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## Annual General Meeting

The Annual General Meeting of Orion Corporation will be held on Monday, April 21, 1997 at 5.00 p.m. in the company's pharmaceutical plant at Mankkaa, in Espoo, street address Orionintie 1. The registration period will close at 5.00 p.m. on Wednesday, April 16, 1997:  
tel. +358 9 429 3719 or +358 9 429 3718.

## Payment of Dividends

If the Annual General Meeting approves the Board of Directors' proposal for distribution of the profits for the fiscal period that ended on December 31, 1996, a dividend of FIM 5.00 per share shall be paid to Orion Corporation shareholders entered in the shareholders' register kept by the Central Share Register of Finland Co-Operative on the record date, i.e. April 24, 1997. Thus, shares acquired not later than April 21, 1997 entitle the shareholder to full dividends for 1996. The date for payment of dividends is April 29, 1997.

## Financial Information

Orion Corporation will publish the following financial reviews in 1997:

|  |                                 |
|--|---------------------------------|
| Preliminary Estimates on<br>the Financial Statements<br>for 1996   | February 21, 1997               |
| The Main Points of<br>the Financial<br>Statements for 1996<br>Annual Report<br>(in Finnish and in English) | March 11, 1997<br>April 2, 1997 |
| Interim Report on the<br>first 4 months of 1997  | June 11, 1997                   |
| Interim Report on the<br>first 8 months of 1997  | October 9, 1997                 |

The reviews are published in Finnish and in English. Copies may be ordered from Orion Corporation, Central Administration, Corporate Communications, P.O.Box 65, 02101 Espoo, Finland, or by calling tel. + 358 9 429 3504.

# Orion Corporation 1996

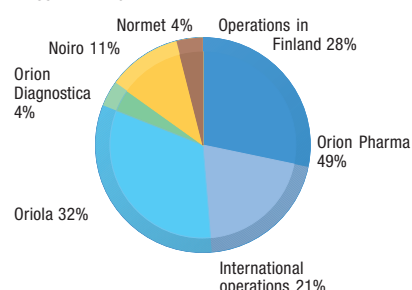
## Highlights

- Growth of net sales levelled off and profitability remained at the previous year's level.
- Orion Pharma and Sandoz Pharma Ltd. (presently Novartis) signed a marketing agreement on entacapone, a drug for the treatment of Parkinson's disease.
- The small animal sedative Domitor and the antisedative drug Antisedan obtained U.S. market authorizations.
- Oriola strengthened its position in the Baltic markets.

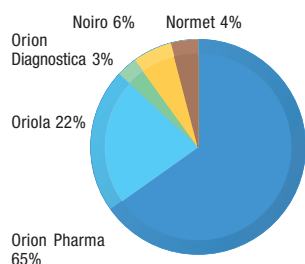
## Key indicators

| FIM million   | 1996         | 1995  |
|---|--------------|-------|
| Net sales   | <b>4 283</b> | 4 059 |
| International operations  | <b>1 448</b> | 1 379 |
| % of net sales  | <b>33.8%</b> | 34.0% |
| Operating profit  | <b>632</b>   | 596   |
| % of net sales  | <b>14.8%</b> | 14.7% |
| Profit before extraordinary items                               | <b>738</b>   | 670   |
| % of net sales  | <b>17.2%</b> | 16.5% |
| Balance Sheet total   | <b>5 423</b> | 5 186 |
| Earnings per share (adjusted), FIM                              | <b>9.81</b>  | 9.37  |
| Dividend per share (adjusted)                                   | <b>51.0%</b> | 42.7% |
| Return on invested capital before extraordinary items and taxes | <b>16.5%</b> | 16.3% |
| Return on equity  | <b>13.0%</b> | 13.5% |
| Solvency ratio  | <b>72.7%</b> | 69.5% |

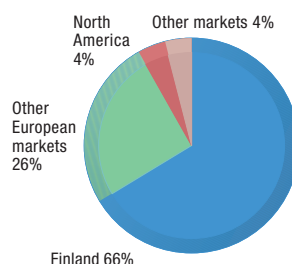
Breakdown of net sales by division  
4283 FIM million



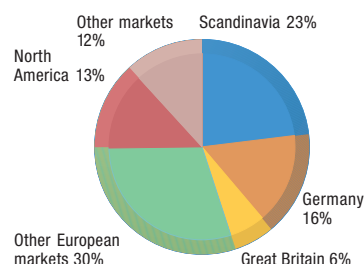
Breakdown of operating profit by division  
632 FIM million



Breakdown of net sales by market area  
4283 FIM million



Breakdown of international operations by market area  
1448 FIM million





## President's Review

The Board of Directors of Orion Corporation anticipated that "net sales and profit developments may level off" in 1996. Having now closed the books for the year, we can note that this more or less materialized. In broad terms our performance was at the previous year's level.

Orion Group net sales rose by 5.5% to FIM 4.3 billion. Consolidated profit prior to extraordinary items and taxes improved by 10.3% to FIM 738 million. However, certain one-off payments made by our marketing agreement partners have contributed to the increase in both net sales and operating profit. The other half of the improved financial performance resulted from the increase in net financial income.

Investments in fixed assets totaled FIM 243 million, corresponding to the previous year's level. A more substantial contribution, or FIM 333 million, was made to research and development. Orion Pharma, the major Group division, made progress in its research projects and used 17.2% of its pharmaceuticals net sales in R&D operations. The breast cancer drug Fareston obtained a centralized E.U. market authorization, and a marketing agreement on entacapone, a drug for the treatment of Parkinson's disease, was signed with Sandoz (presently Novartis). Moreover, the small animal sedatives Domitor and Antisedan were granted the U.S. market authorizations. Orion's own patented pharmaceuticals generated over FIM 100 million in net sales.

Of the Group divisions, sales at the wholesaler Oriola and at Noiro grew most substantially owing to increased sales in the Baltic countries. Exports to Russia and Poland also contributed to the Noiro boost. Profitability of all divisions was very satisfactory, with only Orion Diagnostica remaining at a satisfactory level.

For Orion Group personnel, 1996 was a year filled with a lot of work and some of the unexpected. It was a rewarding year in many respects, and I would like to thank our entire personnel for their contribution. Bearing in mind the process and quality management criteria as well as the continuous improvement targets, we at Orion need to measure up to the expectations of clients, the business environment and the shareholders, and gain their confidence again and again. Hard work, the entrepreneurial spirit, sensitivity to the client's needs as well as open and cooperative minds will keep us on the right track.

Espoo, March 7, 1997

Pauli Torkko  
Executive Vice President

# The Orion Group

## Business areas

The Orion Group is the leading company in the Finnish health care sector. The pharmaceutical division, Orion Pharma, and the other health care divisions - Oriola, a wholesaler and distributor, and Orion Diagnostica - account for 85% of net sales. The other Orion divisions are Noiro (cosmetics and detergents) with 11% and Normet (engineering) with 4% of net sales.

.In 1996 Group net sales were FIM 4,283 million (USD 933 million) of which the international operations accounted for FIM 1,448 million. The average number of personnel was 5,286.

## Divisions of the Orion Group



### HEALTH CARE

#### Orion Pharma

Orion Pharma comprises two divisions and certain centralized operations.

#### Orion

Finland's leading pharmaceutical manufacturer and marketer, concentrates on domestic operations and animal health. Its market share of the domestic pharmaceutical specialties is 24.5%. The product range encompasses most of the principal drug groups and a selection of drugs vital to small therapy areas as well as veterinary drugs.

#### Orion Pharma International

concentrates on international operations in human pharmaceuticals as well as on the Fermion bulk drug substance production.

International operations account for about 45% of the total sales of Orion Pharma.

#### Oriola

is a comprehensive wholesaler, distributor and special sector marketer serving the health care sector. Oriola provides nationwide pharmaceutical distribution and logistics services for international pharmaceutical companies, its own units and their principals as well as for the health care divisions of the Orion Group. Its market share of pharmaceuticals distribution in Finland is 38%. Oriola imports and services health care equipment and supplies. In the area of dental care products, Oriola is engaged in industrial manufacturing and international marketing.



## Goals and strategies

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

**Orion Pharma** and **Orion Diagnostica** are seeking a substantial role in pharmaceuticals and diagnostics in Europe. This aim is pursued by devel-

oping competitive products through in-house R&D for specific areas, and by strengthening and expanding the present market position.

**Oriola** is developing its advanced logistics services further and in close cooperation with its business partners, provides distribution and market-



#### Orion Diagnostica

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

ing services for them both in Finland and in the neighbouring areas, starting with the Baltic countries.

**Noiro** is strengthening its domestic market position by focusing on the development and marketing of its strong brands. Growth in sales to the Scandinavian countries and



### COSMETICS AND DETERGENTS

#### Noiro

develops, manufactures, imports and markets products for personal care and daily needs, cosmetics, hairdressing products, and products for hospital hygiene, as well as for institutional and industrial cleaning and hygiene. Noiro export operations concentrate on the Scandinavian, Russian, Polish and Baltic markets. Exports account for 25% of net sales.

other neighbouring areas is generated through cosmetics and personal care products.

**Normet** is focusing on vehicles and equipment for mining and tunneling, and for mechanized timber handling and logging, all marketed worldwide.

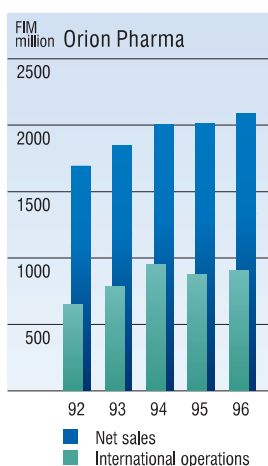


### ENGINEERING

#### Normet

develops, manufactures and markets vehicles and equipment for underground mining and tunneling, and vehicles and equipment for mechanized timber handling and logging, marketed worldwide. International operations, including indirect exports, account for over 90% of Normet net sales.

# Orion Pharma



| FIM million                      | 1996         | 1995  | % change |
|----------------------------------|--------------|-------|----------|
| Net sales                        | <b>2092</b>  | 2011  | + 4.0    |
| Exports and subsidiaries abroad  | <b>908</b>   | 874   | + 3.8    |
| -% of net sales                  | <b>43.4%</b> | 43.5% |          |
| Exports from Finland             | <b>585</b>   | 550   | + 6.3    |
| R&D expenses                     | <b>295</b>   | 280   | + 5.4    |
| Operating profit                 | <b>426</b>   | 413   | + 3.1    |
| Investments                      | <b>162</b>   | 151   |          |
| Personnel                        | <b>2840</b>  | 2784  |          |
| -abroad                          | <b>356</b>   | 338   |          |
| Profitability: Very satisfactory |              |       |          |
| Share of group net sales         | <b>49%</b>   |       |          |

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

Orion Pharma comprises the following divisions and subsidiaries: Orion Corporation Orion, Suomen Rohdos Oy, Hiven Oy, Orion Corporation Orion Pharma International, Orion Corporation Fermion; Orion Pharma AB, Sweden; Ercopharm A/S, Denmark; Orion Pharma A/S, Norway; Orion Pharma GmbH, Germany; Interorion AG, Orion Pharma AG, Switzerland; Finorion Kft, Hungary; Orion-Farmos Inc., USA; Orion Pharma (UK) Ltd., UK; Orion Pharma (Ireland) Ltd., Ireland.

Orion Pharma net sales grew by 4.0% to FIM 2092 million. In international operations, the last tertial of the year was better than the corresponding period the previous year. With the receipt of substantial marketing agreement payments, the positive development contributed to a more rapid net sales growth rate. Growth in domestic sales was slower than in 1995. Operating profit rose

but was less than budgeted.

Orion Pharma incorporates two divisions and certain centralized operations. Orion concentrates on domestic operations and animal health while Orion Pharma International focuses on international operations in human drugs and on the Fermion bulk drug substance production. The centralized operations include R&D, clinical projects and registration, product acquisition, production of pharmaceutical specialties as well as quality control functions.

## Pharmaceutical research, product development and registration

Orion Pharma's research operations focus on neurology as well as the treatment of bronchial asthma, post menopausal disorders, cancer and congestive heart failure.

**Fareston (toremifene)**, a breast cancer drug, was granted a centralized EU market authorization in February 1996. Fareston is indicated as a first-line hormone treatment of hormone-dependent metastatic breast cancer in post-menopausal patients. In January 1996, Fareston received the "Approvable" Letter by the U.S. Food and Drug Administration (FDA), followed by the second "Approvable" Letter in October 1996. The final FDA decision is still pending.

The principal phase III clinical trials on the levodopa extender **entacapone**, a COMT enzyme inhibitor for the treatment of Parkinson's disease, were completed in Europe and the US. The documentation work for the application of both the EU and US market authorizations was initiated.

In February 1996, Orion Corporation Orion Pharma and the Swiss Sandoz Pharma Ltd. (now Novartis) signed a long-term license, supply and distribution agreement on entacapone. In accordance with the agreement, Novartis has exclusive global rights to entacapone product marketing and sales, excluding the Nordic and Baltic countries. In major European Union countries, entacapone is marketed by both Novartis and by Orion Pharma subsidiaries. The product is manufactured by Orion Pharma. The term of the agreement is the same as the patent validity period.

Orion Corporation has a licensing agreement with Abbott Laboratories on the anesthetic

President  
Jyrki Mattila





**dexmedetomidine** developed by Orion Pharma. Dexmedetomidine can be used concomitantly with other anesthetic agents to balance the patient's heart rate and blood pressure, and to expedite and facilitate recovery from anesthesia. Phase III clinical trials conducted on dexmedetomidine in twelve different countries progressed according to plan. The cooperation agreement gives Abbott Laboratories the global rights to develop and market the product outside of the Nordic countries where Orion Pharma retains these rights for itself.

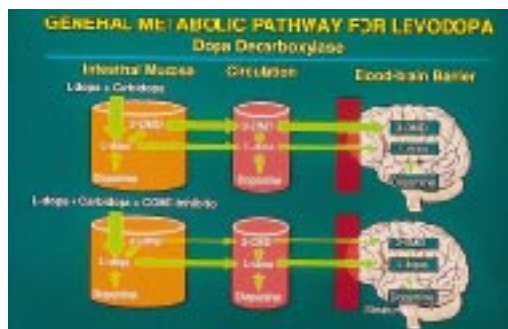
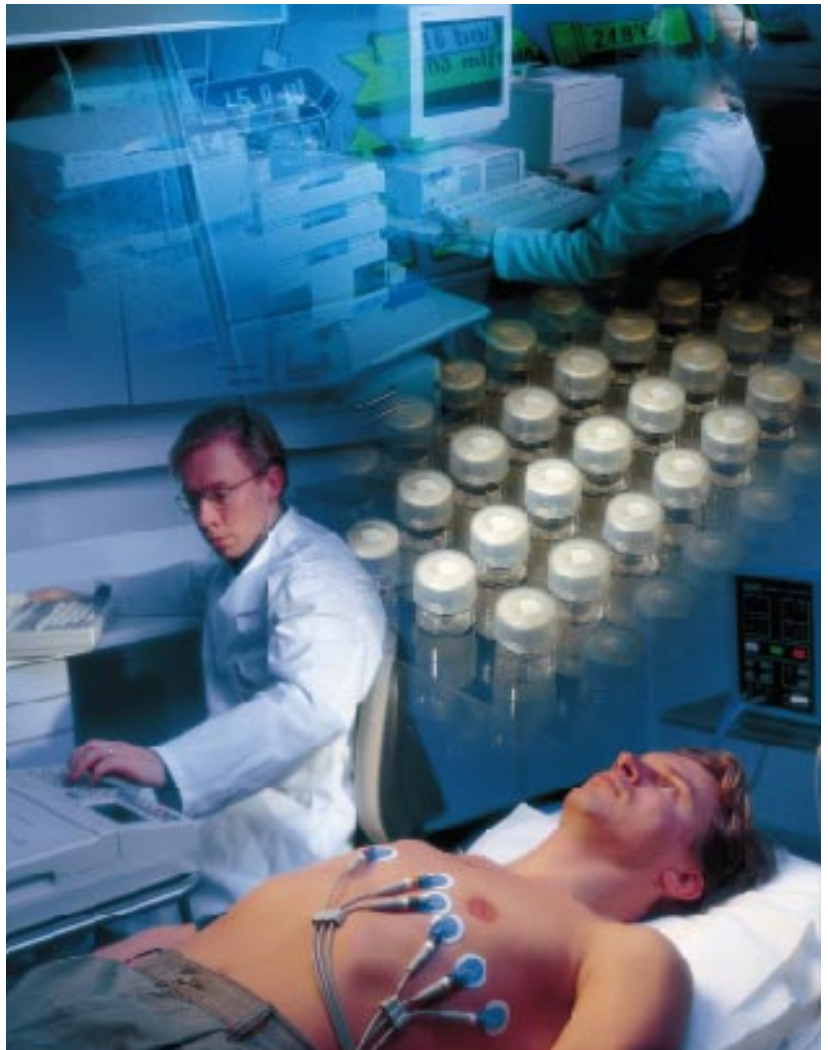
The phase III clinical trials on the injectable form of **levosimendan**, a calcium sensitizer for the treatment of acute cardiac insufficiency, proceeded as projected. Clinical trials on the orally administered formulation of levosimendan were started in Europe and the US.

**Buventol Easyhaler**, the salbutamol containing multiple dose powder inhaler for the treatment for bronchial asthma, has market authorization in Finland, Germany, Denmark, Switzerland and Rumania, as well as in certain Asian countries. Market authorizations for other European countries have been applied for. **Beclomet Easyhaler** is marketed both in Finland and in Germany. Easyhaler products containing beclomethasone are in the phase III clinical trials in Scandinavia and other European countries.

Easyhaler products cannot for the time being be marketed in North America for reasons related to intellectual or property rights.

The hormone replacement therapy (HRT) product range is under development with the objective of creating a versatile line of products for the treatment of aging women. **Divina** is being marketed in most European countries and some countries in Asia, Southern Africa and South-America. The uninterruptedly administered **Divina 28** has the Danish market authorization while **Divitren** is for sale in Finland, Sweden, Denmark, the UK and Switzerland. **Divigel**, marketed in Finland and Denmark, has been granted the Swedish, UK, Greek and Belgian market authorizations through the Mutual Recognition procedure. Divigel was launched in Sweden towards the end of 1996.

Research and development expenses accounted for 17.2% of net sales of Orion Pharma's pharmaceutical specialties. At the end of 1996 the R&D operations employed 737 persons.



Orion Pharma's research operations focus on neurology as well as the treatment of bronchial asthma, postmenopausal disorders, cancer and congestive heart failure.



# Orion

## Operative environment in Finland

During the past decade, Finnish physicians and consumers have become increasingly price conscious. Not only the public discussion on pharmaceutical prices but also certain measures taken by the authorities have contributed to this development. The public measures include the so-called optional generic prescription system introduced in March 1996 and the authorization of parallel imports from EU countries as from September 1996.

The Ministry of Social Affairs and Health appointed a work group with the assignment of identifying means for containing the growth of pharmaceutical costs. The work group's proposal should be ready by the end of May 1997.

The prices of the pharmaceuticals already in the market have hardly risen at all. The growth of the pharmaceuticals market derives almost entirely from the launching of new, more expensive, mainly foreign products on the Finnish market. New pharmaceuticals enter Finland much more rapidly than other Western European countries.

## The position of Orion within the Finnish pharmaceutical market

In 1996, the wholesale price value of the Finnish pharmaceutical market totaled FIM 4,900 million, showing a 10.1% increase on the previous year. Foreign companies increased their pharmaceutical sales by 13%, a further increment of their market share. This was mainly due to the introduction of new expensive products, occasionally launched in completely new areas of drug therapy. Pharmacy sales increased by 9.7% and hospital sales by 11.5%.

Net sales of Orion human pharmaceuticals increased by 3.8% to FIM 1,066 million. The 24.2% market share was about 1.6 percentage points smaller than in 1995. Most of the sales volume was created by common drugs that have been on the market for a long time and have limited growth potential. New products were launched quite successfully.

## Prescription drugs

The Finnish prescription drug market grew by 10.8%. The fastest growing segments were new psychopharmaceuticals, new antiasthmatics, neurological preparations, antiulcer medication, prostatic hyperplasia drugs as well as several special therapy drugs, such as growth hormones and cancer drugs.

Increasing by 3%, Orion prescription drug sales grew slower than the total market. Total sales of antimicrobial drugs to outpatients were exceptionally modest, 8% less than in 1995, and also Orion sales of outpatient antibiotics decreased although their market share remained high. The hospital antibiotics Kefurion and Orivan were able to defend their market position but profitability was lower due to intense price competition.

Cardiovascular pharmaceuticals and the drugs for metabolism-related diseases account for almost a quarter of all Orion human pharmaceutical sales. The overall development of Orion sales in this particular field of therapy was about 3% up, slightly less than the respective total growth. Marketing efforts focused on Cardiol which doubled its sales, placing the preparation at the top of the group's growth list. Other important preparations in this segment of therapy were Lisipril, Lisipril comp. and Lovacol which all performed according to expectations. At the beginning of 1997, the cardiovascular drug range will be completed by the thrombolytic Rapilysin.

In the psychopharmaceutical segment of therapy, growth was intensified by the new anti-depressants and neuroleptics. Sales of Seronil continued to grow rapidly, and also older Orion psychopharmaceuticals met expectations although the vigorous introduction of new competitors weakened their market position.

In antiepileptics, some of the market share was lost to new entrants. The market position of the drugs for the treatment of Parkinson's disease weakened as the Eldepryl sales in the UK took a downward turn after the mortality study published there.

Despite the marketing efforts and recommendations, the utilization rate of propellant-free asthma inhalers grew quite slowly. Long-term

President  
Matti Lievonen



and target-oriented marketing is, however, intensifying the market penetration of the propellant-free Easyhaler products. The current fairly modest market share is growing rapidly.

The hormone replacement therapy products - Divina and Divigel - performed well.

In the pain reliever group, the Tramal range for severe pain showed a positive development.

The antiulcer Lanzo, marketed in collaboration with Wyeth-Lederle, continued to grow rapidly despite the introduction of new competitors. The new Lanzo formulations and indications will also secure significant growth potential in the future.

In October 1995, Orion launched Expros, the drug for benign prostatic hyperplasia, manufactured under the license of Yamanouchi. Sales took off as expected, and this segment of therapy is expected to grow rapidly.

In infusion solutions, Orion secured its market position but profitability was not satisfactory.

### Self-medication products

The total market for the non-prescription self-medication drugs grew slower than the total drug market, or by 0.8%.

Orion maintained its market leadership in this sector. Burana and the other Burana product line preparations continued to grow rapidly. The 25 mg concentration of the pain reliever Ketorin is in OTC sale. An improved Para line was introduced.



Today about 150,000 Finnish men over 50 suffer from urination problems caused by benign prostatic hyperplasia. Newly developed methods of treatment and new and safer drugs offer greater possibilities in the effective, individual treatment of patients. Careful pretreatment examination and differential diagnostics are important.

Immediately upon its introduction, the gastric acid blocking Ranimex 150 mg tablet became the number one heartburn drug on the market.



Growth in Orion's veterinary drug exports was very intense. The strong demand for Orion's patented products Domosedan, Domitor and Antisedan boosted exports.

The lowest concentration alternative of the gastric acid blocking drug Ranimex was switched from prescription to OTC drug. Since its introduction, Ranimex is the market leader but competition continues to be very tough. The introduction of the new heartburn drugs caused a decrease in the sucralfate sales.

An important factor in the growth of the non-prescription drug sales was the successful marketing of the so-called nutritional additives. Atlevit, Puru-Calsor and Multivita have become major preparations.

Other OTC preparation groups including antitussives, skin creams and lotions as well as vitamins performed according to expectations.

## Animal health

Orion's total domestic sales of veterinary drugs remained at last year's level. Orion's market leader position is based on an extensive product range including all the essential veterinary drugs.

Growth of veterinary drug exports was very intense, or 26% on the previous year. Animal sedatives accounted for about 90% of veterinary drug exports. As regards the favorable trend in exports, the small animal sedatives Domitor and Antisedan were the most important growth factors, especially after their launch to the US market towards the end of the year.

A separate organization for the marketing of animal health preparations operated in Sweden and its performance met the expectations. Pfizer Inc. Animal Health is responsible for animal sedative marketing outside Scandinavia.

The growth of **Hiven Oy** net sales was 9% despite the downward trend in the overall market. The recovery of fur farming was a factor contributing to the favorable market share development.

| Sales of human pharmaceuticals, veterinary drugs and other related products in Finland (wholesale value) |             |                |             |                |          |
|--|-------------|----------------|-------------|----------------|----------|
|  | 1996        |                | 1995        |                | Change-% |
|  | FIM million | Market-share-% | FIM million | Market-share-% |          |
| Orion  | 1254        | 24.5           | 1236        | 26.3           | +1.5     |
| Other Finnish manufacturers  | 411         | 8.1            | 388         | 8.3            | +5.8     |
| Finnish Foreign manufacturers  | 1665        | 32.6           | 1624        | 34.6           | +2.5     |
|  | 3445        | 67.4           | 3064        | 65.4           | +12.4    |
| Total  | 5110        | 100.0          | 4688        | 100.0          | +9.0     |

# Orion Pharma International

## Health care and the pharmaceutical market

Efforts to reduce public health care costs, e.g. pharmaceutical expenditure, continued worldwide. Share of patient co-payments of all pharmaceutical costs continued to grow.

As a consequence of an aging population and the expensive new drugs launched, the pharmaceutical market in the OECD countries grew by about 7% in 1996. The wholesale value of the global pharmaceuticals market was approximately USD 287 billion in 1995, with North America, Europe and Japan accounting for about 85% of the sales.

## Orion Pharma International

Orion Pharma International markets drugs outside Finland. The division also comprises the pharmaceutical bulk manufacturer Fermion.

Orion Pharma International net sales amounted to FIM 876 million, a 1.5% increase. This net sales figure does not include the exports of veteri-

inary medicines, which however are reported in the chart on page 6. Net sales of pharmaceutical preparations, excluding the marketing agreement payments, amounted to FIM 636 million, 6.8% down. The decrease in the net sales of pharmaceutical products was due to the diminished sales of Eldepryl, an antiparkinsonian drug and the replacement of the aerosol product, Beclomet Forte by the propellant-free Beclomet Easyhaler in Germany.

The major international products were Eldepryl for the treatment of Parkinson's disease, the hormone replacement therapy drugs Divina, Divitren and Divigel, the antiasthmatic Beclomet Easyhaler and the calcium antagonist Cardil.

The main markets were Germany, Denmark, Sweden, the UK and France.

Eldepryl faced intense generic competition after the end of its market protection period. The selegiline-related mortality study published in the UK in December 1995 had a negative effect on the sales, especially in the UK and France. The total net sales of Eldepryl dropped by 15%.



The propellant-free  
asthma inhaler  
Beclomet Easyhaler.

President  
Jukka Hyppölä





Owing to fluctuations in the marketing partner's inventories, the Japanese sales of Fareston increased only modestly while the Fareston sales to patients grew more evenly. Marketing agreements for Fareston have been signed with Nippon Kayaku in Japan and Asta Medica in Germany, Austria and Benelux. Schering-Plough markets the product in Southern Europe, the Americas and certain other countries. The UK sales of Fareston were modest owing to tough competition.

Sandoz made a FIM 22 million payment for entacapone, shown in the Orion Pharma net sales figures.

The overall sales of the HRT products developed favorably. The German marketing of the HRT products was reorganized. For this reason the FIM 21 million non-recurrent payment is included in the Orion Pharma International net sales.

Net sales of **Orion Pharma AB (Sweden)** increased by 2.3% to SEK 118 million. Its market share in Sweden was 0.9%. The most vigorously

growing products were the HRT product Trivina (Divitren), the gastric ulcer drug Lanzo and the cancer drug Enanton. Divigel was successfully launched towards the end of the year whereas sales of Fareston remained modest.

The net sales of **Ercopharm A/S (Denmark)** showed a 8.2% decrease to DKK 208 million. The drug price cuts implemented throughout the Danish pharmaceuticals industry, the sharper price competition, and the increased parallel importing were the main factors contributing to the lower net sales figures. Ercopharm A/S had a 2.1% share of the Danish pharmaceuticals market. A marketing reorganization agreement was signed with Boehringer Mannheim.

The NOK 25.0 million net sales of **Orion Pharma A/S (Norway)** corresponded to the previous year's level.

**Orion Pharma GmbH (Germany)** net sales dropped by 12.0% to DEM 53 million. The decline was due to the switch of the Beclomet products referred to above, as well as to the minor



The reactor hall of the new special synthesis department at the Fermion Oulu plant.



decrease in Eldepryl sales. The net sales generated by Beclomet Easyhaler on the German market amounted to half of the former Beclomet Forte sales.

During its first ordinary year of operation, **Orion Pharma (UK) Ltd.** net sales amounted to GBP 4 million whereas the second year's net sales of **Orion Pharma (Ireland) Ltd.** were IEP 1 million.

Orion Pharma International has also subsidiaries in Switzerland and Hungary and a representative office in Moscow.

France was the most important export market without any Orion Pharma International marketing organization.

The patented pharmaceuticals developed by Orion Pharma reached the following net sales figures, domestic sales included: Fareston FIM 33.1 million and veterinary sedatives FIM 58.7 million.

## Fermion

Fermion had a good year in 1996 despite the decrease in bulk drug substance prices. Fermion net sales were FIM 223 million, up 20.3% from the previous year. Operatively, Fermion launched investments for the production of entacapone and toremifene. The principal products were diltiazem, azathioprine, verapamil, methotrexate and trazodon; the main markets were the USA, the UK, Israel, Germany and France. Exports accounted for 80% of Fermion net sales.

The litigation over Fermion's major product diltiazem continued in the United States and Germany.

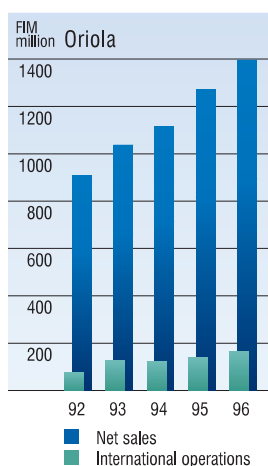
## Orion Pharma Outlook for 1997

The growth of the Finnish pharmaceutical market is expected to be somewhat slower than in 1996. Estimates for international sales continue to be blurred by some factors, including those influencing the sales of Eldepryl. Moreover, it is difficult to forecast the European and US registration and launching schedule for new products. However, certain milestone payments related to the

marketing agreements depend on these timetables. Possible reforms of national drug reimbursement systems may also cause unpredictable changes both on the domestic and the international markets.

As a whole, the forecast for Orion Pharma net sales and operating profit point to moderate growth.

# Oriola



| FIM Million                      | 1996         | 1995  | % change |
|----------------------------------|--------------|-------|----------|
| Invoicing                        | <b>2743</b>  | 2576  | + 6.5    |
| Net sales                        | <b>1396</b>  | 1270  | + 9.9    |
| Exports and subsidiaries abroad  | <b>169</b>   | 140   | + 20.3   |
| -% of net sales                  | <b>12.1%</b> | 11.1% |          |
| Exports from Finland             | <b>124</b>   | 128   | - 3.0    |
| R&D expenses                     | <b>7</b>     | 8     | - 15.1   |
| Operating profit                 | <b>143</b>   | 126   | + 13.7   |
| Investments                      | <b>22</b>    | 21    |          |
| Personnel                        | <b>1081</b>  | 1076  |          |
| -abroad                          | <b>99</b>    | 67    |          |
| Profitability: very satisfactory |              |       |          |
| Share of Group net sales:        | <b>32%</b>   |       |          |

Oriola is a comprehensive wholesale and distribution company for health care products and specialized marketing services. In the area of dental care, Oriola is also involved in manufacturing and international marketing.

The Oriola division consists of the following:

Oriola Oy, Panfarma Oy, Kuulolaitekeskus Oy, Orion Corporation Medion, Orion Corporation Soredex; As Oriola, Estonia; SIA Oriola Riga, Latvia; UAB Oriola Vilnius, Lithuania and Soredex Inc. in the United States.

In 1996 Oriola invoicing grew by 6.5% to FIM 2.7 billion. Pharmaceutical distribution services, including the Baltic wholesales, as well as Sairaalaväline and Prolab showed the most favorable development. Oriola net sales rose by 9.9% and operating profit increased beyond the budgeted level.

President  
Seppo Morri



## The distribution sector

Responsible for Oriola's materials management in Finland, the **Domestic Distribution** unit provides logistical services for international pharmaceutical companies, for Oriola's own units and their principals, and for the health care divisions of the Orion Group. These services include export and import forwarding, warehousing, order processing and distribution.

The **International Distribution** units provides its principals with extensive health care distribution throughout Estonia, Latvia and Lithuania. The development in 1996 was favorable.

## The wholesale sector

The **Wholesale** unit markets Oriola's importing, warehousing and distribution services to domestic and international companies operating in the pharmaceuticals and health care sectors. The service package also includes telemarketing and information services related to products and marketing. The Wholesale unit had 59 pharmaceutical principals and a 38% share of the pharmaceuticals distribution market.

The Wholesale unit also markets semimedical products, bulk drug substances, hygiene products, cosmetics, detergents and related products, as well as general merchandise to pharmacies and other operators in the health care sector.

**Panfarma** provides the international pharmaceuticals industry with marketing, registration and other administrative services. Panfarma's major partners include Boehringer Ingelheim GmbH, Parke-Davis Scandinavia AB, Allergologisk Laboratorium A/S as well as Procter & Gamble. Oriola continues to distribute Luitpold Pharma GmbH's products whereas that company's own subsidiary took over the marketing operations. On November 1, 1996 Panfarma started to cooperate with Lambert Consumer Healthcare.

Through Panfarma's cooperation with other Oriola subsidiaries in the Baltic countries, the Distribution sector has gained many new principals in that area.

**Reformi-Keskus**, the market leader in most health food business distribution channels, has a comprehensive and versatile selection of health food products. Reformi-Keskus strengthened its

share of the domestic and Baltic markets.

Both the retail and industrial sales of the Pansuola mineral salt progressed. New export markets were opened, including Sweden, Great Britain and Singapore. The Pansuola manufacturing and sales license agreement for the US was made with Ambi Inc. As of the beginning of 1997, Cardia Salt (Pansuola) was sold in US pharmacies.

The combined net sales of the Distribution and Wholesale sectors rose by 14.2% to FIM 847 million in 1996.

### The medical and technical sector

Net sales of the medical and technical sector rose by 8.0% to FIM 342 million.

**Sairaalaväline**, the Hospital Department, markets supplies for examinations, procedures and health care, as well as medical equipment, surgical instruments and implants. Industrial clean room protection product sales were launched during the financial year.

The total market grew, and Sairaalaväline increased its domestic market share. Most conspicuous growth was seen in the sales of the equipment for eye disease treatment and surgi-

cal supplies, and sales of domestic health care supplies also rose. Sairaalaväline increased its share of the Estonian market.

**Prolab** markets analyzers and laboratory equipment and supplies, chemicals and reagents used both by the research and routine analysis laboratories, as well as diagnostic products for hospital and outpatient care.

The growth of the laboratory sector market was very intense. Prolab accomplished good results in analyzer deliveries, and the quick cardiac infarct test TropT was a particular success. The Baltic sales of laboratory products developed favorably.

An agreement was signed for the marketing and maintenance of the chemical industry and research vaporizers and vacuum equipment manufactured by Buchi Labortechnik, Switzerland.

**Kuulolaitokeskus** and **Apuväline Oriola** market hearing and visual aids and aids for the speech impaired, mobility aids as well as hearing and ear examination equipment. The market share of the Philips hearing aids grew considerably. Cochlear increased its share of the cochlea implants. The sales of other aids also rose.



Efficient and rapid, Oriola's nationwide and comprehensive health care sector distribution is the key factor in reliable service and the basis from which Oriola develops new services that provide its customers with value added.

SOREDEX's position as a dental imaging equipment manufacturer has been strengthened by the new Cranex TOME Ceph with the unique Hi-Q spiral tomography.



TropT sensitive, the renewed and fully specific quick test, manufactured by Boehringer Mannheim and represented by Prolab, makes the early detection of cardiac infarct possible. The easy and rapidly performed TropT sensitive test is an increasingly sensitive method for the determination of blood troponin T contents.



**Medion** markets medical imaging and radiotherapy equipment to the health care sector as well as infrared devices and materials testing equipment to industry. All segments of Medion's operation showed a positive trend.

**The Graphic Arts Department** markets materials and equipment for printing industry. The Department's market share grew. The DuPont digital CROMALIN progressive proof system was favorably received by the clients.

### The dental care sector

The dental care sector net sales decreased by 0.8% to FIM 215 million.

**Hammasväline** further strengthened its role as Finland's leading full-service dental supply company. All supplies and equipment needed for dentists' offices and dental laboratories are included in the extensive product range.

Hammasväline was the first company in Finland to introduce an information and order service on the Internet. Using his or her own PC, the client can choose the desired products among the over 10,000 articles supplied and obtain on-line product information and reports.

Hammasväline provides manufacturers with comprehensive marketing expertise and logistics services not only in Finland but also in the Baltic countries.

**Soredex** develops, manufactures and markets dental X-ray equipment as well as Finndent dentist's chairs and dental care units. X-ray equipment includes Cranex panoramic X-ray equipment, Scanora multidimensional tomography equipment for dento-maxillofacial imaging, and Digora digital imaging systems. The sales of the Digora digital imaging systems showed a positive trend.

Exports accounted for over 95% of Soredex sales, with the major export markets in the United States, German, other Western European countries, Korea and Russia.

### Outlook for 1997

The net sales growth of Oriola is expected to level off, and operating profit is expected to remain at the previous year's level.

# Orion Diagnostica

Orion Diagnostica develops, manufactures and markets test and test systems mainly for use by clinical laboratories and private practitioners. Operations are focused on products for diagnosing infectious diseases, and for specific protein, hormone and bone metabolism assays.

The Orion Diagnostica division consists of the following:

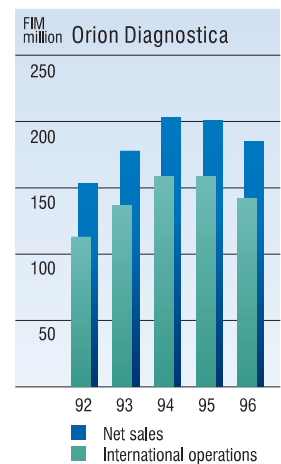
- Orion Corporation Orion Diagnostica and the subsidiaries
- Orion Diagnostica AB, Sweden
- Orion Diagnostica as, Norway
- Orion Diagnostica Danmark A/S, Denmark
- Orion Diagnostica Inc., the United States

Orion Diagnostica net sales did not meet the target figures, showing a 8.1% decrease. This was mainly a consequence of the fact the Orion Diagnostica no longer held the Swedish and Norwegian representation of Lifescan One Touch for blood sugar analyses. Owing to increased concentration, the demand for Orion Diagnostica's own products was enhanced. Foreign operations accounted for 77% of net sales. Orion Diagnostica's

Orion Diagnostica's Pyloriset product line strengthened its market position with the launching of Pyloriset Screen for the direct detection of H. pylori antibodies in full blood sample, serum or plasma.



| FIM Million                     | 1996         | 1995  | % change |
|---------------------------------|--------------|-------|----------|
| Net sales                       | <b>185</b>   | 201   | - 8.1    |
| Exports and subsidiaries abroad | <b>142</b>   | 159   | - 10.7   |
| -% of net sales                 | <b>76.8%</b> | 79.0% |          |
| Exports from Finland            | <b>85</b>    | 81    | + 4.1    |
| R&D expenses                    | <b>17</b>    | 18    | - 0.2    |
| Operating profit                | <b>18</b>    | 17    | + 5.5    |
| Investments                     | <b>9</b>     | 7     |          |
| Personnel                       | <b>381</b>   | 384   |          |
| -abroad                         | <b>68</b>    | 75    |          |
| Profitability: satisfactory     |              |       |          |
| Share of Group net sales        | <b>4%</b>    |       |          |



tica's operating profit grew according to plan.

The domestic sales of Orion Diagnostica products took an upward turn while the net sales of the Scandinavian subsidiaries was lower due to the loss of the representations.

Net sales of the US subsidiary Orion Diagnostica Inc. decreased and sales volume remained at an unsatisfactory level.

The major products included the Uricult test for urinary tract infections, the quantitative CRP assays (Turbox CRP, immunoturbidimetric CRP assays and QuikRead CRP), Spectria Estradiol for measuring concentrations of female sex hormone, the Easicult industrial hygiene test, and the Pyloriset test range for the detection of the H. pylori infection.

The Scandinavian countries, continental Europe, the United States and Japan constitute Orion Diagnostica's major markets.

## Product development

The new Pyloriset Screen rapid test and the improved Pyloriset EIA-A test completed the Pyloriset product range. The following new products were also introduced: the soluble transferrin receptor assay for the detection of iron deficiency anemia, Lp(a) for diagnosing risk of coronary heart disease, the RF-PAIA assay for rheumatoid factors, as well as the Spectria DHEAS assay for steroid hormone disturbances in females and children.

## Outlook for 1997

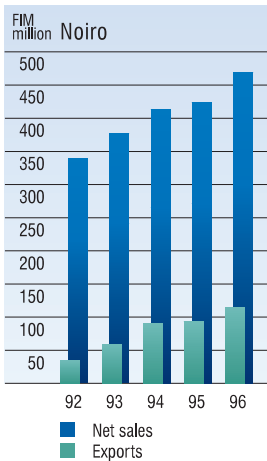
Orion Diagnostica's net sales and operating profit are expected to grow.

President  
Matti Vaheri





# Noiro



| FIM Million                      | 1996         | 1995  | % change |
|----------------------------------|--------------|-------|----------|
| Net sales                        | <b>469</b>   | 423   | + 10.9   |
| Exports from Finland             | <b>120</b>   | 93    | + 28.8   |
| –% of net sales                  | <b>24.7%</b> | 20.9% |          |
| Operating profit                 | <b>39</b>    | 34    | + 15.4   |
| Investments                      | <b>16</b>    | 16    |          |
| Personnel                        | <b>681</b>   | 653   |          |
| Profitability: very satisfactory |              |       |          |
| Share of Group net sales         | <b>11%</b>   |       |          |

Noiro manufactures, imports and markets personal care and home care products, cosmetics, hairdressing products, hospital hygiene products, as well as cleaning and hygiene products for institutional and industrial use.

Noiro develops its own strong brands to meet the domestic and neighbouring market demands, and the international top brands represented by Noiro complement the product range. For growth, Noiro focuses on exports. Besides Finland and the Scandinavian countries, its major markets include Russia, Poland and the Baltic countries.

The domestic market for cosmetics and detergents grew more rapidly than last year. Noiro increased its market share, cosmetics showing the most favorable development.

Owing to exports, the growth in net sales exceeded the expectations. Operating profit grew in proportion to the growth in net sales but the result was lower than budgeted.

## Personal care and home care products

The focus was on Noiro's own brands Herbina, Fii and Anytime. The sales of the Wella hairdressing products, represented by Noiro, grew considerably. The exports of Herbina developed favorably.

## Cosmetics and hairdressing products

Lumene, the cosmetic line developed by Noiro, strengthened its domestic market leadership, and its exports also grew considerably.

Noiro represents top brands of exclusive international cosmetics such as Juvena, Piz Buin and Babor. Sales of the improved Nanoel products

showed a positive development while Favora, the skin care line developed for pharmacy distribution, strengthened its present market position.

Sales of the hairdressing brands Wella and Kadus, Noiro's internationally acclaimed representation lines, showed a positive trend. Cutrin, the hairdressing line of Noiro, increased its Scandinavian and Baltic exports.

## Institutional cleaning and hygiene products

Sales of the Erisan hospital hygiene products, the Farmos industrial hygiene products as well as the Kemiansalpa cleaning products and Karkone cleaning machines increased.

## Outlook for 1997

Positive export expectations favor a relative strong growth in net sales. Operating profit growth is also anticipated.

The Lumene Vitamin skin treatment line newcomer, C-Energy Cream, was very favorably received both in the domestic and export markets.



President  
Pekka Rautala



# Normet

Normet develops, manufactures and markets vehicles and equipment for mining and tunneling as well for mechanized timber handling and logging.

Normet's net sales were lower than last year and fell short of plans. Decreased from the previous year, the operating profit did not meet the budgeted expectations.

International operations, including indirect exports, accounted for over 90% of net sales.

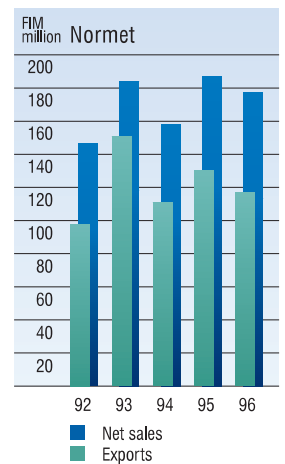
The construction market remained very active in the Far East and continental Europe, and the sales of Normet's underground construction equipment grew considerably whereas the sales of Normet's mining equipment decreased due to a slackening demand in these markets.

The level of drill carrier sales remained unchanged.

In the timber handling and logging sector, the sales of loading and transportation equipment took a downward turn.

During the year, the plant extension designed for the assembly of large-scale vehicles was completed.

| FIM million                      | 1996  | 1995  | % change |
|----------------------------------|-------|-------|----------|
| Net sales                        | 177   | 187   | - 5.3    |
| Exports from Finland             | 125   | 131   | - 4.4    |
| -% of net sales                  | 66.0% | 66.3% |          |
| Operating profit                 | 25    | 31    | - 18.4   |
| Investments                      | 26    | 7     |          |
| Personnel                        | 274   | 272   |          |
| Profitability: very satisfactory |       |       |          |
| Share of Group net sales         | 4%    |       |          |



## Outlook for 1997

Stronger demand is anticipated in Normet's business sectors, and Normet's net sales and operating profit is expected to grow.

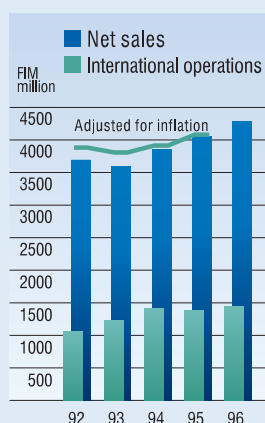


The new vehicle assembly hall, a 3,000 m2 extension to Normet's plant, was inaugurated towards the end of the year.

President  
Seppo Kovalainen



# Report by the Board of Directors of Orion Corporation



## General

During the latter half of 1996, the Finnish economy started to improve, with the annual GDP growth rate at 3%. Investments grew by 5% and domestic consumption by over 3%. Export growth slowed to 4%. Although imports grew by 5%, the current account surplus remained at almost the same level as the previous year. Increase in industrial production was significantly slower, a bit over 3%. The average rate of inflation was a very low 0.6%.

## Net sales

### GROUP

In 1996, Orion Group net sales amounted to FIM 4,283 million (FIM 4,059 million)<sup>1</sup>, an increase of 5.5% (5.2%) on the previous year. Although growth was more rapid towards the end of the year, the annual rate did not meet the expectations. Domestic net sales rose by 5.8% (9.7%) and net sales from international operations by 5.0% (down 2.5%). Half of the growth in international operations is accounted by changes in foreign currency exchange rates.

International operations (exports from Finland and subsidiaries abroad) accounted for FIM 1,448 million (FIM 1,379 million), or 33.8% (34.0%) of Group net sales. Major export markets were the Scandinavian countries, other Western European countries and the United States.

Orion Pharma net sales grew by 4.0% (0.3%). The Finnish pharmaceuticals market grew by some 9%, and the Group pharmaceuticals industry increased its respective net sales by 4.2%, a 1.8 percentage point loss in the market share. The growth of the pharmaceuticals market is mostly due to the launching of new, more expensive and mainly foreign drugs on the market.

Orion Pharma net sales from international operations rose by 3.8% maintaining a 43.4% share of Orion's pharmaceuticals industry. Excluding Germany, sales developed favourably in Sweden, Western Europe, in the US and other countries. German sales dropped significantly as the antiasthmatic aerosol Beclomet was replaced by the propellant-free drug Beclomet Easyhaler. Today, Easyhaler product sales are only half that of the former aerosol version. Although deliveries of Eldepryl, a drug for the treatment of Parkinson's disease, were more active towards the end of the year, total sales of the drug were 15% lower due to intensified price competition and to unexpected results from research on selegiline. The drop in UK sales was particularly drastic. Japanese sales of the breast cancer drug

Fareston increased slowly while its sales to patients showed steady growth. UK sales of Fareston were modest due to tough competition.

Exports of hormone replacement therapy products, animal sedatives and Fermion's bulk drug substances showed a positive development.

The net sales figure from the Orion Pharma international operations includes the FIM 22 million payment from Sandoz Pharma Ltd. (presently Novartis), obtained on the basis of the marketing agreement made in February 1996 on the Parkinson's disease drug entacapone. Similarly, a FIM 21 million payment related to the German marketing rearrangement is included in the net sales.

Among the Oriola businesses, the wholesale sector and the medical and technical sector sales grew most rapidly whereas net sales of the dental care sector decreased. Oriola invoicing amounted to FIM 2,743 million, 6.5% up. As regards the international operations, the net sales of the Baltic wholesales grew most rapidly.

Overall net sales of Orion Diagnostica decreased, as the company no longer had blood sugar analysis representation in Norway and Sweden.

Noiro developed favourably owing to the consistently positive trend in Lumene and Herbina exports.

The major reason for the less favourable turn in Normet's development was the slow demand for mining equipment and vehicles and for timber handling vehicles. Underground construction equipment showed a positive trend.

Of the Orion Group divisions, Oriola and Noiro net sales grew substantially over the Group average growth rate. The development of Orion Group net sales and international operations by business area and division, as well as international operations by market area, and operating profit by business area and division are shown in the table on the following page.

### PARENT COMPANY

Net sales of Orion Corporation, the parent company, were FIM 2,653 million (FIM 2,533 million), a 4.7% (4.2%) increase.

## Financial performance

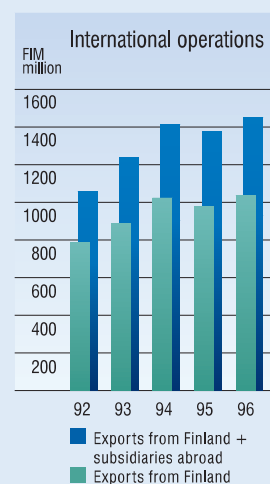
### GROUP

Operating profit for the Orion Group grew by FIM 36 million. Part of the increase is accounted for by the above-mentioned payments from the marketing agreement partners as well as the FIM 10 million non-recurrent payment for the reorganization of the Danish marketing of pharmaceuticals and diagnostic products, included in other operating

<sup>1</sup> Figures in brackets refer to 1995

## Net sales and international operations by business area and by division

|                            | 1996        |   | 1995        |   | Change in net sales on 1995 % | Change in international operations on 1995 % |
|----------------------------|-------------|---|-------------|---|-------------------------------|--|
|                            | FIM million | of which international operations FIM million | FIM million | of which international operations FIM million |                               |  |
| HEALTH CARE                |             |   |             |   |                               |  |
| Orion Pharma               | 2 092       | 908   | 2 011       | 874   | +4.0%                         | +3.8%  |
| - Operations in Finland    | 1 184       |   | 1 137       |   | +4.1%                         |  |
| - International operations |             | 908   |             | 874   |                               | +3.8%  |
| Oriola                     | 1 396       | 169   | 1 270       | 140   | +9.9%                         | +20.3%                                       |
| Orion Diagnostica          | 185         | 142   | 201         | 159   | -8.1%                         | -10.7%                                       |
| Health care total          | 3 650       | 1 216   | 3 461       | 1 168   | +5.5%                         | +4.1%  |
| COSMETICS AND DETERGENTS   |             |   |             |   |                               |  |
| Noiro                      | 469         | 116   | 423         | 88  | +10.9%                        | +31.2%                                       |
| ENGINEERING                |             |   |             |   |                               |  |
| Normet                     | 177         | 117   | 187         | 124   | -5.3%                         | -5.7%  |
| Total                      | 4 283       | 1 448   | 4 059       | 1 379   | +5.5%                         | +5.0%  |



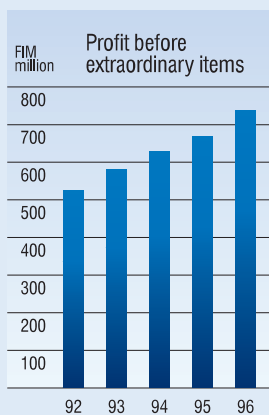
## International operations by market area

|                        | 1996        |         | 1995        |         | Change on 1995 % |
|------------------------|-------------|---------|-------------|---------|------------------|
|                        | FIM million | Share % | FIM million | Share % |                  |
| Scandinavia            | 328         | 22.7    | 346         | 25.1    | -5.1%            |
| Other European markets | 766         | 52.9    | 726         | 52.6    | +5.5%            |
| North America          | 183         | 12.6    | 158         | 11.5    | +15.5%           |
| Other markets          | 171         | 11.8    | 149         | 10.8    | +14.7%           |
|                        | 1 448       | 100.0   | 1 379       | 100.0   | +5.0%            |

## Operating profit by business area and by division

|                          | 1996        |         | 1995        |         | Change on 1995 % |
|--------------------------|-------------|---------|-------------|---------|------------------|
|                          | FIM million | Share % | FIM million | Share % |                  |
| HEALTH CARE              |             |         |             |         |                  |
| Orion Pharma             | 426         | 67.4    | 413         | 69.3    | +3.1%            |
| Oriola                   | 143         | 22.6    | 126         | 21.1    | +13.7%           |
| Orion Diagnostica        | 18          | 2.9     | 17          | 2.9     | +5.5%            |
| Health care total        | 587         | 92.9    | 556         | 93.3    | +5.6%            |
| COSMETICS AND DETERGENTS |             |         |             |         |                  |
| Noiro                    | 39          | 6.1     | 34          | 5.7     | +15.4%           |
| ENGINEERING              |             |         |             |         |                  |
| Normet                   | 25          | 4.0     | 31          | 5.2     | -18.4%           |
| GROUP ITEMS              | -19         | -3.0    | -25         | -4.2    |                  |
| Total                    | 632         | 100.0   | 596         | 100.0   | +6.0%            |





income. Net financial income grew substantially, and as a whole, financial performance was very encouraging.

Operating profit was FIM 632 million (FIM 596 million), up 6.0% (2.2%).

As concerns ordinary financial operations, net financial income (financial income less financial expenses) rose by FIM 14 million from the previous year. Net interest income declined by FIM 6 million. The net difference of gains and losses from foreign exchange rate changes improved by FIM 7 million compared to the previous year. Net income generated by the securities included in the current assets, including dividends, rose by FIM 13 million.

Financial income also includes a FIM 9 million (FIM 2 million) non-recurrent income recognition of interest expenses from R&D loans related to certain projects. The associated companies accounted for FIM 37 million (FIM 26 million) of the net financial income, a FIM 11 million increase.

The Orion Group's profit before extraordinary items, provisions and taxes rose by 10.3% (6.1%) to FIM 738 million (FIM 670 million). Extraordinary income consists of the FIM 3.6 million capital gain from a real estate sale. The associated companies accounted for FIM 18 million (FIM -2 million) of the extraordinary items.

Taxes on operations for the financial year were FIM 246 million (FIM 198 million).

Earnings per share were FIM 9.81, compared with FIM 9.37 in 1995, a 4.7% improvement. Shareholders' equity per share was FIM 78.90 (FIM 72.07).

Of the Group divisions, Orion Pharma, Oriola, Orion Diagnostica and Noiro improved their operating profits. In Orion Pharma, the unfavorable development in the exports of actual pharmaceutical specialties diminished profits while the wholesale and dental care sectors contributed to an improvement in Oriola's performance. Profitability of the divisions was very satisfactory, only Orion Diagnostica remaining at a satisfactory level.

Group return on investment before extraordinary items and taxes was 16.5% (16.3%) and return on shareholders' equity was 13.0% (13.5%).

The appropriations show the difference between depreciation according to plan and total depreciation. Depreciation totaled FIM 311 million (FIM 255 million). FIM 193 million (FIM 130 million) was used to cover the acquisition costs corresponding to the use of investment provisions, transitional and replacement provisions. Investment provisions were decreased by FIM 65 million (FIM 89 million), transitional provisions by FIM 92 million (FIM 9 million) and replacement provisions by FIM 36 million (FIM

32 million). Other provisions were increased by FIM 4 million and decreased by FIM 2 million (a FIM 5 million increase and FIM 2 million decrease in 1995).

#### PARENT COMPANY

Parent company profit before extraordinary items, provisions and taxes amounted to FIM 511 million (FIM 458 million). Depreciation totaled FIM 259 million (FIM 215 million). Investment provisions were decreased by FIM 64 million (FIM 89 million), replacement provisions by FIM 35 million (FIM 31 million) and transitional provisions by FIM 78 million (FIM 2 million). No decrease in employee housing provision was made.

## Financing

#### GROUP

Group solvency and liquidity were good.

According to the Financing Report, total income financing by the Group companies in Finland and abroad amounted to FIM 685 million (FIM 661 million). Working capital decreased by FIM 20 million (increased by FIM 146 million), cash flow from business operations amounting to FIM +705 million (FIM +515 million). Investments in fixed assets were FIM 243 million (FIM 238 million) and income from the sale of fixed assets FIM 5 million (FIM 2 million). Cash flow before financial items was FIM 468 million (FIM +278 million) of which FIM 193 million (FIM 146 million) was used for dividends and donations and FIM 116 million (FIM 54 million) for repayment of short and long-term liabilities. Other financial items increased by FIM 127 million (FIM 107 million). Liquid assets increased by FIM 19 million (decreased by FIM 21 million).

The Group's cash reserves were invested mainly in short-term money market instruments and bonds. Minor sums were invested in listed shares and investment funds both in Finland and abroad.

Liabilities in the Consolidated Balance Sheet of December 31, 1996 amounted to FIM 1,074 million (FIM 1,150 million), the share of liabilities subject to interest being FIM 469 million (FIM 585 million). Short-term liabilities subject to interest accounted for 5.1% (8.7%) of all liabilities subject to interest.

The Group solvency indicator, i.e., the solvency ratio, increased to 72.7% (69.5%) by the end of the financial year. The gearing ratio, indicating net indebtedness, was -27.4% (-22.7%). When calculating the said ratios, accrued appropriations less deferred tax liability have been included in shareholders' equity.

Net financial income shown in the Consolidated



Income Statement came to 2.5% (1.8%) of net sales. Without the effect of consolidation but taking the dividends received from the associated companies into account, net financial income rose to FIM 82 million (FIM 61 million).

Foreign currency cash flow due to imports slightly exceeded the corresponding currency cash flow from exports. Net exposures have been hedged on the Group level.

## Investments and fixed assets

Gross investments by the Group in 1996 amounted to FIM 243 million (FIM 238 million), or 5.7% (5.9%) of Group net sales.

The breakdown of investments was as follows:

| (FIM million)           | 1996 | 1995 |
|-------------------------|------|------|
| Land and water          | 6    | 0    |
| Buildings               | 55   | 42   |
| Machinery and equipment | 149  | 133  |
| Shares                  | 1    | 33   |
| Other fixed assets      | 32   | 30   |
| Total                   | 243  | 238  |

Excluding investments in shares, gross investments were FIM 241 million (FIM 205 million), or 5.6% (5.0%) of net sales.

Gross investments by division were the following:

| (FIM million)          | 1996 | 1995 |
|------------------------|------|------|
| Orion Pharma           | 162  | 151  |
| Oriola                 | 22   | 21   |
| Orion Diagnostica      | 9    | 7    |
| Noiro                  | 16   | 16   |
| Normet                 | 26   | 7    |
| Central Administration | 8    | 36   |
| Total                  | 243  | 238  |

The major investments of Orion Pharma were the renovation of plastics production facilities in Espoo, the Hanko unit for entacapone drug substance production and after-treatment, as well as the renovation of special synthesis production in Oulu. Oriola, Orion Diagnostica and Noiro investments were mainly in machinery, transportation and other equipment. The Normet investments included a plant extension while a land area exchange in Hanko accounted for most of the Central Administration investments.

## Acquisitions and other changes in group structure

In February, Orion Corporation Noiro bought a unit involved in the importing and marketing of cleaning

machines for the newly-established company Kar-kone Oy. This business has FIM 7 million worth of net sales with a staff of 7 persons.

## Payroll, wages and salaries

The average number of personnel employed by Orion Group in 1996 was 5286. Personnel increased in 1996 by 89 persons, or 1.7%. Orion Corporation increased its personnel by 49, or 1.3%.

The salaries, fees, and benefits in kind paid to members of the Supervisory Board, the Board of Directors, and President of Orion Corporation were FIM 3 million (FIM 3 million), and the wages and salaries of other employees amounted to FIM 549 million (FIM 526 million). The respective Group figures were FIM 14 million (FIM 12 million) and FIM 761 million (FIM 726 million). The total sum paid out in wages and salaries grew by 4.9% in the Group and 4.4% in the parent company.

| Group personnel:                  | 1996  | %    | 1995  | %    |
|-----------------------------------|-------|------|-------|------|
| Parent company, Orion Corporation | 3,947 | 74.7 | 3,901 | 75.1 |
| Subsidiaries in Finland           | 816   | 15.4 | 816   | 15.7 |
| Total in Finland                  | 4,763 | 90.1 | 4,717 | 90.8 |
| Subsidiaries abroad               | 523   | 9.9  | 480   | 9.2  |
| Group total                       | 5,286 | 100  | 5,197 | 100  |

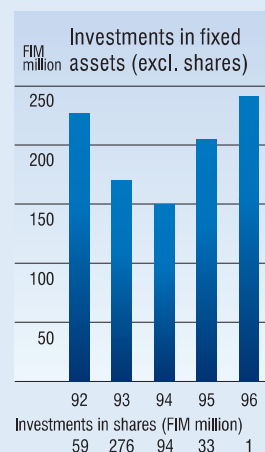
Group personnel by business area and by division:

|                                 | 1996  | 1995  |
|---------------------------------|-------|-------|
| HEALTH CARE                     |       |       |
| Orion Pharma                    | 2,840 | 2,784 |
| Oriola                          | 1,081 | 1,076 |
| Orion Diagnostica               | 381   | 384   |
| Health care total               | 4,302 | 4,244 |
| COSMETICS AND DETERGENTS, Noiro | 681   | 653   |
| ENGINEERING, Normet             | 274   | 272   |
| CENTRAL ADMINISTRATION          | 29    | 28    |
| Total                           | 5,286 | 5,197 |

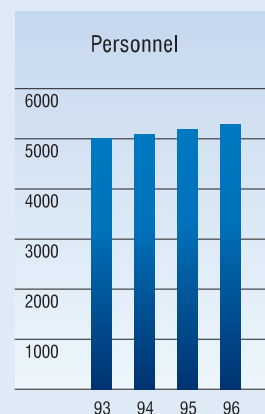
On December 31, 1996 President Aatto Prihti resigned, and as of that date, Executive Vice President Pauli Torkko took over the responsibilities of the President.

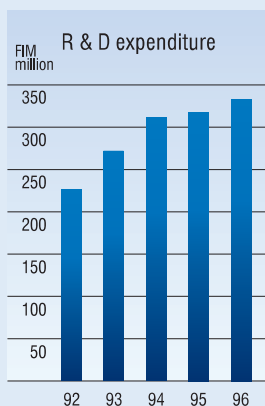
## Research and development

Group expenditure on research and development prior to financial contributions rose to FIM 333 million (FIM 317 million), or 7.8% (7.8%) of net sales. The parent company accounted for FIM 322 million (FIM 309 million) of these expenses, or 12.1% (12.2%) of net sales. Within the Group, R&D expenses grew by 5.0% (2.0%). Investment in research and development is of vital importance for securing the Group's long-



Investments in shares (FIM million)  
59 276 94 33 1





term growth, internationalization and profitability. The proportion of R&D expenditure of net sales varies greatly by division, Orion Pharma's and Orion Diagnostica's contribution being the greatest.

In January 1996, the breast cancer drug Fareston received an "Approvable" Letter from the U.S. authorities, a step preceding the market authorization. In November, the U.S. authorities requested some further specifications for the market authorization application. Fareston obtained a centralized E.U. market authorization in February. Also in February, Orion Corporation and Sandoz Pharma Ltd. signed a licensing, delivery and marketing agreement on the entacapone drug being developed for the treatment of Parkinson's disease. The registration file for the Parkinson's drug entacapone is being compiled. The phase III clinical trials on dexmedetomidine have progressed according to plan. The house pet sedative Domitor and the arousal drug Antisedan were granted the U.S. market authorizations in August.

Medical research was supported by a FIM 1,001,000 contribution channeled through Orion's own foundations. The Orion Corporation Research Foundation, which promotes and supports research in medicine, chemistry, pharmacy and nutritional physiology, awarded grants to the total amount of FIM 501,000. The Farnos Research and Scientific Research Foundation, which likewise promotes medical research, gave out grants worth FIM 500,000. Orion Corporation also donated FIM 329,921 for other, mostly medical research purposes.

## Outlook for 1997

Slower growth is expected in the Finnish pharmaceutical market. International sales forecasts are vulnerable to such factors as the competition in selegiline, the drug for Parkinson's disease. Moreover, it is difficult to predict European and U.S. registration as well as the timing of the product launches of Orion's patented products. However, the marketing agreement payments to be received depend on

these timetables. It is therefore anticipated that the Orion Group net sales and operating profit may level off.

Planned research and development expenditure stands at FIM 345 million. FIM 260 million is earmarked for investments in fixed assets, excluding possible new corporate acquisitions and share purchases.

## Share capital and shares

The share capital of Orion Corporation is FIM 499.8 million, and each share has nominal value of FIM 10.

Series A comprises 26,473,802 shares, or 53.0%, and series B comprises 23,505,930, or 47.0% of the total number.

At general meetings, each A share entitles the shareholder to twenty (20) votes and each B share to one (1) vote. Both A and B shares entitle the shareholder to the same rights with respect to company assets and dividends.

The minimum capital of Orion Corporation is FIM 252.0 million and the authorized capital is FIM 1,000.0 million. The share capital can be increased or decreased within these limits without amending the Articles of Association.

The Orion Corporation Board of Directors has no existing maximum by the general meeting to increase the share capital, or to issue a bond with equity warrants or a convertible bond. Neither Orion Corporation, nor any Orion subsidiary has previously issued bonds with equity warrants or convertible bonds.

## Quotations and trading

Both Orion Corporation series of shares are quoted on the Helsinki Stock Exchange. During the financial year, the total number of shares traded on the Stock Exchange rose to 14.3 million, corresponding to 28.6% of share capital. Total trading value was FIM 2,103.6 million. The volume of trade by share series was 4,336,481 A shares, or 16.4%, and 9,960,278 B shares, or 42.4%.

|               |      | 1996          | 1995   | 1994   | 1993       | 1992   |
|---------------|------|---------------|--------|--------|------------|--------|
| Share capital | MFIM | <b>499.8</b>  | 499.8  | 499.8  | 499.8      | 357.0  |
| A shares      | MFIM | <b>264.7</b>  | 264.7  | 264.7  | 264.7      | 189.1  |
| B shares      | MFIM | <b>235.1</b>  | 235.1  | 235.1  | 235.1      | 167.9  |
| Share issues  |      |               |        |        |            |        |
| Bonus issue   | MFIM | -             | -      | -      | (5:2)142.8 | -      |
| Shareholders  |      | <b>17 933</b> | 19 223 | 19 563 | 18 000     | 18 600 |

## Shareholders by group on Feb. 28, 1997

|  | A shares      |                    |             | B shares      |                    |             |
|--|---------------|--------------------|-------------|---------------|--------------------|-------------|
|  | Share-holders | % of share-holders | % of shares | Share-holders | % of share-holders | % of shares |
| Individuals  | 8 925         | 94.7               | 48.3        | 13 520        | 93.7               | 41.0        |
| Corporations and partnerships  | 276           | 2.9                | 25.4        | 534           | 3.7                | 11.7        |
| Banks and insurance companies  | 33            | 0.4                | 8.6         | 66            | 0.5                | 12.4        |
| Public entities  | 21            | 0.2                | 9.0         | 32            | 0.2                | 12.4        |
| Associations and foundations   | 130           | 1.4                | 6.9         | 233           | 1.6                | 10.7        |
| Foreign shareholders, incl. nominee registrations                            | 40            | 0.4                | 1.7         | 45            | 0.3                | 11.7        |
| Total  | 9 425         | 100.0              | 99.9        | 14 430        | 100.0              | 99.9        |
| Shares not transferred to the book-entry securities system or not subscribed |               |                    | 0.1         |               |                    | 0.1         |
|  |               |                    | 100.0       |               |                    | 100.0       |

## Shareholders by number of shares held on Feb. 28, 1997

|  | A shares |               |                    |        | B shares    |               |                    |        |
|--|----------|---------------|--------------------|--------|-------------|---------------|--------------------|--------|
|  | Shares   | Share-holders | % of share-holders | Shares | % of shares | Share-holders | % of share-holders | Shares |
| 1-100  | 2 160    | 22.9          | 115 291            | 0.4    | 3 553       | 24.6          | 199 899            | 0.9    |
| 101-500  | 3 339    | 35.4          | 874 936            | 3.3    | 6 101       | 42.3          | 1 649 513          | 7.0    |
| 501-1000   | 1 740    | 18.5          | 1 210 836          | 4.5    | 2 505       | 17.3          | 1 840 266          | 7.8    |
| 1001-10000   | 1 937    | 20.6          | 5 186 998          | 19.6   | 2 087       | 14.5          | 5 143 349          | 21.9   |
| 10001-50000  | 181      | 1.9           | 3 818 949          | 14.4   | 133         | 0.9           | 2 929 681          | 12.5   |
| 50001-100000   | 33       | 0.3           | 2 208 401          | 8.3    | 25          | 0.2           | 1 627 362          | 6.9    |
| 100001-500000  | 28       | 0.3           | 6 593 115          | 24.9   | 23          | 0.2           | 5 579 094          | 23.7   |
| over 500000  | 7        | 0.1           | 6 434 495          | 24.3   | 3           | 0.0           | 4 502 287          | 19.2   |
| Total  | 9 425    | 100.0         | 26 443 021         | 99.9   | 14 430      | 100.0         | 23 471 451         | 99.9   |
| Shares not transferred to the book-entry securities system or not subscribed |          |               | 30 781             | 0.1    |             |               | 34 479             | 0.1    |
|  |          |               | 26 473 802         | 100.0  |             |               | 23 505 930         | 100.0  |

Orion Corporation had total 17,933 registered shareholders in the book-entry securities system on February 28, 1997.

## Major shareholders on Feb. 28, 1997 by number of votes

|   | A shares   | B shares   | Total      | % of shares | Votes       | % of votes |
|---|------------|------------|------------|-------------|-------------|------------|
| 1 Instrumentarium Group + pension fund            | 2 166 906  | 481 230    | 2 648 136  | 5.3         | 43 819 350  | 7.9        |
| 2 Oriola Oy*(subsidiary of Orion Corp.)           | 1 752 292  | 0          | 1 752 292  | 3.5         | 35 045 840  | 6.3        |
| 3 Orion Employees' Pension Fund*                  | 1 296 041  | 461 742    | 1 757 783  | 3.5         | 26 382 562  | 4.8        |
| 4 Oy Etra Ab                                      | 865 258    | 0          | 865 258    | 1.7         | 17 305 160  | 3.1        |
| 5 Asset Management Company Arsenal - SSP Ltd.     | 799 999    | 0          | 799 999    | 1.6         | 15 999 980  | 2.9        |
| 6 Pohjola Group                                   | 626 200    | 1 661 200  | 2 287 400  | 4.6         | 14 185 200  | 2.6        |
| 7 Sampo Group                                     | 543 700    | 996 000    | 1 539 700  | 3.1         | 11 870 000  | 2.1        |
| 8 Ylppö Jukka                                     | 445 408    | 101 606    | 547 014    | 1.1         | 9 009 766   | 1.6        |
| 9 Medical Investment Trust Oy                     | 380 000    | 480 800    | 860 800    | 1.7         | 8 080 800   | 1.5        |
| 10 OKObank + Pension Fund + Insurance Comp, Aurum | 337 921    | 117 000    | 454 921    | 0.9         | 6 875 420   | 1.2        |
| 11 Tukinvest Oy                                   | 335 108    | 23 928     | 359 036    | 0.7         | 6 726 088   | 1.2        |
| 12 The Land- and Watertecology Foundation         | 329 956    | 39 638     | 369 594    | 0.7         | 6 638 758   | 1.2        |
| 13 Saastamoinen Foundation                        | 273 391    | 187 672    | 461 063    | 0.9         | 5 655 492   | 1.0        |
| 14 The Finnish Medical Foundation                 | 263 964    | 0          | 263 964    | 0.5         | 5 279 280   | 1.0        |
| 15 Ylppö Into                                     | 246 408    | 85 786     | 332 194    | 0.7         | 5 013 946   | 0.9        |
| 15 major shareholders total                       | 10 662 552 | 4 636 602  | 15 299 154 | 30.6        | 217 887 642 | 39.4       |
| All shareholders total                            | 26 473 802 | 23 505 930 | 49 979 732 | 100.0       | 552 981 970 | 100.0      |

\*Not entitled to vote at general meetings

## Major shareholders on Feb. 28. 1997 by number of shares

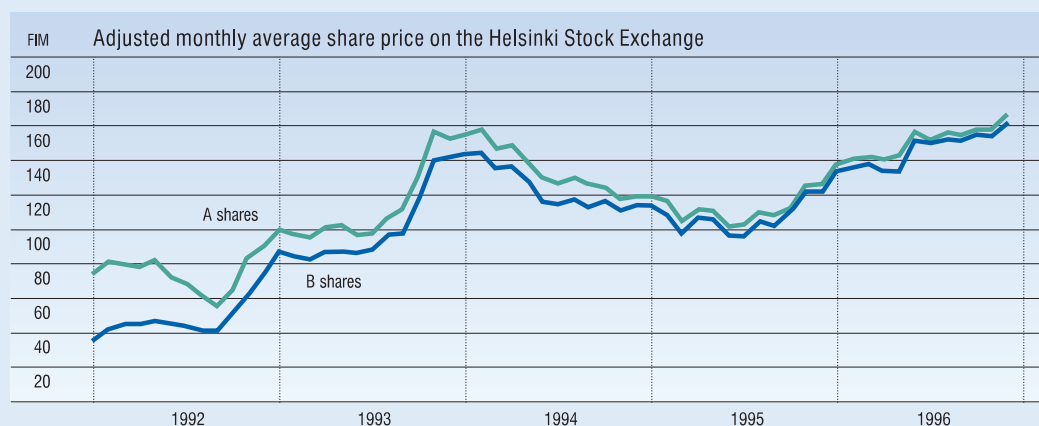
|  | A shares   | B shares   | Total% of shares | Votes | %of votes   |       |
|--|------------|------------|------------------|-------|-------------|-------|
| 1 Instrumentarium Group<br>+ pension fund                      | 2 166 906  | 481 230    | 2 648 136        | 5.3   | 43 819 350  | 7.9   |
| 2 Pohjola Group  | 626 200    | 1 661 200  | 2 287 400        | 4.6   | 14 185 200  | 2.6   |
| 3 Orion Employees' Pension Fund*                               | 1 296 041  | 461 742    | 1 757 783        | 3.5   | 26 382 562  | 4.8   |
| 4 Oriola Oy*<br>(subsidiary of Orion Corp.)                    | 1 752 292  | 0          | 1 752 292        | 3.5   | 35 045 840  | 6.3   |
| 5 Sampo Group  | 543 700    | 996 000    | 1 539 700        | 3.1   | 11 870 000  | 2.1   |
| 6 Oy Etra Ab   | 865 258    | 0          | 865 258          | 1.7   | 17 305 160  | 3.1   |
| 7 Medical Investment Trust Oy                                  | 380 000    | 480 800    | 860 800          | 1.7   | 8 080 800   | 1.5   |
| 8 Asset Management Company<br>Arsenal - SSP Ltd.               | 799 999    | 0          | 799 999          | 1.6   | 15 999 980  | 2.9   |
| 9 Insurance Company Tapiola Group                              | 208 200    | 429 026    | 637 226          | 1.3   | 4 593 026   | 0.8   |
| 10 The Social Insurance Institution                            | 0          | 592 704    | 592 704          | 1.2   | 5 927 040   | 0.1   |
| 11 The Association of Graduates of<br>the Schools of Economics | 100 000    | 453 700    | 553 700          | 1.1   | 2 453 700   | 0.4   |
| 12 Ylppö Jukka   | 445 408    | 101 606    | 547 014          | 1.1   | 9 009 766   | 1.6   |
| 13 Saastamoinen Foundation                                     | 273 391    | 187 672    | 461 063          | 0.9   | 5 655 492   | 1.0   |
| 14 OKObank + Pension Fund<br>+ Insurance Comp. Aurum           | 337 921    | 117 000    | 454 921          | 0.9   | 6 875 420   | 1.2   |
| 15 Finnish Cultural Foundation                                 | 95 000     | 326 650    | 421 650          | 0.8   | 2 226 650   | 0.4   |
| 15 major shareholders total                                    | 9 890 316  | 6 289 330  | 16 179 646       | 32.4  | 204 095 650 | 36.9  |
| All shareholders total   | 26 473 802 | 23 505 930 | 49 979 732       | 100.0 | 552 981 970 | 100.0 |

\*Not entitled to vote at general meetings

There were 3,104,714 nominee registered Orion Corporation shares in the book-entry securities system on Feb. 28, 1997. This is 6.2% of the total shares and 1.9% of the total votes.

### Management interests

Members of the Supervisory Board, Board of Directors, and the President and Executive Vice President own 1,804,747 A shares and 192,110 B shares representing 6.56% of the total votes.

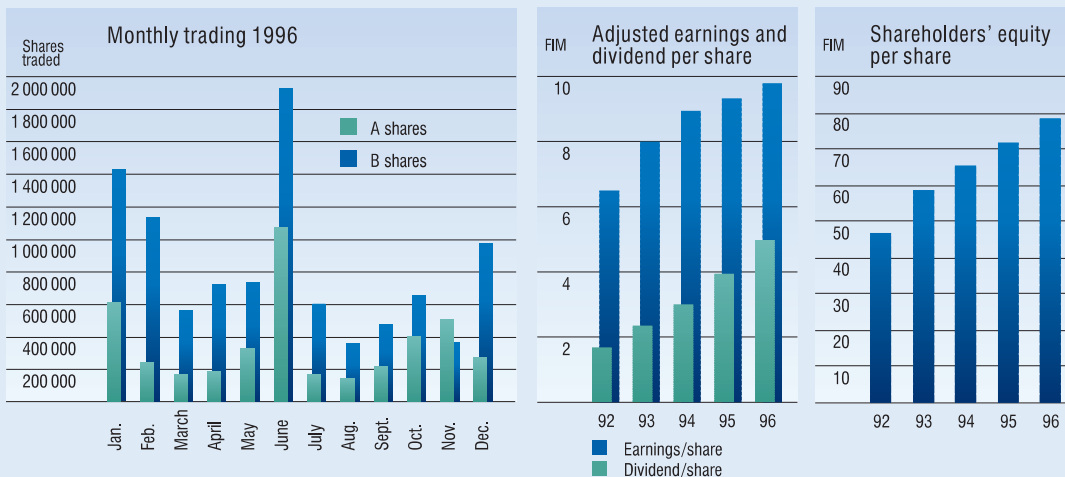


## Adjusted per-share data

|   |     | 1996              | 1995       | 1994       | 1993       | 1992       |
|---|-----|-------------------|------------|------------|------------|------------|
| Earnings per share (EPS) FIM                        |     | <b>9.81</b>       | 9.37       | 8.96       | 8.04       | 6.52       |
| Shareholders' equity per share FIM                  |     | <b>78.90</b>      | 72.07      | 65.95      | 58.77      | 46.96      |
| Total dividends MFIM                                |     | <b>249.9*</b>     | 199.9      | 149.9      | 119.9      | 85.7       |
| Dividend per share FIM                              |     | <b>5.00*</b>      | 4.00       | 3.00       | 2.40       | 2.40       |
| Adjusted dividend per share FIM                     |     | <b>5.00*</b>      | 4.00       | 3.00       | 2.40       | 1.71       |
| Adjusted dividend per earnings %                    |     | <b>51.0%*</b>     | 42.7%      | 33.5%      | 29.9%      | 26.2%      |
| Adjusted yield %                                    | A   | <b>2.7%*</b>      | 3.1%       | 2.6%       | 1.6%       | 1.9%       |
| Adjusted yield %                                    | B   | <b>2.8%*</b>      | 3.2%       | 2.7%       | 1.7%       | 2.2%       |
| Adjusted P/E ratio                                  | A   | <b>18.65</b>      | 13.60      | 12.92      | 18.74      | 14.09      |
| Adjusted P/E ratio                                  | B   | <b>18.09</b>      | 13.19      | 12.45      | 17.31      | 11.91      |
| Share price on Dec. 31, FIM                         | A   | <b>182.00</b>     | 124.00     | 117.00     | 150.00     | 128.00     |
| Share price on Dec. 31, FIM                         | B   | <b>177.00</b>     | 122.00     | 112.00     | 139.00     | 110.00     |
| Adjusted price on Dec. 31, FIM                      | A   | <b>182.00</b>     | 124.00     | 117.00     | 150.00     | 91.43      |
| Adjusted price on Dec. 31, FIM                      | B   | <b>177.00</b>     | 122.00     | 112.00     | 139.00     | 78.57      |
| Adjusted average share price FIM                    | A   | <b>151.33</b>     | 113.76     | 142.52     | 112.23     | 76.42      |
| Adjusted average share price FIM                    | B   | <b>145.31</b>     | 110.02     | 130.60     | 98.52      | 54.75      |
| Adjusted lowest share price FIM                     | A   | <b>128.00</b>     | 97.50      | 115.00     | 89.29      | 50.00      |
| Adjusted lowest share price FIM                     | B   | <b>123.00</b>     | 91.00      | 105.00     | 79.29      | 30.71      |
| Adjusted highest share price FIM                    | A   | <b>185.00</b>     | 128.00     | 164.00     | 161.43     | 100.00     |
| Adjusted highest share price FIM                    | B   | <b>179.00</b>     | 126.00     | 150.00     | 150.00     | 80.00      |
| Market capitalization on Dec. 31, MFIM              |     | <b>9 015.6</b>    | 6 280.6    | 5 688.0    | 7 261.3    | 4 259.0    |
| Shares traded, 000s                                 | A   | <b>4 336</b>      | 1 729      | 1 235      | 2 416      | 2 440      |
| % of A shares                                       |     | <b>16.4%</b>      | 6.5%       | 4.7%       | 9.1%       | 9.2%       |
| Shares traded, 000s                                 | B   | <b>9 960</b>      | 5 418      | 4 041      | 9 365      | 8 293      |
| % of B shares                                       |     | <b>42.4%</b>      | 23.1%      | 17.2%      | 39.8%      | 35.2%      |
| Shares traded                                       |     |                   |            |            |            |            |
| % of total share capital                            |     | <b>28.6%</b>      | 14.3%      | 10.6%      | 23.6%      | 21.5%      |
| Number of shares on Dec.31,                         | A   | <b>26 473 802</b> | 26 473 802 | 26 473 804 | 26 473 804 | 18 909 856 |
|   | B   | <b>23 505 930</b> | 23 505 930 | 23 505 930 | 23 505 930 | 16 789 948 |
| Total   |     | <b>49 979 732</b> | 49 979 732 | 49 979 734 | 49 979 734 | 35 699 804 |
| Adjusted number of shares annual average            | no. | <b>49 979 732</b> | 49 979 732 | 49 979 734 | 49 979 734 | 49 979 725 |
| Adjusted number of shares at the end of fiscal year | no. | <b>49 979 732</b> | 49 979 732 | 49 979 734 | 49 979 734 | 49 979 725 |

\*proposed

Formulas for calculating key indicators are on page 29





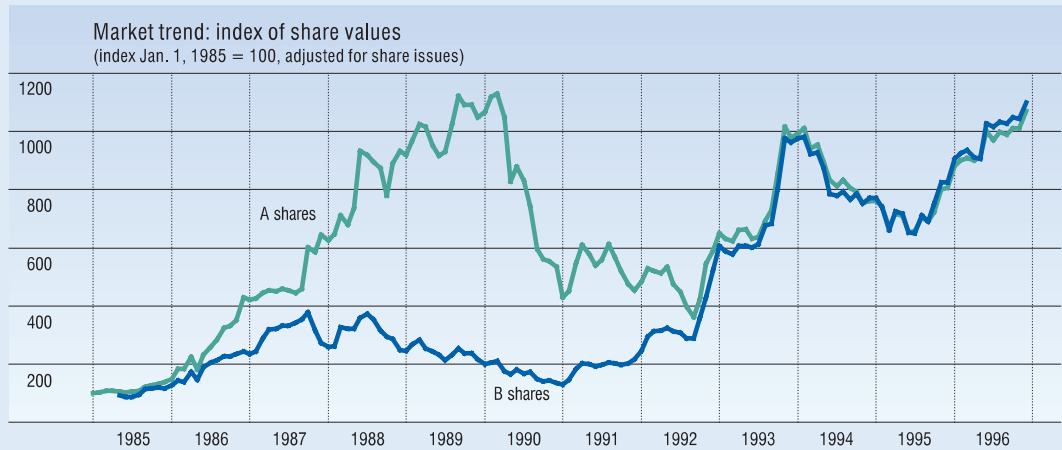
## Financial development of the Orion Group 1992-1996

| Figures in FIM million   | 1996          | 1995   | 1994   | 1993   | 1992   |
|--|---------------|--------|--------|--------|--------|
| <b>Net sales and profit</b>  |               |        |        |        |        |
| Net sales  | <b>4 283</b>  | 4 059  | 3 856  | 3 600  | 3 702  |
| <i>Change on the previous year %</i>                                   | <b>+5.5%</b>  | +5.2%  | +7.1%  | -2.8%  | +6.2%  |
| Exports from Finland   | <b>1 038</b>  | 982    | 1 026  | 890    | 790    |
| <i>Change on the previous year %</i>                                   | <b>+5.6%</b>  | -4.3%  | +15.4% | +12.6% | +12.8% |
| International operations   | <b>1 448</b>  | 1 379  | 1 415  | 1 241  | 1 060  |
| <i>% of net sales</i>  | <b>33.8%</b>  | 34.0%  | 36.7%  | 34.5%  | 28.6%  |
| <i>Change on the previous year %</i>                                   | <b>+5.0%</b>  | -2.5%  | +14.1% | +17.1% | +18.0% |
| Operating margin   | <b>852</b>    | 800    | 787    | 761    | 729    |
| <i>% of net sales</i>  | <b>19.9%</b>  | 19.7%  | 20.4%  | 21.1%  | 19.7%  |
| Depreciation according to plan   | <b>220</b>    | 204    | 204    | 207    | 218    |
| Operating profit   | <b>632</b>    | 596    | 584    | 554    | 511    |
| <i>% of net sales</i>  | <b>14.8%</b>  | 14.7%  | 15.1%  | 15.4%  | 13.8%  |
| Financial income and expenses  | <b>+106</b>   | +74    | +47    | +28    | +15    |
| <i>% of net sales</i>  | <b>+2.5%</b>  | +1.8%  | +1.2%  | +0.8%  | +0.4%  |
| Profit before extraordinary items                                      | <b>738</b>    | 670    | 631    | 582    | 525    |
| <i>% of net sales</i>  | <b>17.2%</b>  | 16.5%  | 16.4%  | 16.2%  | 14.2%  |
| Extraordinary income and charges (net)                                 | <b>+21</b>    | -2     | +22    | +98    | -      |
| Profit before voluntary provisions and income taxes                    | <b>760</b>    | 668    | 653    | 679    | 525    |
| <i>% of net sales</i>  | <b>17.7%</b>  | 16.5%  | 16.9%  | 18.9%  | 14.2%  |
| Income taxes   | <b>248</b>    | 202    | 180    | 202    | 200    |
| <i>Return on invested capital before extraordinary items and taxes</i> | <b>16.5%</b>  | 16.3%  | 16.6%  | 17.2%  | 17.2%  |
| <i>Return on equity</i>  | <b>13.0%</b>  | 13.5%  | 14.4%  | 15.2%  | 12.8%  |
| <b>Balance sheet</b>   |               |        |        |        |        |
| Financial assets   | <b>2 148</b>  | 2 041  | 1 977  | 1 897  | 1 581  |
| Stocks   | <b>819</b>    | 761    | 752    | 655    | 736    |
| Fixed assets   | <b>2 456</b>  | 2 385  | 2 337  | 2 305  | 2 195  |
| Fire insurance value of fixed assets                                   | <b>3 084</b>  | 2 997  | 2 935  | 2 903  | 3 383  |
| Liabilities  | <b>1 074</b>  | 1 150  | 1 363  | 1 500  | 1 557  |
| Interest-free liabilities  | <b>605</b>    | 566    | 724    | 704    | 702    |
| Interest-bearing liabilities   | <b>469</b>    | 585    | 639    | 796    | 854    |
| Provisions   | <b>1 410</b>  | 1 511  | 1 587  | 1 662  | 1 704  |
| Shareholders' equity   | <b>2 937</b>  | 2 524  | 2 115  | 1 696  | 1 256  |
| Balance Sheet total  | <b>5 423</b>  | 5 186  | 5 066  | 4 857  | 4 517  |
| <i>Solvency ratio</i>  | <b>72.7%</b>  | 69.5%  | 65.1%  | 60.6%  | 52.5%  |
| <i>Gearing</i>   | <b>-27.4%</b> | -22.7% | -20.5% | -15.6% | 0.4%   |
| <b>Investments in fixed assets</b>                                     |               |        |        |        |        |
| Gross investments  | <b>243</b>    | 238    | 244    | 447    | 286    |
| <i>% of net sales</i>  | <b>5.7%</b>   | 5.9%   | 6.3%   | 12.4%  | 7.7%   |
| Gross investments excluding shares                                     | <b>241</b>    | 205    | 150    | 171    | 227    |
| <i>% of net sales</i>  | <b>5.6%</b>   | 5.0%   | 3.9%   | 4.7%   | 6.1%   |
| <b>Research and development expenditure</b>                            |               |        |        |        |        |
| Research and development expenditure                                   | <b>333</b>    | 317    | 311    | 272    | 227    |
| <i>% of net sales</i>  | <b>7.8%</b>   | 7.8%   | 8.1%   | 7.6%   | 6.1%   |
| <b>Personnel</b>   |               |        |        |        |        |
| Wages and salaries paid  | <b>775</b>    | 738    | 698    | 667    | 725    |
| Number of employees  | <b>5 286</b>  | 5 197  | 5 092  | 5 029  | 5 811  |
| Net sales per employee, FIM thousand                                   | <b>810</b>    | 781    | 757    | 716    | 637    |

The key indicators were calculated according to financial supervision guidelines using the following formulas:

|                                     |   |  |
|-------------------------------------|---|--|
| Return on investment % (ROI)        | = | $\frac{\text{Profit before extraordinary items + interest and other financing expenses}}{\text{Balance Sheet total - interest-free liabilities (annual average)}} \times 100$  |
| Return on equity % (ROE)            | = | $\frac{\text{Profit before extraordinary items - taxes in the income statement excl. taxes from extraordinary items}}{\text{Shareholders' equity + minority interest + voluntary provisions + accelerated depreciation - deferred taxes (annual average)}} \times 100$ |
| Solvency ratio %                    | = | $\frac{\text{Shareholders' equity + minority interest + voluntary provisions + accelerated depreciation - deferred taxes}}{\text{Balance Sheet total - advances received}} \times 100$   |
| Gearing, %                          | = | $\frac{\text{Interest bearing liabilities - investments in shares and other securities - cash in hand and at banks}}{\text{Shareholders' equity + minority interest + voluntary provisions + accelerated depreciation - deferred taxes}} \times 100$                   |
| Earnings per share, FIM (EPS)       | = | $\frac{\text{Profit before extraordinary items +/- minority interest - taxes in the income statement excl. taxes from extraordinary items}}{\text{Average adjusted number of shares}}$   |
| Shareholders' equity per share, FIM | = | $\frac{\text{Shareholders' equity + voluntary provisions + accelerated depreciation - deferred taxes}}{\text{Adjusted number of shares on day of closing}}$  |
| Dividend per share, FIM             | = | $\frac{\text{Dividend for fiscal year}}{\text{Adjusted number of shares on Dec. 31}}$  |
| Dividend per earnings, %            | = | $\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$   |
| Adjusted yield, %                   | = | $\frac{\text{Dividend per share}}{\text{Weighted average adjusted price at Dec. 31}} \times 100$   |
| Price per earnings ratio            | = | $\frac{\text{Weighted average adjusted price at Dec. 31}}{\text{Adjusted earnings per share}}$   |
| Adjusted average share price        | = | $\frac{\text{Total trade of shares, FIM}}{\text{Adjusted number of shares traded during fiscal year}}$   |
| Market capitalization, FIM million  | = | Number of shares at the end of fiscal year x weighted average adjusted share price at Dec. 31, by share type   |

Deferred taxes have not been accounted for in the financial statements. In calculating the financial indicators deferred taxes have been deducted from adjusted equity. Due to the accounting legislation reform still being in process the change in deferred taxes annually has not yet been included as an adjustment to income in calculating financial indicators. If the decrease in deferred taxes 1996 had been taken into account, earnings per share would have been FIM 10.37.



### Proposal by the board of directors of Orion Corporation for the distribution of profits for 1996

The distributable shareholders' equity shown in the Consolidated Balance Sheet of December 31, 1996 amounts to FIM 2,279 million. The corresponding parent company figure is FIM 1,400,408,165.03, profit for this financial year accounting for FIM 435,367,280.91.

The Board of Directors proposes that the distributable shareholders' equity of the parent company be used as follows:

|  |                            |
|--|----------------------------|
| dividend of FIM 5.00 per share<br>on 49,979,732 shares | FIM 249,898,660.00         |
| donations to medical research                          | FIM 550,000.00             |
| to be retained in the profit and loss account          | FIM 1,149,959,505.03       |
|  | <hr/> FIM 1,400,408,165.03 |

# Income Statement

| FIM million  | Orion Group |                     |                     |       | Orion Corporation   |                     |       |          |
|--|-------------|---------------------|---------------------|-------|---------------------|---------------------|-------|----------|
|  |             | Jan.1-Dec. 31, 1996 | Jan.1-Dec. 31, 1995 |       | Jan.1-Dec. 31, 1996 | Jan.1-Dec. 31, 1995 |       |          |
| <b>Net Sales</b>   | 1)          | <b>4 282.8</b>      | 4 058.5             |       | <b>2 653.3</b>      | 2 533.4             |       |          |
| Increase (+) or decrease (-)<br>in stocks of finished products           |             | <b>+ 10.5</b>       | - 1.9               |       | <b>+ 10.5</b>       | - 4.7               |       |          |
| Production for own use   |             | <b>15.7</b>         | 25.4                |       | <b>14.2</b>         | 21.8                |       |          |
| Other operating income   |             | <b>32.2</b>         | 13.3                |       | <b>16.4</b>         | 8.0                 |       |          |
| Variable and fixed costs:  |             |                     |                     |       |                     |                     |       |          |
| Raw materials and consumables:   |             |                     |                     |       |                     |                     |       |          |
| Purchases during the fiscal period                                       |             | <b>1 816.7</b>      | 1 652.6             |       | <b>819.1</b>        | 743.4               |       |          |
| Increase(-) or decrease (+) in inventories                               |             | <b>- 47.6</b>       | - 11.2              |       | <b>- 18.7</b>       | + 17.0              |       |          |
| Variable external charges  |             | <b>41.2</b>         | 36.2                |       | <b>32.0</b>         | 30.9                |       |          |
| Staff costs  | 2)          | <b>933.3</b>        | 927.2               |       | <b>668.0</b>        | 673.5               |       |          |
| Rents  |             | <b>17.7</b>         | 16.9                |       | <b>6.9</b>          | 7.8                 |       |          |
| Other costs  | 6)          | <b>728.0</b>        | <b>-3 489.3</b>     | 673.3 | <b>569.7</b>        | <b>-2 077.0</b>     | 518.7 | -1 991.3 |
| <b>Operating margin</b>  |             | <b>851.9</b>        | 800.3               |       | <b>617.4</b>        | 567.2               |       |          |
| Depreciation on fixed assets and<br>other capitalized expenditure        | 3)          | <b>219.8</b>        | 203.7               |       | <b>182.0</b>        | 171.1               |       |          |
| Depreciation on Group goodwill   | 3)          | <b>0.0</b>          | 0.5                 |       | <b>-</b>            | -                   |       |          |
|  |             | <b>-219.8</b>       | -204.2              |       | <b>-182.0</b>       | -171.1              |       |          |
| <b>Operating profit</b>  |             | <b>632.1</b>        | 596.1               |       | <b>435.4</b>        | 396.1               |       |          |
| Financial income and expenses:   | 4)          |                     |                     |       |                     |                     |       |          |
| Interest income  |             | <b>72.9</b>         | 89.8                |       | <b>69.1</b>         | 86.2                |       |          |
| Dividend income  |             | <b>7.7</b>          | 5.8                 |       | <b>29.4</b>         | 27.5                |       |          |
| Other financial income   |             | <b>29.7</b>         | 11.3                |       | <b>26.7</b>         | 10.2                |       |          |
| Share of associated companies' profits                                   |             | <b>37.5</b>         | 25.8                |       | <b>-</b>            | -                   |       |          |
| Interest expenses  |             | <b>- 27.8</b>       | - 38.1              |       | <b>- 37.1</b>       | - 44.7              |       |          |
| Other financial expenses   |             | <b>- 13.8</b>       | - 21.1              |       | <b>- 12.2</b>       | - 17.1              |       |          |
|  |             | <b>+ 106.2</b>      | + 73.5              |       | <b>+ 75.9</b>       | + 62.1              |       |          |
| <b>Profit before extraordinary items</b>                                 |             | <b>738.3</b>        | 669.6               |       | <b>511.3</b>        | 458.2               |       |          |
| Extraordinary income and charges:  |             |                     |                     |       |                     |                     |       |          |
| Extraordinary income   | 5)          | <b>3.6</b>          | -                   |       | <b>3.6</b>          | -                   |       |          |
| Share of associated companies'<br>extraordinary items and appropriations |             | <b>17.7</b>         | - 1.9               |       | <b>-</b>            | -                   |       |          |
|  |             | <b>+ 21.3</b>       | - 1.9               |       | <b>+ 3.6</b>        | -                   |       |          |
| <b>Profit before voluntary provisions and taxes</b>                      |             | <b>759.6</b>        | 667.7               |       | <b>514.9</b>        | 458.2               |       |          |
| Increase (-) or decrease (+)<br>in accelerated depreciation              | 3)          | <b>- 91.0</b>       | - 49.4              |       | <b>- 76.8</b>       | - 44.2              |       |          |
| Increase (-) or decrease (+)<br>in voluntary provisions                  | 7)          | <b>+ 190.8</b>      | + 127.4             |       | <b>+ 177.4</b>      | + 121.8             |       |          |
| Income taxes:  | 8)          |                     |                     |       |                     |                     |       |          |
| On the profit for the period   |             | <b>246.5</b>        | 197.7               |       | <b>178.0</b>        | 140.9               |       |          |
| On the profit for previous periods                                       |             | <b>1.5</b>          | <b>-248.0</b>       | 3.8   | <b>2.1</b>          | <b>-180.1</b>       | 3.9   | -144.8   |
| <b>Profit for the period before minority interest</b>                    |             | <b>611.4</b>        | 544.2               |       | <b>435.4</b>        | 391.0               |       |          |
| Proportion attributable to minority interest                             |             | <b>- 0.0</b>        | - 0.0               |       | <b>-</b>            | -                   |       |          |
| <b>Profit for the period</b>   |             | <b>611.4</b>        | 544.2               |       | <b>435.4</b>        | 391.0               |       |          |

# Balance Sheet

| FIM million  | <b>Orion Group</b>   |               | <b>Orion Corporation</b> |               |
|--|----------------------|---------------|--------------------------|---------------|
| <b>ASSETS</b>  | <b>Dec. 31, 1996</b> | Dec. 31, 1995 | <b>Dec. 31, 1996</b>     | Dec. 31, 1995 |
| <b>Fixed assets and other non-current investments<sup>9)</sup></b> |                      |               |                          |               |
| Intangible assets  |                      |               |                          |               |
| Intangible rights  | <b>87.9</b>          | 74.2          | <b>76.4</b>              | 63.5          |
| Goodwill   | <b>242.4</b>         | 284.8         | <b>335.1</b>             | 377.9         |
| Other capitalized expenditure                                      | <b>21.5</b>          | 24.0          | <b>12.1</b>              | 13.8          |
| Advance payments   | -                    | 0.5           | -                        | 0.5           |
|  | <b>351.8</b>         | 383.5         | <b>423.6</b>             | 455.7         |
| Tangible assets  |                      |               |                          |               |
| Land and water   | <b>37.3</b>          | 31.5          | <b>22.4</b>              | 18.1          |
| Buildings  | <b>938.7</b>         | 924.3         | <b>712.1</b>             | 694.3         |
| Machinery and equipment  | <b>541.0</b>         | 494.0         | <b>451.5</b>             | 416.3         |
| Other tangible assets  | <b>7.2</b>           | 7.6           | <b>6.0</b>               | 6.4           |
| Advance payments and construction in progress                      | <b>8.2</b>           | 21.4          | <b>8.0</b>               | 9.7           |
|  | <b>1 532.4</b>       | 1 478.8       | <b>1 200.0</b>           | 1 144.8       |
| Financial assets and other long-term investments                   |                      |               |                          |               |
| Shares and holdings in Group companies 11)                         | -                    | -             | <b>69.0</b>              | 68.0          |
| Shares and holdings in associated companies 11)                    | <b>431.1</b>         | 382.4         | <b>136.3</b>             | 136.3         |
| Other securities 11)   | <b>139.0</b>         | 138.4         | <b>80.3</b>              | 79.8          |
| Loan receivables 12)   | <b>1.5</b>           | 1.8           | <b>26.2</b>              | 21.1          |
|  | <b>571.6</b>         | 522.6         | <b>311.8</b>             | 305.2         |
| <b>Current assets</b> 13)  |                      |               |                          |               |
| Stocks   |                      |               |                          |               |
| Raw materials and consumables                                      | <b>208.4</b>         | 196.8         | <b>182.1</b>             | 173.5         |
| Work in progress   | <b>90.8</b>          | 94.9          | <b>88.8</b>              | 93.1          |
| Finished products/goods  | <b>516.2</b>         | 464.7         | <b>217.9</b>             | 193.2         |
| Other stocks   | <b>2.7</b>           | 3.5           | <b>2.2</b>               | 2.0           |
| Advance payments   | <b>0.7</b>           | 0.6           | <b>0.7</b>               | 0.3           |
|  | <b>818.8</b>         | 760.5         | <b>491.7</b>             | 462.1         |
| Receivables 12)  |                      |               |                          |               |
| Trade receivables  | <b>502.3</b>         | 505.8         | <b>382.2</b>             | 383.6         |
| Loan receivables   | <b>0.7</b>           | 0.7           | <b>30.0</b>              | 30.0          |
| Prepaid expenses and accrued income                                | <b>74.9</b>          | 70.2          | <b>66.0</b>              | 59.9          |
| Other receivables  | <b>20.6</b>          | 61.7          | <b>12.2</b>              | 48.9          |
| Advance payments   | <b>1.6</b>           | 0.8           | <b>1.5</b>               | 0.8           |
|  | <b>600.1</b>         | 639.2         | <b>491.9</b>             | 523.2         |
| Investments  |                      |               |                          |               |
| Securities   | <b>52.9</b>          | 51.5          | <b>49.1</b>              | 47.7          |
| Other investments  | <b>1 356.9</b>       | 1 230.8       | <b>1 260.2</b>           | 1 157.1       |
|  | <b>1 409.8</b>       | 1 282.3       | <b>1 309.3</b>           | 1 204.8       |
| Cash in hand and at banks  |                      |               |                          |               |
|  | <b>138.1</b>         | 119.3         | <b>59.2</b>              | 64.0          |
|  | <b>5 422.6</b>       | 5 186.2       | <b>4 287.5</b>           | 4 159.8       |



| FIM million                             |     | Orion Group         |              | Orion Corporation   |              |
|---|-----|---------------------|--------------|---------------------|--------------|
| <b>LIABILITIES</b>                      |     | <b>Dec. 31,1996</b> | Dec. 31,1995 | <b>Dec. 31,1996</b> | Dec. 31,1995 |
| <b>Shareholders' equity</b>             | 14) |                     |              |                     |              |
| Undistributable equity                  |     |                     |              |                     |              |
| Share capital                           |     | <b>499.8</b>        | 499.8        | <b>499.8</b>        | 499.8        |
| Reserve fund                            |     | <b>158.4</b>        | 158.3        | <b>157.5</b>        | 157.5        |
|   |     | <b>658.2</b>        | 658.1        | <b>657.3</b>        | 657.3        |
| Distributable equity                    |     |                     |              |                     |              |
| Retained earnings                       |     | <b>1 667.7</b>      | 1 321.5      | <b>965.0</b>        | 774.5        |
| Profit for the period                   |     | <b>611.4</b>        | 544.2        | <b>435.4</b>        | 391.0        |
|   |     | <b>2 279.1</b>      | 1 865.7      | <b>1 400.4</b>      | 1 165.5      |
| <b>Minority interest</b>                |     | <b>0.2</b>          | 0.2          | -                   | -            |
| <b>Provisions</b>                       | 15) |                     |              |                     |              |
| Group reserve                           | 9)  | <b>0.6</b>          | 0.6          | -                   | -            |
| Accelerated depreciation                |     | <b>1 133.8</b>      | 1 043.0      | <b>944.8</b>        | 868.0        |
| Voluntary provisions                    |     |                     |              |                     |              |
| Investment provisions                   |     | <b>2.5</b>          | 67.4         | -                   | 64.1         |
| Other provisions                        |     | <b>266.4</b>        | 392.1        | <b>193.2</b>        | 306.5        |
| Obligatory provisions                   |     | <b>7.3</b>          | 8.7          | <b>6.2</b>          | 7.5          |
|   |     | <b>1 410.6</b>      | 1 511.8      | <b>1 144.2</b>      | 1 246.1      |
| <b>Liabilities</b>                      | 16) |                     |              |                     |              |
| Non-current                             |     |                     |              |                     |              |
| Debentures                              |     | -                   | 5.0          | -                   | 5.0          |
| Loans from credit institutions          |     | <b>0.8</b>          | 4.9          | <b>0.1</b>          | 3.0          |
| Pension loans                           |     | <b>384.7</b>        | 469.0        | <b>273.7</b>        | 356.3        |
| Other non-current liabilities           | 12) | <b>59.8</b>         | 54.8         | <b>57.4</b>         | 55.9         |
|   |     | <b>445.3</b>        | 533.7        | <b>331.2</b>        | 420.2        |
| Current                                 | 12) |                     |              |                     |              |
| Loans from credit institutions          |     | <b>8.0</b>          | 16.1         | <b>7.8</b>          | 15.3         |
| Pension loans                           |     | <b>6.5</b>          | 11.4         | <b>6.2</b>          | 10.3         |
| Advances received                       |     | <b>0.9</b>          | 2.2          | <b>0.7</b>          | 1.4          |
| Trade payables                          |     | <b>315.9</b>        | 293.5        | <b>181.3</b>        | 158.7        |
| Accrued liabilities and deferred income |     | <b>196.5</b>        | 184.8        | <b>132.1</b>        | 117.6        |
| Other current liabilities               |     | <b>101.4</b>        | 108.7        | <b>426.3</b>        | 367.4        |
|   |     | <b>629.2</b>        | 616.7        | <b>754.4</b>        | 670.7        |
|   |     | <b>5 422.6</b>      | 5 186.2      | <b>4 287.5</b>      | 4 159.8      |

# Financing report

| FIM million   | Orion Group    |                | Orion Corporation |                |
|---|----------------|----------------|-------------------|----------------|
|   | 1996           | 1995           | 1996              | 1995           |
| <u>Business operations</u>                                      |                |                |                   |                |
| Income financing  |                |                |                   |                |
| Operating margin  | + 851.9        | + 800.3        | + 617.4           | + 567.2        |
| Financial income and expenses                                   | + 106.2        | + 73.5         | + 75.9            | + 62.1         |
| Extraordinary items   | + 17.7         | - 1.9          | -                 | -              |
| Income taxes  | - 248.0        | - 201.5        | - 180.1           | - 144.8        |
| Other income financing  | - 43.3         | - 9.9          | - 1.3             | + 1.1          |
| <b>Total income financing</b>                                   | <b>+ 684.5</b> | <b>+ 660.5</b> | <b>+ 511.9</b>    | <b>+ 485.6</b> |
| <u>Change in working capital</u>                                |                |                |                   |                |
| Increase (-)/decrease (+) in current assets                     | - 58.2         | - 8.7          | - 29.6            | + 22.4         |
| Increase (-)/decrease (+) in current receivables                | + 39.1         | + 21.9         | + 31.3            | + 57.4         |
| Increase (+)/decrease (-) in interest-free current liabilities  | + 39.7         | - 158.7        | + 39.2            | - 147.4        |
|   | <b>+ 20.6</b>  | <b>- 145.5</b> | <b>+ 40.9</b>     | <b>- 67.6</b>  |
| <b>Cash flow from business operations</b>                       | <b>+ 705.1</b> | <b>+ 515.0</b> | <b>+ 552.8</b>    | <b>+ 418.0</b> |
| <u>Investment</u>   |                |                |                   |                |
| Investments in fixed assets                                     | - 242.6        | - 238.2        | - 208.1           | - 199.5        |
| Sales revenue from fixed assets                                 | + 5.2          | + 1.6          | + 5.0             | + 1.4          |
|   | <b>- 237.4</b> | <b>- 236.6</b> | <b>- 203.1</b>    | <b>- 198.1</b> |
| <b>Cash flow before financial items</b>                         | <b>+ 467.7</b> | <b>+ 278.4</b> | <b>+ 349.7</b>    | <b>+ 219.9</b> |
| <u>Finance</u>  |                |                |                   |                |
| Increase (-)/decrease (+) in non-current receivables            | + 0.3          | - 0.1          | - 5.1             | - 0.4          |
| Increase (+) in non-current loans                               | + 129.3        | + 138.4        | + 107.9           | + 114.7        |
| Decrease (-) in non-current loans                               | - 244.6        | - 196.0        | - 222.9           | - 178.9        |
| Increase (+)/decrease (-) in current loans                      | - 0.3          | + 3.5          | + 70.5            | + 93.5         |
| Dividends   | - 192.9        | - 144.7        | - 199.9           | - 150.0        |
| Other change in shareholders' equity                            | - 0.6          | - 1.3          | - 0.6             | - 0.8          |
| Other financial items   | - 127.5        | - 106.9        | - 104.5           | - 93.0         |
|   | <b>- 436.3</b> | <b>- 307.1</b> | <b>- 354.6</b>    | <b>- 214.9</b> |
| <b>Increase (+)/decrease (-) in liquid assets</b>               | <b>+ 31.4</b>  | <b>- 28.7</b>  | <b>- 4.9</b>      | <b>+ 5.0</b>   |
| Adjustment items  | - 12.7         | + 7.8          |                   |                |
| <b>= Change in liquid assets according to the Balance Sheet</b> | <b>+ 18.7</b>  | <b>- 20.9</b>  | <b>- 4.9</b>      | <b>+ 5.0</b>   |

# Notes to the financial statements for 1996

## Principles for the Financial Statements

The financial statements have been drawn up in accordance with the Accounting Act, the Companies Act, and the Decree on Accounting. In addition, the decision of the Ministry of Trade and Industry with regard to Group accounting and the general guidelines set by the Board of Accounting, as well as the decision by the Ministry of Finance related to the duty of a company issuing securities to provide information on a regular basis, have also been observed.

## Principles for compiling the Group Financial Statements

The Group financial statements are consolidated, comprising in addition to the parent company Orion Corporation the following subsidiaries, more than 50 % of the shareholders' equity of which is directly or indirectly owned by the parent company, engaged in business operations: Oriola Oy, Panfarma Oy, Hiven Oy, Kuulolaiteskeskus Oy, Suomalainen Oy Produits du Dr. N.G. Payot, Suomen Rohdos Oy, Karkone Oy, Interorion AG, Ercopharm A/S, Orion Pharma AB, Orion Pharma AG, Orion Diagnostica AB, Orion Diagnostica A/S, Orion Diagnostica Inc., Orion Diagnostica Danmark A/S, Orion Pharma GmbH, Orion Pharma AS, Orion Pharma (Ireland) Ltd., Orion-Farmos Inc., Finorion Kft, Soredex, Inc. (ent. Soredex-Finndent, Inc.), AS Oriola, UAB Oriola Vilnius, SIA Oriola Rīga, Orion Pharma (UK) Ltd. and ZAO Oriola. The consolidated real estate companies are shown in note 11. The fiscal period of all the above companies ended on December 31, 1996.

The Group financial statements have been compiled in accordance with the general guidelines set by the Board of Accounting in 1993. Internal business transactions, receivables and liabilities, internal distribution of profits, and the internal operating margin included in current assets have been deducted. The internal profit on sales/operating margin arising from the sale of fixed assets within the Group has been deducted from fixed assets, and a corresponding correction to depreciation has been made, with the exception of minor internal sales for fixed assets.

Mutual share ownership has been eliminated according to the past-equity method. Part of the resulting Group goodwill has been allocated to the fixed assets of subsidiaries, and part has been presented in the Balance Sheet as Group goodwill. Allocated items totaled FIM 3.8 million in land and FIM 15.1 million in buildings on December 31, 1996. The Group goodwill allocated to fixed asset items is depreciated according to the depreciation rules for the fixed asset group in question. The Group goodwill included in the Balance Sheet as a separate item is depreciated with straight-line depreciations of 20%.

Minority interests have been separated from the Group's shareholders' equity and from the profit, and are presented as a separate item.

The financial statements of foreign subsidiaries have been converted to correspond with Finnish accounting practices. Income statements have been translated into markkas according to the mean exchange rate for the period, and the balance sheets according to the exchange rate quoted by the Bank of Finland for the date when the accounts were closed. Concerning the profit for the fiscal

year, the difference between the mean exchange rate and the rate on the date the accounts were closed is entered under the distributable shareholders' equity.

In consolidation, translation differences arising from exchange rate differences have been entered to the shareholders' equity on the Balance Sheet. These translation differences, arising from elimination of mutual share ownership according to the past-equity method, derive from exchange rate differences in the shareholders' equity of foreign subsidiaries denominated in foreign currency at the time of acquisition and from exchange rate differences in the acquisition costs of shares in subsidiaries held by Group companies abroad.

Owing to exchange rate differences, the changes in the accelerated depreciation and in the voluntary provisions of the Group Consolidated Income Statement do not match those in the Group Consolidated Balance Sheet.

Associated companies (20-50% of votes and shares) have been consolidated according to the equity method. The associated companies are listed in note 11.

The Group share, in proportion to its ownership share, of the profit prior to extraordinary items and after taxes for the financial period of the associated companies, is shown in the Group financial items, while its share of the extraordinary items and appropriations is shown in the Group extraordinary items.

## Fixed assets and depreciation

The financial statements were compiled using depreciation according to plan, which is based on historical cost and the economic life of the asset. The historical cost includes all tangible fixed assets whose economic life has not yet terminated. The economic lives of the different asset categories are as follows:

|   |          |
|---|----------|
| -masonry factories, warehouses and administrative and residential buildings                     | 40 yrs   |
| -wooden factories, warehouses and administrative and residential buildings                      | 20 yrs   |
| -machines, machinery and equipment and vehicles   | 5-10 yrs |
| -intangible assets, other tangible assets, goodwill, long-term expenses and building components | 10 yrs   |
| -partial depreciation of the merger difference included in goodwill                             | 20 yrs   |

Based on the present Group structure, the depreciation of the merger difference in the Group financial statements will be FIM 40 million in 1997, and FIM 20 million as from year 1998.

Depreciation according to plan has not been made on land areas and revaluations. The accelerated depreciation was calculated in accordance with taxation legislation in different countries. Revaluation of fixed assets is presented in note 9.

## Current assets

The current assets of the parent company and subsidiaries are valued in the Balance Sheet according to the FIFO principle, i.e. as the variable costs incurred in acquisition and production.

## Research and development, and long-term costs

Research and development costs have been entered in the year they originated. Costs which accumulate or maintain income for three or more years have been capitalized as long-term costs and are usually depreciated over a 10 year period.

## Receivables and liabilities denominated in foreign currency

For both the parent company and domestic subsidiaries, valuation of all receivables and liabilities denominated in foreign currency is based on buying and selling rates calculated on the basis of the Bank of Finland's mean rate, except in the case of items subject to forward exchange or items for which some other exchange rate has been agreed; in such cases the agreed rate has been used. The resulting translation gains or losses have bearing on the financial result for the period. Forwards related to budgeted sales have not been valued but only the respective interest difference share has been recorded for 1996.

## Pension arrangements

Personnel employed by the domestic companies of the Orion Group are provided pension security through the Orion Corporation Pension Fund, and through pension insurance companies. Additional pension security has been arranged through the pension fund for those employees whose employment began prior to June 25, 1990 and continues until retirement. Personnel employed by foreign subsidiaries have been provided pension security according to the practices of the particular countries in question.

Pension liabilities are covered to the full, excluding the statutory liabilities deficit stipulated by the act 1536/93. The employers' share of the deficit regarding the Pension Fund for the fiscal year is included in the Income Statement under other costs, and the accumulated deficit under obligatory provisions in the Balance Sheet.

## Obligatory provisions

Future expenses to which Group companies have committed and which are likely not to accumulate corresponding profit have been deducted as obligatory provisions from yields. Those future losses which are considered likely have been similarly deducted.

## Accumulated accelerated depreciation and voluntary provisions

The profit before voluntary provisions and taxes is based on planned depreciation. The difference between depreciation according to plan and accelerated depreciation has been entered separately. Tax legislation in various other countries gives the companies the opportunity to make an advance deduction in the form of different provisions from the profit before taxes. In the Balance Sheet these voluntary provisions have not been divided as deferred tax liability and shareholders' equity. In the Income Statement the change in these provisions has not been divided as a change in deferred tax liability and profit for the financial period.

## Net sales

The calculation of Orion Group net sales for 1996 complies with the Accounting Act in force. The Accounting Act is currently being reformed and as from January 1, 1997, Orion Group will apply the Fourth EU Council Directive definition of net sales according to which net sales includes the amounts derived from the sale of products less sales rebates, value added tax and other taxes directly linked to net sales. Moreover, foreign exchange rate differences from trade receivables can also be included in net sales. Should the new net sales calculation principle have been applied in 1996, Orion Group net sales would have been FIM 4,380 million.

## Notes to the income statement

| FIM million  | Group   |         | Parent company |         |
|--|---------|---------|----------------|---------|
|  | 1996    | 1995    | 1996           | 1995    |
| <b>1. Net sales by market area</b>   |         |         |                |         |
| Finland  | 2 834.8 | 2 679.1 | -              | -       |
| Scandinavia  | 328.1   | 345.8   | -              | -       |
| Other European markets   | 766.3   | 726.4   | -              | -       |
| North America  | 182.7   | 158.1   | -              | -       |
| Other markets  | 170.9   | 149.1   | -              | -       |
| Net sales total  | 4 282.8 | 4 058.5 | 2 653.3        | 2 533.4 |
| <b>2. Staff costs and benefits</b>   |         |         |                |         |
| Wages and salaries   | 749.4   | 727.6   | 537.3          | 524.0   |
| Benefits   | 24.8    | 23.9    | 14.4           | 14.6    |
| Pension costs  | 92.3    | 95.7    | 69.3           | 76.1    |
| Other personnel costs  | 91.7    | 103.8   | 61.5           | 73.4    |
| Total  | 958.2   | 951.0   | 682.5          | 688.1   |
| <b>3. Depreciation</b>   |         |         |                |         |
| Depreciation according to plan   |         |         |                |         |
| Intangible rights  | 14.4    | 10.2    | 12.1           | 8.8     |
| Goodwill   | 44.0    | 43.6    | 42.9           | 42.8    |
| Other capitalized expenditure  | 3.3     | 3.1     | 2.0            | 1.9     |
| Buildings  | 46.8    | 43.6    | 36.1           | 34.2    |
| Machinery and equipment  | 110.5   | 102.3   | 88.2           | 82.6    |
| Other tangible assets  | 0.8     | 0.9     | 0.7            | 0.8     |
| Total  | 219.8   | 203.7   | 182.0          | 171.1   |
| Group goodwill   | 0.0     | 0.5     | -              | -       |
| Change in accumulated accelerated depreciation<br>(- increase, + decrease)   |         |         |                |         |
| Intangible rights  | -14.5   | -11.6   | -11.2          | -10.6   |
| Goodwill   | +0.4    | +1.0    | +0.3           | -0.0    |
| Other capitalized expenditure  | -0.2    | +0.2    | +0.1           | +0.1    |
| Buildings  | -31.7   | -10.1   | -28.6          | -9.0    |
| Machinery and equipment  | -44.7   | -28.6   | -37.2          | -24.4   |
| Other tangible assets  | -0.3    | -0.3    | -0.2           | -0.4    |
| Total  | -91.0   | -49.4   | -76.8          | -44.3   |
| <b>4. Financial income and expenses within the group</b>   |         |         |                |         |
| Financial income received from Group companies   |         |         |                |         |
| Dividend income  | -       | -       | +18.7          | +18.2   |
| Other financial income   | -       | -       | +3.0           | +3.2    |
| Financial expenses paid to Group companies   |         |         |                |         |
| Interest expenses  | -       | -       | -16.0          | -14.0   |
| <b>5. Extraordinary income and charges</b>   |         |         |                |         |
| Profit arising from exchange of land areas   | +3.6    | -       | +3.6           | -       |
| <b>6. Change in obligatory provisions and items pertaining to other fiscal periods</b>   |         |         |                |         |
| (- increase, + decrease)   |         |         |                |         |
| The following items were entered as expenses for the fiscal period and in the obligatory provisions of the Balance Sheet as an increase or decrease: |         |         |                |         |
| Obligatory pension fund liability deficit  | +0.7    | -0.3    | +0.6           | -0.3    |
| Guarantee provisions   | -0.1    | -1.0    | -0.1           | -1.0    |
| Expenses arising from winding up the export organization of one of the product groups  | -       | +1.0    | -              | +1.0    |
| Estimated loss of receivable under litigation  | +0.0    | +0.0    | -              | -       |
| Expenses arising from the termination of a marketing agreement   | +0.8    | -0.8    | +0.8           | -0.8    |
| Total  | +1.4    | -1.1    | +1.3           | -1.1    |

| FIM million                              | Group         |        | Parent company |        |
|--|---------------|--------|----------------|--------|
|  | 1996          | 1995   | 1996           | 1995   |
| <b>7. Change in voluntary provisions</b> |               |        |                |        |
| (- increase, + decrease)                 |               |        |                |        |
| Decrease in investment provisions        | <b>+64.9</b>  | +89.4  | <b>+64.1</b>   | +88.8  |
| Decrease in transitional provisions      | <b>+91.7</b>  | +8.9   | <b>+78.3</b>   | +1.7   |
| Decrease in replacement provisions       | <b>+36.4</b>  | +31.9  | <b>+35.0</b>   | +31.3  |
| Change in employee housing provisions    | <b>-0.4</b>   | -0.3   | -              | -      |
| Increase in other provisions             | <b>-4.0</b>   | -4.4   | -              | -      |
| Decrease in other provisions             | <b>+2.2</b>   | +1.9   | -              | -      |
| <b>Total</b>                             | <b>+190.8</b> | +127.4 | <b>+177.4</b>  | +121.8 |

#### 8. Income taxes

Income taxes comprise tax on the profit for the fiscal year and on dividends.

Tax credits granted on the basis of both internal Group dividends and dividends from associated companies were entered in the consolidated financial statements as a deduction in taxes for the fiscal year.

## Notes to the balance sheet

| FIM million  | Group         |        | Parent company |        |
|--|---------------|--------|----------------|--------|
|  | 1996          | 1995   | 1996           | 1995   |
| <b>9. Intangible and tangible assets</b>           |               |        |                |        |
| <b>Intangible rights</b>                           |               |        |                |        |
| Acquisition cost, Jan. 1                           | <b>121.6</b>  | 104.2  | <b>104.1</b>   | 88.7   |
| Acquisition costs past their economic life, Jan. 1 | <b>-1.6</b>   | -5.9   | <b>-0.4</b>    | -2.8   |
| Acquisitions, Jan. 1-Dec. 31                       | <b>+29.4</b>  | +23.4  | <b>+25.1</b>   | +18.2  |
| Other increase/decrease, Jan. 1-Dec. 31            | <b>+0.0</b>   | -0.1   | -              | -      |
| Decreases, Jan. 1-Dec. 31                          | <b>-2.7</b>   | -0.0   | <b>-2.4</b>    | -0.0   |
| Acquisition cost, Dec. 31                          | <b>146.7</b>  | 121.6  | <b>126.4</b>   | 104.1  |
| Accumulated depreciation, Dec. 31                  | <b>-58.8</b>  | -47.4  | <b>-50.0</b>   | -40.6  |
| Book value, Dec. 31                                | <b>87.9</b>   | 74.2   | <b>76.4</b>    | 63.5   |
| Accumulated accelerated depreciation, Jan. 1       | <b>54.1</b>   | 42.5   | <b>48.1</b>    | 37.5   |
| Increase, Jan. 1-Dec. 31                           | <b>+14.7</b>  | +11.6  | <b>+11.2</b>   | +10.6  |
| Decrease, Jan. 1-Dec. 31                           | <b>-0.2</b>   | -0.0   | -              | -      |
| Accumulated accelerated depreciation, Dec. 31      | <b>68.6</b>   | 54.1   | <b>59.3</b>    | 48.1   |
| <b>Goodwill</b>                                    |               |        |                |        |
| Acquisition cost, Jan. 1                           | <b>640.1</b>  | 649.4  | <b>631.2</b>   | 638.2  |
| Acquisition costs past their economic life, Jan. 1 | -             | -9.2   | -              | -7.0   |
| Increases, Jan. 1-Dec. 31                          | <b>+1.5</b>   | +0.0   | -              | +0.0   |
| Other increase/decrease, Jan. 1-Dec. 31            | <b>+0.1</b>   | -0.1   | -              | -      |
| Acquisition cost, Dec. 31                          | <b>641.7</b>  | 640.1  | <b>631.2</b>   | 631.2  |
| Accumulated depreciation, Dec. 31                  | <b>-399.3</b> | -355.3 | <b>-296.1</b>  | -253.3 |
| Book value, Dec. 31                                | <b>242.4</b>  | 284.8  | <b>335.1</b>   | 377.9  |
| Accumulated accelerated depreciation, Jan. 1       | <b>1.6</b>    | 2.5    | <b>2.2</b>     | 2.2    |
| Increase, Jan. 1-Dec. 31                           | <b>+0.1</b>   | +0.8   | -              | +0.0   |
| Decrease, Jan. 1-Dec. 31                           | <b>-0.4</b>   | -1.7   | <b>-0.3</b>    | -      |
| Accumulated accelerated depreciation, Dec. 31      | <b>1.3</b>    | 1.6    | <b>1.9</b>     | 2.2    |

#### Group goodwill and Group reserve

On the Consolidated Balance Sheet, the undepreciated Group goodwill and the Group reserve, which is by nature deferred income, are entered as one net item in liabilities, FIM 0,6 million in 1996 and FIM 0,6 million in 1995. The item consists of:

| Group goodwill                    | 1996         | 1995  | 1996 | 1995 |
|-----------------------------------|--------------|-------|------|------|
| Acquisition cost, Jan. 1          | <b>19.4</b>  | 19.4  | -    | -    |
| Acquisition cost, Dec. 31         | <b>19.4</b>  | 19.4  | -    | -    |
| Accumulated depreciation, Dec. 31 | <b>-19.4</b> | -19.4 | -    | -    |
| Book value, Dec. 31               | <b>0.0</b>   | 0.0   | -    | -    |

| FIM million              | Group       |      | Parent company |      |
|--------------------------|-------------|------|----------------|------|
|                          | 1996        | 1995 | 1996           | 1995 |
| <b>Group reserve</b>     |             |      |                |      |
| Acquisition cost, Jan. 1 | <b>-0.6</b> | -0.6 | -              | -    |
| Book value, Dec. 31      | <b>-0.6</b> | -0.6 | -              | -    |

#### Other capitalized expenditure

|  |              |       |              |      |
|--|--------------|-------|--------------|------|
| Acquisition cost, Jan. 1                           | <b>40.0</b>  | 37.4  | <b>23.6</b>  | 25.1 |
| Acquisition costs past their economic life, Jan. 1 | <b>-0.6</b>  | -0.3  | <b>-0.5</b>  | -0.3 |
| Increases, Jan. 1-Dec. 31                          | <b>+1.1</b>  | +6.3  | <b>+0.5</b>  | +1.5 |
| Decreases, Jan. 1-Dec. 31                          | <b>-0.3</b>  | -3.3  | <b>-0.3</b>  | -2.7 |
| Acquisition cost, Dec. 31                          | <b>40.2</b>  | 40.1  | <b>23.3</b>  | 23.6 |
| Accumulated depreciation, Dec. 31                  | <b>-18.7</b> | -16.1 | <b>-11.2</b> | -9.8 |
| Book value, Dec. 31                                | <b>21.5</b>  | 24.0  | <b>12.1</b>  | 13.8 |
| Accumulated accelerated depreciation, Jan. 1       | <b>5.5</b>   | 5.8   | <b>2.6</b>   | 2.7  |
| Increase, Jan. 1-Dec. 31                           | <b>+0.5</b>  | +0.2  | -            | -    |
| Decrease, Jan. 1-Dec. 31                           | <b>-0.3</b>  | -0.5  | <b>-0.1</b>  | -0.1 |
| Accumulated accelerated depreciation, Dec. 31      | <b>5.7</b>   | 5.5   | <b>2.5</b>   | 2.6  |

#### Land and water

|  |             |      |             |      |
|--|-------------|------|-------------|------|
| Acquisition cost, Jan. 1                             | <b>31.5</b> | 31.5 | <b>18.1</b> | 18.1 |
| Acquisitions, Jan. 1-Dec. 31                         | <b>+6.1</b> | -    | <b>+4.6</b> | -    |
| Other increase/decrease, Jan. 1-Dec. 31              | <b>-0.0</b> | +0.0 | -           | -    |
| Decreases, Jan. 1-Dec. 31                            | <b>-0.3</b> | -    | <b>-0.3</b> | -    |
| Acquisition cost, Dec. 31                            | <b>37.3</b> | 31.5 | <b>22.4</b> | 18.1 |
| Revaluation included in the acquisition cost of land |             |      |             |      |
| Revaluation, Jan. 1                                  | <b>0.4</b>  | 0.4  | <b>0.4</b>  | 0.4  |
| Revaluation, Dec. 31                                 | <b>0.4</b>  | 0.4  | <b>0.4</b>  | 0.4  |

#### Buildings

|   |                |         |                |         |
|---|----------------|---------|----------------|---------|
| Acquisition cost, Jan. 1                                  | <b>1 291.8</b> | 1 256.5 | <b>986.8</b>   | 960.1   |
| Acquisition costs past their economic life, Jan. 1        | <b>-0.8</b>    | -6.8    | <b>-0.8</b>    | -4.7    |
| Acquisitions, Jan. 1-Dec. 31                              | <b>+61.6</b>   | +36.2   | <b>+53.9</b>   | +31.4   |
| Other increase/decrease, Jan. 1-Dec. 31                   | <b>-0.5</b>    | +5.9    | -              | -       |
| Decreases, Jan. 1-Dec. 31                                 | <b>-1.3</b>    | -       | -              | -       |
| Acquisition cost, Dec. 31                                 | <b>1 350.8</b> | 1 291.8 | <b>1 039.9</b> | 986.8   |
| Accumulated depreciation, Dec. 31                         | <b>-412.1</b>  | -367.5  | <b>-327.8</b>  | -292.5  |
| Book value, Dec. 31                                       | <b>938.7</b>   | 924.3   | <b>712.1</b>   | 694.3   |
| Accumulated accelerated depreciation, Jan. 1              | <b>568.1</b>   | 557.7   | <b>438.9</b>   | 429.9   |
| Increase, Jan. 1-Dec. 31                                  | <b>+32.1</b>   | +12.8   | <b>+28.6</b>   | +9.0    |
| Decrease, Jan. 1-Dec. 31                                  | <b>-0.6</b>    | -2.5    | -              | -       |
| Accumulated accelerated depreciation, Dec. 31             | <b>599.6</b>   | 568.0   | <b>467.5</b>   | 438.9   |
| Revaluation included in the acquisition cost of buildings |                |         |                |         |
| Revaluation, Jan. 1                                       | <b>97.8</b>    | 97.8    | <b>97.8</b>    | 97.8    |
| Revaluation, Dec. 31                                      | <b>97.8</b>    | 97.8    | <b>97.8</b>    | 97.8    |
| Fire insurance value, Dec. 31                             | <b>1 810.9</b> | 1 800.7 | <b>1 365.7</b> | 1 356.1 |

#### Machinery and equipment

|  |                |        |               |        |
|--|----------------|--------|---------------|--------|
| Acquisition cost, Jan. 1                           | <b>955.3</b>   | 931.0  | <b>802.8</b>  | 791.2  |
| Acquisition costs past their economic life, Jan. 1 | <b>-49.1</b>   | -94.1  | <b>-36.6</b>  | -83.8  |
| Acquisitions, Jan. 1-Dec. 31                       | <b>+179.1</b>  | +140.0 | <b>+136.8</b> | +106.1 |
| Other increase/decrease, Jan. 1-Dec. 31            | <b>-0.0</b>    | +0.1   | -             | -      |
| Decreases, Jan. 1-Dec. 31                          | <b>-22.2</b>   | -21.7  | <b>-13.4</b>  | -10.7  |
| Acquisition cost, Dec. 31                          | <b>1 063.1</b> | 955.3  | <b>889.6</b>  | 802.8  |
| Accumulated depreciation, Dec. 31                  | <b>-522.1</b>  | -461.3 | <b>-438.1</b> | -386.5 |
| Book value, Dec. 31                                | <b>541.0</b>   | 494.0  | <b>451.5</b>  | 416.3  |



| FIM million   | Group   |         | Parent company |         |
|---|---------|---------|----------------|---------|
|   | 1996    | 1995    | 1996           | 1995    |
| Accumulated accelerated depreciation, Jan. 1  | 412.1   | 383.4   | 374.6          | 350.2   |
| Increase, Jan. 1-Dec. 31  | +45.5   | +29.0   | +37.2          | +24.4   |
| Decrease, Jan. 1-Dec. 31  | -0.9    | -0.3    | -              | -       |
| Accumulated accelerated depreciation, Dec. 31   | 456.7   | 412.1   | 411.8          | 374.6   |
| Machines and equipment (excluding vehicles and furniture); share of the book value on Dec. 31 | 433.9   | 379.4   | 373.9          | 331.8   |
| Fire insurance value, Dec. 31   | 1 272.8 | 1 196.6 | 1 130.1        | 1 069.6 |
| <b>Other tangible assets</b>  |         |         |                |         |
| Acquisition cost, Jan. 1  | 12.7    | 12.8    | 10.7           | 10.1    |
| Acquisition costs past their economic life, Jan. 1  | -0.6    | -3.8    | -0.6           | -2.6    |
| Increases, Jan. 1-Dec. 31   | +0.5    | +3.7    | +0.3           | +3.2    |
| Acquisition cost, Dec. 31   | 12.6    | 12.7    | 10.4           | 10.7    |
| Accumulated depreciation, Dec. 31   | -5.4    | -5.1    | -4.4           | -4.4    |
| Book value, Dec. 31   | 7.2     | 7.6     | 6.0            | 6.3     |

| FIM million                                   | Group |      | Parent company |      |
|---|-------|------|----------------|------|
|   | 1996  | 1995 | 1996           | 1995 |
| Accumulated accelerated depreciation, Jan. 1  | 1.6   | 1.3  | 1.5            | 1.2  |
| Increase, Jan. 1-Dec. 31                      | +0.3  | +0.3 | +0.2           | +0.3 |
| Decrease, Jan. 1-Dec. 31                      | -0.0  | -0.0 | -              | -    |
| Accumulated accelerated depreciation, Dec. 31 | 1.9   | 1.6  | 1.7            | 1.5  |

#### 10. Tax value of fixed assets

|   | Group | 1995  | Parent company | 1995  |
|---|-------|-------|----------------|-------|
|   | 1996  |       | 1996           |       |
| Land and water                              | 122.2 | 117.6 | 105.8          | 103.2 |
| Buildings                                   | 465.7 | 474.3 | 295.2          | 304.1 |
| Securities:                                 |       |       |                |       |
| Shares and holdings in Group companies      | -     | -     | 743.2          | 501.9 |
| Shares and holdings in associated companies | 543.5 | 353.5 | 187.3          | 122.0 |
| Other securities                            | 158.5 | 98.2  | 79.7           | 51.3  |

#### 11. Financial assets

| GROUP COMPANIES                                 | Group's share of ownership % | Group's share of votes % | Group's share of the company's shareholders' equity FIM million | Parent company's share of ownership % | Shares owned by the parent company |                       |                        | Profit/loss according to the most recent financial statements(1996) FIM million |
|---|------------------------------|--------------------------|---|---------------------------------------|------------------------------------|-----------------------|------------------------|---|
|   |                              |                          |   |                                       | Number of shares                   | Nominal value million | Book value FIM million |   |
| Shares:   |                              |                          |   |                                       |                                    |                       |                        |   |
| Ercopharm A/S, Denmark                          | 100.0                        | 100.0                    | 118.7   | -                                     | -                                  | -                     | -                      | 15.3  |
| Hiven Oy, Paimio                                | 100.0                        | 100.0                    | 37.2  | 100.0                                 | 130 000                            | 13.0                  | 22.5                   | 5.1   |
| Interorion AG., Switzerland                     | 100.0                        | 100.0                    | 110.2   | 100.0                                 | 1 000                              | 1.0                   | CHF 2.4                | 23.9  |
| Karkone Oy, Espoo                               | 100.0                        | 100.0                    | 0.7   | 100.0                                 | 100                                | 1.0                   | 1.0                    | -0.3  |
| Kiinteistö Oy Kangaslammen Rautalava, Iisalmi   | 54.2                         | 54.2                     | 0.1   | 54.2                                  | 130                                | 0.1                   | 0.1                    | 0.0   |
| Kiinteistö Oy Kapseli, Hanko                    | 99.9                         | 99.9                     | 0.0   | 99.9                                  | 1 499                              | 0.0                   | 0.0                    | 0.0   |
| Kiinteistö Oy Kalkkipellontie 2, Espoo          | 100.0                        | 100.0                    | 1.0   | -                                     | -                                  | -                     | -                      | 0.0   |
| Kiinteistö Oy Nilsiankatu 10, Helsinki          | 100.0                        | 100.0                    | 5.2   | 99.8                                  | 324 597                            | 2.6                   | 2.6                    | 0.1   |
| Kiinteistö Oy Pilleri, Hanko                    | 70.4                         | 70.4                     | 0.1   | 70.4                                  | 6 194                              | 0.1                   | 0.1                    | 0.0   |
| Kiinteistö Oy Tonttuvainio, Espoo               | 100.0                        | 100.0                    | 15.1  | 100.0                                 | 2 642                              | 0.3                   | 15.2                   | 0.0   |
| Kiinteistö Oy Västanhäll, Espoo                 | 100.0                        | 100.0                    | 0.2   | 100.0                                 | 223                                | 0.2                   | 0.2                    | -0.0  |
| Kuulolaiteskeskus Oy, Espoo                     | 100.0                        | 100.0                    | 11.5  | -                                     | -                                  | -                     | -                      | 1.8   |
| Oriola Oy, Espoo                                | 100.0                        | 100.0                    | 667.7   | 100.0                                 | 200 000                            | 20.0                  | 19.6                   | 112.7   |
| AS Oriola, Estonia                              | 100.0                        | 100.0                    | 4.8   | -                                     | -                                  | -                     | -                      | -0.6  |
| SIA Oriola Riga, Latvia                         | 100.0                        | 100.0                    | -1.9  | -                                     | -                                  | -                     | -                      | -0.9  |
| UAB Oriola Vilnius, Lithuania                   | 100.0                        | 100.0                    | -0.0  | -                                     | -                                  | -                     | -                      | 0.6   |
| ZAO Oriola, Russia                              | 100.0                        | 100.0                    | 0.0   | -                                     | -                                  | -                     | -                      | 0.0   |
| Orion Diagnostica AB, Sweden                    | 100.0                        | 100.0                    | 9.7   | 100.0                                 | 1 000                              | 0.1                   | SEK 0.0                | 1.4   |
| Orion Diagnostica A/S, Norway                   | 100.0                        | 100.0                    | 6.9   | 100.0                                 | 500                                | 0.1                   | NOK 0.0                | 1.5   |
| Orion Diagnostica Danmark A/S, Denmark          | 100.0                        | 100.0                    | 1.4   | 100.0                                 | 5                                  | 0.5                   | DKK 0.4                | 0.7   |
| Orion Diagnostica Inc., USA                     | 100.0                        | 100.0                    | -13.8   | 100.0                                 | 400                                | 4.0                   | USD 2.1                | -1.8  |
| Orion-Farmos Inc., USA                          | 100.0                        | 100.0                    | 0.0   | 100.0                                 | 200                                | 0.0                   | USD 0.1                | 0.0   |
| Orion Pharma AB, Sweden                         | 100.0                        | 100.0                    | 28.4  | -                                     | -                                  | -                     | -                      | 6.6   |
| Orion Pharma AS, Norway                         | 100.0                        | 100.0                    | 9.6   | 100.0                                 | 800                                | 0.8                   | NOK 0.6                | 3.6   |
| Orion Pharma AG, Switzerland                    | 100.0                        | 100.0                    | 4.4   | -                                     | -                                  | -                     | -                      | 0.8   |
| Orion Pharma (Ireland) Ltd., Ireland            | 100.0                        | 100.0                    | 1.7   | 100.0                                 | 2                                  | 0.0                   | IEP 0.0                | 1.0   |
| Orion Pharma (UK) Ltd., UK                      | 100.0                        | 100.0                    | 0.8   | 100.0                                 | 50 000                             | 0.0                   | GBP 0.3                | 1.3   |
| Panfarma Oy, Espoo                              | 100.0                        | 100.0                    | 14.2  | -                                     | -                                  | -                     | -                      | 4.1   |
| Soredex, Inc., USA                              | 100.0                        | 100.0                    | -6.6  | 100.0                                 | 1 000                              | 0.0                   | USD 0.0                | -2.5  |
| Suomalainen Oy Produits Du Dr N.G. Payot, Espoo | 90.0                         | 90.0                     | 0.4   | 90.0                                  | 900                                | 0.0                   | 0.0                    | 0.0   |
| Suomen Rohdos Oy, Turku                         | 100.0                        | 100.0                    | 10.7  | 100.0                                 | 2 400                              | 0.2                   | 0.2                    | 1.0   |
| Holdings:                                       |                              |                          |   |                                       |                                    |                       |                        |   |
| Finorion Kft, Hungary                           | 100.0                        | 100.0                    | 0.1   | 100.0                                 | -                                  | 1.9                   | HUF 0.3                | 0.0   |
| Orion Pharma GmbH, Germany                      | 100.0                        | 100.0                    | 14.2  | 100.0                                 | -                                  | 0.5                   | DEM 1.2                | 8.4   |
|   |                              |                          |   |                                       |                                    |                       |                        | 69.0  |

| ASSOCIATED COMPANIES                            | Group's share of ownership % | Group's share of votes % | Group's share of the company's shareholders' equity FIM million | Group's book value total *) FIM million | Parent company's share of ownership % | Shares/holdings owned by the parent company |                           |                        | Profit/loss according to the most recent financial statements FIM million | Date when the fiscal period ended | Duration in months |
|---|------------------------------|--------------------------|---|---|---------------------------------------|---|---------------------------|------------------------|---|-----------------------------------|--------------------|
|   |                              |                          |   |   |                                       | Number of shares                            | Nominal value FIM million | Book value FIM million |   |                                   |                    |
| Shares:   |                              |                          |   |   |                                       |   |                           |                        |   |                                   |                    |
| Hangon Puhdistamo Oy, Hanko                     | 50.0                         | 50.0                     | 0.5   | 0.5                                     | 50.0                                  | 500   | 0.5                       | 0.5                    | 0.0   | 31.12.1996                        | 12                 |
| Instrumentarium Oy, Helsinki                    | 22.23                        | 25.6                     | 291.7   | 338.4                                   | 7.5                                   | 1 515 477                                   | 15.2                      | 133.1                  | 275.0   | 31.12.1996                        | 12                 |
| Fastighets Ab Råkan, Hanko                      | 22.0                         | 22.0                     | 0.0   | 0.0                                     | 22.0                                  | 2 222                                       | 0.0                       | 0.0                    | 0.0   | 31.12.1996                        | 12                 |
| Kiinteistö Oy Salmenvuokra, Iisalmi             | 27.0                         | 27.0                     | 0.0   | 0.0                                     | 27.0                                  | 405   | 0.0                       | 0.0                    | -0.0  | 31.12.1995                        | 12                 |
| Medidata Oy, Helsinki                           | 33.3                         | 33.3                     | 0.0   | 0.0                                     | -                                     | -   | -                         | -                      | 0.0   | 31.12.1996                        | 12                 |
| Oy Pharmacal Ab, Helsinki                       | 50.0                         | 50.0                     | 3.7   | 2.5                                     | 50.0                                  | 1 000                                       | 0.6                       | 2.5                    | 4.0   | 31.12.1996                        | 12                 |
| Planeetankadun Paikointus Oy, Espoo             | 29.5                         | 29.5                     | 0.1   | 0.0                                     | 29.5                                  | 48  | 0.0                       | 0.0                    | 0.0   | 31.12.1995                        | 12                 |
| Regattalämpö Oy, Hanko                          | 42.6                         | 42.6                     | 0.0   | 0.0                                     | -                                     | -   | -                         | -                      | 0.0   | 31.12.1996                        | 12                 |
| Holdings:                                       |                              |                          |   |   |                                       |   |                           |                        |   |                                   |                    |
| Suomen Lääkevahinkokorvaus-osuuskunta, Helsinki | 26.8                         | 20.0                     | 0.1   | 0.1                                     | 22.8                                  | 1 037                                       | 0.1                       | 0.1                    | 0.0   | 31.12.1996                        | 12                 |
|   |                              |                          |   |   |                                       |   |                           | 136.3                  |   |                                   |                    |

\*) Without the effect of consolidation of associated companies.

The market value of Instrumentarium Oy's shares owned by Group companies totaled FIM 755,1 million at year end.

| OTHER SECURITIES              | Group's share of ownership % | Group's share of votes % | Group's book value total FIM million | Market value FIM million | Parent company's share of ownership % | Shares/holdings owned by the parent company |                           |                        |  |  |
|-------------------------------|------------------------------|--------------------------|--------------------------------------|--------------------------|---------------------------------------|---|---------------------------|------------------------|--|--|
|                               |                              |                          |                                      |                          |                                       | Number of shares                            | Nominal value FIM million | Book value FIM million |  |  |
| Oy Tamro Ab, Vantaa           | 7.1                          | 7.1                      | 115.3                                | 192.2                    | 3.1                                   | 2 730 000                                   | 27.3                      | 58.2                   |  |  |
| Kronans Droghandel AB, Sweden | 16.0                         | 16.0                     | 0.6                                  | -                        | -                                     | -   | -                         | -                      |  |  |
| Espoon Sähkö Oy, Espoo        | 0.1                          | 0.1                      | 0.6                                  | 1.0                      | 0.1                                   | 10 000                                      | 0.0                       | 0.6                    |  |  |
| Housing corporations          |                              |                          |                                      |                          |                                       |   |                           | 15.9                   |  |  |
| Telephone companies           |                              |                          |                                      |                          |                                       |   |                           | 1.2                    |  |  |
| Others                        |                              |                          |                                      |                          |                                       |   |                           | 4.4                    |  |  |
|                               |                              |                          |                                      |                          |                                       |   |                           | 80.3                   |  |  |

A detailed list of shareholdings is available from the Central Administration (Finance department), Orion Corporation, Orionintie 1, Espoo, Finland, as a supplement to the financial statements.

| FIM million   | Group |      | Parent company |       | FIM million                                 | Group |      | Parent company |      |
|---|-------|------|----------------|-------|---|-------|------|----------------|------|
|   | 1996  | 1995 | 1996           | 1995  |   | 1996  | 1995 | 1996           | 1995 |
| <b>12. Receivables from both Group and associated companies and liabilities to them</b> |       |      |                |       | <b>14. Shareholders' equity</b>             |       |      |                |      |
| <b>Receivables from Group companies</b>   |       |      |                |       | Share capital, Jan. 1                       |       |      |                |      |
| Non-current loan receivables  | -     | -    | 24.8           | 19.5  | 499.8 499.8 499.8 499.8                     |       |      |                |      |
| Trade receivables   | -     | -    | 156.1          | 156.2 | Share capital, Dec. 31                      |       |      |                |      |
| Current loan receivables  | -     | -    | 29.5           | 29.5  | 499.8 499.8 499.8 499.8                     |       |      |                |      |
| Prepaid expenses and accrued income   | -     | -    | 0.7            | 0.2   | Reserve fund, Jan. 1                        |       |      |                |      |
| Other receivables   | -     | -    | 6.8            | 8.3   | 158.3 155.0 157.5 157.5                     |       |      |                |      |
| <b>Liabilities to Group companies</b>   |       |      |                |       | Transferred from retained earnings          |       |      |                |      |
| Other non-current liabilities   | -     | -    | -              | 3.8   | +0.0 +3.3 - -                               |       |      |                |      |
| Trade payables  | -     | -    | 5.0            | 2.2   | Exchange rate differences                   |       |      |                |      |
| Accrued liabilities and deferred income   | -     | -    | 0.1            | 0.3   | +0.1 +0.0 - -                               |       |      |                |      |
| Other current liabilities   | -     | -    | 376.3          | 303.1 | Reserve fund, Dec. 31                       |       |      |                |      |
| <b>Receivables from associated companies</b>  |       |      |                |       | 158.4 158.3 157.5 157.5                     |       |      |                |      |
| Non-current loan receivables  | 0.0   | 0.0  | 0.0            | 0.0   | Distributable shareholders' equity, Jan. 1  |       |      |                |      |
| Trade receivables   | 0.4   | 0.0  | 0.4            | 0.0   | 1 865.7 1 460.3 1 165.5 925.3               |       |      |                |      |
| Prepaid expenses and accrued income   | 0.0   | -    | -              | -     | By decision of shareholders' meetings:      |       |      |                |      |
| Other receivables   | 0.1   | 0.1  | 0.0            | -     | dividends distributed                       |       |      |                |      |
| <b>Liabilities to associated companies</b>  |       |      |                |       | transferred to the reserve fund             |       |      |                |      |
| Trade payables  | 4.3   | 4.1  | 0.1            | 0.3   | -192.9 -144.7 -199.9 -150.0                 |       |      |                |      |
| Accrued liabilities and deferred income   | 0.0   | 0.0  | -              | -     | donations made                              |       |      |                |      |
| <b>13. Current assets</b>   |       |      |                |       | -0.0 -1.0 -0.6 -0.5                         |       |      |                |      |
| Receivables falling due for payment in one year's time or more                          |       |      |                |       | Donations made                              |       |      |                |      |
| Trade receivables   | 3.0   | 0.4  | 2.2            | -     | -0.0 -0.3 -0.0 -0.3                         |       |      |                |      |
| Loan receivables  | 0.0   | 0.0  | -              | -     | Parent Company shares redeemed              |       |      |                |      |
| Other receivables   | -     | 1.9  | -              | -     | - -0.0 - -0.0                               |       |      |                |      |
| Total   | 3.0   | 2.3  | 2.2            | -     | Increase arising from consolidation         |       |      |                |      |
|   |       |      |                |       | +8.4 +1.2 - -                               |       |      |                |      |
|   |       |      |                |       | Exchange rate differences                   |       |      |                |      |
|   |       |      |                |       | -13.0 +9.3 - -                              |       |      |                |      |
|   |       |      |                |       | Profit for the period                       |       |      |                |      |
|   |       |      |                |       | +611.4 +544.2 +435.4 +391.0                 |       |      |                |      |
|   |       |      |                |       | Distributable shareholders' equity, Dec. 31 |       |      |                |      |
|   |       |      |                |       | 2 279.1 1 865.7 1 400.4 1 165.5             |       |      |                |      |

In accordance with the corporate legislation in the countries concerned, the Group foreign subsidiaries must transfer a total of FIM 33,181.00 of the 1996 profits to undistributable shareholders' equity.

#### Parent company share capital by share type:

|                               | 1996             |                  | 1995        |             |
|-------------------------------|------------------|------------------|-------------|-------------|
|                               | Number of shares | Number of shares | FIM million | FIM million |
| A shares (20 votes per share) | 26 473 802       | 26 473 802       | 264.7       | 264.7       |
| B shares (1 vote per share)   | 23 505 930       | 23 505 930       | 235.1       | 235.1       |
| Total                         | 49 979 732       | 49 979 732       | 499.8       | 499.8       |

Any essential differences between the market values of publicly quoted shares included in current assets, and the book values of the said shares at year end are entered as costs.

| FIM million   | Group        |       | Parent company |      |
|---|--------------|-------|----------------|------|
|   | 1996         | 1995  | 1996           | 1995 |
| <b>15. Provisions</b>   |              |       |                |      |
| <b>Deferred tax liabilities pertaining to Group voluntary provisions and accelerated depreciation</b> |              |       |                |      |
|   | <b>396.4</b> | 424.3 | -              | -    |
| <b>Obligatory provisions</b>  |              |       |                |      |
| Provision for future guarantee expenses   | <b>2.8</b>   | 2.7   | <b>2.8</b>     | 2.7  |
| Obligatory pension fund liability deficit   | <b>4.2</b>   | 4.8   | <b>3.4</b>     | 4.0  |
| Provision for loss of receivable under litigation   | <b>0.3</b>   | 0.4   | -              | -    |
| Provision for compensation for the termination of a marketing agreement                               | -            | 0.8   | -              | 0.8  |
| <b>Total</b>  | <b>7.3</b>   | 8.7   | <b>6.2</b>     | 7.5  |

#### 16. Liabilities

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

|                                |              |       |              |       |
|--------------------------------|--------------|-------|--------------|-------|
| Loans from credit institutions | <b>0.2</b>   | 0.2   | -            | -     |
| Pension loans                  | <b>360.1</b> | 427.0 | <b>253.4</b> | 321.1 |
| Other non-current liabilities  | <b>22.4</b>  | 26.4  | <b>21.7</b>  | 25.4  |
| <b>Total</b>                   | <b>382.7</b> | 453.6 | <b>275.1</b> | 346.5 |

##### Debentures

|  |             |       |             |       |
|--|-------------|-------|-------------|-------|
| Debenture 1987/1997 11.5 %<br>./ annual amortization | <b>5.0</b>  | 15.0  | <b>5.0</b>  | 15.0  |
|  | <b>-5.0</b> | -10.0 | <b>-5.0</b> | -10.0 |
| <b>Total</b>   | -           | 5.0   | -           | 5.0   |

##### Current liabilities include:

|  |              |       |              |       |
|--|--------------|-------|--------------|-------|
| Liabilities to Group companies   | -            | -     | <b>381.4</b> | 305.7 |
| Interest-free liabilities  | <b>605.3</b> | 565.6 | <b>350.0</b> | 316.3 |
| Amortization on non-current loans which falls due during the coming year | <b>19.6</b>  | 46.5  | <b>18.7</b>  | 44.8  |
| Other current interest-bearing liabilities                               | <b>4.3</b>   | 4.6   | <b>4.3</b>   | 3.9   |
| <b>Total</b>   | <b>629.2</b> | 616.7 | <b>754.4</b> | 670.7 |

#### 17. Management pensions and loans granted to management and shareholders

The parent company's Board of Directors has the right, in each individual case, to decide that the retirement age for management is 60 years, the pension level, depending on years of service, then being at most 60 % of salary earned.

No pension commitments or pension agreements are currently in force.

Loans totaling FIM 0,3 million have been granted to the managing directors of Group companies and to members of the Board of Directors. The interest on the loans exceeds the base rate, and the repayment terms are standard.

#### 18. Contingent liabilities

##### On behalf of the company's own liabilities

|                                 |              |       |              |       |
|---------------------------------|--------------|-------|--------------|-------|
| Pledges                         | <b>150.0</b> | 95.0  | <b>87.0</b>  | 49.0  |
| Mortgages on land and buildings | <b>242.0</b> | 226.4 | <b>194.1</b> | 187.3 |

##### On behalf of the liabilities of Group Companies

|                                 |   |   |             |      |
|---------------------------------|---|---|-------------|------|
| Pledges                         | - | - | <b>63.0</b> | 46.0 |
| Mortgages on land and buildings | - | - | <b>17.1</b> | 7.4  |
| Guarantees                      | - | - | <b>8.6</b>  | 19.6 |

##### On behalf of the liabilities of associated companies

|            |            |     |            |     |
|------------|------------|-----|------------|-----|
| Guarantees | <b>0.1</b> | 0.3 | <b>0.1</b> | 0.3 |
|------------|------------|-----|------------|-----|

##### On behalf of the liabilities of company shareholders

|            |            |     |   |   |
|------------|------------|-----|---|---|
| Guarantees | <b>0.1</b> | 0.4 | - | - |
|------------|------------|-----|---|---|

##### On behalf of others

|                           |            |     |            |     |
|---------------------------|------------|-----|------------|-----|
| Mortgages on company land | <b>0.0</b> | 0.0 | <b>0.0</b> | 0.0 |
| Guarantees                | <b>0.5</b> | 0.7 | -          | -   |

| FIM million                          | Group        |       | Parent company |       |
|--------------------------------------|--------------|-------|----------------|-------|
|                                      | 1996         | 1995  | 1996           | 1995  |
| <b>Other company liabilities</b>     |              |       |                |       |
| Leasing liabilities                  |              |       |                |       |
| The next financial year              | <b>2.9</b>   | 2.1   | <b>0.0</b>     | 0.1   |
| The following years                  | <b>3.0</b>   | 2.6   | <b>0.0</b>     | 0.0   |
| Drug damage liabilities              | <b>1.3</b>   | 1.4   | <b>1.1</b>     | 1.3   |
| Repurchase liabilities               | <b>13.2</b>  | 14.6  | <b>12.7</b>    | 13.6  |
| Guarantees                           | <b>5.6</b>   | 2.3   | -              | -     |
| <b>Contingent liabilities, total</b> |              |       |                |       |
| Pledges                              | <b>150.0</b> | 95.0  | <b>150.0</b>   | 95.0  |
| Mortgages on land and buildings      | <b>242.0</b> | 226.4 | <b>211.2</b>   | 194.7 |
| Guarantees                           | <b>6.3</b>   | 3.7   | <b>8.6</b>     | 19.9  |
| Other liabilities                    | <b>20.3</b>  | 20.7  | <b>13.8</b>    | 15.0  |

On March 7, 1997, the United States Court of Appeals for the Federal Circuit issued a decision in the proceedings initiated in 1993 concerning an alleged infringement by Orion Corporation and certain other defendants of a patent related to the manufacturing process of diltiazem. The Court of Appeals affirmed the June 1995 decision made by the International Trade Commission (ITC) favorable to Orion Corporation where it was established that no infringement of the patent claim in question had taken place. Presently the decision is not final. Proceedings in the United States regarding other patent infringement cases initiated in 1992 on the same grounds have been adjourned. According to a German decision issued in March 1995, Orion Corporation was considered to have infringed the diltiazem patent rights of the same plaintiff party. Because of an appeal lodged by Orion Corporation, the decision is not final. In May 1996, however, the same German diltiazem patent was proclaimed invalid in proceedings carried on by Orion Pharma GmbH. Because of an appeal lodged by the defendant, this decision has not become legally final.

| FIM million   | Group       |      | Parent company |      |
|---|-------------|------|----------------|------|
|   | 1996        | 1995 | 1996           | 1995 |
| <b>19. Derivative instruments</b>                       |             |      |                |      |
| Off-balance sheet derivatives have little significance. |             |      |                |      |
| <b>Foreign currency derivatives</b>                     |             |      |                |      |
| Forward contracts                                       |             |      |                |      |
| Market value, Dec. 31                                   | <b>-0.3</b> | -    | <b>-0.3</b>    | -    |
| Counter value in FIM of currency bought, Dec. 31        | <b>24.5</b> | -    | <b>24.5</b>    | -    |

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

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

Espoo, March 11, 1997

Asko Perisalo  
Chairman of the Board of Directors

Aatto Prihti  
Erkki Etola

Juhani Leikola  
Pauli Torkko  
Executive Vice President  
Acting President since  
January 1, 1997  
until further notice

# Auditor's report

## To the shareholders' of Orion Corporation

We have audited the accounting, the financial statements and the corporate administration of Orion Corporation for the period 1.1.-31.12.1996. The financial statements, which include the report of the Board of Directors, and the consolidated and parent company income statements, balance sheets and notes to the financial statements have been prepared by the Board of Directors and the Managing Director. Based on our audit we express our opinion on these financial statements and on the company's administration.

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

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

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

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

Espoo, March 12, 1997

Risto Järvinen  
Authorized Public Accountant

Olli Mäkinen  
Authorized Public Accountant

Pekka Luoma  
Authorized Public Accountant

## Statement by the Supervisory Board of Orion Corporation

We have examined the Statement of Accounts and Auditors' Report for 1996.

We note that operations were successful in 1996 and recommend that the Income Statement, Balance Sheet, Consolidated Income Statement and Consolidated Balance Sheet be approved as proposed by the Board of Directors, and that the profit for the year be utilized in the manner proposed by the Board of Directors.

The following members are in turn to retire from the Supervisory Board: Pekka Elovaara, Petteri Karttunen, Eero Karvonen, Pauli Komi, Timo Maasilta and Seppo Ylppö.

Espoo, March 18, 1997

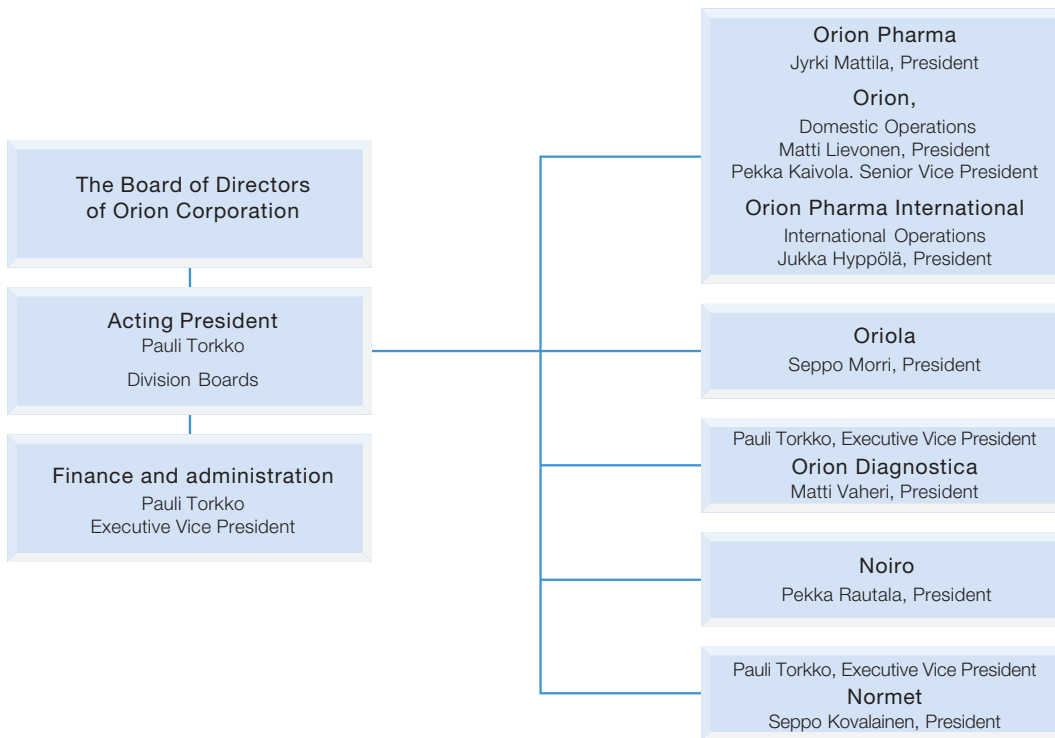
Tatu Miettinen  
Chairman of the Supervisory Board

# The Supervisory Board, The Board of Directors and the Auditors of Orion Corporation 1.3.1997

| Supervisory Board   |   | Present term           | Member since |
|---|---|------------------------|--------------|
| Tatu Miettinen, M.D., 66<br>Professor   | Chairman  | 1996-1997              | 1968-        |
|   | Member  | 1995-1998              |              |
| Seppo Ylppö, 38<br>Safelink Oy Ab, President  | Vice Chairman                                   | 1996-1997              | 1990-        |
|   | Member  | 1994-1997              |              |
| Juhani Aho, M.D., 66<br>Helsingin Lääkärikeskus Group, Chief Physician, Chairman of Board of Directors<br>Yhtyneet Laboratoriot Oy, President |   | 1996-1999              | 1978-        |
| Matti Eestilä, B.Sc. (Econ.), 69  |   | 1995-1998              | 1995-        |
| Pekka Elovaara, M.Sc. (Pharm.), 47<br>Luumäen apteekki, Pharmacist  |   | 1994-1997              | 1994-        |
| Timo Estola, Professor, D.V.M., 65  |   | 1995-1998              | 1992-        |
| Petteri Karttunen, M.Sc. (Econ.), 36<br>Brokerage firm Ane Gyllenberg Oy Ab, Vice President   |   | 1994-1997              | 1989-        |
| Eero Karvonen, M.Sc. (Eng.), 48<br>EVK-Capital Oy, President  |   | 1994-1997              | 1988-        |
| Pauli Komi, LL.M., 60   |   | 1994-1997              | 1988-        |
| Juha Kyttilä, M.D., 66  |   | 1996-1999              | 1978-        |
| Eeva Kölli-Jäntti, 55<br>Pukinmäen apteekki, Pharmacist   |   | 1996-1999              | 1996-        |
| Timo Maasilta, M.Sc. (Eng.), 42<br>The Land and Watertechnology Foundation, Managing Director   |   | 1994-1997              | 1991-        |
| Seppo Salonen, M.D., 37<br>Medivire Työterveyspalvelut Oy, Occupational Health Physician  |   | 1995-1998              | 1995-        |
| Ilkka Sipilä, M.D., 54<br>HUCH, Hospital for children and adolescents, Assistant Chief Physician  |   | 1996-1999              | 1995-        |
| Erkki Tammisalo, D.D.S., 64<br>University of Turku, Department of Dentistry, Professor  |   | 1995-1998              | 1980-        |
| <b>Board of Directors</b>   |   |                        |              |
| Asko Perisalo, B.Sc. (Econ.), 63  | Chairman  | 1996-1999              | 1989-        |
| Aatto Prihti, D.Sc. (Econ.), 57<br>Finnish National Fund for Research and Development, President  | Vice Chairman                                   | 1996-1997              | 1984-        |
|   | member  | 1996-1998              |              |
| Erkki Etola, M.Sc. (Eng.), 52<br>Etola-yhtiöt, President  |   | 1996-1998              | 1995-        |
| Juhani Leikola, Professor, M.D., 55<br>Finnish Red Cross Blood Transfusion Service, Director  |   | 1996-1997              | 1994-        |
| Pauli Torkko, Lic.Sc. (Econ.), 49<br>Orion Corporation, Executive Vice President  |   | 1996-1998              | 1987-        |
| <b>Auditors</b>   |   | <b>Deputy Auditors</b> |              |
| Risto Järvinen, Lic.Sc. (Econ.), APA  | Kalervo Virtanen, Professor, D.Sc. (Econ.), APA |                        |              |
| Pekka Luoma, B.Sc. (Econ.), APA   | Mikko Leppänen, B.Sc. (Econ.), CPA              |                        |              |
| Olli Mäkinen, M.Sc. (Econ.), APA  |   |                        |              |



# Organization and divisions of the Orion Group 1.3.1997



The Board of Directors of Orion Corporation, and the Chairman and Vice Chairman of the Supervisory Board. From the left: Pauli Torkko, Asko Perisalo, Juhani Leikola, Aatto Prihti, Seppo Ylppö, Tatu Miettinen and Erkki Etola.

# Managerial Staff March 1, 1997

## Orion Pharma

President Jyrki Mattila

| Orion   | Orion Pharma International                         | Centralized operations   |
|---|--|--|
| President<br><b>Matti Lievonen</b>                                | Olli Raasakka<br>Orion Medipolar                   | President<br>Kari Varkila<br>Clinical Development and Regulatory Affairs   |
| Pekka Kaivola<br>Senior Vice President<br>Domestic Marketing      | Vappu Valkeisenmäki<br>Orion Lääkefarmos           | Pentti Pohto<br>Cardiovascular Research  |
| Ari-Matti Myllyniemi<br>Orion Antimicrobials                      | Antti Loimu<br>OTC products                        | Bo Creutzer<br>Orion Pharma AB<br>HRT & Urology  |
| Osmo Niiranen<br>Orion Cardiovasculars                            | Pekka Järvensivu<br>Medical Information            | Henning Termansen<br>Ercopharm A/S<br>Inflammation   |
| Vesa Kolu<br>Cardiol-marketing                                    | Christer Mangs<br>Animal Health                    | Marjut Ranki-Pesonen<br>Hannu Silvennoinen<br>Product planning and in-licensing                                    |
| Kauko Ruppä<br>Orion Psychotropics                                | Anssi Hakkala<br>Hiven                             | Lasse Lehtonen<br>Cardiology<br>Pasi Salokangas<br>Pharmaceutical Operations                                       |
| Antti Koivisto<br>Easyhaler-marketing                             | Hans Lindroos<br>Product Planning and In-licensing | Esa Heinonen,<br>Kari Reinikainen<br>CNS-drugs<br>Pekka Konsi<br>Manufacturing, Espoo and Kuopio                   |
| Timo Lumme<br>Lanzo-marketing                                     | Kari Ruottinen<br>Finance                          | Hannu Wennonen<br>Exports, Europe, Middle-East<br>Medical Marketing Support<br>Lauri Kangas<br>Oncology            |
| Kari Lajolinna<br>HRT-marketing                                   | Arla Immonen<br>Payroll Management                 | Kalevi Reijonen<br>Exports, America, Asia, Australia, Africa<br>FERMION<br>International Regulatory Affairs        |
| Hilkka Tuhkanen<br>Expros-marketing                               | Matti Kuula<br>Personnel                           | Jorma Mamia<br>Vice President<br>Antti Seppälä<br>USA, Clinical Research   |
| Pekka Heinänen<br>Orion Hospital Sales, Infusions and Anesthetics | Kimmo Viljanen<br>Occupational Health              | Leif Hilden<br>Product Development<br>Kauko Kurkela<br>Preclinical Research and Product Development                |
|   |  | Pekka Kairisalo<br>Quality Assurance<br>Environmental Protection<br>Risto Lammintausta<br>Alfa-2-receptor Research |
|   |  | Heikki Rehtijärvi<br>Quality Assurance<br>Matti Lehtinen<br>Finance  |
|   |  | Lars-Olof Thodén<br>Purchasing   |
|   |  | Lars Ekholm<br>Controller  |

| <b>Oriola</b>                              |                           | <b>Orion Diagnostica</b>            |  | <b>Noiro</b>   | <b>Normet</b>  |
|--|---------------------------|-------------------------------------|--|--|--|
| President                                  | <b>Pertti Kotkas</b>      | President                           |  | President  | President  |
| <b>Seppo Morri</b>                         | Hospital Department       | <b>Matti Vaheri</b>                 |  | <b>Pekka Rautala</b>   | <b>Seppo Kovalainen</b>  |
| <b>Risto Kanerva</b>                       | <b>Juha Blomberg</b>      | <b>Markku Tilus</b>                 |  | Marketing  | <b>Timo Turunen</b>  |
| Distribution Sector                        | Prolab                    | Senior Vice President<br>Controller |  | <b>Harri Mäntynen</b>  | Production   |
| <b>Risto Kanerva</b>                       | <b>Timo Åhman</b>         | <b>Veli Hänninen</b>                |  | Personal Care and<br>Household Products<br>Selective Cosmetics | <b>Pertti Pitkänen</b>   |
| Distribution Finland                       | Kuulolaitekeskus          | Product Development                 |  |  | Controller   |
| <b>Kyösti Aalto</b>                        | <b>Yrjö Avellan</b>       | <b>Marja Sihvola</b>                |  | <b>Jouko Heinonen</b>  | <b>Central Administration</b>  |
| International<br>Distribution              | Medion                    | Operations                          |  | Lumene Cosmetics and<br>Cutrin Hairdressing<br>Products        | <b>Pauli Torkko</b>  |
| <b>Pharmaceutical<br/>Wholesale Sector</b> | <b>Pauli Karasvaara</b>   | <b>Annikka Rantama</b>              |  | <b>Esko Salmenoja</b>  | Executive Vice President<br>Finance and Administration,<br>Acting President since<br>January 1, 1997<br>until further notice |
| <b>Mauri Sarriola</b>                      | Graphic Arts Department   | Quality Assurance                   |  | Institutional and Industrial<br>Cleaning Products              | <b>Timo Halttunen</b>  |
| Wholesale                                  | <b>Dental Care Sector</b> | <b>Lars Lundin</b>                  |  | <b>Carl-Gustav Malmström</b>                                   | Controller   |
| <b>Timo Toivio</b>                         | <b>Ilpo Ihanamäki</b>     | Orion Diagnostica AB                |  | Exports  | <b>Merja Elo</b>   |
| Panfarma                                   | Soredex                   | <b>Jan Ekornrød</b>                 |  | <b>Juha Suikkanen</b>  | Accounting   |
| <b>Marita Kaurala</b>                      | <b>Senja Tynkkynen</b>    | Orion Diagnostica as                |  | Production and Logistics                                       | <b>Ulla Pihlström</b>  |
| Reformi-Keskus                             | Hammasväline              | <b>Steffen Huusom</b>               |  | <b>Leena Kolunen</b>   | Finance, Investor<br>Relations   |
| <b>Timo Åhman</b>                          | <b>Jouko Seppälä</b>      | Orion Diagnostica<br>Danmark A/S    |  | Product Development and<br>Quality Assurance                   | <b>Heikki Salo</b>   |
| Medical and<br>Technical Sector            | Controller                | <b>Larry Porter</b>                 |  | <b>Juha Koivukoski</b>   | Internal Audit   |
|  |                           | Orion Diagnostica Inc.              |  | Finance and<br>Administration,<br>Strategic Planning           | <b>Henry Haarla</b>  |
|  |                           |                                     |  |  | Legal Affairs  |
|  |                           |                                     |  |  | <b>Olli Huotari</b>  |
|  |                           |                                     |  |  | Legal Affairs  |
|  |                           |                                     |  |  | <b>Anne Allo</b>   |
|  |                           |                                     |  |  | Corporate Communi-<br>cations and Investor<br>Relations  |
|  |                           |                                     |  |  | <b>Riitta Kivikoski</b>  |
|  |                           |                                     |  |  | Communications   |
|  |                           |                                     |  |  | <b>Pekka Vaissi</b>  |
|  |                           |                                     |  |  | Tuohilampi   |

# Addresses

## Orion Corporation

### Central Administration

Address Orionintie 1  
02200 Espoo  
Postal address P.O. Box 65  
FIN-02101 Espoo  
Tel. + 358-9-4291  
Fax + 358-9-429 2801  
Telex 124721 orion fi  
Internet <http://www.orion.fi>

## Orion Pharma

### Orion Corporation Orion Pharma

Address Orionintie 1  
02200 Espoo  
Postal address P.O. Box 65  
FIN-02101 Espoo  
Tel. + 358-9-4291  
Fax + 358-9-429 3815  
Telex 124721 orion fi  
Internet <http://www.orion.fi>

## Orion

### Orion Corporation Orion

Address Orionintie 1  
02200 Espoo  
Postal address P.O. Box 65  
FIN-02101 Espoo  
Tel. + 358-9-4291  
Fax + 358-9-429 3815  
Telex 124721 orion.fi

### MARKETING UNITS ORION PHARMACEUTICA

Address Orionintie 1  
02200 Espoo  
Postal address P.O. Box 65  
FIN-02101 Espoo  
Tel. + 358-9-4291  
Fax + 358-9-429 3815  
Telex 124721 orion fi

### LÄÄKEFARMOS

Address Tengströminkatu 6-8  
20360 Turku  
Postal address P.O. Box 425  
FIN-20101 Turku  
Tel. + 358-2-272 7211  
Fax + 358-2-272 7547  
Telex 62114 fayht fi

### MEDIPOLAR

Address Lääketehtaantie 2  
FIN-90650 Oulu  
Tel. + 358-8-5577 111  
Fax + 358-8-5577 101  
Telex 32170 moyo fi

### ORION-FARMOS INC.

Address 501 Juniper Lane  
Bridgewater TWP  
NJ 08807, USA  
Tel. + 1-908-526 6288  
Fax + 1-908-526 6021

### Kansas office

Address 5101 College Blvd  
Suite 202  
Leawood,  
Kansas 66211  
Tel. + 1-913-338 2099  
Fax + 1-913-338 2192

### PHARMACEUTICAL MANUFACTURING ESPOO WORKS

Address Orionintie 1  
02200 Espoo  
Postal address P.O. Box 65  
FIN-02101 Espoo  
Tel. + 358-9-4291  
Fax + 358-9-429 3131  
Telex 124721 orion fi

### KEMIJÄRVI WORKS

Address Pöyliöjärventie 2-8  
98120 Kemijärvi  
Postal address P.O. Box 93  
FIN-98101 Kemijärvi  
Tel. + 358-16-822305  
Fax + 358-16-821736

### KUOPIO WORKS

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

### OULU WORKS

Address Lääketehtaantie 2  
FIN-90650 Oulu  
Tel. + 358-8-557 7111  
Fax + 358-8-557 7101

### SEINÄJOKI WORKS

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

### TURKU WORKS

Address Tengströminkatu 6-8  
20360 Turku  
Postal address P.O. Box 425  
FIN-20101 Turku  
Tel. + 358-2-272 7211  
Fax + 358-2-272 7547  
Telex 62114 fayht fi

### ANIMAL HEALTH BUSINESS

Address Tengströminkatu 8  
20360 Turku  
Postal address P.O. Box 425  
FIN-20101 Turku  
Tel. + 358-2-272 7211  
Fax + 358-2-272 7777  
Telex 62114 fayht fi

### HIVEN OY

Address Yrittäjätie 7  
21530 Paimio  
Postal address P.O. Box 25  
FIN-21531 Paimio  
Tel. + 358-2-470 5211  
Fax + 358-2-470 5252

## Orion Pharma International

### Orion Corporation

#### Orion Pharma International

Address Orionintie 1  
02200 Espoo  
Postal address P.O. Box 65  
FIN-02101 Espoo  
Tel. + 358-9-4291  
Fax + 358-9-429 3815  
Telex 124721 orion fi

### ORION PHARMA AB

Address Djupdalsvägen 7  
Postal address P.O. Box 334,  
S-19130  
Sollentuna, Sweden  
Tel. + 46-8-623 6440  
Fax + 46-8-623 6480  
Telex 11183 erco s

### ORION PHARMA AS

Address Ulvenveien 84  
Postal address P.O. Box 52,  
Økern  
0508 Oslo, Norway  
Tel. + 47-22-887 300  
Fax + 47-22-653 378

### ERCOPHARMA/S

Address Bogeskovvej 9  
DK-3490 Kvistgård  
Denmark  
Tel. + 45-49-138 342  
Fax + 45-49-138 062  
Telex 37155 erco dk

### ORION PHARMA GMBH

Address Albert Einstein Ring 1  
D-22761 Hamburg  
Germany  
Tel. + 49-40-899 6890  
Fax + 49-40-890 1679

**INTERORION AG**  
 Address Untermuli 11CH-6300 Zug, Switzerland  
 Tel. + 41-41-761 9120  
 Fax + 41-41-761 9800  
 Telex 862230 erco ch

**ORION PHARMA AG**  
 Address Untermuli 11 CH-6300 Zug, Switzerland  
 Tel. + 41-41-761 9120  
 Fax + 41-41-761 9800  
 Telex 862230 erco ch

**FINORION KFT.**  
 Address Ulaszlo u. 5 H-1114 Budapest, Hungary  
 Tel. + 36-1-1810 765  
 Fax + 36-1-1810 768

**ORION PHARMA (IRELAND) LTD.**  
 Address c/o Allphar Services Ltd. Burton Hall Park Sandyford Industrial Estate Foxrock Dublin 18, Ireland  
 Tel. + 353-1-295 2226  
 Fax + 353-1-295 5702

**ORION PHARMA (UK) LTD.**  
 Address 1St Floor-Leat House Overbridge Lane Newbury Berkshire RG14 5UX England  
 Tel. + 44-1635 520300  
 Fax + 44-1635 520319

**ORION CORPORATION REPRESENTATIVE OFFICE**  
 Address Mytnaya ul.d. 1, stair 2, office 21 117049 Moscow, Russia  
 Tel. + 7-095-230 0465, 230 0476, 230 0478  
 Fax + 7-095-230 2167  
 Telex 413049 peram su

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

**HANKO WORKS**  
 Postal address P.O.Box 50 FIN-10901 Hanko  
 Tel. + 358-19-28081  
 Fax + 358-19-2808223

**CHEMICAL PLANT, Oulu**  
 Address Lääketehtaantie 2 FIN-90650 Oulu  
 Tel. + 358-8-557 7111  
 Fax + 358-8-557 7107  
 Telex 32170 moyo fi

### Oriola

**Oriola Oy**  
 Address Orionintie 5 02200 Espoo  
 Postal address P.O.Box 8 FIN-02101 Espoo  
 Tel. + 358-9-42999  
 Fax + 358-9-429 3415  
 Internet <http://www.oriola.fi>

**PANFARMA OY**  
 Address Harmaaparrankuja 1 02200 Espoo  
 Postal address P.O.Box 301 FIN-02101 Espoo  
 Tel. + 358-9-42998  
 Fax + 358-9-452 2061

**KUULOLAITEKESKUS OY**  
 Address Orionintie 5 02200 Espoo  
 Postal address P.O.Box 8 FIN-02101 Espoo  
 Tel. + 358-9-429 3300  
 Fax + 358-9-429 3919

**ORION CORPORATION MEDION**  
 Address Nilsiäkatu 10-14 00510 Helsinki  
 Postal address P.O.Box 79 FIN-00511 Helsinki  
 Tel. + 358-9-393 71  
 Fax + 358-9-701 8398  
 Telex 124669 medon fi

**ORION CORPORATION SOREDEX**  
 Address Nilsiäkatu 10-14 00510 Helsinki  
 Postal address P.O.Box 79 FIN-00511 Helsinki  
 Tel. + 358-9-393 71  
 Fax + 358-9-701 5261  
 Telex 123395 sorex fi

**FINNDENT**  
 Address FIN-07230 Monninkylä  
 Tel. + 358-19-643 555  
 Fax + 358-19-643 691  
 Telex 1757 fdent fi

**REGIONAL WHOLESALE CENTRES: ORIOLA OY/KUOPIO**  
 Address Voittikatu 7 FIN-70700 Kuopio  
 Tel. + 358-17-244 111  
 Fax + 358-17-244 230

**ORIOLA OY/OULU**  
 Address Iskontie 3 FIN-90550 Oulu  
 Tel. + 358-8-551 1000  
 Fax + 358-8-551 1220

**ORIOLA OY/SEINÄJOKI**  
 Address Teollisuustie 18 FIN-60100 Seinäjoki  
 Tel. + 358-6-416 7111  
 Fax + 358-6-416 7230

### Subsidiaries abroad:

**AS ORIOLA**  
 Address Saku 8 EE0013 Tallinn, Estonia  
 Tel. + 372-6-500 710  
 Fax + 372-6-500 720

**SIA ORIOLA - RIGA**  
 Address Sencu iela 4 LV-1012 Riga, Latvia  
 Tel. + 371-7-339 103  
 + 371-7-339 104  
 Fax + 371-7-339 127

**UAB ORIOLA - VILNIUS**  
 Address Nemencines plentas 4 2016 Vilnius, Lithuania  
 Tel. + 370-2-768 736  
 Fax + 370-2-768 709

**SOREDEX INC.**  
 Address 200 Beach Airport Road  
 Postal address RT 21 P.O.Box 200 Conroe, Texas 77301 USA  
 Tel. + 1-409-760 3198  
 Fax + 1-409-760 3184



## Orion Diagnostica

### Orion Corporation Orion Diagnostica

Address Koivu-Mankkaan  
tie 6  
02200 Espoo  
Postal address P.O.Box 83  
FIN-02101 Espoo  
Tel. + 358-9-42995  
Fax + 358-9-429 2794  
Telex 124721 orion fi  
Internet  
<http://www.diagnostica.orion.fi>

### TURKU SITE

Postal address P.O.Box 425  
FIN-20101 Turku  
Tel. + 358-2-272 7221  
Fax + 358-2-272 7546  
Telex 62114 fayht fi

### OULUNSALO SITE

Postal address FIN-90460  
Oulunsalo  
Tel. + 358-8-514 2200  
Fax + 358-8-514 2220

### ORION DIAGNOSTICA AB

Address Industrigatan 8  
S-61900 Trosa,  
Sweden  
Tel. + 46-156-53360  
Fax + 46-156-17355  
Telex 13459 orion s

### ORION DIAGNOSTICA AS

Address Solbråveien 43  
1371 Asker,  
Norway  
Postal address Box 321  
1371 Asker,  
Norway  
Tel. + 47-6690 4675  
Fax + 47-6690 4788

### ORION DIAGNOSTICA DANMARK A/S

Address Ndr. Strandvej 119  
3150 Helleb k  
Denmark  
Tel. + 45-49-755 050  
Fax + 45-49-755 055

### ORION DIAGNOSTICA INC.

Address 71 Veronica Avenue  
Somerset, NJ  
08873, USA  
Postal address P.O. Box 218  
Somerset,  
NJ 08875-0218,  
USA  
Tel. + 1-908-246 3366  
Fax + 1-908-246 0570  
Telex 230-844547  
mtc smot

### TAMPERE

(Cutrin-Kadus  
Hair Dressing Products)  
Address Vestonkatu 11  
33730 Tampere  
Postal address  
P.O.Box 276  
FIN-33101 Tampere  
Tel. + 358-0204 877 120  
Fax + 358-0204 877 450

### VALLILA

(Institutional and Wella  
Hair Dressing Products)  
Address Nilsjankatu 8  
(Wella)  
Nilsjankatu 10-14 B  
(Erisan)  
FIN-00510 Helsinki  
Tel. + 358-0204 877 135  
(Erisan)  
+ 358-0204 877 140  
(Wella)  
Fax + 358-0204 877 626  
(Erisan)  
+ 358-0204 877 615  
(Wella)

### Karkone Oy

Address Takkatie 10  
FIN-00370 Helsinki  
Tel. + 358-9-550 071  
Fax + 358-9-5611 225

## Noiro

### Orion Corporation Noiro

Address Lasihytti 1  
02780 Espoo  
Postal address P.O.Box 27  
FIN-02781 Espoo  
Tel. + 358-0204 877 100  
Fax + 358-0204 877 308  
+ 358-9-811 286

### OTHER LOCATIONS:

#### SALPAKANGAS (INSTITUTIONAL PRODUCTS)

Address Kesikankaantie  
29-31  
15870 Hollola  
Postal address P.O.Box 10  
FIN-15871 Hollola  
Tel. + 358-0204 877 130  
Fax + 358-0204 877 509

### TURKU

(Farnos Detergent Sector)  
Address Tengströminkatu 6  
20100 Turku  
Postal address P.O.Box 425  
FIN-20101 Turku  
Tel. + 358-0204 877 110  
Fax + 358-0204 877 770

## Normet

### Orion Corporation Normet

Address Ahmolantie 6  
FIN-74510 Peltosalmi  
Tel. + 358-17-83241  
Fax + 358-17-823 606  
Telex 4418 farmi fi

