Orion Group
Interim Report 1-3/2018

ORION
Building well-being

Orion Group Interim Report January-March 2018

Orion's net sales for continuing operations in January-March 2018 totalled EUR 247 million (adjusted net sales in January-March 2017 were EUR 265 million).

- Operating profit was EUR 70 (88) million.
- Profit before taxes was EUR 69 (85) million.
- Equity ratio was 53% (53%).
- ROCE before taxes was 37% (50%).
- ROE after taxes was 37% (49%).
- Basic earnings per share were EUR 0.38 (0.48).
- Cash flow per share before financial items was EUR 0.39 (0.33).
- Orion has on 21 April 2018 signed an agreement on the sale of all shares in Orion Diagnostica Oy (i.e. the Orion Diagnostica business division). Following the transaction, Orion Group will have only one reporting segment, Pharmaceuticals business. In the Interim Report, Orion Diagnostica business is reported as a discontinued operation, and as a rule, the report only covers continuing operations.
- As a result of the sale of Orion Diagnostica, Orion has on 21 April 2018 updated its outlook for 2018 announced on 7 February 2018. Orion estimates that in 2018 the net sales excluding Orion Diagnostica will be at the same level or slightly lower than in 2017 and the operating profit excluding Orion Diagnostica and material capital gains is estimated to be lower than in 2017. The complete outlook estimate and the basis for it can be found in this report under 'Outlook for 2018' and 'Basis for outlook'.

ORION'S KEY FIGURES FOR THE REVIEW PERIOD

	1-3/18	Adjusted 1-3/17	Change %	Adjusted 1-12/17
Net sales, EUR million	**247.2**	265.5	-6.9%	1,033.6
Operating profit, EUR million	**69.8**	88.2	-20.9%	284.1
% of net sales	**28.2%**	33.2%		27.5%
Profit before taxes, EUR million	**68.7**	85.4	-19.6%	277.7
% of net sales	**27.8%**	32.2%		26.9%
Income tax expense, EUR million	**14.9**	18.6	-19.5%	58.6
R&D expenses, EUR million	**25.7**	24.3	+5.8%	99.1
% of net sales	**10.4%**	9.1%		9.6%
Capital expenditure, EUR million	**16.7**	15.4	+8.6%	76.5
% of net sales	**6.8%**	5.7%		7.3%
Assets total, EUR million	**1,016.0**	937.3	+8.4%	1,055.5
Equity ratio, %	**53.3%**	53.1%		63.8%
Gearing, %	**22.8%**	13.6%		-0.7%
Interest-bearing liabilities, EUR million	**190.1**	152.4	+24.7%	151.3
Non-interest-bearing liabilities, EUR million	**286.1**	290.2	-1.4%	224.5
Cash and cash equivalents and money market investments, EUR million	**76.8**	92.1	-16.7%	164.1
ROCE (before taxes), %	**37.3%**	50.0%		35.5%
ROE (after taxes), %	**36.7%**	48.6%		34.0%
Basic earnings per share, EUR	**0.38**	0.48	-19.7%	1.56
Diluted earnings per share, EUR	**0.38**	0.48	-19.7%	1.56
Cash flow per share before financial items, EUR	**0.39**	0.33	+16.3%	1.09
Equity per share, EUR	**3.54**	3.38	+4.7%	4.65
Personnel at the end of the period	**3,168**	3,200	-1.0%	3,159
Average personnel during the period	**3,173**	3,190	-0.5%	3,202
Personnel expenses, EUR million	**51.1**	49.8	+2.6%	203.9

The information given on the page include continuing and discontinued operations, depending on the item. IFRS 15 ja IFRS 9 standards have been adopted by using cumulative effect method, and therefore figures of the comparison periods have not been adjusted. See adjusted consolidated statement of comprehensive income and consolidated statement of financial position and other key figures for the financial year 2017 on p. 32.

President and CEO Timo Lappalainen:

A good start for the year

“In the first quarter our profitability was good, our operating profit margin was 28% – once again above our financial target – and our cash flow was strong. Also, our research projects and product marketing authorisation applications have progressed, which supports our growth in the long term. However, our net sales and operating profit fell behind from the exceptionally strong comparative period due to generic competition and tightening price competition, smaller milestone payments and unfavourable exchange rate changes.

In Proprietary Products, as expected, sales of Parkinson’s drugs continued to decline steadily due to the expiry of patents. On the other hand, sales of the Easyhaler product family for treatment of asthma and chronic obstructive pulmonary disease as well as of Dexdor, the intensive care sedative, developed favorably. Dexdor continued to grow in almost all markets despite the commencement of generic competition to the product in some European countries.

The growth of the Easyhaler product family has remained strong especially for our budesonide-formoterol product, which is now on sale in all key European markets. The Easyhaler product family will be expanded by a sixth product: In the review period, we received positive conclusions for the salmeterol-flucatisone Easyhaler under the decentralised EU marketing authorisation procedure, and the national approval procedures of the marketing authorisation applications have started in 23 EU countries. We are satisfied with the favourable results in this challenging development area, and will continue to expand the product family further in the future, for example with a tiotropium formulation that is currently under development.

Sales of Specialty Products grew in Scandinavia, and in Eastern Europe and Russia. In Finland, sales declined due to tougher price competition. We have launched in the Nordic and Estonian markets our second biosimilar, Ritemvia (rituximab), and the sales have started in the first countries. Remsima biosimilar (infliximab), a driver of Specialty Products sales growth last year, did not reach similar growth figures in the first quarter. New competitors have entered the markets, which has further increased competition and lowered price levels. Sales development of Remsima will continue to fluctuate depending on our success in tendering competitions also in the future.

The net sales of Animal Health business increased particularly due to good sales in animal sedatives. Orion has received positive conclusions under the decentralised EU marketing authorisation procedure for Clevor (ropinirole eye-drop), a treatment for poisoning in dogs. Decline in Fermion's net sales is explained by fluctuation in business volume due to pharmaceutical raw materials' order cycles. Net sales of the Diagnostics business were at similar level to the previous year.

In our research and development, the first quarter was mostly a time of positive news: Phase III clinical trial ARAMIS on darolutamide (ODM-201) for prostate cancer is proceeding. Recruitment of patients is finalized, and the latest estimate is that we will complete the trial next autumn. The recruitment of our second trial on darolutamide, ARASENS, is also proceeding well. We have commenced a Phase I clinical trial to develop a novel selective hormone synthesis inhibitor (ODM-208, CYP11A1 inhibitor) for castration-resistant prostate cancer and we have decided to go ahead with a Phase III trial on oral levosimendan (ODM-109) for ALS. We decided to discontinue the Phase IIa clinical trial with an alpha-2c adrenoceptor antagonist (ORM-12741 for Alzheimer’s disease) conducted in collaboration with Janssen Pharmaceuticals, Inc. as the trial did not meet the efficacy objectives set for the product.

After the review period, on 21 April 2018, we signed an agreement on the sale of all shares in Orion Diagnostica Oy (i.e. the Orion Diagnostica business division) to an investment fund managed by Axcel Management A/S. Orion Diagnostica has operated as an independent business and it has no material business synergies with Orion’s other operations. The sale of the division will allow us to further focus on growth and achieving our financial goals. Orion is currently working on numerous projects that target growth in our core area of the Pharmaceuticals business. For example, we are actively evaluating late stage in-licensing opportunities. We also continue to invest in our own research and development activities, with new clinical trials, for example. The capital gain from the transaction will strengthen our equity position and maintain our ability to achieve our dividend distribution objective.

As a result of the sale of Orion Diagnostica, Orion has on 21 April 2018 updated its outlook for 2018 announced on 7 February 2018. Orion estimates that in 2018 the net sales excluding Orion Diagnostica will be at the same level or slightly lower than in 2017 and the operating profit excluding Orion Diagnostica and material capital gains is estimated to be lower than in 2017. The complete outlook estimate and the basis for it can be found in this report under 'Outlook for 2018' and 'Basis for outlook'."

Events during the period

On 4 January 2018, Orion announced that it will improve the competitiveness of its laboratory operations by renewing their operating model in Finland. The completion of statutory co-operation negotiations was announced on 28 February 2018.

On 23 January 2018, Orion announced that it was evaluating strategic alternatives of the Group's Orion Diagnostica business division and had decided to investigate the possible sale of Orion Diagnostica as one alternative.

On 1 March 2018, Orion transferred altogether 112,961 Orion Corporation B shares held by the Company as a share reward for earning periods 2015–2017 and 2017 to the key persons employed by the Orion Group and belonging to the Share-based Incentive Plans of the Orion Group.

On 19 March 2018, Orion announced having received positive conclusions for the salmeterol-fluticasone Easyhaler® combination under the EU's decentralized procedures (DCP).

On 20 March 2018, Orion Corporation's Annual General Meeting was held in Helsinki.

Events after the period

On 3 April 2018, Orion announced a status update of the Phase III clinical ARAMIS trial of darolutamide (ODM-201). The estimated primary completion date is in September 2018.

On 21 April 2018, Orion signed an agreement on the sale of all shares in Orion Diagnostica Oy (i.e. the Orion Diagnostica business division) to an investment fund managed by Axcel Management A/S, a leading Nordic private equity investment company ("Axcel"). The Closing of the transaction is expected to take place during the second quarter of 2018. The Closing is not conditional upon the parties obtaining approvals from competition law or other authorities or fulfilment of other preconditions.

The fixed purchase price is approximately EUR 163 million. In addition, Orion has a possibility to receive as a variable component of EUR 60 million maximum. The payment of variable component is based on return on investment for Axcel at the time of their exit. Orion estimates to recognise a capital gain of about EUR 128 million in other operating income for 2018. Due to the uncertainty relating to the variable component, the estimated capital gain does not include any part of the variable component.

As a result of the sale of Orion Diagnostica, Orion has on 21 April 2018 updated its outlook for 2018 announced on 7 February 2018. The complete outlook estimate and the basis for it can be found in this report under 'Outlook for 2018' and 'Basis for outlook'.

Following the transaction Orion Diagnostica business will be reported as a discontinued operation. In the future, the Orion Group will have only one reporting segment, Pharmaceuticals business.

News conference and teleconference

A news conference and teleconference on the published results will be held on Tuesday 24 April 2018 at 13:30 EEST at the Orion 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 http://www.orion.fi/en/investors. After the presentation, questions can be asked also via teleconference in Finnish and English.

The conference call ID is 6166075 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 published on Orion's website during Tuesday 24 April 2018.

Financial report material

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

Dates in Orion Calendar 2018

Half-Year Financial Report January-June 2018	Wednesday 18 July 2018
Interim Report January-September 2018	Wednesday 24 October 2018

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http://www.orion.fi/en/investors

Financial review 1/1/2018-31/3/2018

Orion has on 21 April 2018 signed an agreement on the sale of all shares in Orion Diagnostica Oy (i.e. the Orion Diagnostica business division). Following the transaction, in the Interim Report, Orion Diagnostica business is reported as a discontinued operation and as a rule, the report only covers continuing operations. Comments and figures related to discontinued operations are listed separately.

The Group currently only has one segment, the Pharmaceuticals business.

Net sales

Orion Group's net sales in January-March 2018 totalled EUR 247 million (EUR 265 million in January-March 2017), a decrease of 7%.

Net sales of Orion's Stalevo® (carbidopa, levodopa and entacapone) and Comtess®/Comtan® (entacapone) Parkinson's drugs were down by 8% at EUR 28 (30) million. This was 11% (11%) of the total net sales of the Group.

Operating profit

The net effect of currency exchange rates on net sales was minus EUR 7 million and minus EUR 5 million on gross profit.

The Orion Group's operating profit was down by 21% at EUR 70 (88) million. Milestone payments accounted for EUR 3 (7) million of the operating profit.

Operating expenses

The Group's sales and marketing expenses totalled EUR 46 (45) million.

R&D expenses were up by 6% at EUR 26 (24) million and accounted for 10% (9%) of the Group's net sales. Research projects are reported in more detail under 'Business Review'.

Administrative expenses were EUR 10 (11) million.

Other operating income and expenses were EUR 3 (1) million.

Group's profit

The Group's profit before taxes was down by 20% at EUR 69 (85) million. The profit of the Group's continuing operations was EUR 54 (67) million and the profit of discontinued operations was EUR 3 (3) million. Basic earnings per share were EUR 0.38 (0.48) and diluted earnings per share were EUR 0.38 (0.48). Equity per share was EUR 3.54 (3.38). The return on capital employed before taxes (ROCE) was 37% (50%) and the return on equity after taxes (ROE) 37% (49%).

Financial position

The consolidated statement of financial position includes both continuing and discontinued operations.

The Group's gearing was 23% (14%) and the equity ratio 53% (53%).

The Group's total liabilities at 31 March 2018 were EUR 497 (443) million. At the end of the period, interest-bearing liabilities amounted to EUR 190 (152) million, including EUR 150 (150) million of long-term loans.

The Group had EUR 77 (92) million of cash and cash equivalents and money market investments at the end of the period. The cash and cash equivalents are invested in short-term interest-bearing instruments issued by financially solid financial institutions and corporations.

Cash flow

The consolidated statement of cash flows includes both continuing and discontinued operations.

Cash flow from operating activities was EUR 68 (63) million. The cash flow from investing activities was EUR -14 (-16) million. The cash flow from financing activities was EUR -141 (-186) million.

Capital expenditure

The Group's capital expenditure totalled EUR 17 (15) million, up by 9%. This comprised EUR 15 (13) million on property, plant and equipment and EUR 1 (3) million on intangible assets. Fermion's has an ongoing significant expansion investment at its Hanko manufacturing plant that will be completed by summer 2018. Orion also has ongoing expansion of Easyhaler production capacity at its Espoo pharmaceuticals production plant.

As a result of the sale of Orion Diagnostica, Orion has on 21 April 2018 updated its outlook for 2018. (In the stock exchange release published on 21 April 2018 the announcement date of updated outlook was incorrectly 20 April 2018.)

Outlook for 2018 (announced on 21 April 2018)

Due to generic and price competition Orion estimates that in 2018 the net sales excluding Orion Diagnostica will be at the same level or slightly lower than in 2017 (net sales were EUR 1,034 million excluding Orion Diagnostica in 2017).

Orion continues persistent actions to generate growth. Due to the estimated sales development and these actions the operating profit excluding Orion Diagnostica and material capital gains is estimated to be lower than in 2017 (operating profit excluding Orion Diagnostica and capital gains was EUR 284 million in 2017).

Orion estimates to recognise EUR 128 million capital gain in other operating income from the sale of Orion Diagnostica at the closing of the transaction. Due to the uncertainty relating to the variable component included in the transaction, the estimated capital gain does not include any part of the variable component.

Basis for outlook in more detail

The outlook covers the Group's continuing activities excluding Orion Diagnostica.

Net sales

Orion's branded Parkinson's drugs are Comtess®, Comtan® and Stalevo®. Generic competition to these products commenced in the United States in 2012 and has already extended to nearly all markets. As a result of the competition, Orion's sales of these products have decreased to low levels in the United States and some other markets, and competition is expected to extend gradually. Sales of the Easyhaler® product family are forecast to continue to grow. In some European countries marketing authorisation has been granted for a generic version of Dexdor®, and it is to be assumed that generic competition to the product will gradually expand in the EU. Orion has also been informed that a marketing authorisation application has been filed for a generic version of Simdax® in Europe. The impact of generic competition on the sales of Dexdor and Simdax is still difficult to estimate at this stage. 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 2018. 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, is likely to remain intense in 2018. 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 decrease in sales caused by this change was estimated at about EUR 15 million in 2017. The outlook for 2018 assumes that the change in the system and its effect in lowering prices will also be as large in 2018. The sales of reference priced pharmaceuticals declined by 9% in the Finnish pharmaceuticals market in 2017 and the sales of Orion's reference priced pharmaceuticals

declined by 6% (Source: IQVIA). Delivery problems commencing in September 2017 related to implementation of ERP by Oriola Finland Oy, the pharmaceuticals distributor that Orion uses in Finland, had a downward effect on sales in Finland in 2017. However, their direct effects were not material due to the temporary arrangements initiated by Orion. It is difficult to estimate the effect of the Oriola Finland Oy situation on sales in 2018.

In 2017, sales of Remsima® generated a significant portion of the growth in net sales of the Specialty Products business division. Sales of Remsima in 2018 are expected to be materially lower than in the previous year because Orion did not win the national tendering competition for 2018 in Norway, nor the national tendering competition held in autumn 2017 in Denmark. In addition, the price level has declined significantly due to intensified competition. Orion has launched a new biosimilar, Ritemvia® (rituximab). However, sales have just commenced, and the product is not expected to compensate for the decline in Remsima sales in 2018. Orion estimates that the sales potential of Ritemvia will be lower than that of Remsima.

Orion's contract manufacturing sales will significantly decline due to ending of the largest individual collaboration agreement at the end of 2017 as the collaboration partner stopped selling the product manufactured by Orion. Net sales generated by this agreement were EUR 16 million in 2017. It included, among other things, a EUR 4 million advance payment late in the year that was entered as income earlier than planned.

Collaboration agreements with other pharmaceutical companies are an important component of Orion's business model. These agreements often include payments recorded in net sales that vary greatly from year to year. Forecasting the timing and amount of payments is difficult. Possible future payments relating to agreements already made have in some cases been conditional on, for instance, the progress or findings of research projects, which are not known until studies have been completed. On the other hand, making new agreements is generally a process for which neither the schedule nor the outcome is known before the final signing of the agreement. The outlook for 2018 does not include significant individual payments related to collaboration agreements. The new IFRS 15 standard that came into force at the beginning of 2018 changes the treatment of these payments. Some of the payments received, especially payments related to sales rights, will be entered as income over a longer period of time. Until now they have generally been recognised as one-off payments in sales.

Expenditure

Marketing expenditure will be higher than in the previous year due to additional promotion of sales of the Easyhaler product portfolio in countries where the product was launched in 2017 or will be launched in 2018. Because the registrations and launches of new products are projects that take more than a year, the increases in resources and other inputs required in 2018 were planned mainly during the previous year.

Research and development costs will be similar to 2017. They are partly the Company's internal fixed cost items, such as salaries and maintenance of the operating infrastructure, and partly external variable costs. External costs arise from, among other things, long-term clinical trials, which are typically performed in clinics located in several countries. The most important clinical trials scheduled for 2018 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 (ODM-201) research costs.

Investments

The Group's total capital expenditure in 2018 is expected to be lower than in 2017, when the adjusted capital expenditure was EUR 77 million. The largest single ongoing investment project is expansion of Fermion's Hanko manufacturing plant, which is intended to be completed by summer 2018.

Near-term risks and uncertainties

Sales of Orion's branded Parkinson's drugs will decrease in 2018 due to generic competition. The effects of the competition have been taken into account in the outlook estimate for the current year. However, the timing of the extension and intensity of generic competition to Stalevo in Europe and elsewhere still entail uncertainty that may materially affect the accuracy of the estimate made at this stage. The basic Dexdor and Simdax patents have expired. However, the products have other product protection that is still valid. In some European countries marketing authorisation has been granted for a generic version of Dexdor, and it is to be assumed that generic competition will gradually expand in the EU. Orion has also been informed that a marketing authorisation application has been filed for a generic version of Simdax in Europe. The impact of generic competition on the sales of Dexdor and Simdax is difficult to estimate at this stage. As regards Simdax, the possible generic competition is still not estimated to materially impact its sales in 2018. Orion is continuing actions to defend its rights.

Sales of individual products and also Orion's sales in individual markets may vary, for example depending on the extent to which the ever-tougher price and other competition prevailing in 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 among others adjustments of stock levels. In addition, changes in market prices and exchange rates affect the value of deliveries to Novartis.

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

Orion's broad product range may cause risks to the delivery reliability and make it challenging to maintain the high quality standard required in production. Authorities and key customers in different countries undertake regular and detailed inspections of development and manufacturing of drugs at Orion's production sites. Any remedial actions that may be required may at least temporarily have effects that decrease delivery reliability and increase costs. Orion's product range also includes products manufactured by other pharmaceutical companies. Possible problems related to the delivery reliability or quality of the products of those manufacturers may cause a risk to Orion's delivery reliability. The single-channel system used for pharmaceuticals distribution in Finland, in which Orion's products have so far 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 generally undertakes the last, in other words Phase III, clinical trials in collaboration with other pharmaceutical companies. Commencement of these collaboration relationships and their structure also materially affect the schedule and cost level of research projects.

Collaboration arrangements are an important component of Orion's business model. Possible collaboration and licensing agreements related to these arrangements also often include payments to be recorded in net sales that may materially affect Orion's financial results. In 2014–2017 the annual payments varied from EUR 8 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.

Orion's dividend distribution policy

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

Shares and shareholders

On 31 March 2018, Orion had a total of 141,257,828 (141,257,828) shares, of which 37,120,346 (38,100,273) were A shares and 104,137,482 (103,157,555) B shares. The Group's share capital is EUR 92,238,541.46 (92,238,541.46). At the end of March 2018, Orion held 562,440 (675,401) B shares as treasury shares. On 31 March 2018, the aggregate number of votes conferred by the A and B shares was 845,981,962 (864,487,614) excluding treasury shares.

At the end of March 2018, Orion had 69,453 (48,273) registered shareholders.

Voting rights conferred by shares

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

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

Conversion of shares

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. No shares were converted in January-March 2018.

Trading in Orion's shares

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

On 31 March 2018, the market capitalisation of the Company's shares, excluding treasury shares, was EUR 3,612 million.

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

Authorisations of the Board of Directors

Orion's Board of Directors was authorised by the Annual General Meeting on 22 March 2016 to decide on acquisition of shares in the Company and on a share issue in which shares held by the Company can be conveyed. The authorisation to acquire shares was utilised during 2016.

The Board of Directors is authorised to decide on conveyance of no more than 600,000 Orion Corporation B shares held by the Company. The authorisation to issue shares is valid for five years from the decision taken by the Annual General Meeting. The terms and conditions of the authorisation were reported in more detail in a stock exchange release on 22 March 2016.

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

Share-based incentive plans

The Group has one currently operating share-based incentive plan for key persons of the Group: Orion Group's Long-Term Incentive Plan 2016. The plan was announced in a stock exchange release published on 2 February 2016.

On 1 March 2018, Orion transferred altogether 112,961 Orion Corporation B shares held by the Company as a share reward for earning periods 2015–2017 and 2017 to the key persons employed by the Orion Group and belonging to the incentive plans of the Orion Group. The transfer is based on the authorisation granted by the Annual General Meeting on 22 March 2016.

The transfer price of the transferred shares was EUR 26.5238 per share, which is the weighted average price of the B-share on 1 March 2018. The total transfer price of the transferred shares was thus EUR 2,996,154.97.

Share ownership

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

At the end of March 2018, Orion had a total of 69,453 (48,273) registered shareholders, of whom 95% (96%) were private individuals holding 42% (39%) of the entire share stock and 62% (61%) of the total votes. There were 50 (63) million nominee-registered and foreign-owned shares, which was 35% (44%) of all shares, and they conferred entitlement to 8% (10%) of the total votes.

At the end of March 2018, Orion held 562,440 (675,401) B shares as treasury shares, which is 0.4% (0.5%) of the Company's total share stock and 0.07% (0.08%) of the total votes.

Decisions by the Annual General Meeting

The Annual General Meeting of the Shareholders of Orion Corporation was held on 20 March 2018 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 financial year 1 January – 31 December 2017

The AGM confirmed the financial statements of the parent company and the Group as per 31 December 2017.

Dividend EUR 1.45 per share

The AGM resolved, in accordance with the proposal by the Board of Directors, that a dividend of EUR 1.45 per share will be paid on the basis of the Balance Sheet confirmed for the financial year that ended on 31 December 2017. The record date for dividend distribution was 22 March 2018 and the payment date was 29 March 2018.

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 2017.

Remunerations to be paid to the Board of Directors

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

Of the annual fee, 60% shall be paid in cash and 40% in Orion Corporation B-shares, which shall be acquired to the members during 25 April – 2 May 2018 from the stock exchange in amounts corresponding to EUR 33,600 for the Chairman, EUR 22,000 for the Vice Chairman and EUR 16,800 for each of the other members. The part of the annual fee that is to be paid in cash corresponds to the approximate sum necessary for the payment of the income taxes on the fees and shall be paid no later than 31 May 2018. The annual fees encompass the full term of office of the Board of Directors. In addition, the AGM decided that the Company shall pay the transfer tax related to the part of the annual fee of the Board of Directors paid in shares.

Members and Chairman of the Board of Directors

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

Auditor and their remuneration

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

Organisation of the Board of Directors

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

Personnel

The average number of employees in the Orion Group in January-March 2018 was 3,173 (3,190). At the end of March 2018, the Group had a total of 3,168 (3,200) employees, of whom 2,495 (2,552) worked in Finland and 673 (648) outside Finland.

Salaries and other personnel expenses in January-March 2018 totalled EUR 51 (50) 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

Orion has on 21 April 2018 signed an agreement on the sale of all shares in Orion Diagnostica Oy (i.e. the Orion Diagnostica business division). Following the transaction, Orion Diagnostica business will be reported as a discontinued operation. In the future, the Orion Group will have only one reporting segment, Pharmaceuticals business. In the Interim Report, Orion Diagnostica segment is reported as a discontinued operation and as a rule, the report only covers continuing operations.

Review of human pharmaceuticals market

Finland is the most important individual market for Orion, generating about one-third of the total net sales. According to IQVIA statistics, Finnish sales of human pharmaceuticals, including medicinal and non-medicinal products, in January-March 2018 totalled EUR 652 (589) million, up by 11% on the corresponding period of the previous year. According to IQVIA statistics, Orion's human pharmaceutical sales in Finland, including medicinal and non-medicinal products, totalled EUR 79 (84) million in January-March 2018, down by 6% on the corresponding period of the previous year. Orion's prescription drug sales was down by 11% at EUR 52 (59) million, while Orion's self-care product sales increased by 6% at EUR 26 (25) million. Of Orion's prescription drug sales, 59%, or EUR 31 (34) million were reference priced drugs. In the Finnish pharmaceuticals market, the sales of reference priced drugs were down by 7% and Orion's reference priced drugs were down by 9%, mainly due to the change made to the pricing system for substitutable prescription drugs at the beginning of 2017 in the Finnish market.

Orion maintained its position as leader in marketing pharmaceuticals in Finland. According to statistics collected by IQVIA, Orion's market share of pharmaceuticals (including medicinal and non-medicinal products) in Finland in January-March 2018 was 12% (14%). Its market share of prescription drugs was 10% (12%), of reference priced prescription drugs 27% (28%) and of self-care products 24% (24%).

Orion is a significant player also in the Scandinavian generic market, where it was among the top three generic players in all of its operating countries in 2017. Biosimilars are an important source of growth for generic drugs in Scandinavia, where according to IQVIA the market for generic and self-care products grew by 9% in 2017. Orion's growth was 8%. Adding biosimilars to this, Orion grew faster than the market: in Scandinavia, market growth was 21% and Orion's growth 34%. In the Finnish market, biosimilars have been adopted more slowly than in other Nordic countries: in 2017, the biosimilar market only grew by 1% and Orion's sales were at the previous year's level.

The most important individual therapy area for Orion is still the treatment of Parkinson’s disease. Orion’s branded Parkinson’s drugs containing entacapone (Stalevo®, Comtess® and Comtan®) account for just over 10% of the Group’s net sales.

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

EUR or USD million		MAT12/2017	MAT12/2016	Change %
United States	USD	**7**	8	-23%
Europe TOP 5	EUR	**52**	69	-24%
Japan	EUR	**73**	78	-6%

Source: IQVIA pharmaceutical sales statistics MAT12/2017 (1/2017–12/2017)

Europe TOP 5: Germany, United Kingdom, France, Spain and Italy

Sales of Orion’s branded Parkinson’s drugs decreased due to generic competition.

According to IQVIA pharmaceutical sales statistics, in Europe total sales of the most common intravenous anaesthetics and intensive care sedatives (propofol, midazolam, remifentanil and dexmedetomidine) in the 12-month period ending in December 2017 were up by 4% at EUR 542 (522) million. According to IQVIA pharmaceutical sales statistics, sales of Orion’s Dexdor® intensive care sedative (dexmedetomidine) were up by 32% at EUR 63 (48) million in Europe.

Net sales and operating profit of the Pharmaceuticals business

In January-March 2018, the Pharmaceuticals business's net sales were EUR 247 (265) million and its operating profit was EUR 72 (90) million. Milestone payments accounted for EUR 3 (7) million of the net sales and operating profit. They comprised payments related to marketing rights.

The operating profit of the Pharmaceuticals business was 29% (34%) of the segment's net sales.

Net sales of Orion's top ten pharmaceuticals in January-March 2018 were EUR 120 (119) million. They accounted for 48% (45%) of the total net sales of the Pharmaceuticals business.

Proprietary Products

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

Net sales of the Proprietary Products business division in January-March 2018 were down by 6% at EUR 93 (98) million. Sales of the Easyhaler® product family and the intensive care sedative Dexdor developed well. Sales of Parkinson's drugs continued to decline steadily.

Orion's drugs for treatment of Parkinson's disease are Stalevo® (active ingredients carbidopa, levodopa and entacapone) and Comtess®/Comtan® (entacapone). Their total net sales in January-March 2018 were down by 8% at EUR 28 (30) million. In the United States, Orion's Parkinson's drugs have several generic competitors, and competition is increasing in Europe and also other markets. In Japan, Comtan has generic competitors, but generic competition to Stalevo has not yet commenced.

Breakdown of sales of Parkinson's drugs:

EUR million	1–3/2018	1–3/2017	Change %
Deliveries to key partners	**23**	24	-6%
Orion's own sales	**5**	6	-16%

Total net sales of the Easyhaler® product family for treatment of asthma and chronic obstructive pulmonary disease were up by 20% in January-March 2018 at EUR 22 (18) million. The increase was mainly due to sales of the budesonide-formoterol combined formulation.

Sales of the budesonide-formoterol combined formulation were up by 36% in January-March 2018 at EUR 11 (8) million. The product was launched in several countries in 2017, and in the review period, sales had already commenced in all key European markets. Besides Orion's sales, co-marketing partner Menarini sells the budesodine-formoterol combined formulation in a few Southern European countries and in France, where it launched the product in the review period. The first marketing authorisation applications have also been submitted outside Europe. Menarini is in charge of the distribution of the budesonide-formoterol combined formulation in the Asia and Pacific region, and Hikma Pharmaceuticals PLC in the Middle East and North Africa. Orion's market position in budesonide-formoterol products varies considerably by country. For example, in Sweden, Orion had a strong position with a 37% share of the budesonide-formoterol market in the first quarter, while in Germany, share in this product was just 6%.

In March 2018, Orion received positive conclusions for the salmeterol-flucatisone Easyhaler under the decentralised EU marketing authorisation procedure. The national approval procedures of the marketing authorisation applications have started in 23 EU countries. The salmeterol-fluticasone combined formulation is the sixth product of the Easyhaler product family. Orion is also currently engaged in developing a seventh Easyhaler product, with tiotropium as the active ingredient, for the European market. Orion has ongoing expansion of Easyhaler production at its Espoo pharmaceuticals production plant, which will allow production volumes to increase as the product family grows.

Net sales of Orion's Dexdor® intensive care sedative (dexmedetomidine) grew by 5% to EUR 18 (17) million in January-March 2018. Sales continued to grow in almost all European markets. In some European countries, marketing authorisation has been granted for generic versions of the drug, and it is to be assumed that generic competition to the product will gradually expand in the EU. In January-March 2018, there was significant competition only in Germany. Orion is continuing actions to defend its rights. The

impact of generic competition on sales is still difficult to estimate at this stage. Sales of the Precedex® intensive care sedative were down by 24% at EUR 5 (7) million.

Simdax®, a drug for treatment of acute decompensated heart failure is sold in more than 50 countries worldwide. Net sales of the product in January-March 2018 were down by 7% at EUR 14 (15) million. Orion has been informed that a marketing authorisation application has been filed for a generic version of Simdax in Europe. The patent for the product's molecule expired in September 2015, but possible generic competition is still not expected to have a material impact on sales of the product in 2018.

Specialty Products

Net sales of the Specialty Products business division's off-patent, i.e. generic prescription drugs, self-care products and biosimilars were down in January-March 2018 by 3% at EUR 118 (122) million.

Finland, Scandinavia, and Eastern Europe and Russia are the most important markets for Specialty Products. In Scandinavia, sales were up by 6% at EUR 21 (20) million. In Eastern Europe and Russia, sales were up by 11% at EUR 15 (13) million.

The business division's sales in Finland in January-March 2018 were down by 6% at EUR 68 (72) million. Sales declined in particular due to tougher price competition, which was mostly due to the change in the operating environment: the change made to the pricing system for substitutable prescription drugs in Finland at the beginning of 2017. In addition, delivery problems commencing in September 2017 related to implementation of ERP by Oriola Finland Oy, the pharmaceuticals distributor that Orion uses in Finland, had a downward effect on sales in Finland in 2017. However, the delivery problems did not have any material direct effects due to the temporary arrangements initiated by Orion. It is difficult to estimate the effect of the Oriola Finland Oy situation on sales in 2018. In addition to Oriola Finland Oy, there are also other distributors temporarily distributing certain Orion products.

In January-March 2018, 67% of the net sales of Specialty Products came from generic drugs, 24% from self-care products and 9% from biosimilars.

The biosimilars net sales were down by 4% at EUR 11 (11) million. Net sales of Remsima®, a biosimilar (infliximab) for treatment of rheumatoid arthritis among other things, were down by 14% at EUR 10 (11) million due to the situation of tendering competitions, increasing competition during the first quarter with new competitors entering the market, and the subsequently significantly declined price level. In 2017, sales of Remsima generated a significant portion of the growth in net sales of the Specialty Products business division. Sales of Remsima in 2018 are expected to be materially lower than in the previous year because Orion did not win the national tendering competition for 2018 in Norway, nor the national tendering competition held in autumn 2017 in Denmark. Sales development will continue to fluctuate depending on our success in tendering competitions also in the future.

At the beginning of 2018, Orion launched another biosimilar, Ritemvia® (rituximab) for treatment of lymphoma among other things for which Orion has the distribution rights in the Nordic countries and Estonia. The sales have started in Finland, Denmark and Sweden. The schedule of the launch and the indications for other countries will vary according to the country-specific patent situation and opening of tendering competitions. Sales of the product are expected to be less than for Remsima, and it is not expected to compensate for the decline in Remsima sales in 2018. Orion estimates that the sales potential of Ritemvia will be lower than that of Remsima.

Animal Health

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

Net sales of the business division in January-March 2018 were up by 5% at EUR 20 (19) million. Sales of animal sedative products accounted for 42% (39%), or EUR 8 (7) million, of the division's net sales. The product family comprises Orion's animal sedatives Dexdomitor® (dexmedetomidine), Domitor®

(medetomidine) and Domosedan® (detomidine), and antagonist Antisedan® (atipamezole), which reverses the effects of the sedatives. In February 2018, Orion received positive conclusions under the decentralised EU marketing authorisation procedure for Clevor®. Clevor, with ropinirole as the active ingredient, is an eye-drop formula designed to treat poisoning in dogs.

Fermion

Fermion manufactures active pharmaceutical ingredients for Orion and other pharmaceutical companies. Its product range comprises nearly 30 pharmaceutical ingredients. For other pharmaceutical companies Fermion manufactures generic pharmaceutical ingredients and offers contract manufacturing services for development and manufacturing of new active pharmaceutical ingredients.

Fermion's net sales in January-March 2018 excluding deliveries for Orion's own use were down by 20% at EUR 12 (16) million and accounted for over one-half of Fermion's entire 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. Fermion's significant over EUR 30 million expansion investment at its Hanko manufacturing plant has progressed as planned and it is estimated that the new production plant will be completed by summer 2018. The investment involves preparation for compliance of tightening regulatory requirements and ensures preparedness to meet increasing demand.

Research and development

The Group's R&D expenses totalled EUR 26 (24) million in January-March 2018, and accounted for 10% (9%) of the Group's net sales. R&D expenses also include expenses related to development of the current portfolio.

In March 2018, Orion received positive conclusions for the salmeterol-flucatisone Easyhaler under the decentralised EU marketing authorisation procedure. The national approval procedures of the marketing authorisation applications have started in 23 EU countries. The inhaled salmeterol-fluticasone combined formulation is the sixth member of the Easyhaler product family for the treatment of asthma and COPD. In the salmeterol-fluticasone combined formulation, fluticasone acts as an anti-inflammatory agent and salmeterol acts as a long-acting bronchodilator. The Easyhaler product family offers diverse treatment options for asthma and COPD using the same inhaler technology. 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 substances (salbutamol, beclometasone, budesonide, formoterol, salmeterol and fluticasone).

Orion has an ongoing research project to expand the Easyhaler product family. Orion is developing a tiotropium formulation for European markets, and a bioequivalence study with the formulation is ongoing. Tiotropium is a long-acting anticholinergic bronchodilator used in treatment of chronic obstructive pulmonary disease.

In 2014, Orion commenced global collaboration with Bayer in the development and commercialisation of the novel oral androgen receptor antagonist darolutamide (ODM-201). The companies have an ongoing joint Phase III clinical trial (ARAMIS) for evaluation of the efficacy and safety of darolutamide in patients with non-metastatic castration-resistant prostate cancer (nmCRPC) with high risk of developing metastases. Darolutamide is an androgen receptor antagonist that has low blood-brain barrier penetration, potentially resulting in less side-effects in central nervous system. The trial is proceeding as planned and patient recruitment has been finalized. The trial will end when a specified number of patients develop metastases. Orion announced after the end of the review period, in early April, that it has updated the estimated primary completion date for the trial in the ClinicalTrials.gov online service. The estimated primary completion date is September 2018.

In 2016, Orion and Bayer agreed to expand the darolutamide development programme and towards the end of the year commenced a new Phase III trial (ARASENS). The trial evaluates the efficacy and safety of the drug candidate in combination with standard androgen deprivation therapy (ADT) and the chemotherapy drug docetaxel in patients having newly diagnosed metastatic hormone-sensitive prostate

cancer (mHSPC) who are starting hormone therapy. Patient recruitment is proceeding well, and the trial is estimated to be completed in 2022.

In 2016, Orion completed the Phase II clinical trial with orally administered levosimendan (ODM-109) for treatment of patients with amyotrophic lateral sclerosis (ALS). Although the trial did not achieve its primary objective, the findings were, however, promising. Based on the findings, Orion decided in the first quarter of 2018 to commence a Phase III clinical trial. The costs of the trial are estimated at approximately EUR 60 million over approximately three years. The US Food and Drug Administration (FDA) has granted ODM-109 an Orphan Drug Designation. The objective of the trial is to develop oral levosimendan for symptomatic treatment for the primary symptom of ALS, muscle weakness. In previous studies, levosimendan has shown positive effect on diaphgram muscle function. Levosimendan is already used as treatment for acute decompensated heart failure, which will speed up the commencement of the programme.

Orion announced in its Financial Statement Release 2017 that it had completed a Phase IIa clinical trial in the development of an alpha-2c adrenoceptor antagonist (ORM-12741). The trial, conducted in collaboration with Janssen Pharmaceuticals, Inc., investigated the efficacy of two different drug formulations in treatment of agitation and aggression symptoms related to Alzheimer's disease. In addition, the efficacy on cognitive performance as well as safety of the compound was evaluated. The trial did not meet the efficacy objectives set for the product. The results were evaluated together with Janssen Pharmaceuticals, Inc. and based on this, the collaboration project has been discontinued.

Orion has an ongoing Phase II clinical trial with a drug candidate for treatment of symptoms of Parkinson's disease in which a new levodopa/carbidopa formulation is combined with the COMT inhibitor (ODM-104) developed by Orion. In the trial, the product will be compared with a Stalevo product already in the market in which the active ingredients are the COMT inhibitor entacapone, carbidopa and levodopa.

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

Orion has 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 the tolerability of the drug candidate and provisionally its efficacy in cancer patients.

In the review period, Orion commenced a Phase I clinical trial for development of a novel selective hormone synthesis inhibitor (CYP11A1 inhibitor) for castration-resistant prostate cancer. 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. The trial will investigate the safety and tolerability of the drug candidate in prostate cancer patients.

Orion also has several projects in the early research phase investigating central nervous diseases, cancer and neuropathic pain, among others.

In 2017, Orion launched its new R&D organisation. With the new organisation, Orion is expanding its drug development competence to include also biological drugs.

Discontinued operation: Diagnostics

Orion has on 21 April 2018 signed an agreement on the sale of all shares in Orion Diagnostica Oy (i.e. the Orion Diagnostica business division). Following the transaction, Orion Diagnostica business will be reported as a discontinued operation. The Orion Group will have only one reporting segment, Pharmaceuticals business. In the Interim Report, Orion Diagnostica segment is reported as a discontinued operation and as a rule, the report only covers continuing operations. The profit of discontinued operations in January-March 2018 was EUR 3.4 (3.5) million.

Net sales of the Diagnostics business in January-March 2018 were EUR 14.5 (14.4) million.
The Diagnostics business's operating profit was down by 11% at EUR 3.1 (3.5) million. The operating profit accounted for 21% (24%) of the segment's net sales. At the end of March 2018, Orion Diagnostica had 302 employees.

Espoo, 24 April 2018

Board of Directors of Orion Corporation

Orion Corporation

Timo Lappalainen
President and CEO

Jari Karlson
CFO

Tables

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Continuing operations

EUR million	1-3/18	Adjusted 1-3/17	Change %	Adjusted 1-12/17
Net sales	**247.2**	265.5	-6.9%	1,033.6
Cost of goods sold	**-97.6**	-97.7		-417.6
Gross profit	**149.6**	167.8	-10.8%	616.0
Other operating income and expenses	**2.7**	0.9	+180.9%	4.9
Sales and marketing expenses	**-46.4**	-45.2	+2.6%	-188.9
R&D expenses	**-25.7**	-24.3	+5.8%	-99.1
Administrative expenses	**-10.4**	-11.0	-5.7%	-48.8
Operating profit	**69.8**	88.2	-20.9%	284.1
Finance income	**0.0**	-0.1	+133.3%	0.1
Finance expenses	**-1.2**	-2.8	-57.4%	-6.6
Profit before taxes	**68.7**	85.4	-19.6%	277.7
Income tax expense	**-14.9**	-18.6	-19.5%	-58.6
Profit for the period for continuing operations	**53.7**	66.8	-19.5%	219.1
Profit for the period for discontinued operations	**3.4**	3.5	-3.1%	6.9
Profit for the period	**57.1**	70.3	-18.8%	226.0
OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS[1]				
Translation differences	**-0.3**	0.2		-1.4
Items that may be reclassified subsequently to profit and loss	**-0.3**	0.2		-1.4
Items due to remeasurement of defined benefit plans (continuing operations)				27.4
Items due to remeasurement of defined benefit plans (discontinued operations)	**-0.0**	0.0		2.5
Items that will not be reclassified to profit and loss	**-0.0**	0.0		29.9
Other comprehensive income net of tax	**-0.3**	0.2		28.5
Comprehensive income for the period including tax effects	**56.8**	70.5	-19.4%	254.4
PROFIT ATTRIBUTABLE TO:[1]				
Owners of the parent company	**57.1**	70.3	-18.8%	226.0
Non-controlling interests	**0.0**	0.0	-97.9%	-0.0
COMPREHENSIVE INCOME ATTRIBUTABLE TO:[1]				
Owners of the parent company	**56.8**	70.5	-19.4%	254.4
Non-controlling interests	**0.0**	0.0	-97.9%	-0.0
Continuing operations				
Basic earnings per share, EUR[2]	**0.38**	0.48	-20.8%	1.56
Diluted earnings per share, EUR[2]	**0.38**	0.48	-20.8%	1.56
Depreciation, amortisation and impairment	**9.8**	9.6	+2.2%	39.5
Personnel expenses	**51.1**	49.8	+2.6%	203.9

Discontinued operations

Basic earnings per share, EUR²	**0.02**	0.02		0.06
Diluted earnings per share, EUR²	**0.02**	0.02		0.06

Depreciation, amortisation and impairment	**0.7**	0.7	-2.5%	2.8
Personnel expenses	**4.0**	3.6	+12.1%	14.2

¹The consolidated statement of financial position includes both continuing and discontinued operations.
² The figure has been calculated from the profit attributable to the owners of the parent company.

IFRS 15 ja IFRS 9 standards have been adopted by using cumulative effect method, and therefore figures of the comparison periods have not been adjusted.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS EUR million	3/18	3/17	Change %	12/17
Property, plant and equipment	**313.8**	293.7	+6.9%	323.1
Goodwill	**13.5**	13.5		13.5
Intangible rights	**28.0**	38.0	-26.4%	36.7
Other intangible assets	**2.5**	2.6	-3.4%	2.6
Investments in associates	**0.1**	0.1		0.1
Available-for-sale investments	**0.3**	0.3	+1.1%	0.3
Pension asset	**50.1**	21.5	+132.6%	55.2
Deferred tax assets	**5.3**	1.4	+280.7%	1.3
Other non-current assets	**2.0**	2.3	-12.1%	1.9
Non-current assets total	**415.5**	373.3	+11.3%	434.7
Inventories	**216.0**	236.8	-8.8%	225.4
Trade receivables	**197.0**	184.1	+7.0%	199.0
Other receivables	**54.8**	51.0	+7.5%	32.4
Cash and cash equivalents	**76.8**	92.1	-16.7%	164.1
Current assets total	**544.5**	564.0	-3.5%	620.8
Assets held for sale	**55.9**			
Assets total	**1 016.0**	937.3	+8.4%	1,055.5

EQUITY AND LIABILITIES EUR million	3/18	3/17	Change %	12/17
Share capital	**92.2**	92.2		92.2
Expendable fund	**0.5**	0.5		0.5
Other reserves	**2.4**	2.4	+0.1%	2.4
Retained earnings	**423.4**	399.7	+5.9%	584.6
Equity attributable to owners of the parent company	**518.5**	494.8	+4.8%	679.7
Non-controlling interests	**0.0**	0.0	+0.4%	0.0
Equity total	**518.5**	494.8	+4.8%	679.7
Deferred tax liabilities	**40.2**	37.0	+8.7%	42.3
Pension liability	**3.3**	3.1	+3.6%	3.2
Provisions	**0.3**	0.3	+14.0%	0.3
Interest-bearing non-current liabilities	**150.4**	150.3	+0.1%	150.3
Other non-current liabilities	**18.2**	0.0		0.0
Non-current liabilities total	**212.4**	190.7	+11.3%	196.2
Trade payables	**79.7**	96.8	-17.6%	83.2
Current tax liabilities	**0.8**	13.9	-94.3%	3.0
Other current liabilities	**143.6**	138.8	+3.5%	92.4
Provisions	**0.0**			
Interest-bearing current liabilities	**39.7**	2.1		1.1
Current liabilities total	**263.7**	251.8	+4.8%	179.7
Liabilities recorded under assets held for sale	**21.3**			
Liabilities total	**497.4**	442.5	+12.4%	375.8
Equity and liabilities total	**1,016.0**	937.3	+8.4%	1,055.5

The consolidated statement of financial position includes both continuing and discontinued operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Equity attributable to owners of the parent company							
EUR million	a.	b.	c.	d.	e.	f.	g.	**h.**
Equity at 1 January 2017	92.2	0.5	2.1	2.0	-5.0	549.5	0.0	**641.4**
Profit for the period						70.3		**70.3**
Other comprehensive income								
Translation differences					0.7	-0.5		**0.2**
Items due to remeasurement of defined benefit plans				0.0				**0.0**
Transactions with owners								
Dividend and capital repayment						-218.2		**-218.2**
Share-based incentive plan						1.1		**1.1**
Other adjustments			0.3			-0.3	0.0	**0.0**
Equity at 31 March 2017	92.2	0.5	2.4	2.0	-4.3	401.9	0.0	**494.8**
Equity at 1 January 2018	92.2	0.5	2.4	31.9	-5.9	558.6	-0.0	**679.7**
Impact of adoption of the IFRS 15 and IFRS 9 standards						-16.6		**-16.6**
Adjusted Equity at 1 January 2018	92.2	0.5	2.4	31.9	-5.9	542.0	-0.0	**663.1**
Profit for the period						57.1		**57.1**
Other comprehensive income								
Translation differences					-0.5	0.2		**-0.3**
Items due to remeasurement of defined benefit plans				-0.0				**-0.0**
Transactions with owners								
Dividend and capital repayment						-204.0		**-204.0**
Share-based incentive plan						3.0		**3.0**
Other adjustments			0.0			-0.4	0.0	**-0.4**
Equity at 31 March 2018	**92.2**	**0.5**	**2.4**	**31.9**	**-6.4**	**397.9**	**-0.0**	**518.5**

The consolidated statement of changes in equity includes continuing and discontinued operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	1-3/18	1-3/17	1-12/17
Operating profit	**72.9**	91.7	293.0
Adjustments	**13.4**	11.9	49.1
Change in working capital	**-1.5**	-26.6	-38.9
Interest paid	**-0.5**	-0.5	-6.2
Interest received	**0.6**	0.3	1.4
Dividends received	**0.0**	0.0	0.0
Income taxes paid	**-16.7**	-13.8	-70.0
Total net cash flow from operating activities	**68.2**	63.0	228.4
Investments in property, plant and equipment	**-12.2**	-14.0	-67.1
Investments in intangible assets	**-1.5**	-2.9	-9.4
Sales of property, plant and equipment and available-for-sale investments	**0.2**	0.7	1.6
Total net cash flow from investing activities	**-13.6**	-16.1	-74.9
Current loans raised	**30.8**	0.8	1.3
Repayments of current loans	**-0.3**	-1.3	-3.5
Dividends paid and other distribution of profits	**-171.7**	-185.4	-218.0
Total net cash flow from financing activities	**-141.3**	-185.9	-220.3
Net change in cash and cash equivalents	**-86.7**	-139.0	-66.8
Cash and cash equivalents at the beginning of the period	**164.1**	231.9	231.9
Foreign exchange differences	**0.2**	-0.8	-1.0
Net change in cash and cash equivalents	**-86.7**	-139.0	-66.8
Cash and cash equivalents at the end of the period	**77.5**	92.1	164.1

The consolidated statement of cash flows includes continuing and discontinued operations.

DISCONTINUED OPERATIONS

On 23 January 2018, Orion announced that it had decided to investigate the possible sale of Orion Diagnostica or other transaction that would result in transfer of Orion Diagnostica outside the Orion Group. As a result, Orion has on 21 April 2018 signed an agreement on the sale of all shares in Orion Diagnostica Oy (i.e. the Orion Diagnostica business division). In the Interim Report, Orion Diagnostica business is reported as a discontinued operation. The profit of discontinued operations in January-March 2018 was EUR 3.4 (3.5) million.

PROFIT FOR THE PERIOD FOR DISCONTINUED OPERATIONS

EUR million	1-3/18	1-3/17	Change %	1-12/2017
Net sales	**14.5**	14.4	+0.5%	53.8
Total expenses	**-11.4**	-10.9	+4.2%	-44.9
Operating profit	**3.1**	3.5	-11.1%	8.9
Income tax expense	**0.3**	0.0		-1.9
Profit for the period	**3.4**	3.5	-3.1%	6.9

BALANCE SHEET ITEMS FOR DISCONTINUED OPERATIONS[1]

EUR million	3/2018
Other non-current assets	**17.5**
Pension asset	**4.8**
Inventories	**13.4**
Other current assets	**20.2**
Other liabilities	**-21.3**
Net assets	**34.6**

1) Intercompany receivables and liabilities between continuing and discontinuing operations are presented as external receivables and liabilities in the Consolidated statement of financial position reported in this Interim report. Consequently, the items “Assets total” and “Liabilities total” of the Consolidated statement of financial position are EUR 20,4 million higher than if these receivables and liabilities would be presented as eliminated.

CASH FLOW FROM DISCONTINUED OPERATIONS

EUR million	1-3/18	1-3/17	Change %	1-12/2017
Cash flow from operating activities	**13.9**	-5.7	+345.0%	8.9
Cash flow from investing activities	**5.6**	-0.3		-1.3

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	3/18	3/17	12/17
Carrying amount at the beginning of the period	**323.1**	289.1	289.1
- discontinued operations	**-15.7**		
Additions	**15.4**	12.7	67.4
Disposals	**-1.4**	-0.2	-1.0
Amortisation and impairments	**-7.7**	-7.9	-32.1
Carrying amount at the end of the period	**313.8**	293.7	323.1

CHANGES IN INTANGIBLE ASSETS (EXCLUDING GOODWILL)

EUR million	3/18	3/17	12/17
Carrying amount at the beginning of the period	**39.4**	40.4	40.4
- discontinued operations	**-8.0**		
Additions	**1.3**	2.6	9.1
Disposals	**-0.0**	-0.0	-0.1
Amortisation and impairments	**-2.2**	-2.4	-10.2
Carrying amount at the end of the period	**30.5**	40.6	39.4

COMMITMENTS AND CONTINGENCIES

EUR million	3/18	3/17	12/17
CONTINGENCIES FOR OWN LIABILITIES			
Guarantees	**3.8**	4.1	3.6
OTHER LIABILITIES			
Leasing liabilities (excluding finance lease contracts)	**5.9**	5.5	6.1
Other liabilities	**0.3**	0.3	0.3

DERIVATIVES

EUR million	3/18	3/17	12/17
CURRENCY FORWARD CONTRACTS AND CURRENCY SWAPS			
Fair value, EUR million	**-0.1**	-0.3	0.1
Nominal value, EUR million	**40.9**	52.3	32.4
CURRENCY OPTIONS			
Fair value, EUR million	**0.0**	0.0	0.1
Nominal value, EUR million	**48.4**	53.3	45.4

The information on the page includes continuing operations.

FAIR VALUE MEASUREMENT AND HIERARCHY OF FINANCIAL INSTRUMENTS

EUR million	Level 1	Level 2	Level 3	Total
Derivatives				
Currency derivatives		0.2		0.2
Available-for-sale financial assets				
Shares and investments			0.3	0.3
Assets total		0.2	0.3	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 financial instruments is based on data feeds available in the markets. The fair value of level 3 derivatives cannot be estimated on the basis of data available in the markets.

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

No transfers between levels occurred during the reporting period.

RELATED PARTY TRANSACTIONS

EUR million	3/18	Adjusted 3/17	Adjusted 12/17
Management's employment benefits	**3.8**	4.9	7.1

The information on the page includes continuing operations.

Operating segment performance

NET SALES BY BUSINESS DIVISION

EUR million	1-3/18	Adjusted 1-3/17	Change %	Adjusted 1-12/17
Pharmaceuticals	**247.2**	265.5	-6.9%	1,033.6
Proprietary Products	**92.8**	98.4	-5.7%	351.4
Specialty Products	**117.6**	121.8	-3.4%	519.0
Animal Health	**20.0**	19.1	+4.6%	75.9
Fermion	**12.3**	15.5	-20.4%	51.0
Contract manufacturing and other	**4.4**	10.7	-58.5%	36.2
Group total	**247.2**	265.5	-6.9%	1,033.6

OPERATING PROFIT BY BUSINESS AREA

EUR million	1-3/18	Adjusted 1-3/17	Change %	Adjusted 1-12/17
Pharmaceuticals	**72.5**	90.2	-19.6 %	296.3
Group items	**-2.7**	-2.0	+37.4 %	-12.2
Group total	**69.8**	88.2	-20.9 %	284.1

NET SALES BY ANNUAL QUARTERS

	2018	Adjusted 2017			Adjusted 2016			
EUR million	1-3	10-12	7-9	4-6	1-3	10-12	7-9	4-6
Pharmaceuticals	247.2	265.9	241.5	260.7	265.5	267.1	245.7	259.5
Group total	247.2	265.9	241.5	260.7	265.5	267.1	245.7	259.5

OPERATING PROFIT BY ANNUAL QUARTERS

	2018	Adjusted 2017			Adjusted 2016			
EUR million	1-3	10-12	7-9	4-6	1-3	10-12	7-9	4-6
Pharmaceuticals	72.5	75.2	57.4	73.5	90.2	59.6	91.8	84.9
Group items	-2.7	-4.7	-2.5	-3.0	-2.0	-2.6	-2.0	-3.2
Group total	69.8	70.5	54.9	70.5	88.2	57.0	89.8	81.7

GEOGRAPHICAL BREAKDOWN OF NET SALES BY ANNUAL QUARTERS

	2018	Adjusted 2017			Adjusted 2016			
EUR million	1-3	10-12	7-9	4-6	1-3	10-12	7-9	4-6
Finland	80.0	84.6	80.4	82.4	81.3	91.2	83.9	81.7
Scandinavia	41.2	42.4	44.0	46.6	40.5	41.6	36.1	40.6
Other Europe	75.5	80.5	73.2	78.7	79.2	85.7	75.5	82.3
North America	14.0	27.0	16.8	15.7	19.3	29.3	18.4	19.3
Other markets	36.6	31.4	27.1	37.2	45.2	19.3	31.8	35.6
Group total	247.2	265.9	241.5	260.7	265.5	267.1	245.7	259.5

The information on the page includes continuing operations.

Business review

KEY FIGURES FOR PHARMACEUTICALS BUSINESS

EUR million	1-3/18	1-3/17	Change %	1-12/17
Net sales	**247.2**	265.5	-6.9%	1,033.6
Operating profit	**72.5**	90.2	-19.6%	296.3
% of net sales	**29.3%**	34.0%		28.7%
R&D expenses	**25.7**	24.3	+5.8%	99.2
% of net sales	**10.4%**	9.1%		9.6%
Capital expenditure	**16.7**	14.9	+12.4%	74.6
% of net sales	**6.8%**	5.6%		7.2%
Sales revenue from proprietary products	**101.5**	100.8	+0.7%	386.6
Assets	**863.2**	779.6		832.1
Liabilities	**204.8**	190.5		165.2
Personnel at the end of the period	**3,145**	3,176		3,159

TOP TEN BEST-SELLING PHARMACEUTICAL PRODUCTS

EUR million	1-3/18	1-3/17	Change %	1-12/17
Stalevo®, Comtess® and Comtan® (Parkinson's disease)	**28.0**	30.5	-8.2%	103.8
Easyhaler® product family (asthma, COPD)	**21.6**	18.0	+19.8%	76.6
Dexdor® (intensive care sedative)	**17.5**	16.7	+4.9%	64.1
Simdax® (acute decompensated heart failure)	**14.3**	15.3	-6.6%	57.2
Biosimilars (rheumatoid arthritis, inflammatory bowel diseases, lymphoma)	**10.6**	11.0	-4.1%	56.7
Dexdomitor®, Domitor®, Domosedan® and Antisedan® (animal sedatives)	**8.4**	7.5	+12.6%	30.5
Burana® (inflammatory pain)	**5.8**	5.7	+1.8%	23.4
Precedex® (intensive care sedative)	**5.3**	6.9	-23.7%	25.0
Marevan® (anticoagulant)	**4.3**	4.0	+7.7%	19.2
Divina series (menopausal symptoms)	**4.2**	3.7	+12.9%	18.6
Total	**119.9**	119.2	+0.5%	475.1
Share of pharmaceutical net sales	**48%**	45%		46%

The information on the page includes continuing operations.

KEY CLINICAL PHARMACEUTICAL DEVELOPMENT PROJECTS

Project	Indication	PHASE			Registration
		I	II	III	
Easyhaler® salmeterol-fluticasone	Asthma, COPD	Bioequivalence study			Registration*
Easyhaler® tiotropium	COPD	Bioequivalence study*			
Darolutamide (ODM-201) [1)]	Prostate cancer (nmCRPC)	I	II	III*	
Darolutamide (ODM-201) [1)]	Prostate cancer (mHSPC)	I	II	III*	
ODM-109 (oral levosimendan)	ALS	I	II	III*	
ODM-104 (more effective COMT inhibitor)	Parkinson's disease	I	II*		
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*			
[1)] In collaboration with Bayer		*	= Phase ongoing		
		III	= Status changed vs. previous quarter		

Information on Orion's shares

BASIC SHARE INFORMATION 31 MARCH 2018

	A share	B share	Total
Trading code on Nasdaq Helsinki	ORNAV	ORNBV	
Listing day	1.7.2006	1.7.2006	
ISIN code	FI0009014369	FI0009014377	
ICB code	4500	4500	
Reuters code	ORNAV.HE	ORNBV.HE	
Bloomberg code	ORNAV.FH	ORNBV.FH	
Share capital, EUR million	24.2	68.0	92.2
Counter book value per share, EUR	0.65	0.65	
Total number of shares	37,120,346	104,137,482	141,257,828
% of total share stock	26%	74%	100%
Number of treasury shares		562,440	562,440
Total number of shares excluding treasury shares	37,120,346	103,575,042	140,695,388
Minimum number of shares			1
Maximum number of A and B shares, and maximum number of all shares	500,000,000	1,000,000,000	1,000,000,000
Votes per share	20	1	
Number of votes excluding treasury shares	742,406,920	103,575,042	845,981,962
% of total votes	88%	12%	100%
Total number of shareholders	19,446	56,301	69,453

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

INFORMATION ON TRADING ON NASDAQ HELSINKI 1 JANUARY – 31 MARCH 2018

	A share	B share	Total
Shares traded	658,067	33,128,881	33,786,948
% of the total number of shares	1.8%	31.8%	23.9%
Trading volume, EUR million	20.3	945.6	965.9
Closing quotation on 31 December 2017, EUR	32.07	31.08	
Lowest quotation, EUR (A 28 March 2018, B 26 and 28 March 2018)	27.00	23.82	
Average quotation, EUR	30.90	28.54	
Highest quotation, EUR (A 23 January 2018 and B 19 January 2018)	35.70	33.50	
Closing quotation on 31 March 2018, EUR	27.90	24.87	
Market capitalisation on 31 March 2018, EUR million	1,035.7	2,575.9	3,611.6

PERFORMANCE PER SHARE

	1-3/18	Adjusted 1-3/17	Change %	Adjusted 1-12/17
Basic earnings per share, EUR	**0.38**	0.48	-19.7%	1.56
Diluted earnings per share, EUR	**0.38**	0.48	-19.7%	1.56
Cash flow per share before financial items, EUR	**0.39**	0.33	+16.3%	1.09
Equity per share, EUR	**3.54**	3.38	+4.7%	4.65
Average number of shares excluding treasury shares, 1,000 shares	**140,620**	140,510		140,565

The information on the page includes continuing operations.

Appendices

Reporting

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

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

Contract manufacturing and other, i.e. manufacturing for other companies, is included in the Pharmaceuticals business segment, but it is not a separate business division, it is part of the Group's Supply Chain organisation.

Accounting policies

This report has been prepared in accordance with the accounting policies set out in International Accounting Standard 34 on Interim Financial Reporting. The same accounting principles have been applied as in the 2017 financial statements, besides which the amendments to existing IFRS and IAS standards endorsed by the EU have been adopted as of 1 January 2018.

Orion Group adopted the new IFRS 15 standard and IFRS 9 standard as of 1 January 2018, which both impact the information provided in the consolidated financial statements.

Adoption of IFRS 15 (Revenue from Contracts with Customers)

IFRS 15 (Revenue from Contracts with Customers) replaces the previous IAS 18 (Revenue) and IAS 11 (Construction Contracts), which governed revenue recognition. The Group has adopted the new standard for the financial year commencing on 1 January 2018. The Group has applied cumulative effect method in the transition and recognised the impact of IFRS 15 on 1 January 2018 in equity as an adjustment to the opening balance of retained earnings. An item of corresponding amount has been recognised as a counterpart entry in other liabilities in the statement of financial position. Adjustments of the opening balance have been made only in respect of contracts that had not been fully fulfilled on 1 January 2018.

Adoption of IFRS 15 affects the timing of recognising as revenue the net sales from sales of the sales rights to products in the markets and from collaboration with collaboration partners in clinical phases, so that net sales of these revenue flows arising from some performance obligations are recognised later than they have been recognised under IAS 18. The total net sales from the above-mentioned revenue flows on average account for less than five per cent of the Group's annual net sales. For the financial period 2017 net sales recorded from the revenue flows mentioned were EUR 12.1 million (2016: EUR 18.6 million), in other words 1.1 per cent (1.7 per cent) of the total consolidated net sales. In the Group's view, the effect of IFRS 15 in recognising these revenue flows as revenue is not material in proportion to the total consolidated net sales.

The Group determined that, as regards the timing of recognising net sales, IFRS 15 affects agreements that were not fully fulfilled on 1 January 2018. At the end of the financial period 2017, the Group had four agreements for which IFRS 15 has estimated to have a material effect as regards the timing of recognition of the Group's revenue. Milestone payments under these agreements in previous financial periods were recognised as revenue at a single point of time. Following adoption of IFRS 15, such milestone payments will be regarded as performance obligations satisfied over time and they will be recognised as revenue over the term of the contract. The revenue will be recognised later than when the old IAS 18 was in effect. Consequently, net sales under these agreements previously recognised in the income statement have been adjusted as of 1 January 2018 by reducing retained earnings in equity in the statement of financial position. The Group has recorded a total reduction of EUR 16.6 million of retained earnings

on 1 January 2018. An increase of EUR 18.7 million in the long-term other liabilities and an increase of EUR 1.9 million in the short-term other liabilities have been recorded in the statement of financial position. An increase of EUR 4.1 million has been recorded as deferred tax assets.

The above-mentioned adjustments made to items in the statement of financial position are recognised as revenue over time as the performance obligations are satisfied. The average remaining time for satisfying the performance obligations subject to adjustments on 1 January 2018 was 11 years.

ADJUSTED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND OTHER KEY FIGURES FOR THE FINANCIAL YEAR 2017

1) Earlier reported comparison information in the Interim report and Financial statement release.
2) Earlier reported comparison information in the Interim report and Financial statement release, if impact of IFRS 15 standard taken into consideration.
3) Adjusted comparison information reported in this Interim report. Orion Diagnostica is reported as discontinued operation.
4) Adjusted comparison information reported in this Interim report, if impact of IFRS 15 standard taken into consideration. Orion Diagnostica is reported as discontinued operation.

	1-3/17				1-12/17			
	1)	2)	3)	4)	1)	2)	3)	4)
Net sales, EUR million	279.2	273.5	265.5	259.9	1,084.6	1,077.2	1,033.6	1,026.2
Operating profit, EUR million	91.7	86.0	88.2	82.6	293.0	285.6	284.1	276.7
% of net sales	32.8%	31.4%	33.2%	31.8%	27.0%	26.5%	27.5%	27.0%
Profit before taxes, EUR million	88.8	83.2	85.4	79.8	286.5	279.1	277.7	270.3
% of net sales	31.8%	30.4%	32.2%	30.7%	26.4%	25.9%	26.9%	26.3%
Income tax expense, EUR million	18.5	17.4	18.6	17.4	60.5	59.0	58.6	57.1
Profit for the period, EUR million	70.3	65.8	66.8	62.3	226,0	220.1	219.1	213.1
Other comprehensive income net of tax, EUR million	0.2	0.2	0.2	0.2	28.5	28.5	26.0	26.0
Deferred tax assets, EUR million	1.4	5.8	1.4	5.8	1.3	5.4	1.3	5.4
Other non-current liabilities, EUR million	0.0	20.1	0.0	20.2	0.0	18.7	0.0	18.7
Other current liabilities, EUR million	138.8	140.5	138.8	140.5	92.4	94.3	92.4	94.3
Non-interest-bearing liabilities, EUR million	290.1	312.0	290.2	312.1	224.5	245.1	224.5	245.1
Equity total, EUR million	494.8	472.5	494.8	472.4	679.7	655.9	679.7	655.9
Assets total, EUR million	937.3	936.9	937.3	936.9	1,055.5	1,052.4	1,055.5	1,052.4
Equity ratio, %	53.2%	50.9%	53.1%	50.8%	64.6%	62.5%	63.8%	62.5%
Gearing, %	12.2%	12.8%	13.6%	12.8%	-1.9%	-1.9%	-0.7%	-1.8%
ROCE (before taxes), %	51.0%	50.0%	50.0%	47.3%	36.2%	36.4%	35.5%	35.1%
ROE (after taxes), %	49.5%	48.0%	48.6%	45.9%	34.2%	34.4%	34.0%	33.3%
Basic earnings per share, EUR	0.50	0.47	0.48	0.44	1.61	1.57	1.56	1.52
Diluted earnings per share, EUR	0.50	0.47	0.48	0.44	1.61	1.57	1.56	1.52
Equity per share, EUR	3.52	3.36	3.38	3.36	4.83	4.67	4.65	4.67

Revenue recognition principles

The Group's net sales comprise three different revenue flows, for which the revenue recognition principles are described below.

Sales of goods

Consolidated net sales include revenue from sales of goods adjusted for indirect taxes and currency translation differences on sales in foreign currencies. A delivery to a customer of one batch of product constitutes one distinct performance obligation for which the revenue will be recognised in accordance with the delivery terms when the control is transferred from the Group to the customer. The selling price for a performance obligation is in principle variable because there may be various related discounts or incentives, among other things. The consideration is recognised as net sales that the Group expects to be entitled to taking into account the effects of discounts and incentives.

Sales of sales rights to products already in the markets

The Group enters into agreements in which it transfers the sales rights to a product already in the market to an external party outside the Group and agrees to manufacture the product for that external party. For selling sales rights and manufacturing products, depending on the agreement the Group may receive milestone payments, revenue from sales of the products and royalty income. Normally milestone payments are by their nature payments related to signing of the agreement or payments related to commercialisation of the product.

The Group itself has generally been manufacturing the product before the sale of sales rights to the product, so the Group would have know-how related to manufacture that would otherwise not be easily attained by the customer. The sale of sales right to the product is therefore inextricably linked to sales of products manufactured and delivered to a customer. Together they constitute a distinct performance obligation that will be satisfied over time. The components of the sales price for the performance obligation are the consideration for selling the sales rights, the consideration for the delivery of finished products, and possible royalty income. The sales price allocated to the performance obligation is variable due to value adjustments related to the sales price of the products.

The Group may receive under the agreement milestone payments related to commercialisation. They are considered as distinct performance obligations if they are satisfied by a certain volume of sales achieved by the customer. The accrued sales revenue entails value for the customer, so a performance obligation subject to sales volume is considered satisfied when the target for sales has been achieved. Performance obligations related to commercialisation are satisfied at a single point of time because estimating future sales volume entails uncertainty factors.

Clinical phase research and development work undertaken with collaboration partners

The Group has entered into agreements with collaboration partners that relate to clinical phase research and development projects. Under these agreements milestone payments shall be paid when a certain development phase has been achieved. Milestone payments normally comprise a single upfront payment received on signing the agreement and milestone payments conditional on the progress of the project. In addition, payments related to commercial rights to the finished product such as royalties may be agreed in the agreements.

Clinical phase trials may be conducted through many service providers, and the collaboration partner can then utilise in its own business operations the research results conveyed on signing. Milestone payments on signing an agreement are considered as distinct performance obligations that are satisfied on signing of the agreement. Due to the nature of the above-mentioned clinical phase trial, later milestone payments payable at achieved milestones for research are also distinct performance obligations. They are satisfied on confirmation of the final research results because a reliable evaluation of research results in advance would entail uncertainty factors.

The agreements may also include a decision on arranging manufacture of finished product if it can be commercialised. For each agreement, milestone payments related to commercialisation are evaluated on

the basis of whether the milestone payments and sales of finished products together constitute a performance obligation or whether the milestone payments can be identified as performance obligations distinct from sales of the finished product. Likewise, on the basis of each agreement, it is evaluated whether the performance obligation related to milestone payments will be satisfied at a single point of time or over a period of time. It is essential in the evaluation to analyse the value being transferred to the collaboration partner on achievement of the milestone and making the payment.

Following adoption of IFRS 15, comparative information reported by the Group have not been adjusted. The Group provides information on the impact of the adoption of IFRS 15 on the comparative period figures in a separate note to this report.

Adoption of IFRS 9 (Financial Instruments)

The new IFRS 9 (Financial Instruments) has replaced IAS 39 (Financial Instruments: Recognition and Measurement) and has brought changes to the classification and measurement of financial assets and liabilities to determining impairment of them and to principles of hedge accounting. The Group has adopted the new standard for the financial year commencing on 1 January 2018.

The Group's financial assets and liabilities have been gone through, and on adoption of the new standard the Group's financial items have been recognised according to the following principles:

- The Group's financial assets that are classified as loans and other receivables are measured at amortised cost. This does not affect the carrying amounts.
- Equity instruments included in the available-for-sale financial assets were measured at fair value until 31 December 2017 and disclosed in the items under other comprehensive income. Since IFRS 9, these instruments are measured at fair value through profit or loss, which changes the accounting on adoption of IFRS 9. Considering the current equity instruments in the statement of financial position EUR 0.3 million, the Group does not expect the change in accounting to increase the volatility of the results.
- The accounting of financial liabilities did not change on adoption of IFRS 9 because the new requirements affect only the accounting of financial liabilities specifically classified at fair value through profit or loss. The Group does not have such liabilities.
- The Group does not currently apply hedge accounting, so the changes to hedge accounting due to IFRS 9 do not affect the Company.
- Measurement of financial assets for any impairment is based on whether there is a significant credit risk related to the receivable or not. The Group evaluates the risk related to a neglected payment on a financial instrument and recognises a provision for credit loss based on the assessment. Impairment of financial instruments is based on an expected credit loss model in which earlier and greater credit losses are recognised than under IAS 39.
- A simplified approach under IFRS 9 is applied for measurement of trade receivables through which impairment of trade receivables with various due dates is entered by reducing their value by a certain percentage allowance, which are determined based on actual credit losses taking into account economic conditions on the reporting day. The allowance percentages shall lead to impairment that corresponds to the expected credit losses of receivables over their lifetime. As regards impairment of trade receivables, the change to IFRS 9 has had no material impact.

The new standard will require new more comprehensive information in the Notes, and there will be some changes in presentation. They affect the nature and comprehensiveness of the information presented in the consolidated financial statements.

Other adjustments as of 1 January 2018

Other new IFRS standards, interpretations and amendments to existing IFRS standards adopted from 1 January 2018 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.

Other matters

The figures in this Interim Report have not been audited.

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

CALCULATION OF THE KEY FIGURES

Return on capital employed (ROCE), %	=	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 of the 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 adjusted net sales in 2017 amounted to EUR 1,034 million and the company had about 3,200 employees. Orion's A and B shares are listed on Nasdaq Helsinki.