Orion Group
Interim Report 1–9/2019

Building well-being

Orion Group Interim Report 1–9/2019

Net sales in January–September 2019 totalled EUR 776 million
(EUR 715 million in January–September 2018).

- Operating profit was EUR 198 (184) million.
- Profit before taxes was EUR 196 (181) million.
- Net sales and operating profit include the EUR 45 million milestone payment received from Bayer.
- Equity ratio was 78% (69%).
- ROCE before taxes was 32% (50%).
- ROE after taxes was 28% (52%).
- Basic earnings per share were EUR 1.10 (1.02).
- Cash flow per share before financial items was EUR 1.28 (2.10).
- Financial objectives remain unchanged.
- Outlook remains unchanged.

ORION'S KEY FIGURES FOR THE REVIEW PERIOD

	7-9/19	7-9/18	Change %	1-9/19	1-9/18	Change %	1-12/18
Net sales, EUR million	**283.7**	221.8	+27.9%	**776.5**	715.1	+8.6%	977.5
EBITDA, EUR million	**104.6**	54.6	+91.6%	**239.3**	214.1	+11.8%	293.9
% of net sales	**36.9%**	24.6%		**30.8%**	29.9%		30.1%
Operating profit, EUR million	**90.7**	44.6	+103.1%	**197.8**	184.2	+7.4%	252.8
% of net sales	**32.0%**	20.1%		**25.5%**	25.8%		25.9%
Profit before taxes, EUR million	**90.9**	43.6	+108.7%	**196.1**	180.9	+8.4%	248.4
% of net sales	**32.0%**	19.6%		**25.3%**	25.3%		25.4%
Profit for the period, EUR million	**71.6**	34.3	+108.5%	**155.2**	143.6	+8.1%	197.3
% of net sales	**25.2%**	15.5%		**20.0%**	20.1%		20.2%
R&D expenses, EUR million	**28.5**	24.5	+16.4%	**86.5**	76.2	+13.5%	104.0
% of net sales	**10.1%**	11.1%		**11.1%**	10.7%		10.6%
Capital expenditure, EUR million	**9.3**	9.6	-3.2%	**28.1**	29.4	-4.6%	64.8
% of net sales	**3.3%**	4.3%		**3.6%**	4.1%		6.6%
Interest-bearing net liabilities, EUR million				**-85.8**	-103.3	+16.9%	-132.1
Basic earnings per share, EUR	**0.51**	0.24	+108.8%	**1.10**	1.02	+8.2%	1.40
Cash flow per share before financial items, EUR	**0.71**	0.36	+98.6%	**1.28**	2.10	-39.1%	2.32
Equity ratio, %				**78.2%**	69.1%		68.8%
Gearing, %				**-12.1%**	-14.0%		-17.1%
ROCE (before taxes), %				**32.3%**	49.7%		44.3%
ROE (after taxes), %				**27.9%**	52.2%		45.5%
Average personnel during the period				**3,246**	3,188	+1.8%	3,179

The Diagnostics business, sold on 30 April 2018, has been reported as a discontinued operation since the interim report 1–3/2018 and is not included in consolidated statement of comprehensive income. The return on capital and cash flow per share figures in the comparative period also contain discontinued operations, including the capital gain from the sale of Orion Diagnostica.

President and CEO Timo Lappalainen:

Marketing authorisation for darolutamide in the United States

“The single most important event of the period under review occurred at the end of July as the United States Food and Drug Administration (FDA) granted marketing authorisation under the Priority Review designation to darolutamide for the treatment of non-metastatic prostate cancer resistant to conventional hormone therapy, under the trade name Nubeqa®. This is Orion's first entirely new molecule that has received marketing authorisation since levosimendan (Simdax®). This is an important milestone for Orion, and I wish to thank our employees and our partner Bayer for having attained it. We received a EUR 45 million milestone payment from Bayer for the first commercial sale of the product in the United States and we have included it into our third quarter result.

In July we also completed patient recruitment for the REFALS trial evaluating orally administered levosimendan (ODM-109) in the treatment of symptoms of amyotrophic lateral sclerosis (ALS). The trial involves monitoring the patients for approximately one year, reaching completion in the summer of 2020. We are conducting the trial alone and if the study results are positive, it is possible that Orion will commercialise the product on its own in Europe as well as in key markets outside Europe. We have initiated an assessment on the prospects of launching the product in the United States on our own.

Orion's net sales in January–September 2019 increased by 9% to EUR 776 million and operating profit by 7% to EUR 198 million. Both figures include the EUR 45 million milestone payment received from Bayer.

Among our proprietary drugs, the sales of the Easyhaler® product family and Simdax® continued to develop well. Growth in the Easyhaler® product family was mostly due to the budesonide-formoterol combined formulation, and the overall progress has also been boosted by the sales and marketing efforts that we have reported in the basis for the 2019 outlook. So far there has been no material generic competition for Simdax®, but marketing authorisation applications have been submitted for generic versions of the drug in Europe. Generic competition for Dexdor® has further expanded in the European Union area, and sales of the product have turned to decline, as expected. The sales of the Parkinson's drugs Stalevo® and Comtess®/Comtan® fell seven per cent in January–September. In the third quarter, however, sales were significantly better than in the comparative period, due to an increase in Orion's own sales and the timing of partner deliveries.

Net sales of the Specialty Products business division turned up in January–September. Mostly the growth was due to biosimilars, prescription drugs in Scandinavia and self-care products in Finland. Disruptions in product availability and tougher price competition in generic drugs had a negative effect on the business division's net sales in Finland in particular. In 2019, the decline in prices in Finland appears to have levelled off for the time being.

We continue our ongoing trial with Bayer which evaluates darolutamide in patients with metastatic prostate cancer. The commercial potential of darolutamide will increase significantly if this second Phase III clinical trial (ARASENS) yields positive results in around 2022. As for earlier phase development projects, we are looking for partners to possible next development phases of the ODM-203 and ODM-207 molecules. The ODM-208 and ODM-209 molecule development projects proceeded as expected in the review period.

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

The outlook remains unchanged. Orion estimates that its net sales in 2019 will be slightly higher than in 2018 and operating profit will be at the same level as in 2018. Both estimated net sales and operating profit include the EUR 45 million milestone payment for the commercialisation of darolutamide. The estimated operating profit also includes significant investments in actions to generate growth. The complete outlook estimate and the basis for it can be found in this report under ‘Outlook for 2019’ and ‘Basis for outlook’.”

Key events in the review period from July to September

15 Jul 2019 Patient recruitment for Orion's REFALS Phase III clinical trial studying the effect of orally administered levosimendan in patients with amyotrophic lateral sclerosis (ALS) was completed.

30 Jul 2019 The United States Food and Drug Administration granted marketing authorisation to darolutamide, a new drug for the treatment of non-metastatic castration-resistant prostate cancer (nmCRPC).

7 Aug 2019 Orion announced the start of darolutamide sales in the United States and that the company will enter the EUR 45 million milestone payment from Bayer for the successful commercialisation of the product in the United States in its third quarter profits.

Events after the period

There have been no significant events after the review period.

News conference and teleconference

A news conference and teleconference on the published results will be held on Wednesday 23 October 2019 at 13:30 EEST at Orion's head office (address: Orionintie 1A, Espoo). President and CEO Timo Lappalainen will give a brief presentation in English on the financial review.

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

The conference call ID is 7780776 and the telephone numbers to participate in the teleconference are:

Finland: +358 (0)9 7479 0361
Sweden: +46 (0)8 5033 6574
United Kingdom: +44 (0)330 336 9105
United States: +1 323-794-2093

News conference recordings

A recording of the webcast of the event in English and a recording of the presentation by the President and CEO in Finnish will be available on Orion's website during Wednesday 23 October 2019.

Financial report material

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

Orion calendar

Financial statement release 2019	Wednesday 5 February 2020
Annual General Meeting 2020	planned to be held on Wednesday 25 March 2020
Interim Report January–March 2020	Tuesday 28 April 2020
Half-Year Financial Report January-June 2020	Friday 17 July 2020
Interim Report January-September 2020	Wednesday 21 October 2020

The Financial Statements and Report by the Board of Directors for 2019 will be published on the Company's website at the latest in week 10/2020.

For additional information about the report:

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www.orion.fi/en/investors

Financial review for 1 January–30 September 2019

Net sales

Orion Group's net sales in January–September 2019 totalled EUR 776 (715) million, an increase of 9%. The net sales include the EUR 45 million milestone payment received from Bayer. Exchange rates impacted net sales positively by EUR 4 million. Net sales of Orion's top ten pharmaceuticals in January–September were EUR 350 (325) million. They accounted for 45% (45%) of the total net sales.

Operating profit

The Orion Group's operating profit was up by 7% at EUR 198 (184) million. EBITDA was up by 12% at EUR 239 (214) million. Operating profit and EBITDA include the EUR 45 million milestone payment received from Bayer.

Gross profit from product and service sales was EUR 6 million higher than in the comparative period. The positive effect of the increase in net sales calculated in local currencies on gross profit was EUR 13 million, but the change in margins reduced the gross profit by EUR 10 million. Exchange rate changes had a EUR 3 million positive effect on the gross profit.

Milestone payments accounted for EUR 47 (4) million and royalties for EUR 8 (14) million of net sales and operating profit. The decline in other operating income also had a EUR 2 million negative impact on the operating profit.

Operating expenses increased by EUR 28 million. Majority of the growth was due to increase in sales and marketing as well as in research and development costs.

Operating expenses

The Group's sales and marketing expenses totalled EUR 155 (140) million. The growth was mostly due to depreciation associated with the reacquisition of European rights for Stalevo®, which in January-September were approximately EUR 9 million, as well as investments in the sales of the Easyhaler® product portfolio in particular.

R&D expenses were EUR 86 (76) million. They accounted for 11% (11%) of the Group's net sales. Research projects are reported in more detail under the 'Business Review' part of this report.

Administrative expenses were EUR 34 (32) million.

Other operating income and expenses amounted to EUR 2 (4) million (positive).

Group's profit

Profit for the period was EUR 155 (144) million.

Basic earnings per share were EUR 1.10 (1.02). Equity per share was EUR 5.07 (5.24).

The return on capital employed before taxes (ROCE) was 32% (50%) and the return on equity after taxes (ROE) 28% (52%). The high figures in the comparative period are explained by the EUR 128 million capital gain recognised for the sale of Orion Diagnostica.

Financial position

The Group's gearing was -12% (-14%) and the equity ratio 78% (69%).

The Group's total liabilities at 30 September 2019 were EUR 220 (352) million. At the end of the period, interest-bearing liabilities amounted to EUR 8 (152) million, including EUR 5 (1) million of long-term loans. The change in interest-bearing liabilities was mostly due to the fact that the EUR 150 million bond loan issued by Orion in 2013 matured in June 2019. The company acquired substitutive financing by issuing commercial papers.

After the matured bond loan was paid off, the Group had EUR 94 (255) million of cash and cash equivalents and money market investments at the end of the period. The cash and cash equivalents are invested in short-term money market instruments issued by financially solid financial institutions and corporations.

Orion signed a EUR 100 million loan agreement with the European Investment Bank in January 2019. The loan has not yet been raised.

Cash flow

Cash flow from operating activities was EUR 206 (167) million. Cash flow improved thanks to increased operating profit and decrease in working capital.

The cash flow from investing activities was EUR -26 (129) million. The cash flow from investing activities was positive in the comparative period due to the sale of Orion Diagnostica.

The cash flow from financing activities was EUR -370 (-204) million. The difference to the comparative period is mostly due to the repayment of the bond loan that matured in June. Orion has also bought back its own shares by EUR 7 million.

Capital expenditure

The Group's capital expenditure totalled EUR 28 (29) million. This comprised EUR 22 (26) million on property, plant and equipment and EUR 6 (4) million on intangible assets.

Key business targets for 2019

TARGET	DEVELOPMENT 1-9/2019
Preparing for the launch and commercialisation of the prostate cancer drug darolutamide in collaboration with Bayer, assuming that the marketing authorisation process progresses as planned. Continued research and development collaboration in the ARASENS trial (metastatic prostate cancer) to expand the indication.	○ Marketing authorisation applications submitted in main markets and other key markets. ○ In the United States, the FDA granted marketing authorisation through Priority Review. ○ With recruitment completed, the ARASENS trial continues as planned.
Development of orally administered levosimendan (ODM-109) for ALS in phase III clinical trial and preparation for its possible commercialisation. In research and development, the potential of different projects are reviewed with consideration of the total research portfolio.	○ Patient recruitment was completed in July 2019. ○ Orion has initiated an assessment on the prospects of launching the product in the United States on its own.
Strengthening Orion's position as the most significant provider of generic drugs in Finland and competitive pricing. Development of a competitive product portfolio in Specialty Products and strengthening of product launches.	○ Orion's sales volume of reference-priced prescription drugs in Finland grew faster than the market.
Accelerating the growth of the Easyhaler product family and strengthening its market position. The launch of the salmeterol-fluticasone Easyhaler progressing in Europe.	○ Easyhaler product family sales increased by 16 per cent.
Evaluation of new in-licensing opportunities in Europe, particularly in the area of hospital care.	○ The work continues.

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

Outlook for 2019 (issued on 6 February 2019)

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

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

Basis for outlook in more detail

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

Net sales

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

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

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

Sales of generic products account for a significant proportion of Orion’s total sales. Competition in Finland, the most important generic market for Orion, remains intense in 2019. However, product launches continue to support Orion’s position as market leader in Finland. At the beginning of 2017, changes were made to the pricing system for substitutable prescription drugs in Finland by narrowing the so-called price band. The change caused an estimated EUR 15 million yearly sales decline both in 2017 and 2018. Thus the cumulative two-year negative impact was around EUR 30 million. For 2019, the estimated impact is EUR 10 million negative. From January to September 2019, the sales of reference priced drugs in the Finnish market declined by 7% and the sales of Orion's reference priced drugs declined by 5%. The volume of these sales grew by 4% and the volume of Orion’s sales by 5% (Source: Pharmarket sales statistics 1-9/2019).

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

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

generally known before the final signing of the agreement. The outlook for 2019 includes the EUR 45 million milestone payment for the commercialisation of the prostate cancer drug darolutamide in the United States, which Orion has included in its third quarter result.

Expenditure

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

Marketing expenditure will be higher than in the previous year due to additional promotion of sales of the Easyhaler product portfolio in countries where these products have been launched in recent years. In 2019, expenditure will also be increased by a EUR 12 million depreciation related to the acquisition of 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.

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

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

Investments

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

Near-term risks and uncertainties

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

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

Sales of individual products and also Orion’s sales in individual markets may vary, for example depending on the extent to which the ever-tougher price and other competition prevailing in pharmaceuticals markets in recent years will specifically focus on Orion’s products. Deliveries of Parkinson’s drugs to

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

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

Orion's broad product range may cause risks to the delivery reliability and make it challenging to maintain the high quality standard required in production. Authorities and key customers in different countries undertake regular and detailed inspections of development and manufacturing of drugs at Orion's production sites. Any remedial actions that may be required may at least temporarily have effects that decrease delivery reliability and increase costs. Orion's product range also 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. To ensure deliveries, in addition to Oriola Finland Oy, there are also other distributors temporarily distributing certain Orion products.

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

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

Orion's dividend distribution policy

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

Financial objectives

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

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

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

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

Shares and shareholders

On 30 September 2019 Orion had a total of 141,257,828 (141,257,828) shares, of which 36,686,579 (37,120,346) were A shares and 104,571,249 (104,137,482) B shares. The Group's share capital is EUR 92,238,541.46 (92,238,541.46). At the end of June, Orion held 765,399 (562,440) B shares as treasury shares. On 30 September 2019, the aggregate number of votes conferred by the A and B shares was 837,537,430 (845,981,962) excluding treasury shares.

At the end of September 2019, Orion had 69,165 (73,337) 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 433,767 A shares were converted into B shares in January–September 2019.

Trading in Orion's shares

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

On 30 September 2019, the market capitalisation of the Company's shares, excluding treasury shares, was EUR 4,800 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 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 2019, Orion had a total of 69,165 (73,337) registered shareholders, of whom 96% (95%) were private individuals. They held 41% (43%) of the entire share stock and had 61% (62%) of the total votes. There were 50 (46) million nominee-registered and foreign-owned shares, which was 35% (32%) of all shares, and they conferred entitlement to 8% (7%) of the total votes.

At the end of September 2019, Orion held 765,399 (562,440) B shares as treasury shares, which is 0.5% (0.4%) of the Company's total share stock and 0.09% (0.07%) of the total votes.

Personnel

The average number of employees in the Orion Group in January–September 2019 was 3,246 (3,188). At the end of September 2019, the Group had a total of 3,240 (3,145) employees, of whom 2,579 (2,473) worked in Finland and 661 (672) outside Finland.

Salaries and other personnel expenses in January–September totalled EUR 157 (144) million.

Significant legal proceedings

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

Business review

Review of human pharmaceuticals market

Finland is the most important individual market for Orion, generating about one-third of the Group's net sales. According to Pharmarket statistics (1-9/2019), the total sales of Orion's human pharmaceuticals, including both medicinal and non-medicinal products, was behind market trend. The growth in the Finnish pharmaceuticals market has mostly been generated by proprietary products, while they only account for a small share of Orion's net sales in Finland.

Orion's biggest product group in Finland are reference-priced prescription drugs in the pharmacy channel. The sales volume of Orion's reference priced prescription drugs developed slightly better than the market, but in euros sales declined from the comparative period due to continuing tough price competition and availability disruptions. The average price of reference priced drugs in the market declined in January–September 2019 by approximately 10% from the comparative period (Source: Pharmarket). The impact of price competition on Orion has been significant due to the Company's broad product range and significant market share in Finland.

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	1-9/19	1-9/18	Change %
Total sales of human pharmaceuticals (hospital and pharmacy channel)			
Market	2,083	1,977	+5%
Orion	229	230	-0%
Prescription drugs total (pharmacy channel)			
Market	1,157	1,108	+4%
Orion	129	133	-3%
Reference priced prescription drugs (pharmacy channel)			
Market	319	342	-7%
Orion	85	90	-5%
Self-care products (pharmacy channel)			
Market	296	290	+2%
Orion	73	71	+4%

Source: Pharmarket sales statistics 1-9/2019

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

Orion's market share, %	1-9/19	1-9/18
Human pharmaceuticals in total (hospital and pharmacy channel)	11%	12%
Prescription drugs total (pharmacy channel)	11%	12%
Reference priced prescription drugs (pharmacy channel)	27%	26%
Self-care products (pharmacy channel)	25%	24%

Source: Pharmarket sales statistics 1-9/2019

Orion is a significant player also in the Scandinavian generics market.

According to IQVIA pharmaceutical sales statistics, in Europe total sales of the most common intravenous anaesthetics and intensive care sedatives (propofol, midazolam, remifentanil and dexmedetomidine) in the 12-month period ending in June 2019 were up by 4% at EUR 585 (563) million. Sales of Orion's Dexdor® intensive care sedative (dexmedetomidine) totalled EUR 72 (68) million in Europe, according to IQVIA pharmaceutical sales statistics.

Proprietary Products

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

Net sales of the Proprietary Products business division in January–September were EUR 308 (261) million. The increase in net sales is mainly explained by the EUR 45 million milestone payment from Bayer.

Total net sales of the Easyhaler® product family for treatment of asthma and chronic obstructive pulmonary disease were up by 16% in January–September 2019 at EUR 75 (64) million. The good development was mainly due to the strong sales of the budesonide-formoterol combined formulation, up by 23% at EUR 44 (36) million. The growth was supported by increased resources in the sales and marketing of the product family. Launched in 2014, the product is on sale in all key European markets. Besides Orion's sales, co-marketing partner Menarini sells the budesonide-formoterol combined formulation in France and in a few Southern European countries. The first marketing authorisation applications have also been submitted outside Europe. Menarini is the distributor of the budesonide-formoterol combined formulation in the Asia and Pacific region, and Hikma Pharmaceuticals PLC in the Middle East and North Africa.

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 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).

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–September 2019 were down by 7% at EUR 70 (76) million. In the third quarter, however, sales were significantly better than in the comparative period, due to an increase in Orion's own sales and the timing of partner deliveries. The increase in proprietary sales results from the reacquisition of the European sales and distribution rights for Stalevo® and Comtan®.

Breakdown of sales of Parkinson’s drugs:

EUR million	1-9/2019	1-9/2018	Change %
Deliveries to key partners	**37**	59	-37%
Orion’s own sales	**33**	17	+98%

Net sales of Orion's Dexdor® intensive care sedative (dexmedetomidine) decreased by 5% to EUR 46 (48) million. The drug's indication patent expired on 31 March 2019, and its generic versions have been granted marketing authorisations in several European countries. Now that the patent has expired, competition to the product has gradually expanded in the EU. However, there are country-specific differences in the expansion, which depend on the timing of tendering competitions, among other things. Sales of the Precedex® intensive care sedative were down by 48% at EUR 8 (16) million. The sales comprise both royalties and sales of the pharmaceutical ingredient.

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–September 2019 were up 14% at EUR 49 (43) million. Orion has been informed that marketing authorisation applications have been filed for generic versions of Simdax in Europe. The patent for the product's molecule expired in 2015, but possible generic competition is not expected to have a material impact on sales of the product in 2019.

Nubeqa® (darolutamide) for the treatment of non-metastatic prostate cancer resistant to conventional hormone therapy received marketing authorisation in July 2019 in the United States, where it is being sold by Orion's partner Bayer. Orion received a EUR 45 million milestone payment from Bayer for the successful commercialisation of the darolutamide in the United States and included this in its third quarter profits.

Bayer has submitted marketing authorisation applications for darolutamide also to Japan's Ministry of Health, European Medicines Agency (EMA) and other key markets. Orion is entitled to EUR 20 million milestone payment upon first commercial sales of darolutamide in the EU and to EUR 8 million upon first commercial sales in Japan.

Bayer holds global commercial rights to darolutamide. In Europe, however, Orion and Bayer have agreed on co-promotion. In addition, Orion will manufacture 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

Net sales of the Specialty Products business division's off-patent, i.e. generic prescription drugs, self-care products and biosimilars amounted to EUR 349 (347) million in January–September 2019.

Finland, Scandinavia and Eastern Europe and Russia are the most important markets for Specialty Products. The business division's sales in Finland in January–September 2019 were EUR 199 (200) million. Continued tough price competition in generic drugs and availability disruptions negatively affected net sales, but due to increased sales in self-care products and biosimilars overall net sales remained at previous year's level. Price competition in generic drugs has decreased Orion's sales in Finland by around EUR 15 million annually both in 2017 and 2018. In 2019, the impact of the system change and related price decrease is estimated to amount to EUR 10 million. In 2019, the decline in prices appears to have levelled off for the time being.

In Scandinavia the sales of Specialty Products totalled EUR 65 (51) million, up 27%. The growth was due to generic prescription drugs and biosimilars. In Eastern Europe and Russia, Specialty Products sales amounted to EUR 48 (47) million.

In Specialty Products, 67 (70)% of the net sales came from generic drugs, 25 (24)% from self-care products and 8 (6)% from biosimilars. The biosimilars net sales totalled EUR 28 (19) million, up by 47%. In 2018 Orion won the Norwegian national tender for Remsima® (infliximab), and deliveries started in the first quarter of 2019. The sales of Ritemvia® (rituximab) is proceeding according to the opening of tendering competitions. The launch and sales of Amgevita® (adalimumab) have proceeded according to plan. Orion has the distribution rights for Amgevita® in Finland.

Animal Health

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

The first half of the year was good in Animal Health as a whole. Net sales of the Animal Health business division in January–September 2019 were up by 11% at EUR 64 (58) million, mostly due to the timing of deliveries to partners. At EUR 28 (23) million, sales of animal sedative products accounted for 43% (40%) of the Animal Health business division's total net sales. The animal sedative product family comprises Orion's animal sedatives Dexdomitor® (dexmedetomidine), Domitor® (medetomidine) and Domosedan® (detomidine), and antagonist Antisedan® (atipamezole), which reverses the effects of the sedatives.

In February 2018, Orion received positive conclusions under the decentralised EU marketing authorisation procedure for Clevor®. Clevor, with ropinirole as the active pharmaceutical ingredient, is an eye-drop formula designed to treat poisoning in dogs. The product is expected to be launched during 2020. In June Orion launched the ToxBuddy® online service in Finland to provide veterinary practitioners with information and support for treating poisoning in dogs. The service gives tools for the practitioner to assess the severity of poisoning and receive treatment instructions, among other things. The plan is to launch the service in other markets later.

Fermion

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.

Fermion's net sales excluding deliveries for Orion's own use were up 14% at EUR 43 (38) million and accounted for over one-half of Fermion's total net sales. In recent years order cycles in the trade in pharmaceutical raw materials have become ever shorter, and this has led to clearly greater fluctuation in business volume than before within each year and between different years.

Research and development

The Group's R&D expenses in January–September totalled EUR 86 (76) million, up 14%. They accounted for 11% (11%) of the Group's net sales. R&D expenses also include expenses related to development of the current portfolio.

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 are jointly developing a new orally administered androgen-receptor antagonist, darolutamide, for the treatment of prostate cancer. The Phase III trial (ARAMIS) completed in October 2018 investigated darolutamide in patients with non-metastatic castration-resistant prostate cancer (nmCRPC). Based on the research findings, Bayer has submitted marketing authorisation applications for darolutamide to the United States Food and Drug Administration (FDA), Japan's Ministry of Health and the European Medicines Agency (EMA). FDA granted marketing authorisation to darolutamide in the United States under the Nubeqa® brand in July 2019, and sales commenced in August 2019. Marketing authorisation applications have also been submitted in other markets.

In addition to the completed ARAMIS trial, Orion and Bayer also have another ongoing Phase III clinical trial (ARASENS), which evaluates the efficacy and safety of darolutamide in the treatment of patients with newly diagnosed metastatic hormone-sensitive prostate cancer (mHSPC) who are starting hormone therapy. The treatment is darolutamide in combination with hormonal therapy (androgen deprivation therapy) and docetaxel, a chemotherapy drug. The trial, which commenced at the end of 2016, is on track, and patient recruitment was finalized in the second quarter of 2018. The trial is estimated to be completed in 2022.

Orion has an ongoing the Phase III clinical trial (REFALS) evaluating orally administered levosimendan (ODM-109) in the treatment of symptoms of amyotrophic lateral sclerosis (ALS). Patient recruitment for the REFALS trial was completed in July, and the trial is expected to be completed in the summer of 2020. 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 patient's quality of life. Orion is conducting the trial on its own and is investing around EUR 60 million in the study over approximately three years. If the results of the trial are positive, Orion aims to file for marketing authorisation in the United States and Europe. Orally administered levosimendan has been granted an Orphan Drug Designation. Levosimendan is a molecule developed by Orion and launched already in 2000 for the i.v. treatment of acute decompensated heart failure.

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

Orion has an ongoing Phase I clinical trial with a BET protein inhibitor (ODM-207) which inhibits transcription of key oncogenes such as Myc in many cancers. In preclinical studies, ODM-207 has shown antiproliferative effects in several solid tumour cell lines. The trial will investigate the safety and tolerability of the drug candidate and provisionally its efficacy in cancer patients. Orion is looking for a partner to 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. Patient recruitment is proceeding as planned. In preclinical studies, the molecule (ODM-208) has shown antitumor activity. It has potential efficacy also for those cancers that have become resistant to the standard hormonal treatments. Orion is the first pharmaceutical company to develop a drug 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 is a selective hormone synthesis inhibitor like ODM-208 (CYP11A1 inhibitor). In preclinical studies ODM-209 has been found to prevent the growth of cancer cells. Like ODM-208, it has potential efficacy also for those hormone-dependent cancers that have become resistant to the standard hormonal treatments. The trial will investigate the safety and tolerability of the drug candidate in breast cancer and prostate cancer patients.

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

Espoo, 23 October 2019

Board of Directors of Orion Corporation

Orion Corporation

Timo Lappalainen
President and CEO

Jari Karlson
CFO

Tables

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	7-9/19	7-9/18	Change %	1-9/19	1-9/18	Change %	1-12/18
Net sales	**283.7**	221.8	+27.9%	**776.5**	715.1	+8.6%	977.5
Cost of goods sold	**-106.6**	-99.2	+7.4%	**-304.6**	-286.7	+6.3%	-387.9
Gross profit	**177.1**	122.6	+44.5%	**471.9**	428.4	+10.1%	589.6
Other operating income and expenses	**0.7**	0.4	+82.8%	**1.7**	4.0	-56.9%	5.5
Sales and marketing expenses	**-48.3**	-43.4	+11.2%	**-154.9**	-139.9	+10.7%	-195.3
R&D expenses	**-28.5**	-24.5	+16.4%	**-86.5**	-76.2	+13.5%	-104.0
Administrative expenses	**-10.4**	-10.4	-0.1%	**-34.4**	-32.1	+7.0%	-43.0
Operating profit	**90.7**	44.6	+103.1%	**197.8**	184.2	+7.4%	252.8
Finance income	**0.3**	0.1		**0.6**	0.0		0.3
Finance expenses	**-0.1**	-1.2	-111.5%	**-2.3**	-3.3	-31.9%	-4.7
Profit before taxes	**90.9**	43.6	+108.7%	**196.1**	180.9	+8.4%	248.4
Income tax expense	**-19.3**	-9.3	+106.8%	**-40.9**	-37.3	+9.8%	-51.0
Profit for the period for continuing operations	**71.6**	34.3	+108.5%	**155.2**	143.6	+8.1%	197.3
Profit for the period for discontinued operations					133.4		132.9
Profit for the period	**71.6**	34.3	+108.5%	**155.2**	277.1	-44.0%	330.3
OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS[1]							
Translation differences	**0.2**	-0.1		**-0.2**	-1.2		-1.7
Items that may be reclassified subsequently to profit and loss	**0.2**	-0.1		**-0.2**	-1.2		-1.7
Items due to remeasurement of defined benefit pension plans (continuing operations)	**0.0**			**-0.0**	-4.5		-21.4
Items due to remeasurement of defined benefit pension plans (discontinued operations)					2.9		2.9
Items that will not be reclassified to profit and loss	**0.0**				-1.6		-18.5
Other comprehensive income net of tax	**0.2**	-0.1		**-0.2**	-2.8		-20.1
Comprehensive income for the period including tax effects	**71.8**	34.3	+108.8%	**155.0**	274.3	-43.5%	310.1
PROFIT ATTRIBUTABLE TO[1]							
Owners of the parent company	**71.6**	34.3	+108.5%	**155.2**	277.1	-44.0%	330.3
COMPREHENSIVE INCOME ATTRIBUTABLE TO[1]							
Owners of the parent company	**71.8**	34.3	+108.8%	**155.0**	274.3	-43.5%	310.1
Continuing operations							
Basic earnings per share, EUR[1]	**0.51**	0.24	+108.8%	**1.10**	1.02	+8.2%	1.40
Diluted earnings per share, EUR[1]	**0.51**	0.24	+108.8%	**1.10**	1.02	+8.2%	1.40
Depreciation, amortisation and impairment	**13.9**	9.9	+39.9%	**41.5**	29.9	+38.6%	41.1
Personnel expenses	**46.2**	44.3	+4.3%	**156.8**	144.0	+8.9%	200.7

Discontinued operations

	7-9/18	1-9/18	1-12/18
Basic earnings per share, EUR[1]	0.01	0.95	0.95
Diluted earnings per share, EUR[1]	0.01	0.95	0.95
Depreciation, amortisation and impairment	0.7	0.8	0.7
Personnel expenses	3.0	6.6	2.1

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

EUR million	9/19	9/18	Change %	12/18
Property, plant and equipment	**317.2**	314.7	+0.8%	316.9
Goodwill	**13.5**	13.5		13.5
Intangible rights	**39.0**	25.9	+50.9%	47.5
Other intangible assets	**2.7**	2.5	+4.3%	2.7
Investments in associates	**0.1**	0.1		0.1
Other investments	**0.2**	0.3	-20.1%	0.3
Pension asset	**30.7**	52.2	-41.1%	31.5
Deferred tax assets	**5.7**	5.2	+8.4%	5.1
Other non-current assets	**0.9**	1.0	-11.1%	0.9
Non-current assets total	**409.9**	415.3	-1.3%	418.5
Inventories	**229.3**	220.0	+4.2%	222.1
Trade receivables	**176.6**	165.4	+6.8%	188.8
Other receivables	**22.4**	33.2	-32.4%	33.7
Money market investments	**0.0**	22.0		35.0
Cash and cash equivalents	**93.9**	232.8	-59.6%	248.7
Current assets total	**522.3**	673.4	-22.4%	728.2
Assets total	**932.2**	1,088.7	-14.4%	1,146.7

EQUITY AND LIABILITIES

EUR million	9/19	9/18	Change %	12/18
Share capital	**92.2**	92.2		92.2
Other reserves[1]	**3.0**	2.9	+1.4%	2.9
Retained earnings	**616.9**	641.6	-3.9%	678.0
Equity attributable to owners of the parent company	**712.1**	736.8	-3.4%	773.1
Equity total	**712.1**	736.8	-3.4%	773.1
Deferred tax liabilities	**35.8**	39.7	-9.7%	37.8
Pension liability	**3.5**	3.3	+5.5%	3.6
Provisions	**0.4**	0.5	-27.1%	0.3
Interest-bearing non-current liabilities	**5.1**	0.6		0.6
Other non-current liabilities	**16.6**	17.9	-7.1%	17.4
Non-current liabilities total	**61.4**	62.0	-1.0%	59.8
Trade payables	**66.7**	57.8	+15.4%	74.9
Current tax liabilities	**1.2**			1.5
Other current liabilities	**87.7**	81.2	+8.0%	86.4
Interest-bearing current liabilities	**3.1**	150.9	-98.0%	150.9
Current liabilities total	**158.7**	289.9	-45.3%	313.8
Liabilities total	**220.1**	351.9	-37.5%	373.6
Equity and liabilities total	**932.2**	1,088.7	-14.4%	1,146.7

The Diagnostics business, sold on 30 April 2018, has been reported as a discontinued operation since the interim report 1–3/2018. The comparative balance sheet at 9/2018 contains the assets and liabilities of the discontinued operation.

[1]As 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 September 2019 is EUR 0.5 million. There have been no changes in the expendable fund since 1 January 2018.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the parent company[1]						
EUR million	Share capital	Other reserves	Remeasurement of pension plans	Treasury shares	Translation differences	Retained earnings	**Equity total**
Equity at 1 January 2018	92.2	2.8	31.9	-20.1	-5.9	578.7	**679.7**
Impact of adoption of the IFRS 15 and IFRS 9 standards						-16.5	**-16.5**
Adjusted equity at 1 January 2018	92.2	2.8	31.9	-20.1	-5.9	562.2	**663.2**
Profit for the period						277.1	**277.1**
Other comprehensive income							
Translation differences					-1.4	0.2	**-1.2**
Remeasurement of defined benefit pension plans			-4.5			2.9	**-1.6**
Transactions with owners							
Dividend and capital repayment						-203.8	**-203.8**
Share-based incentive plan				2.1		1.3	**3.4**
Other adjustments		0.1				-0.5	**-0.4**
Equity at 30 September 2018	92.2	2.9	27.4	-18.0	-7.3	639.5	**736.8**
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						155.2	**155.2**
Other comprehensive income							
Translation differences					-0.4	0.2	**-0.2**
Remeasurement of defined benefit pension plans			-0.0				**-0.0**
Transactions with owners							
Dividend and capital repayment						-211.4	**-211.4**
Repurchase of own shares				-7.4			**-7.4**
Share-based incentive plan				0.9		0.7	**1.6**
Other adjustments		0.0				1.2	**1.2**
Equity at 30 September 2019	**92.2**	**3.0**	**10.5**	**-24.5**	**-8.1**	**638.9**	**712.1**

[1]The Group did not have portions attributable to non-controlling interests at 9/2019 and 9/2018.

[2] As 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 September is EUR 0.5 million. There have been no changes in the expendable fund since 1 January 2018.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	1-9/19	1-9/18	1-12/18
Operating profit	**197.8**	319.1	387.3
Adjustments	**41.9**	-99.0	-87.8
Change in working capital	**10.2**	-6.5	-10.2
Net financial items	**-4.1**	-4.5	-4.2
Income taxes paid	**-39.7**	-42.6	-54.3
Total net cash flow from operating activities	**206.0**	166.6	230.9
Investments in property, plant and equipment	**-21.4**	-28.9	-38.1
Investments in intangible assets	**-6.5**	-3.9	-28.7
Sales of property, plant and equipment and available-for-sale investments	**0.4**	0.7	0.9
Sales of subsidiaries	**1.4**	161.3	161.3
Total net cash flow from investing activities	**-26.0**	129.2	95.4
Cash flow from operating and investing activities, total	**180.1**	295.7	326.3
Current loans raised	**-1.2**	0.4	1.3
Repayments of current loans	**-150.3**	0.0	-2.6
Repurchase of own shares	**-7.4**		
Dividends paid and other distribution of profits	**-211.2**	-203.9	-203.9
Total net cash flow from financing activities	**-370.0**	-203.6	-205.3
Net change in cash and cash equivalents	**-189.9**	92.2	121.0
Cash and cash equivalents at the beginning of the period	**283.7**	164.1	164.1
Foreign exchange differences	**0.2**	-1.4	-1.5
Cash and cash equivalents at the end of the period	**94.0**	254.8	283.7
Reconciliation of cash and cash equivalents in statement of financial position			
Cash and cash equivalents in statement of financial position at the end of the period	**94.0**	232.8	248.7
Money market investments at the end of the period		22.0	35.0
Cash and cash equivalents in the statement of cash flows	**94.0**	254.8	283.7

The Diagnostics business, sold on 30 April 2018, has been reported as a discontinued operation since the interim report 1–3/2018. The cash flow statements for the comparative period 1–9/2018 and for 1–12/2018 contain the assets and liabilities of the discontinued operation.

DISCONTINUED OPERATIONS

There are no discontinued operations during the reporting period 2019.

At the outset of the 2018 financial year, Orion announced that it had decided to investigate the possible sale of Orion Diagnostica or other arrangement. As a result of the investigation, an agreement on the sale of all shares in Orion Diagnostica Oy (i.e. the Orion Diagnostica business) was signed with an investment fund managed by Axcel Management A/S (Axcel) on 21 April 2018. In the Financial Review and in the comparative data of the tables of the Interim Report, the Orion Diagnostica segment is treated as a discontinued operation. The profit of discontinued operations in the comparative period, January–September 2018, was EUR 133.4 million.

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

PROFIT FOR THE PERIOD FOR DISCONTINUED OPERATIONS

EUR million	1-9/19	1-9/18	Change %	1-12/18
Net sales		18.7		18.7
Capital gain from sale of discontinued operations		128.4		128.4
Total expenses		-12.3		-12.5
Operating profit		134.8		134.6
Income tax expense		-1.3		-1.6
Profit for the period		133.4		132.9

Appendices

REVENUE BY REVENUE FLOWS

EUR million	7-9/19	7-9/18	Change %	1-9/19	1-9/18	Change %	1-12/18
Sale of goods	**237.0**	216.1	+9.7%	**721.4**	696.2	+3.6%	953.7
Royalty income	**1.2**	5.2	-76.7%	**8.3**	13.9	-40.6%	17.4
Total sales of goods	**238.2**	221.3	+7.7%	**729.6**	710.1	+2.7%	971.0
Milestone payments	**45.5**	0.5		**46.9**	3.8		5.3
Total sales of revenue flows	**283.7**	221.8	+27.9%	**776.5**	713.9	+8.8%	976.3
Sales for discontinued operations					1.2		1.2
Group total	**283.7**	221.8	+27.9%	**776.5**	715.1	+8.6%	977.5

Revenue from clinical phase R&D collaboration with collaboration partners was EUR 0.4 (0.4) million and is included in Milestone payments. In the review period 1–9/2019, EUR 1.5 (1.5) million of sales revenue for performance obligations to be transferred to customers were entered as income over time. In the review period 1–9/2019, the Group has recorded EUR 0.3 (-0.0) million of sales revenue for performance obligations satisfied during previous financial periods.

NET SALES BY BUSINESS DIVISION

EUR million	7-9/19	7-9/18	Change %	1-9/19	1-9/18	Change %	1-12/18
Proprietary Products	**129.2**	72.4	+78.4%	**307.6**	260.9	+17.9%	356.9
Specialty Products	**120.0**	114.7	+4.6%	**349.5**	346.7	+0.8%	473.1
Animal Health	**18.4**	19.2	-3.9%	**64.1**	57.8	+10.8%	80.4
Fermion	**12.8**	11.6	+10.3%	**42.8**	37.5	+14.1%	50.7
Contract manufacturing and other	**3.3**	3.8	-15.0%	**12.6**	12.2	+2.7%	16.3
Group total	**283.7**	221.8	+27.9%	**776.5**	715.1	+8.6%	977.5

NET SALES AND OPERATING PROFIT BY QUARTER

	2019			2018				2017
EUR million	7-9	4-6	1-3	10-12	7-9	4-6	1-3	10-12
Net sales	283.7	251.7	241.0	262.4	221.8	246.1	247.2	265.9
Operating profit	90.7	52.1	55.0	68.6	44.6	69.7	69.8	70.5

GEOGRAPHICAL BREAKDOWN OF NET SALES BY QUARTER

	2019			2018				2017
EUR million	7-9	4-6	1-3	10-12	7-9	4-6	1-3	10-12
Finland	76.2	75.2	74.3	82.7	74.0	75.4	80.0	84.6
Scandinavia	42.0	44.6	43.9	40.4	36.4	36.9	41.2	42.4
Other Europe	78.1	85.7	82.8	83.5	72.0	73.0	75.5	80.5
North America	57.8	16.5	13.9	15.9	14.9	13.5	14.0	27.0
Other markets	29.6	29.9	26.1	39.7	24.4	47.3	36.6	31.4
Group total	283.7	251.7	241.0	262.4	221.8	246.1	247.2	265.9

TOP TEN BEST-SELLING PHARMACEUTICAL PRODUCTS

EUR million	7-9/19	7-9/18	Change %	1-9/19	1-9/18	Change %	1-12/18
Easyhaler® product family (asthma, COPD)	**22.9**	20.9	+9.7%	**75.0**	64.4	+16.5%	90.4
Stalevo®, Comtess® and Comtan® (Parkinson's disease)	**26.7**	15.5	+72.3%	**70.4**	75.5	-6.8%	100.1
Simdax® (acute decompensated heart failure)	**15.0**	13.8	+8.5%	**49.4**	43.3	+14.1%	59.4
Dexdor® (intensive care sedative)	**11.8**	14.0	-16.1%	**45.6**	48.0	-4.8%	63.1
Biosimilars (rheumatoid arthritis, inflammatory bowel diseases)	**9.9**	4.5	+120.1%	**28.1**	19.1	+46.6%	24.8
Dexdomitor®, Domitor®, Domosedan® and Antisedan® (animal sedatives)	**6.4**	8.6	-25.8%	**27.6**	23.1	+19.5%	33.6
Burana® (inflammatory pain)	**6.4**	5.5	+15.5%	**18.3**	16.6	+10.5%	23.5
Divina series (menopausal symptoms)	**5.7**	4.6	+23.0%	**14.5**	13.8	+5.1%	18.8
Marevan® (anticoagulant)	**4.4**	4.1	+8.1%	**11.5**	12.3	-6.7%	17.8
Solomet® (inflammation, pain)	**3.5**	3.3	+8.4%	**9.7**	9.3	+5.0%	12.7
Total	**112.7**	94.8	+18.9%	**350.2**	325.4	+7.6%	444.2
Share of net sales	40%	43%		45%	45%		45%

KEY CLINICAL PHARMACEUTICAL DEVELOPMENT PROJECTS

Project	Indication	PHASE			Registration
		I	II	III	
Easyhaler® tiotropium	COPD	Bioequivalence study*			
Darolutamide [1)]	Prostate cancer (nmCRPC)	I	II	III	*
Darolutamide [1)]	Prostate cancer (mHSPC)	I	II	III*	
ODM-109 (oral levosimendan)	ALS	I	II	III*	
ODM-203 (targeted FGFR+VEGFR inhibitor)	Solid tumours	I	II*		
ODM-207 (BET protein inhibitor)	Cancer	I*			
ODM-208 (CYP11A1 inhibitor)	Prostate cancer (CRPC)	I*			
ODM-209 (CYP11A1 inhibitor)	Breast cancer Prostate cancer (CRPC)	I*			

[1)] In collaboration with Bayer

*	= Phase ongoing
III	= Status changed vs. previous quarter

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	9/19	9/18	12/18
Carrying amount at the beginning of the period	**316.9**	323.1	323.1
+ Impact of the adoption of the IFRS 16 standard	**8.6**		
- discontinued operations		-10.0	-10.0
Additions	**21.8**	25.7	36.1
Disposals	**-3.4**	-0.6	-0.9
Amortisation and impairments	**-26.7**	-23.1	-31.1
Carrying amount at the end of the period	**317.2**	314.7	316.9

CHANGES IN INTANGIBLE ASSETS (EXCLUDING GOODWILL)

EUR million	9/19	9/18	12/18
Carrying amount at the beginning of the period	**50.2**	39.4	39.4
- discontinued operations		-8.0	-8.0
Additions	**6.3**	3.8	28.7
Disposals	**-0.0**		-0.0
Amortisation and impairments	**-14.8**	-6.9	-10.0
Carrying amount at the end of the period	**41.7**	28.4	50.2

COMMITMENTS AND CONTINGENCIES

EUR million	9/19	9/18	12/18
CONTINGENCIES FOR OWN LIABILITIES			
Guarantees	**6.3**	4.6	4.5
OTHER LIABILITIES			
Other liabilities	**0.3**	0.3	0.3

DERIVATIVES

EUR million	9/19	9/18	12/18
CURRENCY FORWARD CONTRACTS AND CURRENCY SWAPS			
Fair value, EUR million	**0.2**	-0.1	0.2
Nominal value, EUR million	**47.2**	28.0	32.6
CURRENCY OPTIONS			
Fair value, EUR million	**-0.1**	0.0	0.0
Nominal value, EUR million	**31.2**	42.5	31.8

FAIR VALUE MEASUREMENT AND HIERARCHY OF FINANCIAL INSTRUMENTS

EUR million	Level 1	Level 2	Level 3	Total
Derivatives				
Currency derivatives		0.3		0.3
Available-for-sale financial assets				
Shares and investments			0.2	0.2
Assets total		0.3	0.2	0.5
Derivatives				
Currency derivatives		-0.2		-0.2
Liabilities total		-0.2		-0.2

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

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

No transfers between levels occurred during the reporting period.

RELATED PARTY TRANSACTIONS

EUR million	9/19	9/18	12/18
Management's employment benefits	**4.3**	4.9	5.9

BASIC SHARE INFORMATION, 30 SEPTEMBER 2019

	A share	B share	Total
Trading code on Nasdaq Helsinki	ORNAV	ORNBV	
Listing day	1.7.2006	1.7.2006	
ISIN code	FI0009014369	FI0009014377	
ICB code	4500	4500	
Reuters code	ORNAV.HE	ORNBV.HE	
Bloomberg code	ORNAV.FH	ORNBV.FH	
Share capital, EUR million	24.0	68.2	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

	7-9/19	7-9/18	Change %	1-9/19	1-9/18	Change %	1-12/18
Net sales, EUR million	**283.7**	221.8	+27.9%	**776.5**	715.1	+8.6%	977.5
EBITDA, EUR million	**104.6**	54.6	+91.6%	**239.3**	214.1	+11.8%	293.9
% of net sales	**36.9%**	24.6%		**30.8%**	29.9%		30.1%
Operating profit, EUR million	**90.7**	44.6	+103.1%	**197.8**	184.2	+7.4%	252.8
% of net sales	**32.0%**	20.1%		**25.5%**	25.8%		25.9%
Profit for the period, EUR million	**71.6**	34.3	+108.5%	**155.2**	143.6	+8.1%	197.3
% of net sales	**25.2%**	15.5%		**20.0%**	20.1%		20.2%
R&D expenses, EUR million	**28.5**	24.5	+16.4%	**86.5**	76.2	+13.5%	104.0
% of net sales	**10.1%**	11.1%		**11.1%**	10.7%		10.6%
Capital expenditure, EUR million	**9.3**	9.6	-3.2%	**28.1**	29.4	-4.6%	64.8
% of net sales	**3.3%**	4.3%		**3.6%**	4.1%		6.6%
Amortisation and impairments, EUR million	**13.9**	9.9	+39.9%	**41.5**	29.9	+38.6%	41.1
Personnel expenses, EUR million	**46.2**	44.3	+4.3%	**156.8**	144.0	+8.9%	200.7
Equity total, EUR million				**712.1**	736.8	-3.4%	773.1
Interest-bearing net liabilities, EUR million				**-85.8**	-103.3	+16.9%	-132.1
Assets total, EUR million				**932.2**	1,088.7	-14.4%	1,146.7
Cash flow from operating activities, EUR million				**206.0**	166.6	+23.7%	230.9
Equity ratio, %				**78.2%**	69.1%		68.8%
Gearing, %				**-12.1%**	-14.0%		-17.1%
ROCE (before taxes), %				**32.3%**	49.7%		44.3%
ROE (after taxes), %				**27.9%**	52.2%		45.5%
Personnel at the end of the period				**3,240**	3,145	+3.0%	3,154
Average personnel during the period				**3,246**	3,188	+1.8%	3,179

PERFORMANCE PER SHARE

	7-9/19	7-9/18	Change %	1-9/19	1-9/18	Change %	1-12/18
Basic earnings per share, EUR	**0.51**	0.24	+108.8%	**1.10**	1.02	+8.2%	1.40
Diluted earnings per share, EUR	**0.51**	0.24	+108.8%	**1.10**	1.02	+8.2%	1.40
Cash flow per share before financial items, EUR	**0.71**	0.36	+98.6%	**1.28**	2.10	-39.1%	2.32
Equity per share, EUR				**5.07**	5.24	-3.2%	5.50

A share				
Number of shares at the end of the period	**36,686,579**	37,120,346	-1.2%	37,120,346
% of total share stock	**26.0%**	26.3%		26.3%
Number of votes excluding treasury shares	**733,731,580**	742,406,920	-1.2%	742,406,920
% of total votes	**87.6%**	87.8%		87.8%
Total number of shareholders	**20,440**	20,152	+1.4%	20,368
Closing quotation at the end of previous financial year, EUR	**30.30**	32.07	-5.5%	32.07
Lowest quotation of review period, EUR	**28.20**	24.75	+13.9%	24.75
Average quotation of review period, EUR	**32.03**	29.40	+8.9%	29.63
Highest quotation of review period, EUR	**35.25**	35.70	-1.3%	35.70
Closing quotation at the end of review period, EUR	**34.00**	32.50	+4.6%	30.30
Trading volume, EUR million	**44.8**	45.4	-1.4%	63.2
Shares traded	**1,400,282**	1,545,093	-9.4%	2,131,981
% of the total number of shares	**3.8%**	4.2%		5.7%

B share				
Number of shares at the end of the period, including treasury shares	**104,571,249**	104,137,482	+0.4%	104,137,482
% of total share stock	**74.0%**	73.7%		73.7%
Treasury shares	**765,399**	562,440	+36.1%	562,440
Number of shares at the end of the period, excluding treasury shares	**103,805,850**	103,575,042	+0.2%	103,575,042
Number of votes excluding treasury shares	**103,805,850**	103,575,042	+0.2%	103,575,042
% of total votes	**12.4%**	12.2%		12.2%
Total number of shareholders	**55,150**	59,682	-7.6%	58,903
Closing quotation at the end of previous financial year, EUR	**30.28**	31.08	-2.6%	31.08
Lowest quotation of review period, EUR	**28.19**	22.57	+24.9%	22.57
Average quotation of review period, EUR	**31.91**	27.29	+16.9%	27.90
Highest quotation of review period, EUR	**35.40**	33.50	+5.7%	33.50
Closing quotation at the end of review period, EUR	**34.22**	32.62	+4.9%	30.28
Trading volume, EUR million	**2,058.6**	2,613.5	-21.2%	3,389.3
Shares traded	**64,762,123**	95,781,306	-32.4%	121,458,874
% of the total number of shares	**61.9%**	92.0%		116.6%

A and B share total				
Number of shares at the end of the period	**141,257,828**	141,257,828		141,257,828
Average number of shares during the period excluding treasury shares	**140,597,977**	140,657,942		140,676,819
Total number of votes conferred by shares	**837,537,430**	845,981,962	-1.0%	845,981,962
Total number of shareholders	**69,165**	73,337	-5.7%	72,802
Trading volume, EUR million	**2,103.4**	2,658.9	-20.9%	3,452.5
Shares traded	**66,162,405**	97,326,399	-32.0%	123,590,855
Total shares traded, % of total shares	**46.8%**	68.9%		87.5%
Market capitalisation at the end of the period excluding treasury shares, EUR million	**4,800.0**	4,585.0	+4.7%	4,261.0

REPORTING

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

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

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

ACCOUNTING POLICIES

This report has been prepared in accordance with the accounting policies set out in International Accounting Standard 34 on Interim Financial Reporting. The same accounting principles have been applied as in the 2018 financial statements, besides which the amendments to existing IFRS and IAS standards endorsed by the EU have been adopted as of 1 January 2019.

The figures in this Interim Report have not been audited.

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

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

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

Adoption of IFRS 16 (Leases)

Information on transition on 1 January 2019

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

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

The Group has applied the following practical expedients permitted under IFRS 16 in its adoption of the standard. The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics. In the transition, leases previously classified as finance leases have been recognised at the carrying amounts of the right-of-use assets and lease liabilities measured applying IAS 17. In addition, the Group has applied the exemptions permitted by the standard and accounted for leases for which the term ends within 12 months of the date of initial application as short-term leases and for leases of low-value assets as low-value asset leases. The expense arising from these have been recognised through profit or loss in the accounting period beginning on 1 January 2019. The Group will assess details such as the accuracy of lease terms after the date of initial application and revise these later if mandated by facts.

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

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

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

EUR million	
Lease commitments on 31 December 2018	**14.5**
Discounted value on 1 January 2019	14.8
Finance lease liabilities on 31 December 2018	1.6
Short-term and low-value leases	-5.0
Leases commencing in 2019 not yet included in the lease liability	-1.8
Lease liabilities on 1 January 2019	**8.9**

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

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

	1-9/18		1-12/18	
	1)	2)	1)	2)
Net sales, EUR million	715.1	715.1	977.5	977.5
EBITDA, EUR million	214.1	214.1	293.9	293.9
% of net sales	29.9%	29.9%	30.1%	30.1%
Operating profit, EUR million	184.2	184.2	252.8	253.0
% of net sales	25.8%	25.8%	25.9%	25.9%
Profit for the period, EUR million	143.6	143.5	197.3	197.3
% of net sales	20.1%	20.1%	20.2%	20.2%
Other comprehensive income net of tax, EUR million	274.3	274.2	310.1	310.1
Deferred tax assets, EUR million	5.2	5.2	5.1	5.1
Interest-bearing non-current liabilities, EUR million	0.6	7.0	0.6	6.4
Interest-bearing current liabilities, EUR million	150.9	153.8	150.9	153.9
Equity total, EUR million	736.8	736.7	773.1	773.1
Assets total, EUR million	1,088.7	1,098.0	1,146.7	1,155.6
Equity ratio, %	69.1%	68.6%	68.8%	68.2%
Gearing, %	-14.0%	-9.8%	-17.1%	-15.9%
ROCE (before taxes), %	49.7%	49.4%	44.3%	43.9%
ROE (after taxes), %	52.2%	52.2%	45.5%	45.5%
Basic earnings per share, EUR	1.02	1.02	1.40	1.40
Diluted earnings per share, EUR	1.02	1.02	1.40	1.40
Equity per share, EUR	5.24	5.24	5.50	5.50

Accounting of leases under IFRS 16

Determining whether an arrangement contains a lease

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

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

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

- what type of output is generated;
- when the output is generated;

- where the output is generated; and
- how much output is generated

Separating components of a contract

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

Lease term

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

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

Recognition at the inception of the lease

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

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

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

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

When a variable lease depends on an index or a rate, these are taken into consideration when determining lease liability. Variable lease payments are initially measured using the index or rate as at the commencement date. Other variable leases, such as leases to be payable based on asset performance, are not included in the lease liability. Factually fixed payments, which are dependent on the functioning of an asset, for example, are taken into consideration when measuring the lease liability.

Subsequent measuring of a lease

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

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

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

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

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

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