



Orion Group
Half-Year Financial Report 1-6/2020

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Orion Group Half-Year Financial Report January-June 2020

- Net sales were EUR 572 million (EUR 493 million in January-June 2019).
- Operating profit was EUR 181 (107) million.
- Both net sales and operating profit include a total of EUR 33 million milestone payments.
- Profit before taxes was EUR 180 (105) million.
- Equity ratio was 65% (73%).
- ROCE before taxes was 44% (27%).
- ROE after taxes was 38% (24%).
- Basic earnings per share were EUR 1.02 (0.59).
- Cash flow per share before financial items was EUR 0.90 (0.57).
- Outlook for 2020 was updated after the review period on 8 July 2020. Orion estimates that in 2020 net sales will be at a similar level as in 2019 (net sales in 2019 were EUR 1,051 million). Operating profit is estimated to be slightly higher or higher than in 2019 (in 2019 operating profit was EUR 253 million).

Key figures

| | 4-6/20 | 4-6/19 | Change % | 1-6/20 | 1-6/19 | Change % | 1-12/19 |
|---|--------------|--------|----------|--------------|--------|----------|---------|
| Net sales, EUR million | 292.5 | 251.7 | +16.2% | 572.4 | 492.8 | +16.2% | 1,051.0 |
| EBITDA, EUR million | 110.7 | 66.1 | +67.5% | 209.2 | 134.8 | +55.3% | 308.9 |
| % of net sales | 37.8% | 26.3% | | 36.6% | 27.3% | | 29.4% |
| Operating profit, EUR million | 96.4 | 52.1 | +84.9% | 180.8 | 107.2 | +68.7% | 252.8 |
| % of net sales | 33.0% | 20.7% | | 31.6% | 21.7% | | 24.1% |
| Profit before taxes, EUR million | 96.5 | 51.3 | +88.1% | 179.9 | 105.2 | +70.9% | 250.8 |
| % of net sales | 33.0% | 20.4% | | 31.4% | 21.4% | | 23.9% |
| Profit for the period, EUR million | 75.6 | 40.8 | +85.3% | 143.0 | 83.6 | +71.0% | 200.4 |
| % of net sales | 25.8% | 16.2% | | 25.0% | 17.0% | | 19.1% |
| R&D expenses, EUR million | 32.3 | 31.5 | +2.6% | 59.2 | 58.0 | +2.1% | 119.3 |
| % of net sales | 11.1% | 12.5% | | 10.3% | 11.8% | | 11.3% |
| Capital expenditure, EUR million | 10.8 | 12.7 | -14.4% | 21.2 | 18.8 | +12.9% | 42.6 |
| % of net sales | 3.7% | 5.0% | | 3.7% | 3.8% | | 4.0% |
| Interest-bearing net liabilities, EUR million | | | | -53.2 | 10.8 | -592.8% | -139.1 |
| Basic earnings per share, EUR million | 0.54 | 0.29 | +85.3% | 1.02 | 0.59 | +71.2% | 1.43 |
| Cash flow per share before financial items, EUR | 0.56 | 0.17 | +223.2% | 0.90 | 0.57 | +56.5% | 1.68 |
| Equity ratio, % | | | | 65.3% | 73.0% | | 76.7% |
| Gearing, % | | | | -7.5% | 1.7% | | -17.8% |
| ROCE (before taxes), % | | | | 44.4% | 27.0% | | 29.9% |
| ROE (after taxes), % | | | | 38.4% | 23.7% | | 25.8% |
| Average personnel during the period | | | | 3,336 | 3,232 | +3.2% | 3,251 |

President and CEO Timo Lappalainen:

Orion has fared well in exceptional circumstances

“During the COVID-19 pandemic, we have primarily been concerned with looking after the health and safety of Orion employees, production continuity and prioritisation of critical products as well as patient safety in ongoing clinical trials. We have fared well and achieved these critical goals in the first half of 2020. I would like to extend my heartfelt thanks to our entire workforce, as these goals could not have been reached without their resolve, flexibility and adaptability in these exceptional circumstances.

Orion's net sales and operating profit from January to June 2020 clearly increased from the comparative period. Our net sales and operating profit, especially the latter, were boosted by milestone payments amounting to more than EUR 30 million, of which EUR 28 million were associated with the commercialisation of darolutamide in Europe and Japan. Another key growth driver was a spike in demand for pharmaceuticals in several markets in March, caused by the COVID-19 pandemic. As expected, the impacts of this spike in demand started to level off in the second quarter, although with some products the demand continued to be stronger than usual also in April. As a whole, our second-quarter product sales were at the same level as in the comparative period. Additionally, in the first year-half, higher-margin products accounted for a larger share of our sales than in the comparative period, which contributed to the increase in operating profit.

The net sales of the intensive care sedative Dexdor® directed at the European market were at the same level as in the comparative period. Due to the COVID-19 situation and shortage of other sedatives available in the European market, the demand for Dexdor® reached a historical high in March and April. Subsequently in May and June, its sales returned to the level that we anticipated for this year following the generic competition that started already earlier. The demand for Precedex®, a sedative sold in non-European markets, spiked in the second quarter.

In March, substantial growth took place in the sales of the Easyhaler® product family, applied in the treatment of asthma and COPD. Since then, the growth has levelled off, and the product family's overall net sales for the first year-half were as expected at the beginning of the year. The sales of Simdax® (levosimendan), applied in the treatment of acutely decompensated heart failure, were at the same level as in the comparative period. The beginning of generic competition is not expected to have a material impact on the sales of Simdax® this year. The net sales of the Parkinson's drugs Stalevo® and Comtess®/Comtan® increased as anticipated due to the reacquisition of their sales and distribution rights by Orion at the end of 2018 and in early 2019 as well as the timing of partner deliveries.

The sales of Nubeqa®, a drug for the treatment of non-metastatic castration-resistant prostate cancer, started in Japan and the first European markets during the review period. Orion received milestone payments from Bayer upon the first commercial sales of darolutamide in Japan and Europe, amounting to EUR 8 million and EUR 20 million, respectively.

The net sales of the Specialty Products unit increased, but the growth pace levelled off as expected once the hoarding effect and spike in demand for self-care products and generic prescription drugs experienced in March had waned. Travel bans and other restrictions put in place around the world due to the COVID-19 pandemic are estimated to cause disruptions in global pharmaceutical supply chains, which may have a negative effect on the net sales, particularly those of the Specialty Products unit. However, the impairment in availability is not expected to have as negative an impact to the whole year net sales and operating profit as assumed earlier.

In June, the US Food and Drug Administration (FDA) granted a marketing authorisation to Orion Animal Health's Clevor® product, the launch of which is already underway in Europe. Clevor®, with ropinirole as the active pharmaceutical ingredient, is an eye-drop formula for inducing vomiting in dogs. Among others, it can be utilised to treat poisoning in dogs. During the review period, we announced that Orion will cease distributing the products of animal health company Zoetis in Denmark, Norway and Sweden after 31 December 2020. This will open up new opportunities to capitalise on Orion's strong and skilled sales network in Scandinavia in cooperation with other animal health companies.

The collection of study data from the REFALS Phase III clinical trial was completed during the review period, and study data validation is underway. During the COVID-19 pandemic, Orion has paid much attention to ensuring the safety and continued treatment of patients involved in clinical trials. However, the exceptional circumstances may lead to delays in ongoing research and development projects, and some projects have already been slightly delayed."

Outlook for 2020 (provided on 8 July 2020)

Orion estimates that in 2020 net sales will be at a similar level as in 2019 (net sales in 2019 were EUR 1,051 million).

Operating profit is estimated to be slightly higher or higher than in 2019 (in 2019 operating profit was EUR 253 million).

Basis for the outlook and an overview of near-term risks and uncertainties are provided on pages 20-23 of this review.

Financial review for 1 January-30 June 2020

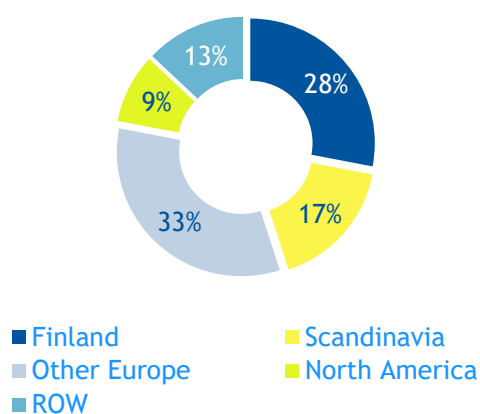
Change in reporting of net sales

Starting with interim report January-March 2020, Orion has combined Fermion's external net sales and Orion's contract manufacturing net sales in reporting. The item "Other operations" reported in the context of net sales mostly comprises the impact of exchange rate changes on consolidated net sales.

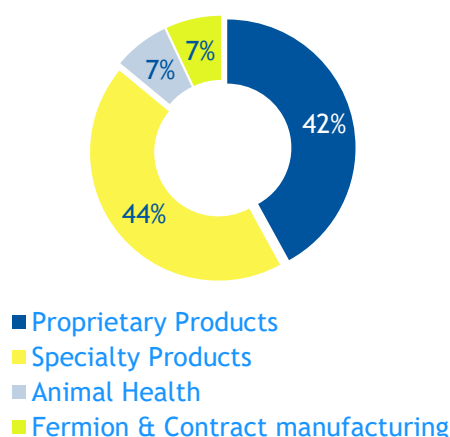
Net sales

Orion Group's net sales in January-June 2020 totalled EUR 572 (493) million, an increase of 16%. Exchange rates impacted net sales negatively by EUR 8 million. Net sales of Orion's top ten pharmaceuticals in January-June 2020 were EUR 247 (236) million. They accounted for 43% (48%) of the total net sales.

Net sales split by region
1-6/2020



Net sales split by business units
1-6/2020



Operating profit

The Orion Group's operating profit was up by 69% at EUR 181 (107) million. EBITDA was up by 55% at EUR 209 (135) million. The increase is due to strong growth in sales and clearly higher milestone payments than in the comparative period.

The positive effect of increased net sales calculated in local currencies on the gross profit of product and service sales was EUR 31 million. Price, cost and product portfolio changes had a positive impact of EUR 14 million and currency rate changes a negative impact of EUR 8 million. In all, with the joint impact of these items, the gross profit from product and service sales was EUR 37 million higher than in the comparative period.

Milestone payments accounted for EUR 33 (1) million and royalties for EUR 10 (7) million of net sales and operating profit. The increase in other operating income improved operating profit by EUR 1 million.

Operating expenses decreased by EUR 1 million.

Operating expenses

The Group's sales and marketing expenses totalled EUR 102 (107) million. R&D expenses were EUR 59 (58) million. They accounted for 10% (12%) of the Group's net sales. Research projects are reported in more detail under the 'Research and development' section of this review.

Administrative expenses were EUR 27 (24) million.

Other operating income and expenses amounted to total of EUR 2 (1) million positive.

Group's profit

Profit for the period was EUR 143 (84) million.

Basic earnings per share were EUR 1.02 (0.59). Equity per share was EUR 5.05 (4.55).

The return on capital employed before taxes (ROCE) was 44% (27%) and the return on equity after taxes (ROE) 38% (24%).

Financial position

The Group's gearing was -8% (2 %) and the equity ratio 65% (73%).

The Group's total liabilities at 30 June 2020 were EUR 397 (259) million. At the end of the period, interest-bearing liabilities amounted to EUR 159 (38) million, including EUR 106 (5) million of long-term liabilities. In the period under review, Orion withdrew a EUR 100 million long-term loan from the European Investment Bank as well as a EUR 50 million short-term loan. The loans ensure the Company's good liquidity despite possible adverse impacts of the coronavirus pandemic. Orion is not currently aware of factors that would materially affect the Company's liquidity negatively.

The Group had EUR 212 (27) million of cash and cash equivalents and money market investments at the end of the review period.

Cash flow

The cash flow from operating activities was EUR 147 (98) million. EUR 37 million was tied up in working capital in the review period, due in particular to increased stocks. In the comparative period, the increase in working capital was only EUR 6 million.

The cash flow from investing activities was EUR -21 (-18) million.

The cash flow from financing activities was EUR -62 (-338) million. The difference to the comparative period is due to changes in borrowing. In the first half of the year, borrowing increased by EUR 150 million. A long-term loan of EUR 100 million was withdrawn from the European Investment Bank, and a short-term loan of EUR 50 million was also withdrawn. In the comparative period, a matured bond loan of EUR 150 million was repaid.

Capital expenditure

The Group's capital expenditure totalled EUR 21 (19) million. This comprised EUR 18 (13) million on property, plant and equipment and EUR 3 (5) million on intangible assets.

Key business targets for 2020

| TARGET | DEVELOPMENT 1-3/2020 |
|---|--|
| Launch and commercialisation of the prostate cancer drug darolutamide jointly with Bayer. Continued research and development collaboration in the ARASENS trial (metastatic prostate cancer) to expand the indication. | <ul style="list-style-type: none"> ○ First commercial sales of darolutamide in Japan and the EU. ○ Fully-recruited ARASENS trial is expected to be completed in 2021. |
| Development of orally administered levosimendan (ODM-109) for the treatment of symptoms of ALS in Phase III clinical trial (REFALS) and preparation for its possible commercialisation. In research and development, the potential of different projects are reviewed with consideration of the total research portfolio. | <ul style="list-style-type: none"> ○ REFALS: Validation of the study data ongoing. ○ Orion is assessing the prospects of launching the product in the United States on its own. ○ Partners are being sought for the development of ODM-203 and ODM-207. |
| 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. | <ul style="list-style-type: none"> ○ Orion is the clear market leader both in self-care products and reference priced prescription drugs in Finland. In self-care products Orion grew faster than the market. |
| Accelerating the growth of the Easyhaler® product family and strengthening its market position. Progress on the launch of the salmeterol-fluticasone Easyhaler® in Europe. | <ul style="list-style-type: none"> ○ Easyhaler® product family sales increased by 17%. |
| Evaluation of new in-licensing opportunities in Europe, particularly in the area of hospital care. | <ul style="list-style-type: none"> ○ The work continues. |

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

Business review

Review of the Finnish human pharmaceuticals market

Finland is the most important individual market for Orion, generating more than one-quarter of the Group's net sales. According to Pharmarket statistics (1-6/2020), the total sales of Orion's human pharmaceuticals, including both medicinal and non-medicinal products, grew slightly slower than the market. The COVID-19 epidemic increased demand strongly in March but the impact of this demand spike has already started to level off.

Orion's biggest product group in Finland are reference-priced prescription drugs in the pharmacy channel. The sales of Orion's reference-priced prescription drugs increased from the comparative period despite continuing tough price competition and availability disruptions. The average price of reference-priced drugs in the market declined approximately 4% 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.

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.

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

| EUR million | 1-6/20 | 1-6/19 | Change % |
|---|--------|--------|----------|
| Total sales of human pharmaceuticals (hospital and pharmacy channel) | | | |
| Market | 1,420 | 1,377 | +3% |
| Orion | 154 | 152 | +2% |
| Prescription drugs total (pharmacy channel) | | | |
| Market | 782 | 754 | +4% |
| Orion | 87 | 85 | +1% |
| Reference priced prescription drugs (pharmacy channel) | | | |
| Market | 219 | 217 | +1% |
| Orion | 55 | 55 | +1% |
| Self-care products (pharmacy channel) | | | |
| Market | 207 | 197 | +5 % |
| Orion | 53 | 48 | +10 % |

Source: Pharmarket sales statistics 1-6/2020

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

| Orion's market share, % | 1-6/20 | 1-6/19 |
|--|--------|--------|
| Human pharmaceuticals in total (hospital and pharmacy channel) | 11% | 11% |
| Prescription drugs total (pharmacy channel) | 11% | 11% |
| Reference priced prescription drugs (pharmacy channel) | 25% | 25% |
| Self-care products (pharmacy channel) | 25% | 24% |

Source: Pharmarket sales statistics 1-6/2020

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.

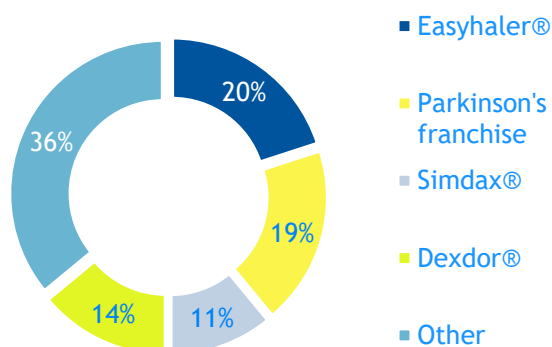
Net sales of the Proprietary Products unit in January-June 2020 were EUR 243 (178) million, up by 36%.

Net sales by product

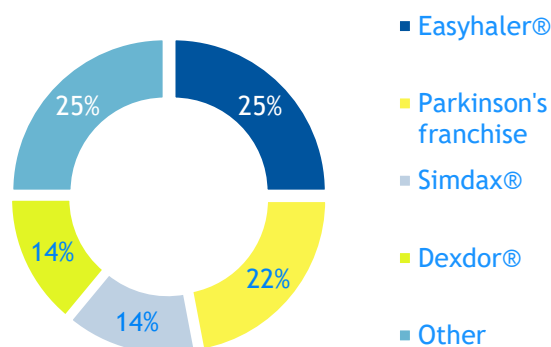
| EUR million | 4-6/20 | 4-6/19 | Change % | 1-6/20 | 1-6/19 | Change % | 1-12/19 |
|--------------------------------|------------|-----------|-------------|------------|------------|-------------|------------|
| Easyhaler® product family | 26 | 26 | +1% | 61 | 52 | +17% | 104 |
| Stalevo®, Comtess® and Comtan® | 25 | 23 | +9% | 53 | 44 | +20% | 98 |
| Simdax® | 15 | 18 | -15% | 35 | 34 | +0% | 68 |
| Dexdor® | 18 | 15 | +22% | 34 | 34 | +1% | 57 |
| Others* | 48 | 8 | +504% | 60 | 14 | +322% | 80 |
| TOTAL | 132 | 89 | +48% | 243 | 178 | +36% | 406 |

*) includes several products, among them Nubeqa®, Enanton®, Precedex® and products sold for clinical trial use. The figures from 4-6/20 and 1-6/20 also includes, among others, EUR 28 million milestone payments from Bayer. The figure from 1-12/19 also includes the EUR 45 million milestone payment from Bayer

Net sales split 4-6/2020



Net sales split 1-6/2020



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). Total net sales of the Easyhaler® product family for treatment of asthma and chronic obstructive pulmonary disease were up by 17% in January-June 2020 at EUR 61 (52) million. In March, the COVID-19 pandemic momentarily increased demand and customers' desire to stockpile but during the second quarter the demand has clearly levelled off. Sales of the budesonide-formoterol combined formulation were up by 21% at EUR 37 (31) million. The combined sales of other Easyhaler® products increased by 11% to EUR 24 (22) million.

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.

The sales of salmeterol-fluticasone combined formulation have also started in several European countries, but they have initially developed more slowly than anticipated and for the time being, the product has no material impact on the net sales of the product family.

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-June 2020 were up by 20% at EUR 53 (44) million. In 2019, the European sales and distribution rights for Stalevo® and Comtan® returned to Orion. Growth in the review period is mostly explained by the fact that proprietary sales of Stalevo® had only started and proprietary sales of Comtan® only started in April 2019. In addition, sales to partners increased because of the timing of deliveries.

Except for Japan, distribution agreements of Parkinson's drugs with Novartis in other markets will expire during 2020 and in most of these markets, Orion has made distribution agreements with new partners. In a few Southeast Asian markets, Orion is planning to sell these products through its own sales organisations, which are being set up.

Breakdown of sales of Parkinson's drugs in 4-6/2020:

| EUR million | 4-6/2020 | 4-6/2019 | Change % |
|----------------------------|----------|----------|----------|
| Deliveries to key partners | 13 | 10 | +34% |
| Orion's own sales | 11 | 13 | -12% |

Breakdown of sales of Parkinson's drugs:

| EUR million | 1-6/2020 | 1-6/2019 | Change % |
|----------------------------|----------|----------|----------|
| Deliveries to key partners | 28 | 23 | +23% |
| Orion's own sales | 24 | 21 | +18% |

The net sales of Orion's Dexdor® intensive care sedative (dexmedetomidine) were EUR 34 (34) million. The sales were very strong in March and April due to the increase in demand caused by the COVID-19 pandemic as well as shortages in competing products by some suppliers in the markets. For these reasons, Dexdor® sales from January to June remained on par with the previous year, although generic competition with the product has begun and expanded in Europe.

Simdax® (levosimendan), a drug for treatment of acute decompensated heart failure is sold in some 60 countries worldwide. Net sales of the product in January-June 2020 was EUR 35 (34) million. Simdax® is a liquid infusion concentrate, and its formulation patent will expire in September 2020. Orion has been informed that a marketing authorisation has been granted in a few European countries for a generic levosimendan dry-powder infusion concentrate. The launch of generic competition is not estimated to materially impact the sales of Simdax® in 2020.

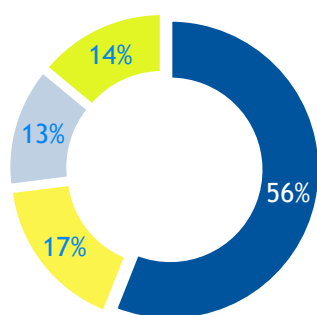
Sales of Nubeqa® (darolutamide), a drug for the treatment of non-metastatic castration-resistant prostate cancer, have started in Japan and in the first countries in the EU. Upon the first commercial sales of the product in the EU and Japan, Orion entered milestone payments of EUR 20 million and EUR 8 million, respectively, in the net sales and result for the second quarter of 2020.

Bayer holds global commercial rights to darolutamide. In Europe, however, Orion and Bayer have agreed on co-promotion. In addition, Orion manufactures the product for global markets. Besides milestone payments, Orion will also receive tiered royalties on global darolutamide sales, which will be approximately 20% including production revenue. With sales increase, royalties may increase slightly. Orion also has the possibility to receive one-off payments from Bayer when certain global annual sales targets are met for the first time.

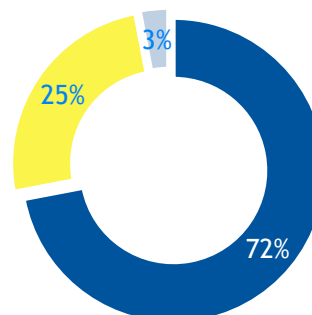
Specialty Products

The net sales of the Specialty Products unit, consisting of off-patent products, i.e. generic prescription drugs, self-care products and biosimilars, were up by 9% in January-June 2020 and amounted to EUR 249 (230) million. The COVID-19 pandemic caused a drug hoarding phenomenon in Finland and other main markets in March, which explains the increase in the net sales of the Specialty Products unit. However, in Orion's estimation, the fundamental need for these products remains materially unchanged, and the demand spike started to level off right away in the second quarter. Furthermore, the expected substantial decline in the net sales of biosimilars had an adverse effect on the unit's overall net sales.

Net sales split by region in 1-6/2020



Net sales split by product groups in 1-6/2020



■ Finland ■ Scandinavia ■ Eastern Europe ■ Other ■ Generic prescription drugs ■ Self-care ■ Biosimilars

Breakdown of Specialty Products' net sales by product group 4-6/2020:

| EUR million | 4-6/2020 | 4-6/2019 | Change % | Share of unit's net sales 4-6/2020 | Share of unit's net sales 4-6/2019 |
|----------------------------|------------|------------|------------|------------------------------------|------------------------------------|
| Generic prescription drugs | 86 | 82 | +5% | 75% | 69% |
| Self-care products | 25 | 28 | -9% | 22% | 23% |
| Biosimilars | 3 | 9 | -61% | 3% | 8% |
| TOTAL | 114 | 118 | -3% | | |

Breakdown of Specialty Products' net sales by product group 1-6/2020:

| EUR million | 1-6/2020 | 1-6/2019 | Change % | Share of unit's net sales 1-6/2020 | Share of unit's net sales 1-6/2019 |
|----------------------------|------------|------------|-------------|------------------------------------|------------------------------------|
| Generic prescription drugs | 179 | 155 | +16 % | 72 % | 68 % |
| Self-care products | 61 | 56 | +9 % | 25 % | 24 % |
| Biosimilars | 9 | 18 | -53 % | 3 % | 8 % |
| TOTAL | 249 | 230 | +9 % | | |

Finland, Scandinavia and Eastern Europe and Russia are the most important markets for Specialty Products. In Finland, the unit's sales in January to June 2020 increased by 6% to EUR 139 (131) million. The growth is mainly attributable to the spike in demand for self-care products and prescription drugs caused by the COVID-19 epidemic in March, the effect of which already started to wane in the second quarter. On the other hand, decline in the price of generic drugs due to price competition and availability disruptions impacted net sales negatively.

In Scandinavia the sales of Specialty Products totalled EUR 42 (44) million, down by 3%. The decrease is due to the anticipated substantial decline in the sales of biosimilars. Strong demand for generic prescription drugs in March tempered the decline of Specialty Products' net sales in Scandinavia. In Eastern Europe and Russia, the sales of Specialty Products were up by 10% and totalled EUR 34 (31) million. The increase is mostly attributable to the timing of major deliveries of some products. Both in Scandinavia and Eastern Europe, the effect of the spike in demand experienced in March started to level off right away in the second quarter.

In Specialty Products, 72% (68%) of the net sales came from generic prescription drugs, 25% (24%) from self-care products and 3% (8%) from biosimilars. The biosimilars net sales totalled EUR 9 (18) million, down by 53%. The expected decline is due to lost tendering competitions. Biosimilars distributed by Orion include Remsima® (infliximab), Ritemvia® (rituximab) and Amgevita® (adalimumab).

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 unit has a strong market position in the Nordic countries, its home markets.

The net sales of the Animal Health unit in January-June 2020 were down by 7% due to the timing of partner deliveries and amounted to EUR 43 (46) million. At EUR 16 (21) million, sales of animal sedative products accounted for 37% (46%) of the Animal Health unit'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 June, the US Food and Drug Administration (FDA) granted a marketing authorisation to Orion's Clevor® product. Clevor®, with ropinirole as the active pharmaceutical ingredient, is an eye-drop formula for inducing vomiting in dogs. Among others, it can be utilised to treat poisoning in dogs. The launch of the product in Europe is currently underway.

Orion announced in June that it will cease distributing the products of animal health company Zoetis in Denmark, Norway and Sweden after 31 December 2020 because Zoetis will establish its own sales and marketing activities in these countries. In 2019, the distribution of Zoetis products in these countries generated approximately EUR 25 million in net sales for Orion. The impact of this product portfolio on Orion's consolidated net sales was not material. The end of this arrangement will open up new opportunities to capitalise on Orion's strong and skilled sales network in Scandinavia in cooperation with other providers of animal health medicines.

Fermion and contract manufacturing

Fermion manufactures active pharmaceutical ingredients for Orion and other pharmaceutical companies. Its product range comprises nearly 30 pharmaceutical ingredients. Fermion produces 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.

Net sales of Fermion and contract manufacturing excluding deliveries for Orion's own use were up 6% at EUR 40 (38) million. 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 totalled EUR 59 (58) million in January-June 2020, up 2%. They accounted for 10% (12%) of the Group's net sales. R&D expenses also include expenses related to development of the current portfolio.

During the COVID-19 pandemic, Orion has paid much attention to ensuring the safety and continued treatment of patients involved in clinical trials. However, the exceptional circumstances may lead to delays in ongoing projects, and some projects have already been slightly delayed. Research projects in earlier phases may experience delays. Such delays may be partly attributable to the fact that some of the R&D personnel were transferred earlier this year to providing assistance to the Orion supply chain and ensuring the continuity of pharmaceutical production.

Key clinical development projects

| Project | Indication | PHASE | | | Registration |
|---|---------------------------------------|----------------------|----|-----|--------------|
| | | I | II | III | |
| Easyhaler® tiotropium | COPD | Bioequivalence study | | | |
| Darolutamide ¹⁾ | Prostate cancer (mHSPC) | I | II | III | |
| ODM-109 (oral levosimendan) | ALS | I | II | III | |
| ODM-203 (targeted FGFR+VEGFR inhibitor) ²⁾ | Solid tumours | I | II | | |
| ODM-207 (BET protein inhibitor) ²⁾ | 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

²⁾ Search for a partner ongoing for the next possible development phase

I =Phase completed

II = Phase ongoing

III =Status changed

Orion is working on a project to expand the Easyhaler product family for the 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.

Orion and Bayer have an 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 successfully completed in the second quarter of 2018. The estimate of trial completion has been updated, and it is now estimated that the trial will be completed in 2021, as opposed to the earlier estimate suggesting completion in 2022.

Orion has an ongoing Phase III clinical trial (REFALS) evaluating orally administered levosimendan (ODM-109) in the treatment of symptoms of amyotrophic lateral sclerosis (ALS). The validation of study data is currently underway. The trial involves 496 patients and 104 clinical sites in the United States, Canada, the EU and Australia.

The purpose of the REFALS 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 patients' quality of life. If the results of the trial are positive, Orion will assess its chance to file for marketing authorisation in the United States and Europe, among other markets. Orally administered levosimendan has been granted an Orphan Drug Designation. Levosimendan is a molecule developed by Orion and launched already in 2000 for intravenous treatment of acute decompensated heart failure.

Orion has carried out a Phase II clinical trial with a new targeted FGFR+VEGFR inhibitor (ODM-203) for the treatment of cancers. The trial has investigated the efficacy of the drug candidate in slowing the growth

of solid cancerous tumours in patients with detected FGFR changes in cancerous tumours. Orion is looking for a partner for the possible next development phase.

Orion has carried out a Phase I clinical trial with a BET protein inhibitor (ODM-207) which inhibits transcription of key oncogenes such as Myc in many cancers. In preclinical studies, ODM-207 has shown antiproliferative effects in several solid tumour cell lines. The trial has investigated the safety and tolerability of the drug candidate and provisionally its efficacy in cancer patients. Orion is looking for a partner for the possible next development phase.

Orion has an ongoing Phase I clinical trial for the development of a novel selective hormone synthesis inhibitor (CYP11A1 inhibitor) for castration-resistant prostate cancer. A decision has been made to expand the trial to ensure sufficient research data for making informed decisions regarding subsequent development phases. The recruitment of new patients in the trial was suspended in the spring due to the COVID-19-pandemic but in the summer the recruitment has continued again. 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 that works 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 an ongoing Phase I clinical trial on the ODM-209 molecule. This molecule is a selective hormone synthesis inhibitor (CYP11A1 inhibitor) much like the ODM-208. A decision has been made to expand this trial as well to ensure sufficient data for making informed decisions regarding subsequent research phases. The recruitment of new patients in the trial was suspended in the spring due to the COVID-19-pandemic but in the summer the recruitment has continued again. 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.

Personnel

The average number of employees in the Orion Group in January-June 2020 was 3,336 (3,232). At the end of June 2020, the Group had a total of 3,424 (3,352) employees, of whom 2,737 (2,682) worked in Finland and 687 (670) outside Finland.

Salaries and other personnel expenses in January-June 2020 totalled EUR 118 (111) 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.

Decisions by the Annual General Meeting

The Annual General Meeting of the Shareholders of Orion Corporation was held on 6 May 2020 in Messukeskus Helsinki, Exhibition and Convention Centre. The following matters among others were handled at the Annual General Meeting:

Adoption of the Financial Statements for 1 January - 31 December 2019

The AGM confirmed the Financial Statements of the parent company and the Group as per 31 December 2019.

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 2019. The record date for the dividend payment was 8 May 2020 and the payment date was 15 May 2020.

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 2019.

Handling of the Remuneration Policy for governing bodies

The AGM approved the remuneration policy for governing bodies.

Remunerations to be paid to the Board of Directors

The AGM decided that the following remunerations will be paid to the Board of Directors:

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. The annual fees encompass the full term of office of the Board of Directors. 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. 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.

Composition of the Board of Directors

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

Forfeiture of shares in Orion Corporation on joint account

The Annual General Meeting resolved pursuant to chapter 3, section 14 a, subsection 3 and chapter 9, section 19 of the Companies Act that the right to shares in Orion and to the rights such shares carry are forfeited with respect to all shares regarding which a declaration for registration to a book-entry account and, with respect to any declaration for registration based on the incorporation in the book-entry system, also the share certificate or other reliable evidence of title, had not been presented to Orion at the latest on 6 May 2020.

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.

Key events in January-June 2020

- 23 Jan 2020 Japan's Ministry of Health granted marketing authorisation to darolutamide for the treatment of non-metastatic castration-resistant prostate cancer (nmCRPC).
- 30 Jan 2020 Orion announced that new results from the ARAMIS trial indicate that the combination of darolutamide and conventional hormonal therapy significantly extend the overall survival of men with non-metastatic castration-resistant prostate cancer. More detailed updated findings on overall survival and other secondary variables as well as an update on the safety of longer-term use of the product will be published later in a scientific conference.
- 31 Jan 2020 The Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) issued a positive opinion, recommending darolutamide be granted marketing authorisation.
- 5 Mar 2020 Orion announced that the Company's SVP for Research and Development, Christer Nordtstedt, resigned from his post for family reasons.
- 19 Mar 2020 Orion cancelled the Annual General Meeting which was due to be held on 25 March 2020 due to the coronavirus situation.
- 30 Mar 2020 Nubeqa® (darolutamide) was granted marketing authorisation in the EU as a new treatment for non-metastatic castration-resistant prostate cancer.
- 24 Apr 2020 Orion upgraded full-year outlook for 2020.
- 28 Apr 2020 Orion announced that Mr. Markku Huhta-Koivisto, SVP for Growth Projects and member of the Executive Management Board of the Orion Group will retire in July 2020 and leave the Executive Management Board of the Orion Group as of 1 May 2020.
- 6 May 2020 Orion Corporation's Annual General Meeting was held in Helsinki.
- 25 May 2020 Orion announced that Professor Outi Vaarala has been appointed as Senior Vice President for Research and Development as of 1 June 2020.
- 15 June 2020 Orion decided on cancellation of shares on the joint account.
- 25 June 2020 The cancellation of Orion shares was entered in the Trade Register.

Key events after the review period

- 8 Jul 2020 Orion upgraded full-year outlook for 2020.

Shares and shareholders

On 30 June 2020 Orion had a total of 141,134,278 (141,257,828) shares, of which 35,443,475 (36,821,579) were A shares and 105,690,803 (104,436,249) B shares. The Group's share capital is EUR 92,238,541.46 (92,238,541.46). At the end of June 2020, Orion held 671,082 (765,399) B shares as treasury shares. On 30 June 2020, the aggregate number of votes conferred by the A and B shares was 813,889,221 (840,102,430) excluding treasury shares.

At the end of June 2020, Orion had 66,010 (70,699) 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. A total of 828,338 A shares were converted into B shares in January-June 2020.

Cancellation of shares

On 25 June 2020 Orion cancelled 63,650 Orion Corporation A shares and 59,900 Orion Corporation B shares that were on the company's joint account and which, based on the decision by the Annual General Meeting of Orion Corporation on 6 May 2020 on the forfeiture of the shares in Orion Corporation on the joint account, had been transferred to the company.

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 30 June 2020, the market capitalisation of the Company's shares, excluding treasury shares, was EUR 6,048 million.

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

Authorisations of the Board of Directors

On 26 March 2019, the Annual General Meeting of Orion Corporation authorised the Board of Directors to decide on an acquisition of no more than 350,000 Orion Corporation B shares. Based on this authorisation and a decision by the Board of Directors on 25 April 2019, Orion acquired a total of 250,000 B shares between 2 and 13 May 2019. The authorisation to acquire own shares is valid 18 months from the decision of the Annual General Meeting.

The Board of Directors was authorised by Orion Corporation's Annual General Meeting on 26 March 2019 to decide on a share issue in which shares held by the Company can be conveyed. 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 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.

Share ownership

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

At the end of June 2020, Orion had a total of 66,010 (70,699) registered shareholders, of whom 96% (96%) were private individuals. They held 39% (41%) of the entire share stock and had 61% (61%) of the total votes. There were 58 (48) million nominee-registered and foreign-owned shares, which was 41% (34%) of all shares, and they conferred entitlement to 10% (8%) of the total votes.

At the end of June 2020, Orion held 671,082 (765,399) B shares as treasury shares, which is 0.5% (0.5%) of the Company's total share stock and 0.08% (0.09%) of the total votes.

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.

Outlook for 2020 (provided on 8 July 2020)

Orion estimates that in 2020 net sales will be at a similar level as in 2019 (net sales in 2019 were EUR 1,051 million).

Operating profit is estimated to be slightly higher or higher than in 2019 (in 2019 operating profit was EUR 253 million).

Basis for outlook in more detail

Orion continues persistent actions to generate growth more rapidly than growth of the market in the long term. However, significant growth investments to be made in research and development and sales and marketing in 2020-2021 will affect annual profitability.

In March and April of 2020, the COVID-19 pandemic caused a significant increase in demand, as a result of which the company's net sales and operating profit for the first half of 2020 clearly exceeded the forecast levels. This was partly due to product hoarding and stockpiling and partly to an increase in actual demand for products. In May and June, the sales levelled off, and in many product groups they were weaker than in the previous year.

As regards Specialty Products unit, the company estimates the sales growth that was caused by the spike in demand in the early part of 2020 to level off during the year. The sales of generic products in Orion's portfolio manufactured by other pharmaceutical companies are estimated to be slightly lower than in the previous year due to weaker than normal availability in the second half of the year caused by the COVID-19 pandemic. Orion still estimates the full-year 2020 net sales to be at a similar level as in the previous year even though in the first half of 2020 the net sales clearly increased.

Orion expects the overall operating profit for 2020 to be higher than previously estimated due to the strong first year-half and to the fact that the full-year sales of Dexdor® and some other proprietary products are now expected to exceed the previously estimated levels, while the operating expenses are expected to be slightly lower than forecast.

The outlook is based on the assumption that during 2020 Europe will not experience a significant second wave of COVID-19 that would materially increase the demand of Orion products. In addition, the outlook is based on the assumption that Orion's own production can continue normal operations despite the COVID-19 pandemic. This requires that Orion continues to succeed in protecting its employees and employee absence rates do not significantly increase, that personal protective equipment, starting materials, intermediate products and materials are available and that the logistics chains are sufficiently functional.

The outlook does not include any income or expenses associated with possible product or company acquisitions.

Net sales

The sales of the Easyhaler® product family will continue to grow also in 2020 due to the combined formulations (budesonide-formoterol and salmeterol-fluticasone) launched in the past few years. The COVID-19 pandemic increased the demand for Easyhaler® products at least temporarily, but this is not estimated to have a material impact on overall annual sales.

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. Except for Japan, Orion's arrangements with Novartis in other markets will expire during 2020 and in most of these markets, Orion is transferring the distribution to new partners. In a few Southeast Asian markets, Orion is planning to sell these products through its own sales organisations, which are being set up. After these changes, 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.

Generic competition for Dexdor® started in Germany in 2017 and has since expanded to almost all countries in the European Union, resulting in a decline in the sales of the product. However, the strong increase in the demand for intensive care sedatives in March and April 2020 brought about by the

COVID-19 pandemic temporarily increased the sales of the product substantially. The full-year sales are also expected to exceed the original estimate, but are unlikely to surpass the 2019 level. Even so, it is difficult to make accurate estimates on the sales of Dexdor® in 2020.

Orion has also been informed that marketing authorisation applications have been filed for a generic version of Simdax® in Europe, and that a generic dry-powder infusion concentrate of levosimendan has received marketing authorisation in a few European countries. The levosimendan used in Simdax® is a liquid infusion concentrate. It is, however, difficult to make precise estimates on the impact of generic competition on the sales of Simdax®. The formulation patent for Simdax® will expire in September 2020. The expiry of product protection and start of generic competition is not estimated to materially affect Simdax® sales in 2020.

Sales of generic products account for a significant proportion of Orion's total sales. Towards the end of the first quarter of 2020, the COVID-19 pandemic caused significant increase in demand but the spike in demand in the early part of 2020 is estimated to level off during the year. At the same time availability disruptions and price competition in generic drugs have affected and continue to affect the net sales negatively in all markets. The prices of reference-priced prescription drugs in Finland, which is Orion's biggest individual market, continued to decrease slightly in the first half of 2020 compared with the first half of 2019. The sales of generic products in Orion's portfolio manufactured by other pharmaceutical companies are estimated to be slightly lower than in the previous year due to weaker than normal availability in the second half of the year caused by the COVID-19 pandemic.

Net sales of Orion's biosimilars (Remsima®, Ritemvia® and Amgevita®) have fluctuated heavily in the past few years. Their net sales were EUR 57 million in 2017, EUR 25 million in 2018 and EUR 38 million in 2019. The changes are due to varying success in national or regional tendering competitions. Tendering competitions for 2020 have been challenging for Orion, and therefore the net sales of biosimilars are estimated to decline significantly in 2020.

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. In 2019, milestone payments amounted to EUR 51 million, including the EUR 45 million milestone payment from Bayer for the commercialisation of the prostate cancer drug darolutamide in the United States. The outlook for 2020 includes milestone payments worth around EUR 40 million, the largest single payments among which are EUR 20 million for the commercialisation of darolutamide in the EU and EUR 8 million for its commercialisation in Japan. Of the EUR 40 million milestones included in the outlook, EUR 33 million was booked in January-June 2020.

Expenditure

Sales and marketing expenditure for 2019-2020 includes a EUR 12 million annual depreciation related to the acquisition of the European sales and distribution rights for the Parkinson's drugs Stalevo® and Comtan®. Orion paid a total of USD 28 million for the transfer of the sales rights in December 2018 and in April 2019, and the investment will be depreciated over two years. The outlook also includes an estimated expenditure of EUR 5 million for preparing the launch of the ALS drug as well as costs associated with Orion's potential branching out to the United States. Most of these costs will only materialise in the second half of the year, provided that upon completion, the results of the ongoing Phase III REFALS clinical trial are considered sufficiently positive for obtaining marketing authorisation in the United States.

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 2020 were mainly planned during the previous year.

Research and development costs are estimated to be roughly equal to those in 2019. The expenses from the Phase III REFALS clinical trial investigating levosimendan (ODM-109) for the treatment of symptoms of amyotrophic lateral sclerosis (ALS) will slightly decline from previous year, since the trial will come to an end in 2020. On the other hand, investments in earlier research phases will increase. Research and

development expenses partly consist of the Company's internal fixed cost items, such as salaries and maintenance of the operating infrastructure, and partly of 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 2020 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.

Costs are estimated to fall slightly below the forecast level due to the COVID-19 pandemic.

Capital expenditure

The Group's total capital expenditure in 2020 is expected to be higher than in 2019, when capital expenditure was EUR 43 million. However, the COVID-19 pandemic may slow down the execution of planned investments and thus slightly reduce the volume of investments originally planned for 2020.

Near-term risks and uncertainties

Orion's outlook is based on the assumption that during 2020 Europe will not experience a significant second wave of COVID-19 that would materially increase the demand of Orion products. In addition, the outlook is based on the assumption that Orion's own production can continue normal operations despite the COVID-19 pandemic. The sales Orion-manufactured products depend on the ability of production and the entire supply chain to operate at planned level. This involves numerous pandemic-related risks that may cause even material production disruptions. Such risks include the infection of employees, poor availability of personal protective equipment, poorer availability of starting materials and intermediate products as well as logistics chain disruptions.

The reacquisition of European sales and distribution rights for Stalevo® and Comtan® has generated additional sales for Orion's branded Parkinson's drugs since 2019. With the expiration of the Novartis contract in 2020, the distribution of these products will be handed over to new partners in most non-European markets, with the exception of Japan. In a few Southeast Asian markets, Orion is also taking over sales on its own. Sales will continue to be negatively affected by continued generic competition. All these changes and impacts have been taken into account in the outlook 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. The last product protection for Simdax® will expire in 2020. Generic competition for Dexdor® started in Germany in 2017 and has since expanded to most countries in the European Union, turning down sales of the product. However in March-April 2020, the strong increase in demand for intensive care sedatives caused by the COVID-19 pandemic has temporarily brought a significant increase to the sales of Dexdor®. It is therefore difficult to make precise estimates on the impact of generic competition on the sales of Dexdor® in 2020. Orion has been informed that a generic levosimendan dry-powder infusion concentrate has received marketing authorisation in a few European countries. The levosimendan used in Simdax® is a liquid infusion concentrate. However, the launch of generic competition is not estimated to materially impact the sales of Simdax® in 2020.

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. Product deliveries to key partners are based on timetables that are jointly agreed in advance. Nevertheless, they can change, for example as a consequence of decisions concerning adjustments of stock levels. In addition, changes in market prices and exchange rates affect the value of deliveries.

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 and Norwegian 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 relevance due to sales of Parkinson's drugs in

Japan. 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. The impact of availability disruptions on our net sales has increased in the past few years. The ongoing COVID-19 pandemic has clearly raised this risk. The travel and other restrictions in place around the world may cause disruptions to the global pharmaceutical supply and logistics chains with a delay. 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 contains products manufactured by other pharmaceutical companies and products that Orion manufactures on its own but for which other companies deliver active pharmaceutical or other ingredients. 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.

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, for example due to the COVID-19 pandemic, are reflected in costs relatively slowly and 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 2014-2019 the annual payments varied from EUR 5 million to EUR 51 million. The payments may be subject to conditions relating to the progress of research projects or sales or to new contracts to be signed, and whether these conditions or contracts materialise and what their timing is will always entail uncertainties. The outlook for 2020 includes milestone payments worth around EUR 40 million, the largest single payments among which are EUR 20 million for the commercialisation of darolutamide in the EU and EUR 8 million for its commercialisation in Japan. Of the EUR 40 million milestones included in the outlook, EUR 33 million was booked in January-June 2020.

Orion calendar

| | |
|--|--|
| Interim Report January-September 2020 | Wednesday 21 October 2020 |
| Financial Statement Release for 2020 | Tuesday 9 February 2021 |
| Annual General Meeting 2021 | Planned to be held on Thursday 25 March 2021 |
| Interim Report January-March 2021 | Tuesday 27 April 2021 |
| Half-Year Financial Report January-June 2021 | Monday 19 July 2021 |
| Interim Report January-September 2021 | Wednesday 20 October 2021 |

The Financial Statements and the Report of the Board of Directors for 2020 will be published on the Company's website at the latest in week 9/2021.

Espoo, 17 July 2020

Board of Directors of Orion Corporation

Orion Corporation

Tables

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR million | 4-6/20 | 4-6/19 | Change % | 1-6/20 | 1-6/19 | Change % | 1-12/19 |
|---|---------------|--------|----------|---------------|--------|----------|---------|
| Net sales | 292.5 | 251.7 | +16.2% | 572.4 | 492.8 | +16.2% | 1,051.0 |
| Cost of goods sold | -101.5 | -101.5 | | -206.3 | -198.1 | +4.1% | -417.6 |
| Gross profit | 191.0 | 150.2 | +27.1% | 366.1 | 294.7 | +24.2% | 633.4 |
| Other operating income and expenses | 0.1 | 0.9 | -90.0% | 2.5 | 1.0 | +142.8% | 2.2 |
| Sales and marketing expenses | -48.5 | -54.6 | -11.1% | -102.0 | -106.6 | -4.4% | -215.7 |
| R&D expenses | -32.3 | -31.5 | +2.6% | -59.2 | -58.0 | +2.1% | -119.3 |
| Administrative expenses | -13.9 | -12.9 | +7.3% | -26.7 | -24.0 | +11.3% | -47.8 |
| Operating profit | 96.4 | 52.1 | +84.9% | 180.8 | 107.2 | +68.7% | 252.8 |
| Finance income | 0.1 | 0.1 | | 0.1 | 0.3 | | 0.7 |
| Finance expenses | -0.0 | -0.9 | -111.7% | -1.0 | -2.2 | -72.5% | -2.6 |
| Profit before taxes | 96.5 | 51.3 | +88.1% | 179.9 | 105.2 | +70.9% | 250.8 |
| Income tax expense | -20.9 | -10.5 | +98.9% | -36.9 | -21.6 | +70.5% | -50.5 |
| Profit for the period | 75.6 | 40.8 | +85.3% | 143.0 | 83.6 | +71.0% | 200.4 |
| OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS¹ | | | | | | | |
| Translation differences | 0.7 | -1.2 | | -2.0 | -0.4 | | 0.9 |
| Items that may be reclassified subsequently to profit and loss | 0.7 | -1.2 | | -2.0 | -0.4 | | 0.9 |
| Remeasurement of pension plans | 0.5 | 0.0 | | -2.7 | -0.0 | | 19.9 |
| Items that will not be reclassified to profit and loss | 0.5 | 0.0 | | -2.7 | -0.0 | | 19.9 |
| Other comprehensive income net of tax | 1.2 | -1.2 | +200.9% | -4.7 | -0.4 | | 20.9 |
| Comprehensive income for the period including tax effects | 76.8 | 39.6 | +94.1% | 138.3 | 83.2 | +66.2% | 221.2 |
| PROFIT ATTRIBUTABLE TO¹ | | | | | | | |
| Owners of the parent company | 75.6 | 40.8 | +85.3% | 143.0 | 83.6 | +71.0% | 200.4 |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO¹ | | | | | | | |
| Owners of the parent company | 76.8 | 39.6 | +94.1% | 138.3 | 83.2 | +66.2% | 221.2 |
| Basic earnings per share, EUR¹ | 0.54 | 0.29 | +85.3% | 1.02 | 0.59 | +71.2% | 1.43 |
| Diluted earnings per share, EUR¹ | 0.54 | 0.29 | +85.3% | 1.02 | 0.59 | +71.2% | 1.43 |
| Depreciation, amortisation and impairment | 14.3 | 14.0 | +2.3% | 28.5 | 27.6 | +3.2% | 56.1 |
| Personnel expenses | 62.5 | 55.5 | +12.5% | 118.3 | 110.6 | +6.9% | 217.1 |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

| EUR million | 6/20 | 6/19 | Change % | 12/19 |
|---------------------------------|----------------|--------------|---------------|----------------|
| Property, plant and equipment | 319.6 | 319.6 | | 320.9 |
| Goodwill | 13.5 | 13.5 | | 13.5 |
| Intangible rights | 27.9 | 42.8 | -34.8% | 34.8 |
| Other intangible assets | 2.8 | 2.7 | +4.6% | 2.8 |
| Investments in associates | 0.1 | 0.1 | | 0.1 |
| Other investments | 0.2 | 0.3 | -19.0% | 0.2 |
| Pension asset | 52.2 | 31.0 | +68.5% | 55.8 |
| Deferred tax assets | 7.0 | 5.3 | +31.3% | 6.8 |
| Other non-current assets | 0.5 | 0.8 | -34.2% | 0.8 |
| Non-current assets total | 423.9 | 416.0 | +1.9% | 435.6 |
| Inventories | 251.1 | 226.7 | +10.8% | 230.3 |
| Trade receivables | 189.0 | 189.6 | -0.3% | 196.5 |
| Other receivables | 29.9 | 38.9 | -23.1% | 24.3 |
| Money market investments | 27.7 | | | 35.0 |
| Cash and cash equivalents | 184.7 | 27.2 | +579.0% | 114.0 |
| Current assets total | 682.5 | 482.5 | +41.5% | 600.1 |
| Assets total | 1,106.3 | 898.4 | +23.1% | 1,035.7 |

EQUITY AND LIABILITIES

| EUR million | 6/20 | 6/19 | Change % | 12/19 |
|--|----------------|--------------|----------------|----------------|
| Share capital | 92.2 | 92.2 | | 92.2 |
| Other reserves ¹ | 3.0 | 3.0 | | 3.0 |
| Retained earnings | 614.6 | 544.6 | +12.9% | 684.2 |
| Equity attributable to owners of the parent company | 709.8 | 639.8 | +10.9% | 779.4 |
| Equity total | 709.8 | 639.8 | +10.9% | 779.4 |
| Deferred tax liabilities | 41.9 | 36.9 | +13.5% | 41.2 |
| Pension liability | 3.3 | 3.5 | -7.9% | 3.4 |
| Provisions | 0.4 | 0.3 | +12.0% | 0.4 |
| Interest-bearing non-current liabilities | 106.0 | 5.0 | | 6.7 |
| Other non-current liabilities | 16.1 | 16.8 | -4.3% | 17.1 |
| Non-current liabilities total | 167.6 | 62.5 | +167.9% | 68.8 |
| Trade payables | 66.8 | 70.9 | -5.8% | 79.0 |
| Current tax liabilities | 8.4 | | | 2.6 |
| Other current liabilities | 100.5 | 92.2 | +9.0% | 102.6 |
| Current provisions | 0.0 | 0.0 | | |
| Interest-bearing current liabilities | 53.2 | 33.0 | +61.2% | 3.3 |
| Current liabilities total | 228.9 | 196.1 | +16.7% | 187.5 |
| Liabilities total | 396.5 | 258.7 | +53.3% | 256.3 |
| Equity and liabilities total | 1,106.3 | 898.4 | +23.1% | 1,035.7 |

¹As of Q3 reporting, the Group has combined the previously separately presented "Expendable fund" item under the item "Other reserves". The share of the expendable fund of other reserves at 30 June 2020 is EUR 0.5 million. There have been no changes in the expendable fund since 1 January 2018.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| EUR million | Equity attributable to owners of the parent company ¹ | | | | | | Equity total |
|--|--|-----------------------------|---|-----------------|-------------------------|-------------------|---------------|
| | Share capital | Other reserves ¹ | Remeasurement of pension plans ² | Treasury shares | Translation differences | Retained earnings | |
| Equity at 1 January 2019 | 92.2 | 2.9 | 10.5 | -18.0 | -7.7 | 693.2 | 773.1 |
| Impact of the adoption of the IFRS 16 standard | | | | | | -0.2 | -0.2 |
| Adjusted equity at 1 January 2019 | 92.2 | 2.9 | 10.5 | -18.0 | -7.7 | 693.0 | 772.9 |
| Profit for the period | | | | | | 83.6 | 83.6 |
| Other comprehensive income | | | | | | | |
| Translation differences | | | | | -0.6 | 0.2 | -0.4 |
| Remeasurement of pension plans | | | -0.0 | | | | -0.0 |
| Transaction with owners | | | | | | | |
| Dividend and capital repayment | | | | | | -211.4 | -211.4 |
| Repurchase of own shares | | | | -7.4 | | | -7.4 |
| Share-based incentive plan | | | | 0.9 | | 0.3 | 1.2 |
| Other adjustments | | 0.0 | | | | 1.1 | 1.2 |
| Equity at 30 June 2019 | 92.2 | 3.0 | 10.5 | -24.5 | -8.3 | 566.9 | 639.8 |
| Equity at 1 January 2020 | 92.2 | 3.0 | 30.5 | -24.5 | -7.0 | 685.2 | 779.4 |
| Profit for the period | | | | | | 143.0 | 143.0 |
| Other comprehensive income | | | | | | | |
| Translation differences | | | | | -1.5 | -0.5 | -2.0 |
| Remeasurement of pension plans | | | -2.7 | | | | -2.7 |
| Transaction with owners | | | | | | | |
| Dividend and capital repayment | | | | | | -210.4 | -210.4 |
| Share-based incentive plan | | | | 2.9 | | -0.5 | 2.4 |
| Other adjustments | | | | | | 0.2 | 0.2 |
| Equity at 30 June 2020 | 92.2 | 3.0 | 27.7 | -21.5 | -8.6 | 617.0 | 709.8 |

¹As of Q3/2019 reporting, the Group has combined the previously separately presented "Expendable fund" item under the item "Other reserves". The share of the expendable fund of other reserves at 30 June 2020 is EUR 0.5 million. There have been no changes in the expendable fund since 1 January 2018.

² The Group has revaluated the pension assets of Orion Pension Fund on 30 June 2020 due to the COVID-19 pandemic. Besides, the Group has updated the discount rate assumption used in the pension liability calculation for the reporting period. The Group assesses that there is no change in discount rate compared to the discount rate used in the reporting of the financial year 2019 (1.65 percent). The effect of the revaluation of the pension assets on pension receivable in the balance sheet in the first quarter of 2020 is -3.5 million euros. The change in pension receivable has been directly recognised as a decrease in equity under other comprehensive income, stated with deferred tax impact.

CONSOLIDATED STATEMENT OF CASH FLOWS

| EUR million | 1-6/20 | 1-6/19 | 1-12/19 |
|---|--------------|---------------|---------------|
| Operating profit | 180.8 | 107.2 | 252.8 |
| Adjustments | 30.8 | 27.8 | 56.7 |
| Change in working capital | -36.6 | -5.7 | 14.5 |
| Net financial items | -0.8 | -4.0 | -3.9 |
| Income taxes paid | -26.9 | -27.0 | -49.3 |
| Total net cash flow from operating activities | 147.4 | 98.4 | 270.8 |
| Investments in property, plant and equipment | -18.9 | -13.0 | -28.7 |
| Investments in intangible assets | -2.9 | -5.0 | -7.5 |
| Sales of property, plant and equipment and other investments | 0.6 | 0.2 | 0.7 |
| Sales of subsidiaries | | | 1.4 |
| Total net cash flow from investing activities | -21.1 | -17.7 | -34.0 |
| Cash flow from operating and investing activities, total | 126.2 | 80.6 | 236.8 |
| Current loans raised | 49.5 | 29.6 | 1.4 |
| Repayments of current loans | -0.4 | -150.2 | -154.2 |
| Non-current loans raised | 100.0 | 0.1 | |
| Repurchase of own shares | | -7.4 | -7.4 |
| Dividends paid and other distribution of profits | -211.0 | -210.4 | -211.2 |
| Total net cash flow from financing activities | -61.8 | -338.2 | -371.4 |
| Net change in cash and cash equivalents | 64.3 | -257.5 | -134.5 |
| Cash and cash equivalents at the beginning of the period | 149.0 | 283.7 | 283.7 |
| Foreign exchange differences | -0.9 | 1.0 | -0.1 |
| Cash and cash equivalents at the end of the period | 212.4 | 27.2 | 149.0 |
| 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 | 184.7 | 27.2 | 114.0 |
| Money market investments at the end of the period | 27.7 | | 35.0 |
| Cash and cash equivalents in the statement of cash flows | 212.4 | 27.2 | 149.0 |

Appendices

REVENUE BY REVENUE FLOWS

| EUR million | 4-6/20 | 4-6/19 | Change % | 1-6/20 | 1-6/19 | Change % | 1-12/19 |
|----------------------------|--------------|--------|----------|--------------|--------|----------|---------|
| Sale of goods | 252.7 | 247.3 | +2.2% | 529.3 | 484.4 | +9.3% | 988.6 |
| Royalty income | 7.2 | 3.6 | +98.1% | 9.9 | 7.1 | +40.3% | 11.5 |
| Total sale of goods | 259.8 | 250.9 | +3.6% | 539.2 | 491.4 | +9.7% | 1,000.1 |
| Milestone payments | 32.7 | 0.8 | | 33.2 | 1.3 | | 50.8 |
| Group total | 292.5 | 251.7 | +16.2% | 572.4 | 492.8 | +16.2% | 1,051.0 |

In the period 1-6/20 EUR 0.3 (0.3) million of the profits from clinical phase R&D falls under Milestone payments and EUR 6.8 (0.0) million under Product sales. Profits from clinical phase R&D are reported under Product sales once the product is commercially available. EUR 1.0 (1.0) million has been entered as income from performance obligations delivered to customers. The Group recorded EUR -0.0 (-0.0) million of sales performance obligations satisfied during previous financial periods.

NET SALES BREAK-DOWN

| EUR million | 4-6/20 | 4-6/19 | Change % | 1-6/20 | 1-6/19 | Change % | 1-12/19 |
|------------------------------------|--------------|--------|----------|--------------|--------|----------|---------|
| Proprietary products ¹⁾ | 131.6 | 89.0 | +47.9% | 242.9 | 178.4 | +36.2% | 406.1 |
| Specialty Products | 114.3 | 118.3 | -3.4% | 249.2 | 229.5 | +8.6% | 486.1 |
| Animal Health | 19.5 | 25.0 | -22.0% | 42.6 | 45.6 | -6.6% | 85.8 |
| Fermion and contract manufacturing | 24.8 | 19.4 | +28.1% | 39.7 | 37.7 | +5.6% | 70.7 |
| Other | 2.3 | 0.1 | | -2.0 | 1.6 | -227.4% | 2.4 |
| Group total | 292.5 | 251.7 | +16.2% | 572.4 | 492.8 | +16.2% | 1,051.0 |

¹⁾ The net sales of Proprietary Products during the period 1-6/20 includes EUR 1.0 (1.0) 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

| EUR million | 2020 | | 2019 | | | | 2018 | |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 4-6 | 1-3 | 10-12 | 7-9 | 4-6 | 1-3 | 10-12 | 7-9 |
| Net sales | 292.5 | 279.9 | 274.5 | 283.7 | 251.7 | 241.0 | 262.4 | 221.8 |
| Operating profit | 96.4 | 84.4 | 55.0 | 90.7 | 52.1 | 55.0 | 68.6 | 44.6 |

GEOGRAPHICAL BREAKDOWN OF NET SALES BY QUARTER

| EUR million | 2020 | | | 2019 | | | 2018 | |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 4-6 | 1-3 | 10-12 | 7-9 | 4-6 | 1-3 | 10-12 | 7-9 |
| Finland | 73.8 | 84.2 | 83.0 | 76.2 | 75.2 | 74.3 | 82.7 | 74.0 |
| Scandinavia | 43.6 | 51.0 | 46.2 | 42.0 | 44.6 | 43.9 | 40.4 | 36.4 |
| Other Europe | 104.1 | 87.3 | 87.5 | 78.1 | 85.7 | 82.8 | 83.5 | 72.0 |
| North America | 29.9 | 21.7 | 14.8 | 57.8 | 16.5 | 13.9 | 15.9 | 14.9 |
| Other markets | 41.1 | 35.7 | 42.9 | 29.6 | 29.9 | 26.1 | 39.7 | 24.4 |
| Group total | 292.5 | 279.9 | 274.5 | 283.7 | 251.7 | 241.0 | 262.4 | 221.8 |

TOP TEN BEST-SELLING PHARMACEUTICAL PRODUCTS

| EUR million | 4-6/20 | 4-6/19 | Change % | 1-6/20 | 1-6/19 | Change % | 1-12/19 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Easyhaler® product family (asthma, COPD) | 26.3 | 26.0 | +1.2% | 61.0 | 52.1 | +17.2% | 104.5 |
| Stalevo®, Comtess® and Comtan® (Parkinson's disease) | 24.5 | 22.6 | +8.6% | 52.6 | 43.7 | +20.3% | 97.5 |
| Simdax® (acute decompensated heart failure) | 15.2 | 17.8 | -14.8% | 34.5 | 34.4 | +0.3% | 67.6 |
| Dexdor® (intensive care sedative) | 17.8 | 14.6 | +21.9% | 34.3 | 33.9 | +1.4% | 56.6 |
| Dexdomitor®, Domitor®, Domosedan® and Antisedan® (animal sedatives) | 6.8 | 11.6 | -41.2% | 15.7 | 21.2 | -26.2% | 36.2 |
| Burana® (inflammatory pain) | 3.8 | 5.8 | -35.5% | 12.1 | 11.9 | +1.3% | 25.0 |
| Divina series (menopausal symptoms) | 4.3 | 4.3 | +0.7% | 10.2 | 8.8 | +16.1% | 19.0 |
| Trexan® (rheumatoid arthritis, cancer) | 4.0 | 2.8 | +43.0% | 9.5 | 5.2 | +82.6% | 11.4 |
| Biosimilars (rheumatoid arthritis, inflammatory bowel diseases) | 3.5 | 8.9 | -60.6% | 8.6 | 18.2 | -52.9% | 37.7 |
| Solomet® (inflammation, pain) | 3.9 | 3.4 | +12.6% | 8.2 | 6.2 | +32.7% | 14.0 |
| Total | 110.1 | 117.8 | -6.6% | 246.7 | 235.6 | +4.7% | 469.7 |
| Share of net sales | 38 % | 47% | | 43 % | 48 % | | 45 % |

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

| EUR million | 6/20 | 6/19 | 12/19 |
|--|--------------|-------|-------|
| Carrying amount at the beginning of the period | 320.9 | 316.9 | 316,9 |
| + Impact of the adoption of the IFRS 16 standard | | 8,6 | 8,6 |
| Additions | 18.1 | 13.4 | 35,4 |
| Disposals | -0.8 | -1.8 | -3,6 |
| Depreciation, amortisation and impairment | -18.5 | -17.6 | -36,3 |
| Carrying amount at the end of the period | 319.6 | 319.6 | 320,9 |

CHANGES IN INTANGIBLE ASSETS (EXCLUDING GOODWILL)

| EUR million | 6/20 | 6/19 | 12/19 |
|---|-------------|-------|-------|
| Carrying amount at the beginning of the period | 37.6 | 50.2 | 50,2 |
| Additions | 3.0 | 5.3 | 7,2 |
| Disposals | -0.0 | -0.0 | -0,0 |
| Depreciation, amortisation and impairment | -9.9 | -10.0 | -19,8 |
| Carrying amount at the end of the period | 30.7 | 45.5 | 37,6 |

CHANGES IN FINANCIAL LIABILITIES

Orion has withdrawn during the period 1-6/20 a long-term loan of 100 million Euros from European Investment Bank. The first repayment of the loan will be made in two years and the last repayment is scheduled after 10 years from the disbursement. In addition, Orion has withdrawn during the period 1-6/20 a short-term loan of 50 million Euros from the committed credit limit facility. Furthermore, Orion has undrawn committed credit limit facility in the value of 50 million Euros. If the financial covenants determined in the terms of the credit limit agreements of the company and loan agreement of the European Investment Bank are breached, the lender optionally has the right to demand early repayment of the loan. As of 30 June 2020 Orion met these financial covenants.

COMMITMENTS AND CONTINGENCIES

| EUR million | 6/20 | 6/19 | 12/19 |
|--|------|------|-------|
| CONTINGENCIES FOR OWN LIABILITIES | | | |
| Guarantees | 6.8 | 6.2 | 6,5 |
| OTHER LIABILITIES | | | |
| Other liabilities | 0.3 | 0.3 | 0,3 |

DERIVATIVES

| EUR million | 6/20 | 6/19 | 12/19 |
|--|------|------|-------|
| CURRENCY FORWARD CONTRACTS AND CURRENCY SWAPS | | | |
| Fair value, EUR million | -0.0 | -0.4 | -0,5 |
| Nominal value, EUR million | 20.7 | 51.8 | 56,2 |
| CURRENCY OPTIONS | | | |
| Fair value, EUR million | -0.0 | -0.0 | -0,1 |
| Nominal value, EUR million | 24.6 | 39.2 | 44,6 |

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 | 27.7 | | | 27.7 |
| Other investments | | | | |
| Shares and investments | | | 0.2 | 0.2 |
| Assets total | 27.7 | 0.1 | 0.2 | 28.0 |
| Derivatives | | | | |
| Currency derivatives | | -0.2 | | -0.2 |
| Liabilities total | | -0.2 | | -0.2 |

The fair value of level 1 financial instrument 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 | 1-6/20 | 1-6/19 | 1-12/19 |
|----------------------------------|--------|--------|---------|
| Management's employment benefits | 6.0 | 3.7 | 4.9 |

BASIC SHARE INFORMATION, 31 MARCH 2020

| | A share | B share | Total |
|--|--------------|---------------|---------------|
| Trading code on Nasdaq Helsinki | ORNAV | ORNBV | |
| Listing day | 1 Jul 2006 | 1 Jul 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 | 23.1 | 69.1 | 92.2 |
| Counter book value per share, EUR | 0.65 | 0.65 | |
| 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 | |

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

KEY FINANCIAL FIGURES

| | 4-6/20 | 4-6/19 | Change % | 1-6/20 | 1-6/20 | Change % | 1-12/19 |
|--|--------|--------|----------|---------|--------|----------|---------|
| Net sales, EUR million | 292.5 | 251.7 | +16.2% | 572.4 | 492.8 | +16.2% | 1,051.0 |
| EBITDA, EUR million | 110.7 | 66.1 | +67.5% | 209.2 | 134.8 | +55.3% | 308.9 |
| % of net sales | 37.8% | 26.3% | | 36.6% | 27.3% | | 29.4% |
| Operating profit, EUR million | 96.4 | 52.1 | +84.9% | 180.8 | 107.2 | +68.7% | 252.8 |
| % of net sales | 33.0% | 20.7% | | 31.6% | 21.7% | | 24.1% |
| Profit for the period, EUR million | 75.6 | 40.8 | +85.3% | 143.0 | 83.6 | +71.0% | 200.4 |
| % of net sales | 25.8% | 16.2% | | 25.0% | 17.0% | | 19.1% |
| R&D expenses, EUR million | 32.3 | 31.5 | +2.6% | 59.2 | 58.0 | +2.1% | 119.3 |
| % of net sales | 11.1% | 12.5% | | 10.3% | 11.8% | | 11.3% |
| Capital expenditure, EUR million | 10.8 | 12.7 | -14.4% | 21.2 | 18.8 | +12.9% | 42.6 |
| % of net sales | 3.7% | 5.0% | | 3.7% | 3.8% | | 4.0% |
| Depreciation, amortisation and impairment, EUR million | 14.3 | 14.0 | +2.3% | 28.5 | 27.6 | +3.2% | 56.1 |
| Personnel expenses, EUR million | 62.5 | 55.5 | +12.5% | 118.3 | 110.6 | +6.9% | 217.1 |
| Equity total, EUR million | | | | 709.8 | 639.8 | +10.9% | 779.4 |
| Interest-bearing net liabilities, EUR million | | | | -53.2 | 10.8 | -592.8% | -139.1 |
| Assets total, EUR million | | | | 1,106.3 | 898.4 | +23.1% | 1,035.7 |
| Cash flow from operating activities, EUR million | | | | 147.4 | 98.4 | +49.8% | 270.8 |
| Equity ratio, % | | | | 65.3% | 73.0% | | 76.7% |
| Gearing, % | | | | -7.5% | 1.7% | | -17.8% |
| ROCE (before taxes), % | | | | 44.4% | 27.0% | | 29.9% |
| ROE (after taxes), % | | | | 38.4% | 23.7% | | 25.8% |
| Personnel at the end of the period | | | | 3,424 | 3,352 | +2.1% | 3,265 |
| Average personnel during the period | | | | 3,336 | 3,232 | +3.2% | 3,251 |

PERFORMANCE PER SHARE

| | 4-6/20 | 4-6/19 | Change % | 1-6/20 | 1-6/19 | Change % | 1-12/19 |
|---|--------|--------|----------|-------------|-------------|----------|-------------|
| Basic earnings per share, EUR | 0.54 | 0.29 | +85.3% | 1.02 | 0.59 | +71.2% | 1.43 |
| Diluted earnings per share, EUR | 0.54 | 0.29 | +85.3% | 1.02 | 0.59 | +71.2% | 1.43 |
| Cash flow per share before financial items, EUR | 0.56 | 0.17 | +223.2% | 0.90 | 0.57 | +56.5% | 1.68 |
| Equity per share, EUR | | | | 5.05 | 4.55 | +11.0% | 5.55 |
| A share | | | | | | | |
| Number of shares at the end of the period | | | | 35,443,475 | 36,821,579 | -3.7% | 36,335,463 |
| % of total share stock | | | | 25.1% | 26.1% | | 25.7% |
| Number of votes excluding treasury shares | | | | 708,869,500 | 736,431,580 | -3.7% | 726,709,260 |
| % of total votes | | | | 87.1% | 87.7% | | 87.5% |
| Total number of shareholders | | | | 20,455 | 20,554 | -0.5% | 19,990 |
| Closing quotation at the end of previous financial year, EUR | | | | 40.95 | 30.30 | +35.1% | 30.30 |
| Lowest quotation of review period, EUR | | | | 29.60 | 28.20 | +5.0% | 28.20 |
| Average quotation of review period, EUR | | | | 40.63 | 31.67 | +28.3% | 34.26 |
| Highest quotation of review period, EUR | | | | 48.45 | 35.25 | +37.4% | 42.00 |
| Closing quotation at the end of review period, EUR | | | | 43.05 | 31.95 | +34.7% | 40.95 |
| Trading volume, EUR million | | | | 64.3 | 30.2 | +112.4% | 73.5 |
| Shares traded | | | | 1,582,348 | 955,088 | +65.7% | 2,149,046 |
| % of the total number of shares | | | | 4.5% | 2.6% | | 5.9% |
| B share | | | | | | | |
| Number of shares at the end of the period, including treasury shares | | | | 105,690,803 | 104,436,249 | +1.2% | 104,922,365 |
| % of total share stock | | | | 74.9% | 73.9% | | 74.3% |
| Treasury shares | | | | 671,082 | 765,399 | -12.3% | 765,399 |
| Number of shares at the end of the period, excluding treasury shares | | | | 105,019,721 | 103,670,850 | +1.3% | 104,156,966 |
| Number of votes excluding treasury shares | | | | 105,019,721 | 103,670,850 | +1.3% | 104,156,966 |
| % of total votes | | | | 12.9% | 12.3% | | 12.5% |
| Total number of shareholders | | | | 51,867 | 56,618 | -8.4% | 52,913 |
| Closing quotation at the end of previous financial year, EUR | | | | 41.27 | 30.28 | +36.3% | 30.28 |
| Lowest quotation of review period, EUR | | | | 30.02 | 28.19 | +6.5% | 28.19 |
| Average quotation of review period, EUR | | | | 41.53 | 31.42 | +32.2% | 33.48 |
| Highest quotation of review period, EUR | | | | 48.80 | 35.40 | +37.9% | 42.52 |
| Closing quotation at the end of review period, EUR | | | | 43.06 | 32.23 | +33.6% | 41.27 |
| Trading volume, EUR million | | | | 2,455.8 | 1,436.3 | +71.0% | 2,846.5 |
| Shares traded | | | | 59,143,836 | 45,708,904 | +29.4% | 85,303,946 |
| % of the total number of shares | | | | 56.0% | 43.8% | | 81.3% |
| A and B share total | | | | | | | |
| Number of shares at the end of the period | | | | 141,134,278 | 141,257,828 | | 141,257,828 |
| Avg. number of shares during the period excluding treasury shares | | | | 140,551,222 | 140,651,625 | | 140,571,373 |
| Total number of votes conferred by the shares | | | | 813,889,221 | 840,102,430 | -3.1% | 830,866,226 |
| Total number of shareholders | | | | 66,010 | 70,699 | -6.6% | 66,595 |
| Trading volume, EUR million | | | | 2,520.0 | 1,466.5 | +71.8% | 2,920.0 |
| Shares traded | | | | 60,726,184 | 46,663,992 | +30.1% | 87,452,992 |
| Total shares traded, % of total shares | | | | 43.0% | 33.0% | | 61.9% |
| Market capitalisation at the end of the period excluding treasury shares, EUR million | | | | 6,048.0 | 4,517.8 | +33.9% | 5,786.5 |

REPORTING

Orion has one business area or operating segment according to which Orion reports on its operations. Orion breaks down the net sales as follows:

- 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 and Contract manufacturing (manufacture of active pharmaceutical ingredients for Orion and other companies and manufacture of pharmaceuticals for other companies)

The item “Other operations” reported in the context of net sales mostly comprises of the impact of exchange rate changes on consolidated net sales.

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 2019 financial statements, besides which the amendments to existing IFRS and IAS standards endorsed by the EU have been adopted as of 1 January 2020.

New amendments to existing IFRS and IAS standards adopted from 1 January 2020 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>.

OTHERS

The figures in this 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

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

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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, Finnish heritage rare diseases and respiratory diseases for which Orion develops inhaled Easyhaler® pulmonary drugs. Orion's net sales in 2019 amounted to EUR 1,051 million and the company had about 3,300 employees at the end of the year. Orion's A and B shares are listed on Nasdaq Helsinki.