Orion Group
Interim Report 1–3/2019

ORION
Building well-being

Orion Group Interim Report January–March 2019

Net sales in January–March 2019 totalled EUR 241 million
(EUR 247 million in January–March 2018).

- Operating profit was EUR 55 (70) million.
- Profit before taxes was EUR 54 (69) million.
- Equity ratio was 52% (53%).
- ROCE before taxes was 26% (37%).
- ROE after taxes was 25% (37%).
- Basic earnings per share were EUR 0.30 (0.38).
- Cash flow per share before financial items was EUR 0.40 (0.39).
- Financial objectives remain unchanged.
- Outlook remains unchanged.

ORION'S KEY FIGURES FOR THE REVIEW PERIOD

	1-3/19	1-3/18	Change %	1-12/18
Net sales, EUR million	**241.0**	247.2	-2.5%	977.5
Operating profit, EUR million	**55.0**	69.8	-21.2%	252.8
% of net sales	**22.8%**	28.2%		25.9%
Profit before taxes, EUR million	**53.9**	68.7	-21.4%	248.4
% of net sales	**22.4%**	27.8%		25.4%
Income tax expense, EUR million	**11.1**	14.9	-25.4%	51.0
R&D expenses, EUR million	**26.4**	25.7	+2.9%	104.0
% of net sales	**11.0%**	10.4%		10.6%
Capital expenditure, EUR million	**6.1**	9.7	-37.1%	64.8
% of net sales	**2.5%**	3.9%		6.6%
Assets total, EUR million	**1,199.7**	1,016.0	+18.1%	1,146.7
Equity ratio, %	**51.5%**	53.3%		68.8%
Gearing, %	**-30.1%**	22.8%		-17.1%
Interest-bearing liabilities, EUR million	**158.3**	190.1	-16.7%	151.5
Non-interest-bearing liabilities, EUR million	**434.5**	286.1	+51.9%	222.1
Cash and cash equivalents and money market investments, EUR million	**341.2**	76.8	+344.2%	283.7
ROCE (before taxes), %	**26.2%**	37.3%		44.3%
ROE (after taxes), %	**24.8%**	36.7%		45.5%
Basic earnings per share, EUR	**0.30**	0.38	-19.1%	1.40
Diluted earnings per share, EUR	**0.30**	0.38	-19.1%	1.40
Cash flow per share before financial items, EUR	**0.40**	0.39	+3.4%	2.32
Equity per share, EUR	**4.31**	3.54	+21.8%	5.50
Personnel at the end of the period	**3,184**	3,161	+0.7%	3,154
Average personnel during the period	**3,183**	3,166	+0.5%	3,179
Personnel expenses, EUR million	**55.1**	51.1	+7.9%	200.7

The Diagnostics business, sold on 30 April 2018, has been reported as a discontinued operation since the interim report 1–3/2018 and is not included in consolidated statement of comprehensive income. The comparative balance sheet at 3/2018 contains the assets and liabilities of the discontinued operation.

President and CEO Timo Lappalainen:

Marketing authorisation applications for darolutamide submitted in main markets

"Orion's key objective in the upcoming years is to systematically strive for growing more rapidly than the growth in the market and to increase our net sales to EUR 1.5 billion by 2025. The capital gain from the sale of the Orion Diagnostica business division in 2018 allows additional investments in our own pharmaceutical research as well as in strengthening our sales and marketing efforts, among other things. It also allows us to maintain the good level of dividends. The growth projects will burden the profit in 2019, but at the same time the investments lay an important basis for our growth targets.

In the first quarter of 2019 Group net sales were EUR 241 (247) million and operating profit was EUR 55 (70) million.

Our single most important growth project during the next few years is the development of the prostate cancer drug darolutamide. The first findings of the randomised (Phase III) ARAMIS clinical trial were presented at the American Society of Clinical Oncology Genitourinary Cancers Symposium ASCO GU 2019 on 14 February 2019. The results were simultaneously published in *The New England Journal of Medicine*, a prestigious medical journal. The results showed a statistically significant improvement in metastasis-free survival (MFS) for darolutamide plus androgen deprivation therapy (ADT) in patients with non-metastatic castration resistant prostate cancer (nmCRPC). Darolutamide plus androgen deprivation therapy was associated with few adverse effects compared with placebo plus androgen deprivation therapy. In late 2018, Bayer started discussions with health authorities regarding the submission for a marketing authorisation, and applications were submitted in the review period in the United States, Japan and Europe.

If FDA were to grant the application a priority review status, the product could be launched in the United States already at the end of this year. We expect to receive information about the application process during April. We are eligible to receive significant milestone payments upon first commercial sales, which amount to EUR 45 million in the United States. We also continue our ongoing trial with Bayer which evaluates darolutamide in patients with metastatic prostate cancer. Darolutamide's commercial potential will grow significantly if this second Phase III clinical trial (ARASENS) yields positive results in around 2022.

The agreement in early December to reacquire the sales and distribution rights for the Parkinson's disease drug Stalevo from Novartis is a concrete action to reinforce Orion's growth targets in Europe. After the review period in early April, the European sales and distribution rights for Comtan were also reacquired by Orion. The repatriation of the Stalevo sales rights will initially increase sales by about EUR 20 million on annual level and that of Comtan sales rights by a few million euros.

Last year we also made the decision to start on our own a Phase III clinical trial (REFALS) evaluating orally administered levosimendan (ODM-109) for the treatment of symptoms of amyotrophic lateral sclerosis (ALS). We will invest approximately EUR 60 million over three years in this project. Patient recruitment for the project has proceeded as planned in the first quarter.

Orion has launched a Phase I clinical trial on the new ODM-209 molecule. This molecule is a selective hormone synthesis inhibitor much like the ODM-208. The trial will investigate the safety and tolerability of the drug candidate in breast cancer and prostate cancer patients.

Orion has decided that it will not independently pursue a trial on the drug candidate for the treatment of symptoms of Parkinson's disease in which a new levodopa/carbidopa formulation is combined with the COMT inhibitor (ODM-104), but will rather look for a potential partner for the project.

Net sales of Proprietary Products decreased slightly from the comparative period. At the moment its most important growth source is the Easyhaler product family for the treatment of asthma and COPD. Due to additional sales following the reacquisition of the Stalevo and Comtan sales and distribution rights, Orion's branded Parkinson's drugs sales are expected in 2019 to remain at the same level as in the previous year despite continuously expanding generic competition. Sales of Dexdor intensive care sedative remained at a good level, growing in most of the countries despite generic competition having expanded to several

European countries. The drug's indication patent expired at the end of March. Also the sales of Simdax, a drug for treatment of acute decompensated heart failure, increased.

Net sales of Specialty Products continued to decrease in Finland due to price competition. We expect prices to continue decreasing in 2019, but we estimate the impact on sales to be slightly lower than in 2018.

The ongoing projects supporting growth are expected to burden Orion's profit in 2019 by an estimated EUR 30 million. This comprises clearly increased depreciation as well as investments in sales and marketing and research. At the same time, operating profit is burdened by intense price competition in the market and gradually expanding generic competition for Orion's old proprietary drugs.

The outlook remains unchanged. Orion estimates that its net sales in 2019 will slightly increase from 2018. Projected net sales include a possible EUR 45 million milestone payment related to the commercialisation of darolutamide. Operating profit is projected to be on the same level as in 2018. The projection includes the possible EUR 45 million milestone payment associated with the commercialisation of darolutamide as well as significant investments in actions to generate growth. The complete outlook estimate and the basis for it can be found in this report under 'Outlook for 2019' and 'Basis for outlook'."

Events during the period

4 Jan 2019	Orion and Fifth Corner Inc. announced cooperation to seek new solutions to improve the quality of life of prostate cancer patients.
9 Jan 2019	The Nomination Committee of Orion Corporation gave its recommendation to the Board of Directors for the proposal to the Annual General Meeting 2019 concerning the composition of the Board of Directors to be elected.
4 Feb 2019	Orion announced the intention to start an open label extension study to the REFALS Phase III clinical trial, studying the effect of oral levosimendan in patients with amyotrophic lateral sclerosis (ALS).
6 Feb 2019	Orion's Board of Directors made a decision regarding a new share-based incentive plan for key persons.
11 Feb 2019	Orion and Propeller Health partnered to bring new digital medicines to people with asthma and COPD.
14 Feb 2019	The findings of the ARAMIS clinical trial were presented at the American Society of Clinical Oncology Genitourinary Cancers Symposium (ASCO GU) 2019.
27 Feb 2019	The rolling submission to FDA for darolutamide in the United States completed.
1 Mar 2019	Orion transferred altogether 47,279 Orion Corporation B shares held by the Company as a share reward for earning periods 2016–2018 and 2018 to the key persons employed by the Orion Group and belonging to the share-based incentive plan of the Orion Group.
5 Mar 2019	Marketing authorisation application for darolutamide was submitted in Japan.
8 Mar 2019	Marketing authorisation application for darolutamide was submitted in Europe.
26 Mar 2019	Orion Corporation's Annual General Meeting was held in Helsinki.

Events after the period

1 Apr 2019 The sales and distribution rights in certain European countries for the Parkinson's disease drug Comtan®, developed by Orion, transferred back to Orion from Novartis. Orion estimates that the return of the sales rights will initially increase its Comtan sales by several million euros on annual level.

News conference and teleconference

A news conference and teleconference on the published results will be held on Thursday 25 April 2019 at 13.30 EEST at Orion's head office (address: Orionintie 1A, Espoo). President and CEO Timo Lappalainen will give a brief presentation in English on the financial review.

The event can be followed as a live webcast accessible on Orion's website at www.orion.fi/en/investors. After the presentation, questions can be asked also via teleconference in Finnish and English.

The conference call ID is 773630 and the telephone numbers to participate in the teleconference are:

Finland: +358 (0)9 7479 0360
Sweden: +46 (0)8 5033 6573
United Kingdom: +44 (0)330 336 9104
United States: +1 323-794-2095

News conference recordings

A recording of the webcast of the event in English and a recording of the presentation by the President and CEO in Finnish will be published on Orion's website during Thursday 25 April 2019.

Financial report material

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

Dates in Orion calendar 2019

Capital Markets Day	Wednesday 22 May 2019
Half-Year Financial Report January–June 2019	Wednesday 17 July 2019
Interim Report January–September 2019	Wednesday 23 October 2019

Capital Markets Day 2019

Orion will host a Capital Markets Day for analysts, institutional investors and media in Helsinki on Wednesday, 22 May 2019. The programme will be published closer to the event.

For additional information about the report:

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www.orion.fi/en/investors

Financial review for 1 January–31 March 2019

Net sales

Orion Group's net sales in January–March 2019 totalled EUR 241 (247) million, a decrease of 3%. Exchange rates impacted net sales positively by EUR 2 million.

Operating profit

The Orion Group's operating profit was down by 21% at EUR 55 (70) million.

Gross profit from product sales was EUR 2 million lower than in the comparative period. The negative effect of net sales calculated in local currencies on gross profit was EUR 3 million, and change in margins also affected the gross profit negatively. Exchange rate changes had a EUR 2 million positive effect on the gross profit.

Milestone payments, royalties and service sales had a negative effect of EUR 3 million. The decline in other operating income also had a EUR 3 million negative impact on the operating profit.

Operating expenses were up by EUR 7 million.

Operating expenses

The Group's sales and marketing expenses totalled EUR 52 (46) million. The growth was due to depreciation associated with the reacquisition of European rights for Stalevo as well as investments in the sales of the Easyhaler product portfolio in particular.

R&D expenses were EUR 26 (26) million. They accounted for 11% (10%) of the Group's net sales. Research projects are reported in more detail under 'Business Review'.

Administrative expenses were EUR 11 (10) million.

Other operating income and expenses were EUR 0 (3) million.

Group's profit

Profit for the period was EUR 43 (57) million.

Basic earnings per share were EUR 0.30 (0.38). Equity per share was EUR 4.31 (3.54).

The return on capital employed before taxes (ROCE) was 26% (37%) and the return on equity after taxes (ROE) 25% (37%).

Financial position

The Group's gearing was -30% (23%) and the equity ratio 52% (53%).

The Group's total liabilities at 31 March 2019 were EUR 593 (476) million. At the end of the period, interest-bearing liabilities amounted to EUR 158 (190) million, including EUR 5 (150) million of long-term loans.

The Group had EUR 341 (77) million of cash and cash equivalents and money market investments at the end of the period. The cash and cash equivalents are invested in short-term money market instruments issued by financially solid financial institutions and corporations.

Non-interest bearing liabilities at the end of the period include dividends that were deducted from equity in March but only paid out in early April. In the comparative period, dividends were paid in March.

Orion signed a EUR 100 million loan agreement with the European Investment Bank in January 2019. The loan is to be raised in 2019.

Cash flow

Cash flow from operating activities was EUR 64 (68) million. Cash flow declined less than the operating profit due to a decrease in cash tied up in working capital.

The cash flow from investing activities was EUR -7 (-14) million.

The cash flow from financing activities was EUR -1 (-141) million. The change is due to the fact that in the comparative period, dividends were paid in March, while in 2019 they were paid only after the review period in April.

Capital expenditure

The Group's capital expenditure totalled EUR 6 (10) million. This comprised EUR 5 (9) million on property, plant and equipment and EUR 1 (1) million on intangible assets.

Key business targets for 2019

- Preparing for the launch and commercialisation of the prostate cancer drug darolutamide in collaboration with Bayer, assuming that the marketing authorisation process progresses as planned. Continued research and development collaboration in the ARASENS trial (metastatic prostate cancer) to expand the indication.
    - Marketing authorisation applications submitted in main markets.
    - With recruitment completed, the ARASENS trial continues as planned.
- Development of orally administered levosimendan (ODM-109) for ALS in phase III clinical trial and preparation for its possible commercialisation. In research and development, the potential of different projects are reviewed with consideration of the total research portfolio.
    - Patient recruitment is proceeding as planned.
- Strengthening Orion's position as the most significant provider of generic drugs in Finland and competitive pricing. Development of a competitive product portfolio in Specialty Products and strengthening of product launches.
    - Orion's sales volume in Finland grew faster than the market.
- Accelerating the growth of the Easyhaler product family and strengthening its market position. The launch of the salmeterol-fluticasone Easyhaler progressing in Europe.
    - Easyhaler product family sales increased by 21 per cent.
- Evaluation of new in-licensing opportunities in Europe, particularly in the area of hospital care.
    - The work continues.

Orion regularly monitors the progress of these goals in its financial reports.

Outlook for 2019 (issued on 6 February 2019)

Orion estimates that in 2019 net sales will be slightly higher than in 2018 (net sales in 2018 were EUR 977 million). The estimated net sales include the possible EUR 45 million milestone payment associated with the commercialisation of darolutamide.

The operating profit is estimated to be at the same level as in 2018 (operating profit in 2018 was EUR 253 million). The estimated operating profit includes the possible EUR 45 million milestone payment associated with the commercialisation of darolutamide as well as significant investments in actions to generate growth.

Basis for outlook in more detail

Orion continues persistent actions to generate growth more rapidly than growth of the market in the long term. The ongoing projects supporting growth are expected to burden Orion's profit in 2019 by an estimated EUR 30 million. This comprises clearly increased depreciation as well as investments in sales and marketing and research. At the same time, operating profit is burdened by intense price competition in the market and gradually expanding generic competition for Orion's old proprietary drugs.

Net sales

The sales of the Easyhaler® product family will continue to grow also in 2019 due to combined formulations (budesonide-formoterol and salmeterol-fluticasone) launched in the past few years.

Orion reacquired from Novartis the European sales and distribution rights for the Parkinson's drugs Stalevo and Comtan in December 2018 and April 2019, respectively. Due to the anticipated additional sales of slightly over EUR 20 million following the transactions, the sales of Orion's branded Parkinson's drugs (Comtess®, Comtan® and Stalevo®) are estimated to remain at the same level as in the previous year despite continuously expanding generic competition.

In several European countries, marketing authorisation has been granted for a generic version of Dexdor®. Generic competition commenced in Germany in 2017 and expanded to a few other European countries during 2018. In 2019, generic competition is estimated to further expand in the EU, and the sales of the product to turn to decline. Orion has also been informed that a marketing authorisation application has been filed for a generic version of Simdax® in Europe. It is, however, difficult to estimate the impact of generic competition on the sales of Dexdor and Simdax. The patent for the Simdax molecule expired in September 2015 but this is still not expected to have a material impact on sales of the product in 2019. Orion is continuing actions to defend its rights.

Sales of generic products account for a significant proportion of Orion's total sales. Competition in Finland, the most important generic market for Orion, remains intense in 2019. However, product launches continue to support Orion's position as market leader in Finland. At the beginning of 2017, changes were made to the pricing system for substitutable prescription drugs in Finland by narrowing the so-called price band. The change caused an estimated EUR 15 million yearly sales decline both in 2017 and 2018. Thus the cumulative two-year negative impact was around EUR 30 million. The 2019 outlook assumes that the impact of the system change and its effect in lowering prices will still be significant, but slightly smaller than in the two previous years. In the first quarter of 2019, the sales of reference priced drugs in the Finnish market declined by 10% and the sales of Orion's reference priced drugs declined by 7% (Source: Pharmarket sales statistics 1-3/2019).

In 2017, the EUR 57 million sales of the biosimilar Remsima® generated a significant portion of the growth in net sales of the Specialty Products business division, but in 2018 Remsima sales were materially lower due to intensified competition and declined price level. Besides Remsima, Orion has launched other biosimilars, such as Ritemvia® (rituximab) and Amgevita® (adalimumab). As a whole, the sales of biosimilars are expected to be at the same level in 2019 as in the previous year.

Collaboration agreements with other pharmaceutical companies are an important component of Orion's business model. Agreements often include payments recorded in net sales that vary greatly from year to year. Forecasting the timing and amount of these payments is difficult. In some cases they are conditional on, for instance, the progress or findings of research projects, which are not known until studies have been completed. On the other hand, neither the outcome nor the schedule of contract negotiations is

generally known before the final signing of the agreement. The possible EUR 45 million milestone payment associated with the commercialisation of the prostate cancer drug darolutamide in the United States is included in the outlook for 2019. However, there is still significant uncertainty regarding its timing. Earliest the milestone can materialize during fourth quarter of 2019.

Expenditure

The start of production at Fermion's new manufacturing plant in Hanko increases production costs by around EUR 3 million following depreciation. The investment is an important part of Orion's preparation for the future. In the short term, however, increased depreciation has a negative impact on profit since the new plant replaces the one built in the 1970s.

Marketing expenditure will be higher than in the previous year due to additional promotion of sales of the Easyhaler product portfolio in countries where these products have been launched in recent years. In 2019, expenditure will also be increased by a EUR 11 million depreciation related to the acquisition of European sales and distribution rights for the Parkinson's drug Stalevo. Orion paid USD 24.5 million for the transfer of the sales rights in December 2018, and the investment will be depreciated over two years.

Because the registrations and launches of new products are projects that generally take more than a year, the increases in resources and other inputs required in 2019 were mainly planned during the previous year.

Research and development costs are estimated to be higher than in 2018, in particular due to the Phase III REFALS clinical trial evaluating levosimendan (ODM-109) for the treatment of symptoms of ALS. Of the EUR 60 million total investment in the roughly three-year trial, it is estimated that more than EUR 25 million will be spent in 2019. Research and development costs are partly the Company's internal fixed cost items, such as salaries and maintenance of the operating infrastructure, and partly external variable costs. External costs arise from, among other things, long-term clinical trials, which are typically performed in clinics located in several countries. The most important clinical trials scheduled for 2019 are either continuing from the previous year or at an advanced stage of planning, therefore their cost level can be estimated rather accurately. However, the accrued costs are materially affected by collaboration arrangements and how the costs arising are allocated between Orion and its collaboration partners. For instance, Bayer is paying the majority of the darolutamide research costs.

Investments

The Group's total capital expenditure in 2019 is expected to be lower than in 2018, when capital expenditure was EUR 65 million.

Near-term risks and uncertainties

The reacquisition of European sales and distribution rights for Stalevo and Comtan will generate additional sales for Orion's branded Parkinson's drugs in 2019. On the other hand, sales will decline due to continued generic competition. These effects have been taken into account in the outlook estimate for the current year. However, they still entail uncertainty that may materially affect the accuracy of the estimate made at this stage.

The basic Dexdor and Simdax patents have expired and Dexdor's indication patent expired at the end of March 2019. In several European countries, marketing authorisation has been granted for a generic version of Dexdor. Generic competition commenced in Germany in 2017 and expanded to a few other European countries during 2018. In 2019, generic competition is estimated to further expand in the EU, and the sales of the product to turn to decline. Orion has also been informed that a marketing authorisation application has been filed for a generic version of Simdax in Europe. It is, however, difficult to estimate the impact of generic competition on the sales of Dexdor and Simdax. As regards Simdax, the possible generic competition is still not estimated to materially impact its sales in 2019.

Sales of individual products and also Orion's sales in individual markets may vary, for example depending on the extent to which the ever-tougher price and other competition prevailing in pharmaceuticals

markets in recent years will specifically focus on Orion's products. Deliveries of Parkinson's drugs to Novartis, the most important collaboration partner, are based on timetables that are jointly agreed in advance. Nevertheless, they can change, for example as a consequence of decisions by Novartis concerning adjustments of stock levels. In addition, changes in market prices and exchange rates affect the value of deliveries to Novartis.

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

Orion's broad product range may cause risks to the delivery reliability and make it challenging to maintain the high quality standard required in production. Authorities and key customers in different countries undertake regular and detailed inspections of development and manufacturing of drugs at Orion's production sites. Any remedial actions that may be required may at least temporarily have effects that decrease delivery reliability and increase costs. Orion's product range also includes products manufactured by other pharmaceutical companies. Possible problems related to the delivery reliability or quality of the products of those manufacturers may cause a risk to Orion's delivery reliability. The single-channel system used for pharmaceuticals distribution in Finland, in which Orion's products have been delivered to customers through only one wholesaler, may also cause risks to delivery reliability. To ensure deliveries, in addition to Oriola Finland Oy, there are also other distributors temporarily distributing certain Orion products.

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

Collaboration arrangements are an important component of Orion's business model. Possible collaboration and licensing agreements related to these arrangements also often include payments to be recorded in net sales that may materially affect Orion's financial results. In 2014–2018 the annual payments varied from EUR 5 million to EUR 39 million. The payments may be subject to certain conditions relating to the development of research projects or sales, and whether these conditions are triggered and the timing of triggering always entail uncertainties. The possible EUR 45 million milestone payment associated with the commercialisation of the prostate cancer drug darolutamide in the United States is included in the outlook for 2019. However, there is still significant uncertainty regarding its timing. Earliest the milestone can materialize during fourth quarter of 2019.

Orion's dividend distribution policy

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

Financial objectives

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

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

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

R&D projects that have made promising progress will probably somewhat increase the Company's research expenses in the next few years. However, agreements already made relating to research projects and their good progress, and possible new agreements with partners relating to other projects are expected to generate material milestone payments in coming years. Successful projects will have a positive effect on Orion's net sales and especially operating profit even before possible approval of new proprietary drugs and before the actual commencement of product sales.

Orion's values

Orion's Board of Directors approved Orion's new values in February. They are:

We Orionees:

Appreciate each other
We succeed, face challenges and learn together. We build in all collaboration on mutual trust, appreciation and diversity.

Strive for excellence
We aim at high performance in everything we do. We embrace safety and quality. We actively develop our operations and work in sustainable way.

Build the future
We create solutions for the future together with our customers. We fight diseases by innovative treatments to improve quality of lives.

Shares and shareholders

On 31 March 2019, Orion had a total of 141,257,828 (141,257,828) shares, of which 37,120,346 (37,120,346) were A shares and 104,137,482 (104,137,482) B shares. The Group's share capital is EUR 92,238,541.46 (92,238,541.46). At the end of March, Orion held 515,161 (562,440) B shares as treasury shares. On 31 March 2019, the aggregate number of votes conferred by the A and B shares was 846,029,241 (845,981,962) excluding treasury shares.

At the end of March 2019, Orion had 71,209 (69,453) registered shareholders.

Voting rights conferred by shares

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

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

Conversion of shares

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. No shares were converted in January-March 2019.

Trading in Orion's shares

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

On 31 March 2019, the market capitalisation of the Company's shares, excluding treasury shares, was EUR 4,701 million.

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

Authorisations of the Board of Directors

Orion's Board of Directors was authorised by the Annual General Meeting on 26 March 2019 to decide on acquisition of shares in the Company and on a share issue in which shares held by the Company can be conveyed. The Board of Directors is authorised to decide on the acquisition of no more than 350,000 Orion Corporation B shares. The acquisition authorisation to acquire shares is valid for 18 months from the decision taken by the Annual General Meeting. The Board of Directors is authorised to decide on a share issue in which no more than 850,000 B shares held by the Company can be conveyed. The authorisation to issue shares is valid for five years from the decision taken by the Annual General Meeting. The decision to authorise a share issue revoked a previous authorisation to issue shares taken by Orion Corporation's Annual General Meeting on 22 March 2016 to the extent that it remained unused.

The terms and conditions of the authorisations are reported in more detail in a stock exchange release on 26 March 2019.

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

Share-based incentive plans

The Group has two currently operating share-based incentive plans for key persons of the Group: Orion Group's Long-Term Incentive Plan 2016, announced in a stock exchange release published on 2 February 2016 and Orion Group's Long-Term Incentive Plan 2019, announced in a stock exchange release published on 6 February 2019.

Orion transferred in March 47,279 Orion Corporation B shares held by the Company as a share reward for earning periods 2016–2018 and 2018 to the key persons employed by the Orion Group and belonging to the share-based incentive plan of the Orion Group. The transfer is based on the authorisation granted by the Annual General Meeting on 22 March 2016.

Shares received based on the one-year earning periods under the share-based incentive plan of 2016 cannot be transferred during the restricted period defined for the plan. For the three-year earning periods, there is no restricted period.

Under the share-based incentive plan of 2019, the one-year earning period involves a two-year restricted period and the two-year earning period a one-year restricted period, during which time the awarded shares may not be transferred. There is no restricted period associated with the three-year earning periods.

Share ownership

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

At the end of March 2019, Orion had a total of 71,209 (69,453) registered shareholders, of whom 95% (95%) were private individuals. They held 42% (42%) of the entire share stock and had 61% (62%) of the total votes. There were 47 (50) million nominee-registered and foreign-owned shares, which was 33% (35%) of all shares, and they conferred entitlement to 8% (8%) of the total votes.

At the end of March 2019, Orion held 515,161 (562,440) B shares as treasury shares, which is 0.4% (0.4%) of the Company's total share stock and 0.06% (0.07%) of the total votes.

Decisions by the Annual General Meeting

The Annual General Meeting of the Shareholders of Orion Corporation was held on 26 March 2019 in Messukeskus Helsinki. The following matters among others were handled at the Annual General Meeting:

Adoption of the Financial Statements for financial year 1 January – 31 December 2018

The AGM confirmed the financial statements of the parent company and the Group as per 31 December 2018.

Dividend EUR 1.50 per share

The AGM resolved, in accordance with the proposal by the Board of Directors, that a dividend of EUR 1.50 per share will be paid on the basis of the Balance Sheet confirmed for the financial year that ended on 31 December 2018. The record date for dividend distribution was 28 March 2019 and the payment date was 4 April 2019.

Discharge from liability

The members of the Board of Directors and the President and CEO were discharged from liability for the financial period of 1 January – 31 December 2018.

Remunerations to be paid to the Board of Directors

The Annual General Meeting decided that as an annual fee, the Chairman shall receive EUR 84,000, the Vice Chairman shall receive EUR 55,000 and the other members shall receive EUR 42,000 each. As a fee for each meeting attended, the Chairman shall receive EUR 1,200, the Vice Chairman shall receive EUR 900 and the other members shall receive EUR 600 each. The travel expenses of the Board members shall be paid in accordance with previously adopted practice. The aforementioned fees shall also be paid to the Chairmen and to the members of the committees established by the Board, for each committee meeting attended.

Of the annual fee, 60% shall be paid in cash and 40% in Orion Corporation B-shares, which shall be acquired to the members during 26 April – 3 May 2019 from the stock exchange in amounts corresponding to EUR 33,600 for the Chairman, EUR 22,000 for the Vice Chairman and EUR 16,800 for each of the other members. The part of the annual fee that is to be paid in cash corresponds to the approximate sum necessary for the payment of the income taxes on the fees and shall be paid no later than 31 May 2019. The annual fees encompass the full term of office of the Board of Directors. In addition, the AGM decided that the Company shall pay the transfer tax related to the part of the annual fee of the Board of Directors paid in shares.

Members and Chairman of the Board of Directors

The number of members on the Board of Directors was confirmed to be seven. Ari Lehtoranta, Timo Maasilta, Hilpi Rautelin, Eija Ronkainen, Mikael Silvennoinen and Heikki Westerlund were re-elected as members to the Board of Directors for the next term of office, and Pia Kalsta was elected as a new member. Heikki Westerlund was re-elected as Chairman.

Auditor and their remuneration

Authorised Public Accountants KPMG Oy Ab were elected as the Company's auditor. The remunerations to the Auditor shall be paid on the basis of invoicing approved by the Company.

Organisation of the Board of Directors

In its constitutive meeting following the AGM, the Board of Directors elected Timo Maasilta to serve as Vice Chairman.

Notification threshold

There were no threshold notifications in January–March 2019.

Personnel

The average number of employees in the Orion Group in January–March 2019 was 3,183 (3,166). At the end of March 2019, the Group had a total of 3,184 (3,161) employees, of whom 2,514 (2,506) worked in Finland and 670 (655) outside Finland.

Salaries and other personnel expenses in January–March 2019 totalled EUR 55 (51) million.

Significant legal proceedings

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

Business review

Review of human pharmaceuticals market

Finland is the most important individual market for Orion, generating about one-third of the Group's net sales. According to Pharmarket statistics (1–3/2019), the share of reference priced drugs of Orion's prescription drug sales in the Finnish pharmacy channel was approximately 67% (Source: Pharmarket). The sales volume of Orion's reference priced prescription drugs developed slightly better than the market, but in euros sales declined from the comparative period due to continuing price competition. The average price of reference priced drugs in the market decreased in January–March 2019 by approximately 10% from the comparative period (Source: Pharmarket). The impact of price competition on Orion has been significant due to the Company's broad product range and significant market share in Finland. The total sales of Orion's human pharmaceuticals, including both medicinal and non-medicinal products, was behind market trend. The growth in the Finnish pharmaceuticals market has mostly been generated by proprietary products, while they only account for a small share of Orion's net sales in Finland.

Sales of human pharmaceuticals in Finland (medicinal and non-medicinal products):

EUR million	1-3/19	1-3/18	Change %
Reference priced prescription drugs (pharmacy channel)			
Market	106	118	-10%
Orion	28	30	-7%
Self-care products (pharmacy channel)			
Market	103	104	-1%
Orion	25	25	-1%
Total sales of human pharmaceuticals (hospital and pharmacy channel)			
Market	676	647	+4%
Orion	76	79	-4%

Source: Pharmarket sales statistics 1-3/2019

Despite the challenging operating environment, Orion has maintained its position as leader in marketing pharmaceuticals in Finland. Orion has a particularly strong position in reference priced prescription drugs and in self-care product sales, with its market share being a quarter of the market in each.

Orion's market share in the sales of human pharmaceuticals in Finland (medicinal and non-medicinal products):

Orion's market share, %	1-3/19	1-3/18
Reference priced prescription drugs (pharmacy channel)	26%	26%
Self-care products (pharmacy channel)	24%	24%
Human pharmaceuticals in total (hospital and pharmacy channel)	11%	12%

Source: Pharmarket sales statistics 1-3/2019

Orion is a significant player also in the Scandinavian generic drugs market.

The treatment of Parkinson's disease continues to be an important therapy area for Orion. In January–March 2019, Orion's branded Parkinson's drugs containing entacapone (Stalevo®, Comtess® and Comtan®) accounted for 9% (11%) of the Group's net sales.

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

EUR or USD million		MAT12/2018	MAT12/2017	Change %
United States	USD	**4**	6	-29%
Europe TOP 5	EUR	**40**	52	-23%
Japan	EUR	**66**	73	-10%

Source: IQVIA pharmaceutical sales statistics MAT12/2018
Europe TOP 5: Germany, United Kingdom, France, Spain and Italy

According to IQVIA pharmaceutical sales statistics, in Europe total sales of the most common intravenous anaesthetics and intensive care sedatives (propofol, midazolam, remifentanil and dexmedetomidine) in the 12-month period ending in December 2018 were up by 5% at EUR 569 (542) million. Sales of Orion's Dexdor® intensive care sedative (dexmedetomidine) totalled EUR 64 (64) million (+0%) in Europe, according to IQVIA pharmaceutical sales statistics.

Net sales and operating profit

Net sales in January-March 2019 were down by 3% at EUR 241 (247) million. Operating profit was down by 21% at EUR 55 (70) million. Milestone payments accounted for EUR 1 (3) million and royalties for EUR 3 (4) million of net sales and operating profit. Operating profit was 23% (28%) of net sales.

Net sales of Orion's top ten pharmaceuticals in January–March 2019 totalled EUR 119 (119) million. They accounted for 49% (48%) of the total net sales.

Proprietary Products

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

Net sales of the Proprietary Products business division in January-March 2019 were down by 4% at EUR 89 (93) million.

Total net sales of the Easyhaler product family for treatment of asthma and chronic obstructive pulmonary disease were up by 21% in January-March 2019 at EUR 26 (22) million. Orion's Easyhaler is a dry-powder inhaler developed in-house, for which Orion has developed Easyhaler-adapted dry powder formulations of

several well-known generic active pharmaceutical ingredients (salbutamol, beclometasone, budesonide, formoterol, salmeterol and fluticasone). The growth of the Easyhaler product family in January–March 2019 was mainly due to the strong sales of the budesonide-formoterol combined formulation, which was up by 35% at EUR 15 (11) million. Launched in 2014, the product is on sale in all key European markets. Besides Orion's sales, co-marketing partner Menarini sells the budesonide-formoterol combined formulation in France and in a few Southern European countries. The first marketing authorisation applications have also been submitted outside Europe. Menarini is the distributor of the budesonide-formoterol combined formulation in the Asia and Pacific region, and Hikma Pharmaceuticals PLC in the Middle East and North Africa.

Orion's market position in budesonide-formoterol product varies considerably by country. Orion still expects to be able to generate growth. During last year Orion increased its resources in the sales and marketing of the Easyhaler product family particularly in Germany.

In March 2018, Orion received positive conclusions for the salmeterol-fluticasone Easyhaler under the decentralised EU marketing authorisation procedure, and the national approval procedures of the marketing authorisation applications started in 23 EU countries. Sales started in the first European countries in the last quarter of 2018. The salmeterol-fluticasone combined formulation is the sixth product of the Easyhaler product family. In this formulation fluticasone acts as an anti-inflammatory agent and salmeterol acts as a long-acting bronchodilator.

Orion is also currently engaged in developing a seventh Easyhaler product, with tiotropium as the active pharmaceutical ingredient, for the European market. The expansion of Easyhaler production facility at the Espoo pharmaceuticals production plant was completed in the first half of the year, which will allow production volumes to increase as the product family expands.

Orion and Propeller Health, a leading digital therapeutics company, announced a partnership in February to connect the Easyhaler® line of inhalers for asthma and COPD to Propeller's digital medicine platform. Orion's existing line of Easyhaler® products will connect to Propeller's digital medicine platform via a small, custom-built sensor. The sensor, which is being developed collaboratively under this agreement, attaches to the inhaler and pairs with a mobile app. Propeller automatically tracks medication use and provides personal feedback and insights that help individuals and their doctors manage and reduce symptoms.

Orion's drugs for treatment of Parkinson's disease are Stalevo® (active pharmaceutical ingredients carbidopa, levodopa and entacapone) and Comtess®/Comtan® (entacapone). Their total net sales in January–March 2019 were down by 25% at EUR 21 (28) million. Strong fluctuations between quarters have been a typical feature in product sales due to the timing of deliveries to key partners. In the longer term, Orion expects sales of Parkinson's drugs to continue to decrease, as the products have generic competition in practically all markets. In the United States, Orion's Parkinson's drugs have several generic competitors, and competition is increasing in Europe and also in other markets. In Japan Comtan has generic competitors, but generic competition to Stalevo has not yet commenced.

Breakdown of sales of Parkinson's drugs:

EUR million	1-3/2019	1-3/2018	Change %
Deliveries to key partners	**13**	23	-42%
Orion's own sales	**8**	6	+47%

The agreement in early December to reacquire the sales and distribution rights for the Parkinson's disease drug Stalevo from Novartis reinforced Orion's growth targets in Europe. After the review period in early April, the European sales and distribution rights for Comtan were also reacquired by Orion. The repatriation of the Stalevo sales rights will initially increase sales by about EUR 20 million on annual level and that of Comtan sales rights by several million euros.

Due to additional sales following the reacquisition of the Stalevo and Comtan sales and distribution rights, Orion's branded Parkinson's drugs sales are expected in 2019 to remain at the same level as in the previous year despite continuously expanding generic competition. Orion has paid approximately USD 28

million for the transfer of Stalevo and Comtan sales rights. The investment will be depreciated over two years.

Net sales of Orion's Dexdor® intensive care sedative (dexmedetomidine) increased by 10% to EUR 19 (18) million. Sales continued to grow in almost all European markets, which compensated the decline in the countries where the product has generic competition. Dexdor's indication patent expired on 31 March 2019. Significant generic competition existed only in a handful of countries despite the fact that the drug's generic versions have received marketing authorisation in several European countries. It is to be assumed that generic competition to the product will continue to gradually expand in the EU now that the patents have expired. However, there are country-specific differences in the expansion, which depend on the timing of tendering competitions, among other things. Sales of the Precedex® intensive care sedative were down by 52% at EUR 3 (5) million. The sales comprise both royalties and sales of the pharmaceutical ingredient.

Simdax®, a drug for treatment of acute decompensated heart failure is sold in some 60 countries worldwide. The drug's net sales in January–March increased by 16% to EUR 17 (14) million. Orion was informed in the first quarter of 2018 that a marketing authorisation application has been filed for a generic version of Simdax in Europe. The patent for the product's molecule expired in 2015, but possible generic competition is still not expected to have a material impact on sales of the product in 2019.

Orion is prepared for the commercialisation of darolutamide, the drug developed in cooperation with Bayer, and announced that it will exercise its co-promotion option in Europe as agreed with Bayer. In addition, Orion will manufacture the product for global markets. Preparations for manufacturing the active pharmaceutical ingredient of darolutamide as well as the tablets are underway.

Specialty Products

Net sales of the Specialty Products business division's off-patent, i.e. generic prescription drugs, self-care products and biosimilars were down in January–March 2019 by 5% at EUR 111 (118) million.

Finland, Scandinavia and Eastern Europe and Russia are the most important markets for Specialty Products. The business division's sales in Finland in January–March 2019 totalled EUR 65 (68) million, down 4%. Sales declined in particular due to continued intensive price competition in generic drugs, mostly resulting from the changing operating environment, in other words the change made to the pricing system for substitutable prescription drugs in Finland at the beginning of 2017. Price competition reduced Orion's sales in Finland by approximately EUR 15 million annually both in 2017 and 2018. Orion estimates that the impact of the system change and its effect in lowering prices will still be significant in 2019, but slightly smaller than in 2018.

In Scandinavia the sales of Specialty Products totalled EUR 22 (21) million, up 6%. In Eastern Europe and Russia, Specialty Products sales were down by 8% at EUR 14 (15) million.

In Specialty Products, 66 (67)% of the net sales came from generic drugs, 26 (24)% from self-care products and 8 (9)% from biosimilars. The biosimilars net sales totalled EUR 9 (11) million, down by 12%. In 2018 Orion won the Norwegian national tender for Remsima (infliximab), and deliveries have started in the first quarter of 2019, as planned. The sales of Ritemvia (rituximab) is proceeding according to the opening of tendering competitions. The launch and sales of Amgevita (adalimumab) have proceeded according to plan.

Animal Health

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

The first quarter was good in Animal Health as a whole. Net sales of the business division in January–March 2019 were up by 3% at EUR 21 (20) million. At EUR 10 (8) million, sales of animal sedative products accounted for 47% (42%) of the Animal Health business division's total net sales. The animal sedative

product family comprises Orion's animal sedatives Dexdomitor® (dexmedetomidine), Domitor® (medetomidine) and Domosedan® (detomidine), and antagonist Antisedan® (atipamezole), which reverses the effects of the sedatives.

In February 2018, Orion received positive conclusions under the decentralised EU marketing authorisation procedure for Clevor®. Clevor, with ropinirole as the active pharmaceutical ingredient, is an eye-drop formula designed to treat poisoning in dogs. The product is set to be launched at the end of 2019. Orion is currently developing an online service, ToxBuddy, to provide veterinary practitioners with information and support for treating poisoning in dogs. The service launch is planned for June 2019. The service gives tools for the practitioner to assess the severity of poisoning and receive treatment instructions, among other things.

Fermion

Fermion manufactures active pharmaceutical ingredients for Orion and other pharmaceutical companies. Its product range comprises nearly 30 pharmaceutical ingredients. Fermion's aim is to captively produce the active pharmaceutical ingredients for Orion's in-house developed proprietary drugs. For other pharmaceutical companies Fermion manufactures generic pharmaceutical ingredients and offers contract manufacturing services for development and manufacturing of new active pharmaceutical ingredients.

Fermion's net sales excluding deliveries for Orion's own use were EUR 15 (12) million and accounted for over one-half of Fermion's total net sales. In recent years order cycles in the trade in pharmaceutical raw materials have become ever shorter, and this has led to clearly greater fluctuation in business volume than before within each year and between different years.

Research and development

The Group's R&D expenses in January–March remained similar to the comparative period, at EUR 26 (26) million. They accounted for 11% (10%) of the Group's net sales. R&D expenses also include expenses related to development of the current portfolio.

In the first quarter of 2018, Orion started a research project to expand the Easyhaler product family for treatment of asthma and COPD, by developing a tiotropium formulation for European markets. The bioequivalence study with the formulation is ongoing. Tiotropium is a long-acting anticholinergic bronchodilator used in the treatment of chronic obstructive pulmonary disease.

In October 2018 Orion and Bayer completed the Phase III clinical trial (ARAMIS) of darolutamide, the novel oral androgen receptor antagonist for the treatment of patients with non-metastatic castration resistant prostate cancer (nmCRPC). The primary endpoint of the trial was met in October 2018: Darolutamide significantly extended metastasis-free survival compared to placebo. The safety profile and the tolerability of darolutamide were consistent with previously published data.

The first findings of the randomised (Phase III) ARAMIS clinical trial were presented at the American Society of Clinical Oncology Genitourinary Cancers Symposium, ASCO GU 2019, on 14 February 2019. The results were simultaneously published in *The New England Journal of Medicine*, a prestigious medical journal. The results indicate that darolutamide plus androgen deprivation therapy (ADT) significantly extended metastasis-free survival. The extension in metastasis-free survival was statistically significant in comparison with placebo plus traditional therapy (ADT). Overall survival was also positively affected: risk of death (for any reason) was 29 per cent lower in the darolutamide group. Darolutamide was associated with few adverse effects compared with placebo plus androgen deprivation therapy.

In the review period, Bayer submitted marketing authorisation applications for darolutamide to the United States Food and Drug Administration (FDA), Japan's Ministry of Health and European Medicines Agency (EMA). Applications for other markets are currently being submitted.

If the US FDA were to grant the application a priority review status, the product could be launched in the United States already at the end of this year.

In addition to the completed ARAMIS trial, Orion and Bayer also have another ongoing Phase III clinical trial (ARASENS), which evaluates the efficacy and safety of darolutamide in the treatment of patients with newly diagnosed metastatic hormone-sensitive prostate cancer (mHSPC) who are starting hormone therapy. The treatment is darolutamide in combination with hormonal therapy (androgen deprivation

therapy) and docetaxel, a chemotherapy drug. The trial, which commenced at the end of 2016, is on track, and patient recruitment was finalized in the second quarter of 2018. The trial is estimated to be completed in 2022.

In the second quarter of 2018, Orion recruited the first patients in the Phase III clinical trial (REFALS) in which orally administered levosimendan (ODM-109) is being evaluated for the treatment of symptoms of amyotrophic lateral sclerosis (ALS). International recruitment is ongoing. The purpose of the trial is to demonstrate that orally administered levosimendan, by enhancing respiratory muscle function, can help maintain breathing capacity and so benefit overall functioning of patients with ALS. Levosimendan does not cure ALS. The aim is to delay the need for ventilation support and thus improve the patient's quality of life. Orion is conducting the trial on its own and is investing around EUR 60 million in the study over approximately three years. If the results of the trial are positive, Orion aims to file for marketing authorisation in the United States and Europe. Orally administered levosimendan has acquired an Orphan Drug Designation in the US and in the EU. The trial will involve 450 patients and approximately a hundred clinical sites in the United States, Canada, the EU and Australia. The patients will be treated in the trial for around one year. Levosimendan is a molecule developed by Orion and launched already in 2000 for the treatment of acute decompensated heart failure.

In the second quarter of 2018, Orion completed the Phase II clinical trial with a drug candidate for the treatment of symptoms of Parkinson's disease in which a new levodopa/carbidopa formulation is combined with the COMT inhibitor (ODM-104) developed by Orion. Orion has analysed the results and evaluated moving on to Phase III. Decisions have been made with consideration of the totality of Orion's R&D projects as well as alternative investment opportunities in other research projects. Orion has decided not to move on to Phase III on its own but is looking for a partner for further development.

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

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

In the first quarter of 2018, Orion commenced a Phase I clinical trial for the development of a novel selective hormone synthesis inhibitor (CYP11A1 inhibitor) for castration resistant prostate cancer. Patient recruitment is proceeding as planned. In preclinical studies, the molecule (ODM-208) has shown antitumor activity. It has potential efficacy also for those cancers that have become resistant to the standard hormonal treatments. Orion is the first pharmaceutical company to develop a drug with this mechanism. The trial will investigate the safety and tolerability of the drug candidate in prostate cancer patients, but Orion also plans to study the potential of the molecule for breast cancer treatment.

Orion has launched a Phase I clinical trial on the ODM-209 molecule. This molecule is a selective hormone synthesis inhibitor (CYP11A1 inhibitor) much like the ODM-208. In preclinical studies, the molecule (ODM-209) has shown antitumor activity. Like ODM-208, it has potential efficacy also for those hormone-dependent cancers that have become resistant to the standard hormonal treatments. The trial will investigate the safety and tolerability of the drug candidate in breast cancer and prostate cancer patients.

Orion also has several projects in the early research phase investigating central nervous system diseases, cancer, neuropathic pain and rare diseases regarded as Finnish heritage diseases, among others.

Espoo, 25 April 2019

Board of Directors of Orion Corporation

Orion Corporation

Timo Lappalainen
President and CEO

Jari Karlson
CFO

Tables

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	1-3/19	1-3/18	Change %	1-12/18
Net sales	**241.0**	247.2	-2.5%	977.5
Cost of goods sold	**-96.6**	-97.6	-1.1%	-387.9
Gross profit	**144.5**	149.6	-3.4%	589.6
Other operating income and expenses	**0.1**	2.7	-96.9%	5.5
Sales and marketing expenses	**-52.0**	-46.4	+12.1%	-195.3
R&D expenses	**-26.4**	-25.7	+2.9%	-104.0
Administrative expenses	**-11.1**	-10.4	+6.5%	-43.0
Operating profit	**55.0**	69.8	-21.2%	252.8
Finance income	**0.2**	0.0	-494.5%	0.3
Finance expenses	**-1.2**	-1.2	-0.4%	-4.7
Profit before taxes	**53.9**	68.7	-21.4%	248.4
Income tax expense	**-11.1**	-14.9	-25.4%	-51.0
Profit for the period for continuing operations	**42.8**	53.7	-20.3%	197.3
Profit for the period for discontinued operations		3.4		132.9
Profit for the period	**42.8**	57.1	-25.0%	330.3
OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS				
Translation differences	**0.8**	-0.3		-1.7
Items that may be reclassified subsequently to profit and loss	**0.8**	-0.3		-1.7
Items due to remeasurement of defined benefit pension plans (continuing operations)	**-0.0**			-21.4
Items due to remeasurement of defined benefit pension plans (discontinued operations)		-0.0		2.9
Items that will not be reclassified to profit and loss	**-0.0**	-0.0		-18.5
Other comprehensive income net of tax	**0.8**	-0.3		-20.1
Comprehensive income for the period including tax effects	**43.6**	56.8	-23.2%	310.1
PROFIT ATTRIBUTABLE TO:				
Owners of the parent company	**42.8**	57.1	-25.0%	330.3
Non-controlling interests		0.0		
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent company	**43.6**	56.8	-23.2%	310.1
Non-controlling interests		0.0		
Continuing operations				
Basic earnings per share, EUR[1]	**0.30**	0.38	-19.1%	1.40
Diluted earnings per share, EUR[1]	**0.30**	0.38	-19.1%	1.40
Depreciation, amortisation and impairment	**13.6**	9.8	+38.8%	41.1
Personnel expenses	**55.1**	51.1	+7.9%	200.7

Discontinued operations

Basic earnings per share, EUR[1]	0.02	0.95
Diluted earnings per share, EUR[1]	0.02	0.95

Depreciation, amortisation and impairment	0.7	0.7
Personnel expenses	4.0	2.1

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

The Diagnostics business, sold on 30 April 2018, has been reported as a discontinued operation since the interim report 1–3/2018.

IFRS 16 has been adopted by using simplified retrospective method, and therefore figures of the comparative periods have not been adjusted.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS EUR million	3/19	3/18	Change %	12/18
Property, plant and equipment	**320.2**	313.8	+2.1%	316.9
Goodwill	**13.5**	13.5		13.5
Intangible rights	**43.7**	28.0	+56.1%	47.5
Other intangible assets	**2.7**	2.5	+8.1%	2.7
Investments in associates	**0.1**	0.1	-1.8%	0.1
Other investments	**0.3**	0.3	-1.5%	0.3
Pension asset	**31.2**	50.1	-37.7%	31.5
Deferred tax assets	**5.3**	5.3	-0.7%	5.1
Other non-current assets	**0.9**	2.0	-54.6%	0.9
Non-current assets total	**417.8**	415.5	+0.6%	418.5
Inventories	**220.4**	216.0	+2.0%	222.1
Trade receivables	**178.6**	197.0	-9.3%	188.8
Other receivables	**41.7**	54.8	-23.9%	33.7
Money market investments	**36.6**			35.0
Cash and cash equivalents	**304.6**	76.8	+296.8%	248.7
Current assets total	**781.8**	544.5	+43.6%	728.2
Assets held for sale		55.9		
Assets total	**1,199.7**	1,016.0	+18.1%	1,146.7

EQUITY AND LIABILITIES EUR million	3/19	3/18	Change %	12/18
Share capital	**92.2**	92.2		92.2
Expendable fund	**0.5**	0.5		0.5
Other reserves	**2.5**	2.4	+4.0%	2.4
Retained earnings	**511.6**	423.4	+20.8%	678.0
Equity attributable to owners of the parent company	**606.8**	518.5	+17.0%	773.1
Non-controlling interests		0.0	-100.0%	
Equity total	**606.8**	518.5	+17.0%	773.1
Deferred tax liabilities	**39.7**	40.2	-1.3%	37.8
Pension liability	**3.6**	3.3	+10.0%	3.6
Provisions	**0.3**	0.3	+10.0%	0.3
Interest-bearing non-current liabilities	**5.4**	150.4	-96.4%	0.6
Other non-current liabilities	**16.9**	18.2	-7.3%	17.4
Non-current liabilities total	**65.9**	212.4	-69.0%	59.8
Trade payables	**68.3**	79.7	-14.3%	74.9
Current tax liabilities		0.8	-100.0%	1.5
Other current liabilities	**305.7**	143.6	+112.9%	86.4
Provisions		0.0	-100.0%	
Interest-bearing current liabilities	**152.9**	39.7	+285.1%	150.9
Current liabilities total	**527.0**	263.7	+99.8%	313.8
Liabilities recorded under assets held for sale		21.3		

Liabilities total	**592.9**	497.4	+19.2%	373.6
Equity and liabilities total	**1,199.7**	1,016.0	+18.1%	1,146.7

The Diagnostics business, sold on 30 April 2018, has been reported as a discontinued operation since the interim report 1–3/2018. The comparative balance sheet at 3/2018 contains the assets and liabilities of the discontinued operation.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Equity attributable to owners of the parent company							
EUR million	a.	b.	c.	d.	e.	f.	g.	**h.**
Equity at 1 January 2018	92.2	0.5	2.3	31.9	-5.9	558.6	-0.0	**679.7**
Impact of adoption of the IFRS 15 and IFRS 9 standards						-16.5		**-16.5**
Adjusted equity at 1 January 2018	92.2	0.5	2.3	31.9	-5.9	542.1	-0.0	**663.2**
Profit for the period						57.1		**57.1**
Other comprehensive income								
Translation differences					-0.5	0.2		**-0.3**
Items due to remeasurement of defined benefit pension plans				-0.0				**-0.0**
Transactions with owners								
Dividend and capital repayment						-204.0		**-204.0**
Share-based incentive plan						3.0		**3.0**
Other adjustments			0.0			-0.4	0.0	**-0.4**
Equity at 31 March 2018	92.2	0.5	2.3	31.9	-6.4	397.9	-0.0	**518.5**
Equity at 1 January 2019	92.2	0.5	2.4	10.5	-7.7	675.3		**773.1**
Impact of the adoption of the IFRS 16 standard						-0.2		**-0.2**
Adjusted equity at 1 January 2019	92.2	0.5	2.4	10.5	-7.7	675.1		**772.9**
Profit for the period						42.8		**42.8**
Other comprehensive income								
Translation differences					0.6	0.2		**0.8**
Items due to remeasurement of defined benefit pension plans				-0.0				**-0.0**
Transactions with owners								
Dividend and capital repayment						-211.4		**-211.4**
Share-based incentive plan						0.5		**0.5**
Other adjustments			0.0			1.1		**1.1**
Equity at 31 March 2019	**92.2**	**0.5**	**2.5**	**10.5**	**-7.1**	**508.2**		**606.8**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	1-3/19	1-3/18	1-12/18
Operating profit	**55.0**	72.9	387.3
Adjustments	**13.4**	13.4	-87.8
Change in working capital	**9.2**	-1.5	-10.2
Interest paid	**-0.4**	-0.5	-5.9
Interest received	**0.4**	0.6	1.7
Dividends received	**0.0**	0.0	0.0
Income taxes paid	**-13.9**	-16.7	-54.3
Total net cash flow from operating activities	**63.8**	68.2	230.9
Investments in property, plant and equipment	**-5.9**	-12.2	-38.1
Investments in intangible assets	**-1.5**	-1.5	-28.7
Sales of property, plant and equipment and other investments	**0.1**	0.2	0.9
Sales of subsidiaries			161.3
Total net cash flow from investing activities	**-7.3**	-13.6	95.4
Current loans raised	**0.2**	30.8	0.0
Repayments of current loans	**-0.7**	-0.3	-2.6
Dividends paid and other distribution of profits	**0.0**	-171.7	-203.9
Total net cash flow from financing activities	**-0.6**	-141.3	-205.3
Net change in cash and cash equivalents	**55.9**	-86.7	121.1
Cash and cash equivalents at the beginning of the period	**283.7**	164.1	164.1
Foreign exchange differences	**1.6**	0.2	-1.5
Impact of discontinued operations			-0.9
Net change in cash and cash equivalents	**55.9**	-86.7	121.9
Cash and cash equivalents at the end of the period	**341.2**	77.5	283.7
Reconciliation of cash and cash equivalents in statement of financial position			
Cash and cash equivalents in statement of financial position at the end of the period	**304.6**	77.5	248.7
Money market investments at the end of the period	**36.6**		35.0
Cash and cash equivalents in the statement of cash flows	**341.2**	77.5	283.7

The Diagnostics business, sold on 30 April 2018, has been reported as a discontinued operation since the interim report 1–3/2018. The cash flow statements for the comparative period 1–3/2018 and for 1–12/2018 contain the assets and liabilities of the discontinued operation.

DISCONTINUED OPERATIONS

There are no discontinued operations during the reporting period 2019.

At the outset of the 2018 financial year, Orion announced that it had decided to investigate the possible sale of Orion Diagnostica or other arrangement. As a result of the investigation, an agreement on the sale of all shares in Orion Diagnostica Oy (i.e. the Orion Diagnostica business) was signed with an investment fund managed by Axcel Management A/S (Axcel) on 21 April 2018. In the Financial Review and in the comparative data of the tables of the Interim Report, the Orion Diagnostica segment is treated as a discontinued operation. The profit of discontinued operations in the comparative period, January–March 2018, was EUR 3.4 million.

The selling price of Orion Diagnostica was EUR 161.7 million and Orion booked a EUR 128.4 million capital gain in the comparative period 2018, included in the comprehensive income statement as part of discontinued operations. In addition, Orion has the possibility to receive an additional selling price of EUR 60 million maximum. The payment of the variable component is based on the return on investment for Axcel at the time of the exit. Due to the uncertainty relating to the euro value and timing of the additional price, the estimated capital gain does not include any part of the additional price component.

PROFIT FOR THE PERIOD FOR DISCONTINUED OPERATIONS

EUR million	1-3/19	1-3/18	Change %	1-12/18
Net sales		14.5		18.7
Capital gain from sale of discontinued operations				128.4
Total expenses		-11.4		-12.5
Operating profit		3.1		134.6
Income tax expense		0.3		-1.6
Profit for the period		3.4		132.9

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	3/19	3/18	1-12/18
Carrying amount at the beginning of the period	**316.9**	323.1	323.1
+ Impact of the adoption of the IFRS 16 standard	**8.6**		
- discontinued operations		-10.0	-10.0
Additions	**4.9**	8.5	36.1
Disposals	**-1.7**	-0.1	-0.9
Amortisation and impairments	**-8.6**	-7.7	-31.1
Carrying amount at the end of the period	**320.2**	313.8	316.9

CHANGES IN INTANGIBLE ASSETS (EXCLUDING GOODWILL)

EUR million	3/19	3/18	12/18
Carrying amount at the beginning of the period	**50.2**	39.4	39.4
- discontinued operations		-8.0	-8.0
Additions	**1.1**	1.3	28.7
Disposals	**-0.0**	-0.0	-0.0
Amortisation and impairments	**-5.0**	-2.2	-10.0
Carrying amount at the end of the period	**46.4**	30.5	50.2

COMMITMENTS AND CONTINGENCIES

EUR million	3/19	3/18	12/18
CONTINGENCIES FOR OWN LIABILITIES			
Guarantees	**4.9**	3.8	4.5
OTHER LIABILITIES			
Lease commitments	**3.1**	5.9	14.5
Other liabilities	**0.3**	0.3	0.3

DERIVATIVES

EUR million	3/19	3/18	12/18
CURRENCY FORWARD CONTRACTS AND CURRENCY SWAPS			
Fair value, EUR million	**-0.1**	-0.1	0.2
Nominal value, EUR million	**33.2**	40.9	32.6
CURRENCY OPTIONS			
Fair value, EUR million	**-0.1**	0.0	0.0
Nominal value, EUR million	**52.9**	48.4	31.8

FAIR VALUE MEASUREMENT AND HIERARCHY OF FINANCIAL INSTRUMENTS

EUR million	Level 1	Level 2	Level 3	Total
Derivatives				
Currency derivatives		0.1		0.1
Money market investments	36.6			36.6
Other investments				
Shares and investments			0.3	0.3
Assets total	36.6	0.1	0.3	37.0
Derivatives				
Currency derivatives		-0.3		-0.3
Liabilities total		-0.3		-0.3

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

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

No transfers between levels occurred during the reporting period.

RELATED PARTY TRANSACTIONS

EUR million	3/19	3/18	3/18
Management's employment benefits	**2.7**	3.8	5.9

Business reviews

NET SALES BY BUSINESS DIVISION

EUR million	1-3/19	1-3/18	Change %	1-12/18
Proprietary Products [1)]	**89.4**	92.8	-3.7%	356.9
Specialty Products	**111.2**	117.6	-5.4%	473.1
Animal Health	**20.7**	20.0	+3.4%	80.4
Fermion	**14.9**	12.3	+21.0%	50.7
Contract manufacturing and other	**4,8**	4.4	+7.9%	16.3
Group total	**241.0**	247.2	-2.5%	977.5

1) The net sales of Proprietary Products during the period 1-3/2019 includes EUR 0.5 (1-3/2018: 0.5) million of sales revenue for performance obligations to be transferred to customers that will be entered as income over time.

NET SALES AND OPERATING PROFIT BY QUARTER

	2019	2018				2017		
EUR million	1-3	10-12	7-9	4-6	1-3	10-12	7-9	4-6
Net sales	241.0	262.4	221.8	246.1	247.2	265.9	241.5	260.7
Operating profit	55.0	68.6	44.6	69.7	69.8	70.5	54.9	70.5

GEOGRAPHICAL BREAKDOWN OF NET SALES BY QUARTER

	2019	2018				2017		
EUR million	1-3	10-12	7-9	4-6	1-3	10-12	7-9	4-6
Finland	74.3	82.7	74.0	75.4	80.0	84.6	80.4	82.4
Scandinavia	43.9	40.4	36.4	36.9	41.2	42.4	44.0	46.6
Other Europe	82.8	83.5	72.0	73.0	75.5	80.5	73.2	78.7
North America	13.9	15.9	14.9	13.5	14.0	27.0	16.8	15.7
Other markets	26.1	39.7	24.4	47.3	36.6	31.4	27.1	37.2
Group total	241.0	262.4	221.8	246.1	247.2	265.9	241.5	260.7

TOP TEN BEST-SELLING PHARMACEUTICAL PRODUCTS

EUR million	1-3/19	1-3/18	Change %	1-12/18
Easyhaler® product family (asthma, COPD)	**26.1**	21.6	+20.8%	90.4
Stalevo®, Comtess® and Comtan® (Parkinson's disease)	**21.1**	28.0	-24.5%	100.1
Dexdor® (intensive care sedative)	**19.2**	17.5	+9.6%	63.1
Simdax® (acute decompensated heart failure)	**16.6**	14.3	+16.0%	59.4
Dexdomitor®, Domitor®, Domosedan® and Antisedan® (animal sedatives)	**9.7**	8.4	+14.5%	33.6
Biosimilars (rheumatoid arthritis, inflammatory bowel diseases)	**9.3**	10.6	-11.8%	24.8
Burana® (inflammatory pain)	**6.1**	5.8	+5.0%	23.5
Divina series (menopausal symptoms)	**4.5**	4.2	+8.3%	18.8
Marevan® (anticoagulant)	**3.3**	4.3	-24.3%	17.8
Generic entacapone products (Parkinson's disease)	**2.8**	3.9	-29.2%	12.4
Total	**118.6**	118.6		443,9
Share of Group's net sales	**49%**	48%		45%

KEY CLINICAL PHARMACEUTICAL DEVELOPMENT PROJECTS

Project	Indication	PHASE			Registration
		I	II	III	
Easyhaler® tiotropium	COPD	Bioequivalence study*			
Darolutamide [1)]	Prostate cancer (nmCRPC)	I	II	III	*
Darolutamide [1)]	Prostate cancer (mHSPC)	I	II	III*	
ODM-109 (oral levosimendan)	ALS	I	II	III*	
ODM-203 (targeted FGFR+VEGFR inhibitor)	Solid tumours	I	II*		
ODM-207 (BET protein inhibitor)	Cancer	I*			
ODM-208 (CYP11A1 inhibitor)	Prostate cancer (CRPC)	I*			
ODM-209 (CYP11A1 inhibitor)	Breast cancer Prostate cancer (CRPC)	I*			
[1)] In collaboration with Bayer		*	= Phase ongoing		
		III	= Status changed vs. previous quarter		

Information on Orion's shares

BASIC SHARE INFORMATION, 31 MARCH 2019

	A share	B share	Total
Trading code on Nasdaq Helsinki	ORNAV	ORNBV	
Listing day	1.7.2006	1.7.2006	
ISIN code	FI0009014369	FI0009014377	
ICB code	4500	4500	
Reuters code	ORNAV.HE	ORNBV.HE	
Bloomberg code	ORNAV.FH	ORNBV.FH	
Share capital, EUR million	24.2	68.0	92.2
Counter book value per share, EUR	0.65	0.65	
Total number of shares	37,120,346	104,137,482	141,257,828
% of total share stock	26%	74%	100%
Number of treasury shares		515 161	515,161
Total number of shares excluding treasury shares	37,120,346	103,622,321	140,742,667
Minimum number of shares			1
Maximum number of A and B shares, and maximum number of all shares	500,000,000	1,000,000,000	1,000,000,000
Votes per share	20	1	
Number of votes excluding treasury shares	742,406,920	103,622,321	846,029,241
% of total votes	88%	12%	100%
Total number of shareholders	20,421	57,272	71,209

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

INFORMATION ON TRADING ON NASDAQ HELSINKI, 1 JANUARY – 31 MARCH 2019

	A share	B share	Total
Shares traded	594,560	26,630,879	27,225,439
% of the total number of shares	1.6%	25,6%	19,3%
Trading volume, EUR million	19.0	847,0	866,0
Closing quotation on 31 December 2018, EUR	30.30	30,28	
Lowest quotation, EUR (A and B: 13 February 2019)	28,75	28.64	
Average quotation, EUR	32.03	31.81	
Highest quotation, EUR (A and B: 20 March 2019)	35.25	35,40	
Closing quotation on 31 March 2019, EUR	33.35	33,42	
Market capitalisation on 31 March 2019, EUR million	1,238.0	3,463.1	4,701.0

PERFORMANCE PER SHARE

	1-3/19	1-3/18	Change %	1-12/18
Basic earnings per share, continuing operations, EUR	**0.30**	0.38	-19.1%	1.40
Basic earnings per share, continuing and discontinued operations, EUR		0.41		2.35
Diluted earnings per share, continuing operations, EUR	**0.30**	0.38	-19.1%	1.40
Diluted earnings per share, continuing and discontinued operations, EUR		0.41		2.35
Cash flow per share before financial items, EUR	**0.40**	0.39	+3.4%	2.32
Equity per share, EUR	**4.31**	3.54	+21.8%	5.50
Average number of shares excluding treasury shares, 1,000 shares	**140,711**	140,620		140,677

The Diagnostics business, sold on 30 April 2018, has been reported as a discontinued operation since the interim report 1–3/2018.

Appendices

Reporting

Orion Corporation is the parent company of the Orion Group. The Group consists of one business area or operating segment and four business divisions. Orion reports on its operations segmentally.

- Pharmaceuticals business
  - Proprietary Products (patented prescription products for three therapy areas)
  - Specialty Products (off-patent generic prescription products, self-care products and biosimilars)
  - Animal Health (veterinary products for pets and production animals)
  - Fermion (active pharmaceutical ingredients for Orion and other companies)

Contract manufacturing and other, i.e. manufacturing for other companies, is included in the Pharmaceuticals business segment, but it is not a separate business division.

Accounting policies

This report has been prepared in accordance with the accounting policies set out in International Accounting Standard 34 on Interim Financial Reporting. The same accounting principles have been applied as in the 2017 financial statements, besides which the amendments to existing IFRS and IAS standards endorsed by the EU have been adopted as of 1 January 2019.

Orion Group adopted the new IFRS 16 standard as of 1 January 2019, and its impact on the consolidated financial statements is described below. Other new interpretations and amendments to existing IFRS standards adopted from 1 January 2019 have not affected the consolidated financial statements.

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

Adoption of IFRS 16 (Leases)

Information on transition on 1 January 2019

IFRS 16 (Leases) has replaced IAS 17 and related interpretations, which previously regulated the accounting treatment of leases, as of 1 January 2019. The Group has applied the simplified method permitted by IFRS 16 in the transition and recognised the cumulative effect in the opening balance sheet on 1 January 2019 as retained earnings and does not present comparative information.

The Group has recognised as lease liability under IFRS 16 the present value of remaining lease payments, discounted using the Group's incremental borrowing rate. The right-of-use asset has been measured at carrying amount as if the standard had been applied since the commencement date of the lease. The right-of-use asset is measured by discounting future lease payments using the Group's incremental borrowing rate from the adoption date. The difference in value of the lease liability and the right-of-use assets has been recognised in equity as adjustment to retained earnings.

The Group has applied the following practical expedients permitted under IFRS 16 in its adoption of the standard. The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics. In the transition, leases previously classified as finance leases have been recognised at the carrying amounts of the right-of-use assets and lease liabilities measured applying IAS 17. In addition, the Group has applied the exemptions permitted by the standard and accounted for leases for which the term ends within 12 months of the date of initial application as short-term leases and for leases of low-value assets as low-value asset leases. The expense arising from these have been recognised through profit or

loss in the accounting period beginning on 1 January 2019. The Group will assess details such as the accuracy of lease terms after the date of initial application and revise these later if mandated by facts.

The Group has assessed the impact of IFRS 16 on the consolidated balance sheet with regard to all leases identified by the Group as well as with regard to any arrangements that may involve leases. The Group identified a total of around 400 lease agreements in different operating countries. The weighted average of the Group's incremental borrowing rate, or the discounting rate used in transition, is based on IRS market rates plus a country risk based premium.

Following the adoption of IFRS 16, the Group has recognised an increase of EUR 8.6 million in right-of-use assets. EUR 8.9 million has been recognised as increase in lease liabilities on the balance sheet. EUR 0.2 million has been recognised as decrease of retained earnings in equity. EUR 0.0 million has been recognised as an increase in deferred tax assets.

BALANCING LEASE COMMITMENTS ON 31 DECEMBER 2018 TO LEASE LIABILITIES ON 1 JANUARY 2019

EUR million	
Lease commitments on 31 December 2018	**14.5**
Discounted value on 1 January 2019	14.8
Finance lease liabilities on 31 December 2018	1.6
Short-term and low-value leases	-5,0
Leases commencing in 2019 not yet included in lease liabilities	-1,8
Lease liabilities on 1 January 2019	**8.9**

ADJUSTED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND OTHER KEY FIGURES FOR THE FINANCIAL YEAR 2018

1) Comparative information previously reported in the interim report and financial statement release.
2) Comparative information previously reported in the interim report and financial statement releases, if impact of IFRS 16 is taken into account

	1-3/18		1-12/18	
	1)	2)	1)	2)
Net sales, EUR million	247.2	247.2	977.5	977.5
Operating profit, EUR million	69.8	69.8	252.8	253.0
% of net sales	28.2%	28.3%	25.9%	25.9%
Profit before taxes, EUR million	68.7	68.7	248.4	248.4
% of net sales	27.8%	27.8%	25.4%	25.4%
Income tax expense, EUR million	14.9	14.9	51.0	51.0
Profit for the period, EUR million	57.1	57.1	330.3	330.3
Other comprehensive income net of tax, EUR million	56.8	56.8	310.1	310.1
Deferred tax assets, EUR million	5.3	5.3	5.1	5.1
Interest-bearing non-current liabilities, EUR million	150.4	157.7	0.6	6.4
Interest-bearing current liabilities, EUR million	39.7	42.5	150.9	153.9
Equity total, EUR million	518.5	518.5	773.1	773.1
Assets total, EUR million	1,016.0	1,026.1	1,146.7	1,155.6
Equity ratio, %	53.3%	52.7%	68.8%	68.2%
Gearing, %	22.8%	24.8%	-17.1%	-15.9%
ROCE (before taxes), %	37.3%	36.8%	44.3%	43.9%
ROE (after taxes), %	36.7%	36.7%	45.5%	45.5%
Basic earnings per share, EUR	0.38	0.38	1.40	1.40
Diluted earnings per share, EUR	0.38	0.38	1.40	1.40
Equity per share, EUR	3.54	3.54	5.50	5.50

Accounting of leases under IFRS 16

Determining whether an arrangement contains a lease

The Group will assess at the time of inception whether a contract is, or contains, a lease. A contract contains a lease when it contains an identified asset and it conveys the right to direct the use of that asset for a specific period of time. The precondition is that the Group pays a consideration to the contracting party in exchange for this right.

The asset can be identified either explicitly, for example, based on a specific identification code, or implicitly, when the asset is not specified in the contract but in practice the contract can only be performed using a specific asset. The identified asset may also be a physically separable part of a larger asset, if it represents a substantial part of the total capacity of the asset. If the contracting party may substitute the asset with another one and gain financially in the process, the contract does not involve an identified asset and thus does not constitute a lease.

A contract conveys control to the Group when the Group gains substantially all the economic benefits from using the asset and has the right to direct the use of the identified asset during its useful life. Determination of the Group's right to direct the use of an asset involves considering its right to change things such as:

- what type of output is generated;
- when the output is generated;
- where the output is generated; and
- how much output is generated

Separating components of a contract

In some cases, contracts may contain lease components, which is due to the fact that the contract obligates the contracting party to provide various obligations to the Group. In such multi-component arrangements, the Group will specify each lease component and process them separately in accounting. The right to use the underlying asset is a separate lease component when the Group is able to benefit from the use of the asset either as such or jointly with other easily accessible resources and the asset is not highly dependent on other assets stipulated by the contract or it is not strongly attached to them. The Group allocates the contractual consideration to each lease component in proportion to their relative individual prices.

Lease term

The lease term is the period during which the lease cannot be cancelled. The lease term is extended by the period covered by an extension or termination option, if the Group is reasonably certain to exercise the extension option or not to exercise the termination option.

Leases with a term of 12 months or less and leases of low-value assets are classified as operating leases. For these leases, the lease payable to the lessor is recorded as an expense on an accrual basis. The underlying assets are not capitalised in the balance sheet.

Recognition at the inception of the lease

At the commencement of a lease, the Group recognises a lease liability and a corresponding right-of-use asset.

The lease liability is measured at the present value of the lease payments payable over the lease term that have not yet been paid. The leases are discounted at the rate implicit in the lease or the Group's incremental borrowing rate. In practice, the Group discounts the leases using the Group's incremental borrowing rate, since the rates implicit in the Group's leases typically cannot be readily determined. The incremental borrowing rate is based on market rates plus a country risk associated premium.

The right-of-use asset is initially measured at acquisition cost, which includes the original amount of the lease liability plus any initial direct costs incurred by the Group, estimated restoration costs and any lease payments made at or prior to commencement, less lease incentives obtained.

Leases paid by the Group consist of fixed payments, variable leases, amounts payable based under residual value guarantees, purchase option exercise prices, if it is reasonably certain that the option will be exercised as well as of payments associated with termination sanctions if it has been taken into account in the lease term that the Group will exercise its lease termination option.

When a variable lease depends on an index or a rate, these are taken into consideration when determining lease liability. Variable lease payments are initially measured using the index or rate as at the commencement date. Other variable leases, such as leases to be payable based on asset performance, are

not included in the lease liability. Factually fixed payments, which are dependent on the functioning of an asset, for example, are taken into consideration when measuring the lease liability.

Subsequent measuring of a lease

After lease commencement, the Group measures the right-of-use asset using the acquisition cost model. The right-of-use asset is measured at acquisition cost less accumulated depreciation and accumulated impairment, adjusted by any cost of remeasurement of the lease liability. Depreciation is recognised in accordance with IAS 16 (Property, plant and equipment). The residual value and useful life of the right-of-use asset is reviewed when necessary, but at least at every year end for the financial statements, and an impairment is recognised if expected economic benefits change.

The Group values the lease liability in subsequent periods using the effective interest method.

The lease liability is remeasured if actual lease payments materially differ from lease payments contained in the original measurement and if the change in lease payments is based on clauses of the lease agreement that were in force at the inception of the lease. The lease is subsequently remeasured, for example, when there is a change in future lease payments due to a change in the index or rate used to determine those payments, or if there is a change in the amounts expected to be payable under a residual value guarantee. Changes in the assessment of a purchase option of an underlying asset or an extension or termination option may also lead to a remeasurement of the lease liability. The carrying amount of the right-of-use asset is adjusted by the lease liability amount following a remeasurement, or if the right-of-use asset has a carrying amount of zero, it is recognised through profit or loss.

The Group may re-negotiate leases during the lease term. Changes may lead to a revision of the duration of the lease term or to changing the underlying asset. The Group processes lease modifications in accordance with IFRS 16 as modifications of the scope of the lease or of the consideration payable, which were not part of the original terms agreed at the inception of the lease.

Other matters

The figures in this Interim Report have not been audited.

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

CALCULATION OF THE KEY FIGURES

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

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Orion is a globally operating Finnish pharmaceutical company – a builder of well-being. Orion develops, manufactures and markets human and veterinary pharmaceuticals and active pharmaceutical ingredients. The company is continuously developing new drugs and treatment methods. The core therapy areas of Orion's pharmaceutical R&D are central nervous system (CNS) disorders, oncology and respiratory diseases for which Orion develops inhaled Easyhaler® pulmonary drugs. Orion's net sales in 2018 amounted to EUR 977 million and the company had about 3,200 employees at the end of the year. Orion's A and B shares are listed on Nasdaq Helsinki.