
ROE (after taxes), %				46.2%	50.6%		37.5%
Basic earnings per share, EUR	0.47	0.41	+13.8%	0.92	0.88	+4.4%	1.48
Diluted earnings per share, EUR	0.47	0.41	+13.8%	0.92	0.88	+4.4%	1.48
Cash flow per share before financial items, EUR	0.27	0.29	-7.1%	0.56	0.67	-16.2%	1.51
Equity per share, EUR				3.72	3.27	+13.8%	4.22
Personnel at the end of the period				3,528	3,539	-0.3%	3,401
Average personnel during the period				3,428	3,448	-0.6%	3,431
Personnel expenses, EUR million				113.2	114.0	-0.7%	220.6

President and CEO Timo Lappalainen:

“Sales developed strongly in the first half of the year”

“In the first half of 2016 our net sales and operating profit were higher than in January–June 2015.

“As regards our key proprietary products, the Dexdor sedative used in intensive care and Easyhaler product family for treatment of asthma and chronic obstructive pulmonary disease maintained their strong growth. Sales of Simdax, which has been in the markets for a long time, also grew well. Growth in sales of these products in the first half of the year was able to compensate for the decline in sales of Orion’s branded Parkinson’s drugs Stalevo, Comtess and Comtan. In Europe generic competition to Stalevo extended more slowly than expected in the first half of the year.

“Net sales of the Specialty Products business division grew in all key market areas, but especially strongly in Scandinavia and Finland, where we were again able to grow clearly faster than the market. As regards the business division’s products, there was strong growth in the biosimilar Remsima compared with the comparative period, but sales of other products in the portfolio also developed well.

“Our late-phase clinical pharmaceutical development pipeline is being strengthened as jointly with Bayer we are expanding the clinical development programme for the ODM-201 androgen receptor antagonist for treatment of prostate cancer and commencing a new Phase III trial with patients having metastatic hormone-sensitive prostate cancer. The ODM-201 Phase III trial commenced in 2014 is continuing and progressing as planned. As regards early-phase projects, we have decided to discontinue trials with ODM-108 for treatment of neuropathic pain based on findings from the Phase I trial. Other ongoing clinical pharmaceutical development projects in various phases have progressed as planned.

“In the first half of the year we strengthened our early-phase research through, for example, collaboration agreements with the German Center for Neurodegenerative Diseases (DZNE) in the field of neurodegenerative diseases and with Japan’s Asahi Kasei Pharma in treatment of pain.

“Mainly because of the strong sales development, we updated our full-year outlook for 2016 during the review period. We estimate that in 2016 net sales will be slightly higher than in 2015. We estimate that operating profit excluding possible capital gains will exceed EUR 270 million. Our outlook estimate and the basis for it can be found in this report under ‘Outlook for 2016’ and ‘Basis for outlook’.”

Events during the period

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.

Events after the period

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

News conference and teleconference

A news conference and teleconference on the published results will be held today, Tuesday 19 July 2016, at 13:30 EEST in Hotel Kämp, address: Pohjoisesplanadi 29, Helsinki. President and CEO Timo Lappalainen will give a brief presentation in English on the financial review.

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

The teleconference code is 3465844 and the telephone numbers to participate in the teleconference are:

Finland: +358 (0)9 2310 1619
Sweden: +46 (0)8 5065 3932
United Kingdom: +44 (0)20 3427 1923
United States: +1 646 254 3373

News conference recordings

A recording of the webcast of the event in English and a recording of the presentation by the President and CEO in Finnish will be published on the Orion website during Tuesday 19 July 2016.

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 2016–2017

Interim Report January–September 2016	Tuesday 25 October 2016
Financial Statement Release for 2016	Wednesday 8 February 2017
Annual General Meeting 2017	Planned to be held on Wednesday 22 March 2017
Interim Report January–March 2017	Wednesday 26 April 2017
Half-Yearly 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 January–June 2016

Net sales

The Orion Group's net sales in January–June 2016 were up by 4% at EUR 535 million (EUR 515 million in January–June 2015). The net effect of currency exchange rates was minus EUR 8 million.

The Pharmaceuticals business's net sales were up by 5% at EUR 509 (486) 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 7% at EUR 418 (393) million. Net sales of Orion's Stalevo[®] (carbidopa, levodopa and entacapone) and Comtess[®]/Comtan[®] (entacapone) Parkinson's drugs were down by 11% at EUR 72 (80) million, which was 14% (17%) of the Pharmaceuticals business's net sales.

The Diagnostics business's net sales were down by 7% at EUR 28 (30) million.

Operating profit

The Orion Group's operating profit was up by 4% at EUR 164 (157) million. Milestone payments accounted for EUR 9 (5) million of the operating profit.

The Pharmaceuticals business's operating profit was up by 5% at EUR 165 (157) million. Milestone payments accounted for EUR 9 (5) million of the operating profit.

The Diagnostics business's operating profit was down by 21% at EUR 4.4 (5.6) million mainly due to the decrease in net sales and products with lower margins accounting for a higher proportion of sales.

Operating expenses

The Group's sales and marketing expenses were EUR 93 (95) million.

R&D expenses were EUR 53 (53) million and accounted for 10% (10%) of the Group's net sales. Pharmaceutical R&D expenses amounted to EUR 50 (49) million. Research projects are reported in more detail under Pharmaceuticals in the Business Reviews.

Administrative expenses were EUR 23 (24) million.

Other operating income and expenses were EUR -0 (-0) million.

Group's profit

The Group's profit before taxes was up by 4% at EUR 162 (156) million. Basic earnings per share were EUR 0.92 (0.88) and diluted earnings per share were EUR 0.92 (0.88). Equity per share was EUR 3.72 (3.27). The return on capital employed before taxes (ROCE) was 45% (45%) and the return on equity after taxes (ROE) 46% (51%).

Financial position

The Group's **gearing** was 13% (13%) and the **equity ratio** 57% (50%).

The Group's **total liabilities** at 30 June 2016 were EUR 413 (483) million. At the end of the period, interest-bearing liabilities amounted to EUR 187 (230) million, including EUR 176 (204) million of long-term loans.

The Group had EUR 120 (169) 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 101 (115) million. The decrease in cash flow was primarily due to the increase in working capital, which in turn is mostly explained by the clear decrease in non-interest bearing liabilities compared with the end of the 2015.

Cash flow from investing activities was EUR -21 (-21) million.

Cash flow from financing activities was EUR -200 (-188) 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 22 (19) million. This comprised EUR 19 (17) million on property, plant and equipment and EUR 3 (2) million on intangible assets.

New outlook for 2016, provided on 15 June 2016

Net sales are estimated to be slightly higher than in 2015 (net sales were EUR 1,016 million in 2015).

Operating profit excluding possible capital gains is estimated to exceed EUR 270 million (operating profit was EUR 267 million in 2015).

Previous outlook for 2016, provided on 2 February 2016

Net sales are estimated to be at similar level to 2015 (net sales were EUR 1,016 million in 2015).

Operating profit is estimated to exceed EUR 240 million.

Basis for outlook

The new outlook estimate provided on 15 June 2016 does not include potential capital gains, such as a potential capital gain of about EUR 11 million to the Company from the potential sale of Ekokem Corporation shares owned by the Company based on the tender offer for Ekokem Corporation shares published by Fortum Corporation.

A financial objective of Orion is to increase net sales. In 2016 steadily growing products such as Dexdor[®] and the Easyhaler[®] product family are expected to be able to compensate for the decrease in net sales due to extension of generic competition to Stalevo[®].

Orion's Parkinson's drugs are Comtess[®], Comtan[®] and Stalevo[®]. Generic competition to them commenced in the United States in 2012 and in Europe in 2013. In the United States competition has decreased Orion's sales of these products to low levels, but in Europe the impact has so far been less. During 2016 the competition is expected to extend in Europe. In 2015 Europe accounted for about EUR 80 million of the net sales of Orion's Parkinson's drugs.

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

Sales of generic products have been accounting for a greater proportion of Orion's total sales, and price competition has continued in many markets. Competition in Finland, the most important generic market for Orion, remains intense in 2016. In addition, at the beginning of the current year there was in Finland a change to a system in which a pharmacy is always obliged to recommend to the customer the cheapest

substitutable generic prescription drug. The potential 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 the first half of 2016 sales of Remsima[®] generated a significant portion of the growth in the net sales of the Speciality Products business division. In the second half of the year the growth is expected to slow due to the timing of tendering competitions for Remsima.

Collaboration agreements with other pharmaceutical companies are an important component of Orion's business model. Often payments related to these agreements are recorded in net sales, and they totalled EUR 8 million in 2015 and EUR 39 million in 2014. Forecasting the timing and amount of payments is difficult. Possible future payments relating to agreements already made have in some cases been conditional on, for instance, the progress of research projects or results received, which are not known until studies have been completed. On the other hand, making new agreements is generally a process for which neither the schedule nor the outcome is known before the final signing of the agreement.

Investments commenced in 2012 to develop and ensure future growth, delivery reliability and quality standards, and the related reorganisations of production were mostly completed during 2015. They are no longer expected materially to decrease production capacity and increase production costs. Projects launched as part of the reorganisations to increase production efficiency are expected gradually to improve productivity in the current and coming years. However, at the same time depreciation on property, plant and equipment (EUR 30 million in 2015) has grown to about EUR 5 million higher than in 2012. In 2016 the Group's total capital expenditure is expected to be higher than in 2015, when it was EUR 43 million.

Marketing expenditure will be slightly higher than in the previous year. Because the registrations and launches of new products are projects that take more than a year, the increases in resources and other inputs required in 2016 were planned mainly during the previous year.

Research and development costs will be slightly higher than in 2015. 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 2016 are either ongoing from the previous year or at an advanced stage of planning, therefore their cost level can be estimated rather accurately. The accrued costs are materially affected by collaboration arrangements and how the costs arising are allocated between Orion and its collaboration partners. For instance, Bayer is paying the majority of the ODM-201 research costs.

Near-term risks and uncertainties

Sales of Orion's Parkinson's drugs will decrease in 2016 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 still entails uncertainty that may materially affect the accuracy of the estimate made at this stage. Competition is expected to extend in Europe during 2016, decreasing Stalevo sales. The basic Simdax and Dextor 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 a marketing authorisation application for a generic version of Dextor has been submitted in some European countries. Orion has commenced 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. The greatest exchange rate risk at present relates to European currencies such as the Swedish crown and British pound. Possible Brexit is estimated not to have

material impact on Orion in the near term. 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 a total of EUR 39 million of such payments were received, which was clearly higher than average for the payments received by Orion in previous years. The payments received in 2015 totalled EUR 8 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.

Shares and shareholders

On 30 June 2016 Orion had a total of 141,257,828 (141,257,828) shares, of which 38,681,154 (39,625,774) were A shares and 102,576,674 (101,632,054) B shares. The Group's share capital was EUR 92,238,541.46 (92,238,541.46). At the end of June 2016 Orion held 783,366 (427,716) B shares as treasury shares. On 30 June 2016 the aggregate number of votes conferred by the A and B shares was 875,416,388 (893,719,818) excluding treasury shares.

At the end of June 2016, Orion had 48,789 (49,987) registered shareholders.

Voting rights conferred by shares

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

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

Conversion of shares

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. In January–June 2016 225,000 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 30 June 2016 the market capitalisation of the Company's shares, excluding treasury shares, was EUR 4,850 million.

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

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 Plan

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 June 2016, Orion had a total of 48,789 (49,987) registered shareholders, of whom 96% (96%) were private individuals holding 40% (41%) of the entire share stock and 62% (62%) of the total votes. There

were altogether 59 (58) million nominee-registered shares, which was 42% (41%) of all shares, and they conferred entitlement to 9% (9%) of the total votes.

At the end of June 2016 Orion held 783,366 (427,716) B shares as treasury shares, which is 0.55% (0.3%) of the Company's total share stock and 0.09% (0.05%) of the total votes.

Personnel

The average number of employees in the Orion Group in January–June 2016 was 3,428 (3,448). At the end of June 2016 the Group had a total of 3,528 (3,539) employees, of whom 2,862 (2,868) worked in Finland and 666 (671) outside Finland.

Salaries and other personnel expenses in January–June 2016 totalled EUR 113 (114) 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 January–June 2016 was up by 3% on the previous year at EUR 1,106 (1,071) 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 January–June 2016 amounted to EUR 143 (129) 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 under 15% of the Group's net sales.

Total sales of all Parkinson's drugs:

EUR or USD million		MAT3/2016	MAT3/2015	Change %
United States	USD	883	833	+6%
Europe TOP 5	EUR	921	974	-5%
Japan	EUR	584	521	+12%

Source: IMS Health pharmaceutical sales statistics MAT3/2016 (4/2015–3/2016)

The five largest European markets for Parkinson's disease drugs were Germany, the United Kingdom, France, Spain and Italy.

Total sales of all Parkinson's drugs containing entacapone:

EUR or USD million		MAT3/2016	MAT3/2015	Change %
United States	USD	78	102	-23%
Europe TOP 5	EUR	122	140	-13%
Japan	EUR	68	55	+23%

Source: IMS Health pharmaceutical sales statistics MAT3/2016 (4/2015–3/2016)

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

EUR or USD million		MAT3/2016	MAT3/2015	Change %
United States	USD	17	17	+4%
Europe TOP 5	EUR	87	117	-26%
Japan	EUR	68	55	+23%

Source: IMS Health pharmaceutical sales statistics MAT3/2016 (4/2015–3/2016)

Sales of Orion's branded Parkinson's drugs decreased in Europe due to commencement of generic competition. Sales increased in Japan mainly because Stalevo was launched in that market during 2015. The market share of Orion's branded Parkinson's drugs was 2% in the United States, on average 9% in the five largest European markets and 12% in Japan.

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 March 2016 were up by 4% at EUR 527 (507) million. According to IMS Health pharmaceutical sales statistics, sales of Orion's Dexdor[®] intensive care sedative (dexmedetomidine) were up by 27% at EUR 38 (30) million in Europe.

Net sales and operating profit of the Pharmaceuticals business

In January–June 2016 the Pharmaceuticals business's net sales were EUR 509 (486) million and its operating profit was EUR 165 (157) million. Milestone payments accounted for EUR 9 (5) million of the net sales and operating profit. During the second quarter Orion received a milestone payment of EUR 5 million from Bayer related to ODM-201 project technology transfer. The operating profit of the Pharmaceuticals business was 32% (32%) of the segment's net sales.

Net sales of Orion's top ten pharmaceuticals in January–June 2016 were up by 8% at EUR 231 (214) million. They accounted for 45% (44%) 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 7% at EUR 418 (393) 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 January–June 2016 were up by 8% at EUR 185 (172) 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 January–June 2016 were down by 11% at EUR 72 (80) million. In the United States Orion's Parkinson's drugs have several generic competitors. In Europe Comtess and Comtan have several generic competitors, and generic competition to Stalevo is extending. In addition, in certain countries compulsory price reductions related to the opening of the market to generic competition are reducing Orion's sales. 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	H1/2016	H1/2015	Change %
Stalevo deliveries to Novartis	39	36	+7%
Comtan deliveries to Novartis	15	19	-19%
Orion's Stalevo sales	15	22	-31%
Orion's Comtess sales	2	3	-32%

Net sales of Simdax[®], a drug for treatment of acute decompensated heart failure, in January–June 2016 were up by 7% at EUR 28 (26) 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 27% in January–June 2016 at EUR 32 (25) million. The increase was mainly due to sales of the Bufomix Easyhaler[®] combined formulation (budesonide-formoterol). Sales of Bufomix Easyhaler were up by 80% at EUR 13 (7) million in January–June 2016. Processing of marketing authorisation applications for the combined formulation is ongoing in Germany, the United Kingdom and France. Orion is expanding Easyhaler production at the Espoo pharmaceuticals production plant.

Net sales of Orion's Dexdor[®] intensive care sedative (dexmedetomidine) in January–June 2016 were up by 27% at EUR 28 (22) 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 January–June 2016 were up by 10% at EUR 246 (223) million. Sales of generic entacapone products were down by 47% at EUR 6 (12) million. Sales of products from the rest of the portfolio were up by 13%. Over half 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 January–June 2016 were up by 8% at EUR 143 (132) million. Orion managed to increase its sales, especially in prescription drugs. Sales were up by 33% at EUR 42 (31) million in Scandinavia and up by 3% at EUR 26 (25) million in Eastern Europe and Russia.

Net sales of Remsima® for treatment of rheumatoid arthritis among other things were EUR 22 (8) million in January–June 2016. The main explanation for the strong growth is that Orion won many tendering competitions in 2015, but they were not yet apparent in sales for the comparative period. Some of the net sales in the first quarter of 2016 still came from Norway, where Orion did not win the national tendering competition for the twelve-month period beginning in March 2016. A significant portion of the net sales came from Denmark, where Orion won the national tendering competition in summer 2015. 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 January–June 2016 were down by 13% at EUR 38 (44) million. A large part of the decrease in net sales is explained by the milestone payment recorded on the sale of product rights included net sales in the comparative period. Sales of the animal sedative product family at EUR 12 (16) million accounted for 32% (37%) 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 season leading up to the country's Independence Day in the United States. Net sales of Sileo in January–June 2016 were EUR 3 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 January–June 2016 excluding pharmaceutical ingredients supplied for Orion's own use were down by 29% at EUR 20 (29) million and accounted for nearly two-thirds of Fermion's entire net sales.

Research and development projects

The Group's **R&D expenses** in January–June 2016 were EUR 53 (53) million, of which the Pharmaceuticals business accounted for EUR 50 (49) million. The Group's R&D expenses accounted for 10% (10%) of the Group's net sales. R&D expenses also include expenses related to development of the current portfolio.

In 2014 Orion commenced global collaboration with Bayer in the development and commercialisation of a 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).

Orion and Bayer have agreed to expand the ODM-201 development programme and during 2016 commence a new Phase III trial (ARASENS) that will evaluate the efficacy and safety of the drug candidate 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.

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

In autumn 2015 Orion completed the additional trials with the **budesonide-formoterol combined formulation** in the Easyhaler[®] product family. Based on the results received, Orion has submitted a marketing authorisation application in Germany, France and the United Kingdom. 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 an ongoing Phase II clinical trial with **orally administered levosimendan (ODM-109)** for treatment of patients with amyotrophic lateral sclerosis (ALS). Levosimendan is a troponin C selective calcium sensitiser enhancing cardiac and skeletal muscle function. Available studies indicate that levosimendan has the potential to support diaphragm and thus respiratory function as well as strength and endurance of other skeletal muscles in patients with ALS.

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

Orion has decided to discontinue trials 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 based on findings concerning tolerability of the molecule in the Phase I clinical trial.

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 an ongoing Phase III clinical trial for this indication. In addition, the company is investigating the possibility of gaining an additional indication of septic shock for levosimendan.

Orion's collaboration partner Recro Pharma, Inc. is developing an intranasal formulation of **dexmedetomidine** for treatment of pain. Recro has decided to change the target indication from post-operative pain to peri-procedural pain. The company has announced that it is planning to commence a new clinical Phase II trial concerning the new indication.

In addition, Orion has several projects in the early research phase investigating central nervous system diseases, cancer and neuropathic pain, among others. In the first half of the year Orion strengthened its early-phase research through collaboration agreements with the German Center for Neurodegenerative

Diseases (DZNE) in treatment of neurodegenerative diseases and with the Japanese pharmaceutical company Asahi Kasei Pharma in treatment of pain.

Diagnosics

Orion Diagnostica manufactures convenient and quick in vitro diagnostic tests and testing systems suitable for point-of-care testing. Net sales of the Diagnostica business in January–June 2016 were down by 7% at EUR 28 (30) million.

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.

Launching of the first Orion GenRead[®] test system products – an instrument and a *C. difficile* test for detecting *C. difficile* bacteria causing intestinal infection related to antibiotic treatment – continued as planned. The test gives the first positive *C. difficile* results already within 20 minutes, which is a significant advantage in treating a patient. Orion GenRead[®] is based on an isothermal nucleic acid amplification technique, SIBA[®] technology.

The operating profit of the Diagnostica business was down by 21% at EUR 4.4 (5.6) million. The decrease was mainly due to the decrease in net sales and products with lower margins accounting for a higher proportion of sales. The Diagnostica business's operating profit accounted for 16% (19%) of the segment's net sales.

Espoo, 19 July 2016

Board of Directors of Orion Corporation

Orion Corporation

Timo Lappalainen
President and CEO

Jari Karlson
CFO

Tables

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Q2/16	Q2/15	Change %	H1/16	H1/15	Change %	2015
Net sales	273.1	255.0	+7.1%	535.1	514.9	+3.9%	1,015.6
Cost of goods sold	-99.4	-94.5	+5.2%	-201.7	-185.9	+8.5%	-405.8
Gross profit	173.7	160.5	+8.2%	333.4	329.0	+1.3%	609.8
Other operating income and expenses	0.1	1.9	-94.3%	-0.1	-0.3	-80.0%	1.5
Sales and marketing expenses	-49.1	-48.3	+1.7%	-92.8	-94.8	-2.2%	-190.4
R&D expenses	-28.4	-28.0	+1.6%	-53.4	-53.2	+0.3%	-108.1
Administrative expenses	-12.7	-12.2	+4.3%	-23.4	-23.6	-1.0%	-46.2
Operating profit	83.5	74.0	+12.9%	163.9	157.1	+4.3%	266.6
Finance income	0.3	0.3	+10.5%	0.4	0.8	-46.0%	0.8
Finance expenses	-1.2	-1.4	-10.1%	-2.4	-2.7	-10.8%	-5.5
Share of associated companies' results				0.4	0.4	-5.2%	0.4
Profit before taxes	82.6	72.9	+13.3%	162.3	155.6	+4.3%	262.3
Income tax expense	-16.9	-15.2	+11.7%	-33.3	-32.1	+3.5%	-54.2
Profit for the period	65.7	57.7	+13.8%	129.0	123.4	+4.5%	208.2

OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS

Change in value of cash flow hedges		0.0			0.0		0.1
Change in value of available-for-sale financial assets		0.5		0.5	1.0		1.1
Translation differences	-1.7	0.6		-3.8	3.1		1.8
Items that may be reclassified subsequently to profit and loss	-1.7	1.1		-3.3	4.2		3.0
Items due to remeasurement of defined benefit plans	-0.0	-0.0		-0.0	-0.3		49.1
Items that will not be reclassified to profit and loss	-0.0	-0.0		-0.0	-0.3		49.1
Other comprehensive income net of tax	-1.7	1.1		-3.3	3.9		52.1
Comprehensive income for the period including tax effects	63.9	58.8	+8.7%	125.7	127.3	-1.2%	260.2

PROFIT ATTRIBUTABLE TO:

Owners of the parent company	65.7	57.7	+13.8%	129.0	123.4	+4.5%	208.2
Non-controlling interests	0.0	0.0		0.0	0.0		0.0

COMPREHENSIVE INCOME ATTRIBUTABLE TO:

Owners of the parent company	63.9	58.8	+8.7%	125.7	127.3	-1.2%	260.2
Non-controlling interests	0.0	0.0		0.0	0.0		0.0

Basic earnings per share, EUR ¹⁾	0.47	0.41	+13.8%	0.92	0.88	+4.4%	1.48
Diluted earnings per share, EUR ¹⁾	0.47	0.41	+13.8%	0.92	0.88	+4.4%	1.48

Depreciation, amortisation and impairment	10.3	11.2	-8.4%	20.2	21.1	-4.3%	41.8
Personnel expenses	59.8	59.7	+0.2%	113.2	114.0	-0.7%	220.6

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

EUR million	6/16	6/15	Change %	12/15
Property, plant and equipment	279.4	270.0	+3.5%	276.4
Goodwill	13.5	13.5		13.5
Intangible rights	39.7	44.1	-9.9%	41.7
Other intangible assets	2.5	2.6	-4.6%	2.5
Investments in associates	3.0	2.6	+16.5%	2.6
Available-for-sale financial assets	7.6	6.7	+12.2%	6.9
Pension asset	20.4			24.4
Deferred tax assets	1.2	8.0	-84.8%	1.1
Other non-current assets	4.1	2.9	+39.4%	4.1
Non-current assets total	371.4	350.5	+6.0%	373.3
Inventories	213.6	199.4	+7.1%	205.7
Trade receivables	186.9	178.8	+4.5%	192.1
Other receivables	44.1	46.1	-4.3%	31.1
Money market investments	3.1			
Cash and cash equivalents	116.6	169.4	-31.2%	245.2
Current assets total	564.3	593.7	-4.9%	674.1
Assets total	935.7	944.1	-0.9%	1,047.4

EQUITY AND LIABILITIES

EUR million	6/16	6/15	Change %	12/15
Share capital	92.2	92.2		92.2
Expendable fund	0.5	0.5		0.5
Other reserves	7.7	6.8	+12.8%	6.9
Retained earnings	422.6	361.4	+16.9%	495.3
Equity attributable to owners of the parent company	523.0	461.0	+13.5%	594.9
Non-controlling interests	0.0	0.0	-7.2%	0.0
Equity total	523.0	461.0	+13.5%	594.9
Deferred tax liabilities	37.4	31.4	+19.2%	37.8
Pension liability	3.1	36.7	-91.7%	3.1
Provisions	0.3	0.3	-9.0%	0.3
Interest-bearing non-current liabilities	175.7	204.3	-14.0%	177.9
Other non-current liabilities	0.0	0.1	-64.9%	0.0
Non-current liabilities total	216.5	272.9	-20.7%	219.2
Trade payables	74.4	67.3	+10.5%	99.1
Current tax liabilities	8.4	7.1	+17.9%	1.2
Other current liabilities	102.4	110.7	-7.5%	122.8
Provisions	0.0	0.0	-0.7%	0.3
Interest-bearing current liabilities	11.0	25.2	-56.5%	9.9
Current liabilities total	196.1	210.3	-6.7%	233.3
Liabilities total	412.6	483.2	-14.6%	452.5
Equity and liabilities total	935.7	944.1	-0.9%	1,047.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

EUR million	Equity attributable to owners of the parent company							h.
	a.	b.	c.	d.	e.	f.	g.	
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						123.4		123.4
Other comprehensive income:								
Change in value of cash flow hedges			0.0					0.0
Change in value of available-for-sale financial assets			1.0					1.0
Translation differences					3.1			3.1
Items due to remeasurement of defined benefit plans				-0.3				-0.3
Transactions with owners								
Dividend and capital repayment						-183.1		-183.1
Share-based incentive plan						2.1		2.1
Other adjustments			0.0			-0.3	0.0	-0.2
Equity at 30 June 2015	92.2	0.5	6.8	-51.1	-0.2	412.7	0.0	461.0
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						129.0		129.0
Other comprehensive income:								
Change in value of available-for-sale financial assets			0.5					0.5
Translation differences					-3.8			-3.8
Items due to remeasurement of defined benefit plans				-0.0				-0.0
Transactions with owners								
Dividend and capital repayment						-183.3		-183.3
Treasury shares						-16.8		-16.8
Share-based incentive plan						2.5		2.5
Other adjustments			0.3			-0.4	0.0	-0.1
Equity at 30 June 2016	92.2	0.5	7.7	-1.7	-5.3	429.5	0.0	523.0

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	H1/16	H1/15	2015
Operating profit	163.9	157.1	266.6
Adjustments	26.2	26.6	53.5
Change in working capital	-57.5	-44.3	-14.9
Interest paid	-8.4	-9.3	-10.9
Interest received	4.0	5.5	7.7
Dividends received	0.1	0.2	0.2
Income taxes paid	-27.6	-20.4	-47.2
Total net cash flow from operating activities	100.7	115.3	254.9
Investments in property, plant and equipment	-18.2	-18.8	-38.4
Investments in intangible assets	-3.8	-2.5	-4.8
Sales of property, plant and equipment and available-for-sale investments	0.6	0.5	1.0
Total net cash flow from investing activities	-21.4	-20.8	-42.2
Current loans raised	1.2	1.4	1.4
Repayments of current loans	-0.8	-1.2	-2.7
Non-current loans raised		0.3	
Repayments of non-current loans	-2.3	-5.8	-46.2
Treasury shares	-16.8		
Dividends paid and other distribution of profits	-181.1	-183.1	-183.3
Total net cash flow from financing activities	-199.8	-188.4	-230.8
Net change in cash and cash equivalents	-120.5	-93.9	-18.1
Cash and cash equivalents at the beginning of the period	245.2	258.5	258.5
Foreign exchange differences	-5.1	4.8	4.8
Net change in cash and cash equivalents	-120.5	-93.9	-18.1
Cash and cash equivalents at the end of the period	119.7	169.4	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	116.6	169.4	245.2
Money market investments at the end of the period	3.1		
Cash and cash equivalents in the statement of cash flows	119.7	169.4	245.2

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	6/16	6/15	12/15
Carrying amount at the beginning of the period	276.4	269.1	269.1
Additions	18.8	16.7	38.7
Disposals	-0.7	-0.5	-1.1
Depreciation and impairments	-15.1	-15.2	-30.2
Carrying amount at the end of the period	279.4	270.0	276.4

CHANGES IN INTANGIBLE ASSETS (EXCLUDING GOODWILL)

EUR million	6/16	6/15	12/15
Carrying amount at the beginning of the period	44.3	50.4	50.4
Additions	3.0	2.2	5.4
Amortisation and impairments	-5.1	-5.9	-11.5
Carrying amount at the end of the period	42.2	46.7	44.3

COMMITMENTS AND CONTINGENCIES

EUR million	6/16	6/15	12/15
CONTINGENCIES FOR OWN LIABILITIES			
Mortgages on land and buildings		32.0	
Guarantees	4.4	4.1	5.2
OTHER LIABILITIES			
Leasing liabilities (excluding finance lease contracts)	6.3	7.8	7.3
Other liabilities	0.3	0.3	0.3

DERIVATIVES

EUR million	6/16	6/15	12/15
CURRENCY FORWARD CONTRACTS AND CURRENCY SWAPS			
Fair value, EUR million	-1.0	0.4	-0.0
Nominal value, EUR million	40.6	48.3	49.1
CURRENCY OPTIONS			
Fair value, EUR million	-0.0	0.0	-0.0
Nominal value, EUR million	35.4	36.6	39.2
INTEREST RATE SWAPS			
Fair value, EUR million		-0.1	-0.0
Nominal value, EUR million		13.4	11.6
ELECTRICITY DERIVATIVES			
Fair value, EUR million		-0.2	
Nominal amount, GWh		11	

FAIR VALUE MEASUREMENT AND HIERARCHY OF FINANCIAL INSTRUMENTS

EUR million	Level 1	Level 2	Level 3	Total
Derivatives				
Currency derivatives		0.2		0.2
Available-for-sale financial assets				
Shares and investments	7.2		0.3	7.6
Assets total	7.2	0.2	0.3	7.8
Derivatives				
Currency derivatives		-1.3		-1.3
Liabilities total		-1.3		-1.3

The level 1 financial instrument fair value 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	H1/16	H1/15	2015
Management's employment benefits	5.4	5.6	6.6

Operating segment performance

NET SALES BY BUSINESS DIVISION

EUR million	Q2/16	Q2/15	Change %	H1/16	H1/15	Change %	2015
Pharmaceuticals	259.5	242.0	+7.2%	508.7	486.5	+4.6%	960.9
Proprietary Products	97.3	82.3	+18.3%	185.3	171.5	+8.1%	322.5
Specialty Products	123.2	114.8	+7.3%	246.0	223.4	+10.1%	471.2
Animal Health	20.0	22.2	-9.6%	38.3	43.7	-12.6%	77.0
Fermion	9.7	13.9	-30.6%	20.2	28.7	-29.5%	52.7
Contract manufacturing and other	9.3	8.8	+5.4%	19.0	19.1	-0.8%	37.5
Diagnostics	14.4	13.9	+3.4%	27.9	30.1	-7.5%	57.8
Group items	-0.7	-0.9	-15.1%	-1.5	-1.7	-9.1%	-3.1
Group total	273.1	255.0	+7.1%	535.1	514.9	+3.9%	1,015.6

OPERATING PROFIT BY BUSINESS AREA

EUR million	Q2/16	Q2/15	Change %	H1/16	H1/15	Change %	2015
Pharmaceuticals	84.9	75.8	+12.1%	165.0	157.1	+5.0%	269.0
Diagnostics	1.8	1.6	+9.9%	4.4	5.6	-21.3%	8.5
Group items	-3.2	-3.5	-7.4%	-5.6	-5.7	-1.9%	-10.9
Group total	83.5	74.0	+12.9%	163.9	157.1	+4.3%	266.6

NET SALES BY ANNUAL QUARTERS

EUR million	2016		2015				2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Pharmaceuticals	259.5	249.3	247.3	227.1	242.0	244.5	241.5	226.2
Diagnostics	14.4	13.5	15.2	12.5	13.9	16.2	14.5	12.8
Group items	-0.7	-0.8	-0.9	-0.5	-0.9	-0.8	-0.8	-0.6
Group total	273.1	262.0	261.6	239.1	255.0	259.9	255.3	238.3

OPERATING PROFIT BY ANNUAL QUARTERS

EUR million	2016		2015				2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Pharmaceuticals	84.9	80.1	52.1	59.7	75.8	81.4	56.9	63.8
Diagnostics	1.8	2.6	1.7	1.1	1.6	4.0	1.5	1.7
Group items	-3.2	-2.4	-2.9	-2.3	-3.5	-2.2	-3.1	-1.8
Group total	83.5	80.3	50.9	58.6	74.0	83.1	55.3	63.8

GEOGRAPHICAL BREAKDOWN OF NET SALES BY ANNUAL QUARTERS

EUR million	2016		2015				2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Finland	82.1	80.1	85.1	78.1	76.9	78.4	79.6	73.5
Scandinavia	44.3	44.7	47.0	39.1	40.9	36.9	35.6	31.7
Other Europe	85.5	83.2	81.9	70.7	77.5	86.6	89.1	81.3
North America	19.6	18.2	16.1	17.9	20.6	21.6	24.5	15.2
Other markets	41.6	35.8	31.5	33.2	39.1	36.4	26.5	36.6
Group total	273.1	262.0	261.6	239.1	255.0	259.9	255.3	238.3

Business reviews

KEY FIGURES FOR PHARMACEUTICALS BUSINESS

EUR million	Q2/16	Q2/15	Change %	H1/16	H1/15	Change %	2015
Net sales	259.5	242.0	+7.2%	508.7	486.5	+4.6%	960.9
Operating profit	84.9	75.8	+12.1%	165.0	157.1	+5.0%	269.0
% of net sales	32.7%	31.3%		32.4%	32.3%		28.0%
R&D expenses	26.6	26.1	+2.0%	50.0	49.5	+1.0%	101.0
% of net sales	10.2%	10.8%		9.8%	10.2%		10.5%
Capital expenditure	13.1	10.2	+27.6%	21.8	17.2	+27.0%	40.6
% of net sales	5.0%	4.2%		4.3%	3.5%		4.2%
Sales revenue from proprietary products	101.5	94.4	+7.4%	194.4	190.7	+1.9%	354.7
Assets				747.7	704.0		740.8
Liabilities				169.1	172.9		211.0
Personnel at the end of the period				3,205	3,217		3,078

TOP TEN BEST-SELLING PHARMACEUTICAL PRODUCTS

EUR million	Q2/16	Q2/15	Change %	H1/16	H1/15	Change %	2015
Stalevo [®] , Comtess [®] and Comtan [®] (Parkinson's disease)	38.9	38.1	+2.3%	71.6	80.5	-11.1%	137.5
Easyhaler [®] product family (asthma, COPD)	16.3	12.7	+28.6%	31.9	25.2	+26.9%	51.3
Dexdor [®] (intensive care sedative)	13.5	10.7	+25.4%	27.7	21.9	+26.6%	44.5
Simdax [®] (acute decompensated heart failure)	13.8	13.1	+5.5%	27.6	25.8	+6.7%	51.1
Remsima [®] (rheumatoid arthritis, inflammatory bowel diseases)	10.0	5.5	+81.4%	21.7	8.3	+161.0%	28.1
Dexdomitor [®] , Domitor [®] , Domosedan [®] and Antisedan [®] (animal sedatives)	5.3	9.1	-42.4%	12.1	16.0	-24.6%	27.3
Burana [®] (inflammatory pain)	5.2	5.4	-4.8%	10.3	11.0	-6.1%	22.7
Precedex [®] (intensive care sedative)	6.0	3.6	+64.1%	9.8	8.3	+19.0%	17.8
Marevan [®] (anticoagulant)	3.8	5.4	-29.8%	9.0	10.4	-13.9%	19.2
Trexan [®] (rheumatoid arthritis, cancer)	5.0	3.1	+63.7%	8.9	6.6	+35.3%	12.3
Total	117.8	106.8	+10.3%	230.5	213.9	+7.8%	411.7
Share of pharmaceutical net sales	45%	44%		45%	44%		43%

KEY FIGURES FOR DIAGNOSTICS BUSINESS

EUR million	Q2/16	Q2/15	Change %	H1/16	H1/15	Change %	2015
Net sales	14.4	13.9	+3.4%	27.9	30.1	-7.5%	57.8
Operating profit	1.8	1.6	+9.9%	4.4	5.6	-21.3%	8.5
% of net sales	12.6%	11.8%		15.9%	18.6%		14.7%
R&D expenses	1.9	2.0	-2.4%	3.5	3.8	-6.6%	7.3
% of net sales	13.3%	14.1%		12.7%	12.6%		12.6%
Capital expenditure	0.1	1.0	-92.2%	0.3	1.9	-84.9%	3.7
% of net sales	0.6%	7.3%		1.0%	6.3%		6.4%
Assets				48.9	50.0		48.3
Liabilities				8.3	11.8		16.2
Personnel at the end of the period				299	297		296

KEY CLINICAL PHARMACEUTICAL DEVELOPMENT PROJECTS

Project	Indication	PHASE			Registration
		I	II	III	
Bufomix Easyhaler [®] (budesonide-formoterol) ¹⁾	Asthma, COPD	I	II	III	Registration*
Easyhaler [®] salmeterol-fluticasone ²⁾	Asthma, COPD	I	II	III*	
ODM-201 (androgen receptor antagonist) ³⁾	Prostate cancer (nmCRPC)	I	II	III*	
ODM-201 (androgen receptor antagonist) ^{3) **}	Prostate cancer (mHSPC)	I	II	**	
Levosimendan ⁴⁾	Low Cardiac Output Syndrome	I	II	III*	
ORM-12741 (alpha-2c adrenoceptor antagonist) ⁵⁾	Alzheimer's disease	I	IIa*		
Dexmedetomidine (intranasal) ⁶⁾	Treatment of pain	I	IIb		
ODM-109 (oral levosimendan)	ALS	I	II*		
ODM-104 (more effective COMT inhibitor)	Parkinson's disease	I	II*		
ODM-203 (targeted FGFR+VEGFR inhibitor)	Solid tumours	I	II*		
ODM-204 (CYP17 enzyme and androgen receptor inhibitor)	Prostate cancer	I*			
¹⁾ Aim is to obtain marketing authorisation for product in at least some European countries not included in decentralised marketing authorisation application process.		*	= Phase ongoing		
²⁾ Bioequivalence study ³⁾ In collaboration with Bayer		**	= New project, Phase III will commence by end of 2016		
⁴⁾ Partner: Tenax Therapeutics, Inc. ⁵⁾ In collaboration with Janssen Pharmaceuticals					
⁶⁾ Partner: Recro Pharma, Inc.					
ODM-108 (negative allosteric modulator of TRPA1 ion channel) project discontinued.					

Information on Orion's shares

BASIC SHARE INFORMATION 30 JUNE 2016

	A shares	B shares	Total
Trading code on Nasdaq Helsinki	ORNAV	ORNBV	
Listing day	1 July 2006	1 July 2006	
ISIN code	FI0009014369	FI0009014377	
ICB code	4500	4500	
Reuters code	ORNAV.HE	ORNBV.HE	
Bloomberg code	ORNAV.FH	ORNBV.FH	
Share capital, EUR million	25.3	67.0	92.2
Counter book value per share, EUR	0.65	0.65	
Total number of shares	38,681,154	102,576,674	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	38,681,154	101,793,308	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	773,623,080	101,793,308	875,416,388
% of total votes	88%	12%	100%
Total number of shareholders	16,792	37,631	48,789

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

INFORMATION ON TRADING ON NASDAQ HELSINKI 1 JANUARY – 30 JUNE 2016

	A shares	B shares	Total
Shares traded	982,352	26,785,216	27,767,568
% of the total number of shares	2.5%	26.1%	19.7%
Trading volume, EUR million	30.3	828.9	859.2
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	30.88	30.94	
Highest quotation, EUR (A and B 15 June 2016)	35.62	35.80	
Closing quotation on 30 June 2016, EUR	33.80	34.80	
Market capitalisation on 30 June 2016, EUR million	1,307.4	3,542.4	4,849.8

PERFORMANCE PER SHARE

	Q2/16	Q2/15	Change %	H1/16	H1/15	Change %	2015
Basic earnings per share, EUR	0.47	0.41	+13.8%	0.92	0.88	+4.4%	1.48
Diluted earnings per share, EUR	0.47	0.41	+13.8%	0.92	0.88	+4.4%	1.48
Cash flow per share before financial items, EUR	0.27	0.29	-7.1%	0.56	0.67	-16.2%	1.51
Equity per share, EUR				3.72	3.27	+13.8%	4.22
Average number of shares excluding treasury shares, 1,000 shares	140,860	140,830		140,869	140,782		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

This report has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. The same accounting policies as for the Financial Statements for 2015 have been applied in preparing the report, in addition to which amendments to existing IFRS and IAS standards endorsed by the EU that have been adopted as of 1 January 2016 have been applied. The amendments to standards had no effect on the Consolidated Financial Statements.

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

Other matters

The data in this financial review are not audited.

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

CALCULATION OF THE KEY FIGURES

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

Orion is a globally operating Finnish company developing pharmaceuticals and diagnostic tests – a builder of well-being. Orion develops, manufactures and markets human and veterinary pharmaceuticals, active pharmaceutical ingredients and diagnostic tests. The company is continuously developing new drugs and treatment methods. 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 2015 amounted to EUR 1,016 million and the Company had about 3,400 employees. Orion's A and B shares are listed on Nasdaq Helsinki.