Financial Statement documents

2021

For more than a century, Orion has been building well-being by providing effective medical treatments. Our drugs have been used to eliminate national diseases, prevent heart attacks, cure everyday headaches and save lives in intensive care units. We have developed from a shop founded by three pharmacists into an international company that carries out medical research at the top international level. We develop and produce new, unprecedented treatments that can improve the quality of life for people with cancer, neurological disorders, asthma or chronic obstructive pulmonary disease, among others. Our self-care products that support well-being help people take care of themselves every day. Orion's products are available in more than 100 countries.

Building well-being

Contents

All the figures in the financial statements have been rounded, which is why the total sums of individual figures may differ from the total sums shown.

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ORION
Hyvinvointia rakentamassa

Orion in brief

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 neurological disorders, oncology and respiratory diseases for which Orion develops inhaled pulmonary medication. Orion's A and B shares are listed on Nasdaq Helsinki.

Net sales in 2021 (2020)
1,041 MEUR (1,078)

Operating profit margin
23% (26%)

Operating profit
243 MEUR (280)

Shareholders (on 31 December 2021)
80,792 (72,003)

R&D expenses
118 MEUR (123)

Personnel (on 31 December 2021)
3,355 (3,311)

6 production sites in Finland

Business areas

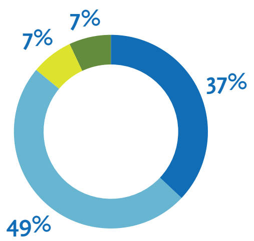
PROPRIETARY PRODUCTS
Drugs developed in-house and other drugs with product protection

ANIMAL HEALTH
Medicine and well-being products for animals

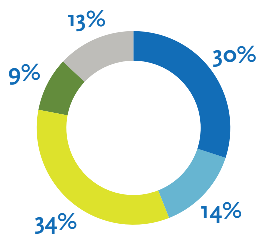
SPECIALTY PRODUCTS
Generic prescription drugs (incl. biosimilars) and self-care products

FERMION AND CONTRACT MANUFACTURING
Active pharmaceutical ingredient (API) production for Orion and API and pharmaceutical production for other pharmaceutical companies

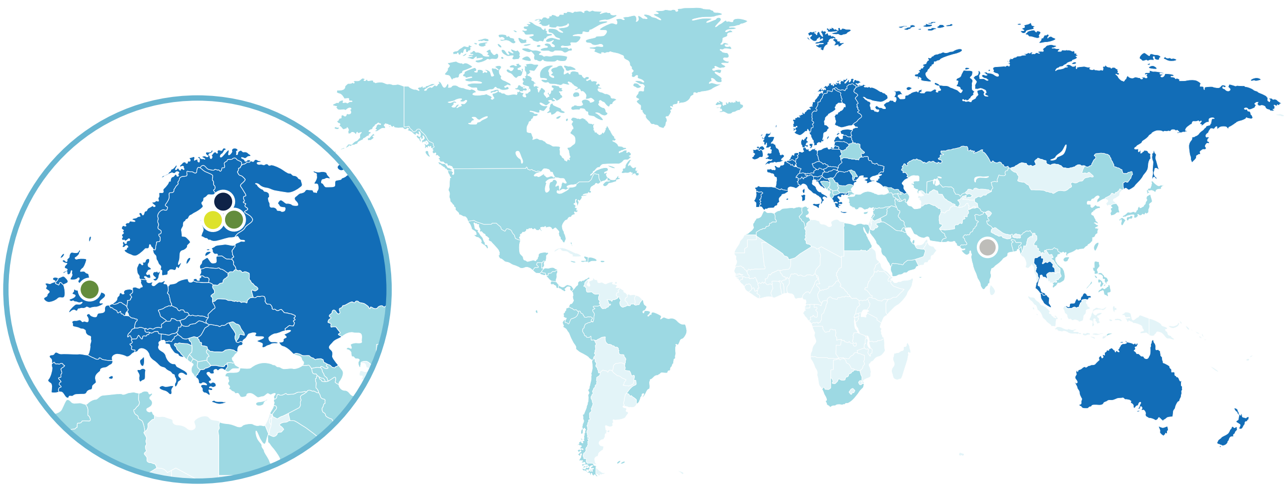
Net sales by business



Net sales by market area



Orion's products are available in over one hundred countries



- Head office in Finland
- R&D: Finland and UK
- Production sites in Finland
- Support functions in India
- Own sales organisation
- Global sales partner network

The key themes of Orion's corporate responsibility are ensuring patient safety and reliable supply of medications, in addition to which the Company has responsibility for the environment, its employees, business ethics and transparency.

Customer complaints (pharmaceuticals)	GxP* audits by Orion	Greenhouse gas emissions (scope 1 & 2)	Energy savings target set for 2025 achieved	Injury rate LTIF 1	Code of Conduct training, no. of participants
65	**256**	**20,563**	**114%**	**4.8**	**653**
Ppm (76)	(141)	tCO_2e (18,611)	(53%)	(3.6)	(3,410)

*Good Practices

Report by the Board of Directors for the financial year 2021

Group's key figures

Key figures relating to financial performance

	2019	2020	2021
Net sales, EUR million	1,051.0	1,078.1	1,041.0
EBITDA, EUR million	308.9	336.5	289.1
% of net sales	29.4%	31.2%	27.8%
Operating profit, EUR million	252.8	280.1	243.3
% of net sales	24.1%	26.0%	23.4%
Profit before taxes, EUR million	250.8	278.3	242.3
% of net sales	23.9%	25.8%	23.3%
Profit for the period, EUR million	200.4	219.9	193.8
% of net sales	19.1%	20.4%	18.6%
R&D expenses, EUR million	119.3	123.2	117.7
% of net sales	11.3%	11.4%	11.3%
Capital expenditure, EUR million	42.6	48.5	85.4
% of net sales	4.0%	4.5%	8.2%
Interest-bearing net liabilities, EUR million	-139.1	-185.8	-108.3
Basic earnings per share, EUR	1.43	1.56	1.38
Cash flow per share before financial items, EUR	1.68	1.85	0.96
Equity ratio, %	76.7%	66.7%	68.1%
Gearing, %	-17.8%	-25.4%	-14.5%
ROCE (before taxes), %	29.9%	34.8%	28.8%
ROE (after taxes), %	25.8%	29.1%	26.2%
Average personnel during the period	3,251	3,337	3,364

Events during the period

18 Jan 2021	Orion Animal Health and Vetoquinol announced that they are expanding collaboration.
8 Feb 2021	Orion and Bayer announced that they are initiating a new phase III ARANOTE trial with darolutamide.
25 Mar 2021	Orion Corporation's Annual General Meeting was held in Espoo.
17 May 2021	Orion Animal Health's Bonqat® (pregabalin) received positive opinion from EMA's Committee for Medical Products for Veterinary Use (CVMP).
25 May 2021	Orion announced that the company is investigating possible sale of its pharmaceutical manufacturing plant in Kuopio.
8 Jun 2021	Orion and the Finnish Red Cross Blood Service announced collaboration to develop new CAR T-cell therapy.
9 Jun 2021	Orion reported that in its clinical trial, patients suffering from chronic pain had found substantial relief in digital therapy that utilises virtual reality.
21 Jun 2021	Orion Animal Health's Tessie® (tasipimidine) received positive opinion from EMA's Committee for Medical Products for Veterinary Use (CVMP).
3 Aug 2021	Orion signed European wide marketing and distribution agreement with Marinus Pharmaceuticals for ganaxolone.
17 Aug 2021	Orion announced that it will remain as the owner of pharmaceutical manufacturing plant in Kuopio, Finland.
18 Aug 2021	Orion and Alligator Bioscience announced immuno-oncology research collaboration and license agreement.
17 Sep 2021	Orion announced successor plan of the President and CEO.
3 Dec 2021	Orion announced that the ARASENS trial met its endpoint.

Events after the period

There were no key events after the reporting period.

Financial review

Change in reporting

Orion Group revised its accounting practice as of 1 January 2021 by re-assigning some expenses associated with manufacturing and purchasing, previously reported as administrative expenses, to the cost of goods sold. The change does not affect reported key figures, operating profit or balance sheet, but it reduces previously reported administrative expenses for 2020 by EUR 7.3 million and correspondingly raises the cost of goods sold.

Net sales

Orion Group's net sales in January–December 2021 totalled EUR 1,041 (1,078) million, a decrease of 3%. Exchange rate fluctuations impacted net sales positively by EUR 2 million during the period. Net sales of Orion's top ten pharmaceuticals amounted to EUR 476 (459) million. They accounted for 46% (43%) of the total net sales.

Operating profit

The Orion Group's operating profit was down by 13% at EUR 243 (280) million. EBITDA was down by 14% at EUR 289 (337) million.

Gross profit from sales in local currencies remained on par with the comparative period. Price, cost and product portfolio changes had a negative impact of EUR 20 million and currency rate changes a positive impact of EUR 3 million. With the joint impact of these items, the gross profit from product and service sales was EUR 17 million less than in the comparative period.

Milestone payments accounted for EUR 3 (42) million and royalties for EUR 24 (19) million of net sales and operating profit. Other operating income accounted for EUR 6 million of operating profit.

Pension expenses in the fourth quarter of 2021 were EUR 6 million higher than in the fourth quarter of 2020 due to the once-a-year updates of the actuarial calculations at the end of each year. Throughout 2021, pension expenses increased by a total of EUR 4 million, mainly due to an increase in defined benefit pension expenses.

Operating expenses decreased by EUR 12 million.

Other operating income and expenses amounted to EUR 6 (5) million (positive).

Operating expenses

The Group's sales and marketing expenses were down by 7% and totalled EUR 191 (204) million. Approximately EUR 12 million of the decrease is due to the fact that the depreciation of distribution rights acquired for Parkinson's drugs was carried out to completion by 2020.

Research and development expenses were reduced by 4% and totalled EUR 118 (123) million. They accounted for 11% (11%) of the Group's net sales. At the end of the year, Orion made the choice between two novel selective hormone synthesis inhibitors (CYP11A1 inhibitors), ODM-208 and ODM-209, and decided to focus on developing ODM-208 further. In this context, Orion decided to allocate the remaining ODM-209 project costs due to arise in 2022 and 2023, EUR 3 million in total, to the fourth quarter of 2021.

Administrative expenses were EUR 48 (42) million. The change was mostly due to an increase in pension costs.

Group's profit

Profit for the period was EUR 194 (220) million.

Basic earnings per share were EUR 1.38 (1.56). Equity per share was EUR 5.32 (5.21).

The return on capital employed before taxes (ROCE) was 29% (35%) and the return on equity after taxes (ROE) 26% (29%).

Financial position

The Group's gearing was -14% (-25%) and the equity ratio 68% (67%).

The Group's total liabilities at 31 December 2021 were EUR 366 (384) million. At the end of the period, interest-bearing liabilities amounted to EUR 108 (109) million, including EUR 105 (105) million of long-term liabilities.

The Group had EUR 217 (294) million of cash at the end of the review period.

In December 2021, Orion signed new EUR 100 million loan agreement with European Investment Bank. The loan has not yet been withdrawn.

Cash flow

Cash flow from operating activities was EUR 216 (299) million. Contributing factors to the decline in cash flow are a smaller profit than in the comparison period as well as an increase in working capital, mostly attributable to increased sales receivables owing to good sales late in the year. In the period, EUR 36 million was tied up in working capital, whereas in the comparative period EUR 27 million was released from working capital. In the comparative period, the decrease in working capital was particularly due to an exceptionally large amount of non-interest bearing liabilities at the end of 2020, the reduction of which also contributed to an increase in working capital in 2021.

The cash flow from investing activities was EUR -80 (-40) million.

The cash flow from financing activities was EUR -215 (-115) million. In the comparative period net borrowing increased by EUR 100 million.

Capital expenditure

The Group's capital expenditure totalled EUR 85 (49) million. This comprised EUR 52 (37) million on property, plant and equipment and EUR 33 (12) million on intangible assets. Contributing factors to the increase in intangible assets include a EUR 25 million signing fee by Orion to Marinus Pharmaceuticals in the context of the European-wide marketing and distribution agreement for ganaxolone.

Key business targets for 2021

	TARGET	Status on 31/12/2021
Nubeqa®	Supporting sales growth and co-promotion in Europe with Bayer	Target reached
	Positive outcome from Phase III ARASENS trial	Target reached
	Taking phase III ARANOTE trial forward together with Bayer	Target reached
Easyhaler® product portfolio	Sales growth	Target partly reached
ODM-208	Taking the development program forward according to plan	Target reached
Finland	Maintenance and strengthening of market position	Target reached
Scandinavia	Reinforcing Orion's position in generic prescription drugs	Target partly reached
Future growth enablement	In-licensing of new products	Target reached
	Portfolio enhancement through product acquisitions and M&A	Target not reached

Key business targets and key performance indicators in 2022

TARGET	KPI's in 2022
Increasing the sales of the current product portfolio	Significant increase in sales of Nubeqa® booked by Orion
	Easyhaler® product portfolio sales increase by more than 5%
Building up long-term growth	In-licensing of new products
	Portfolio enhancement through product acquisitions and M&A
	Partner for ODM-208 development and commercialisation
	Launch of Phase III clinical trial on ODM-208
	At least one new project proceeds to clinical development
	Solidifying the R&D portfolio with new collaboration agreements

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

Business review

Review of the Finnish human pharmaceuticals market

Finland is the most important individual market for Orion, generating more than a quarter of the Group's net sales. According to Pharmarket statistics (1–12/2021), the total sales of Orion's human pharmaceuticals in January-December 2021, including both medicinal and non-medicinal products, grew by 3 per cent from the previous year, like the market. The incidence of seasonal illnesses, such as common respiratory tract infections, was below normal especially in the first half of the year, resulting in lower full-year market sales in self-care products.

Orion's biggest product group in Finland are reference-priced prescription drugs in the pharmacy channel. The sales of Orion's reference-priced prescription drugs increased by 5 per cent due to strong volume growth while the total market fell by 4 per cent from the comparison period. The average price of reference-priced drugs in the market declined by approximately 9% from the comparative period (Source: Pharmarket). The impact of constant price competition on Orion has been significant due to the Company's broad product range and significant market share in Finland.

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

SALES OF HUMAN PHARMACEUTICALS IN FINLAND (MEDICINAL AND NON-MEDICINAL PRODUCTS):

EUR million	1–12/21	1–12/20	Change %
Total sales of human pharmaceuticals (hospital and pharmacy channel)			
Market	2,984	2,904	+3%
Orion	324	316	+3%
Prescription drugs total (pharmacy channel)			
Market	1,696	1,646	+3%
Orion	188	182	+3%
Reference priced prescription drugs (pharmacy channel)*			
Market	433	451	-4%
Orion	116	111	+5%
Self-care products (pharmacy channel)			
Market	403	404	-0%
Orion	102	105	-2%

* The reference-priced prescription drugs group metric counts in products that were reference-priced prescription drugs at the time the statistics were compiled. For this reason, sales and market share figures in the comparative period may deviate from previously published data.
Source: Pharmarket sales statistics 1–12/2021

ORION'S MARKET SHARE IN THE SALES OF HUMAN PHARMACEUTICALS IN FINLAND (MEDICINAL AND NON-MEDICINAL PRODUCTS):

Orion's market share, %	1–12/21	1–12/20
Human pharmaceuticals in total (hospital and pharmacy channel)	11%	11%
Prescription drugs total (pharmacy channel)	11%	11%
Reference priced prescription drugs (pharmacy channel)*	27%	25%
Self-care products (pharmacy channel)	25%	26%

* The reference-priced prescription drugs group metric counts in products that were reference-priced prescription drugs at the time the statistics were compiled. For this reason, sales and market share figures in the comparative period may deviate from previously published data.
Source: Pharmarket sales statistics 1–12/2021

Orion's sales network

Orion's products are sold globally in over one hundred countries through Orion's own sales network and by partners. Orion has its own sales network in Europe and five Asia-Pacific countries. Elsewhere in the world, Orion's human pharmaceuticals are sold mainly by the company's partners. Orion is engaged in the sale of veterinary drugs in the Nordic countries and in parts of Eastern Europe. Elsewhere, these products are sold by partners. The company is also engaged in the sale of Fermion and contract manufacturing products and services globally.

Proprietary Products

The product portfolio of the Proprietary Products unit consists of prescription products in three therapy areas: neurological disorders, oncology and critical care, and inhaled pulmonary drugs under Easyhaler® product portfolio.

Net sales of the unit in January–December 2021 were down by 8% and totalled EUR 388 (420) million. A substantial part of the decline is attributable to milestone payments that were smaller than in the comparative period, amounting to EUR 3 (42) million in the review period.

NET SALES BY PRODUCT

EUR million	1–12/21	1–12/20	Change %
Easyhaler® product portfolio	117	115	+2%
Stalevo®, Comtess® and Comtan®	95	99	-3%
Simdax®	57	62	-9%
Nubeqa®*	39	17	+137%
Dexdor®	37	55	-33%
Other**	42	73	-42%
Total	388	420	-8%

* includes product sales to Bayer and royalties booked by Orion
** includes service sales, milestone payments and products such as Enanton®, Precedex® and pharmaceuticals sold for use in clinical trials.
In January–December 2021, net sales of darolutamide sold for use in clinical trials were EUR 12 (12) million.

In January-December 2021, Orion booked a total of EUR 39 (17) million of product sales for deliveries of Nubeqa® (darolutamide) to Bayer and in royalties from the same product. Nubeqa® is indicated for the treatment of non-metastatic castration-resistant prostate cancer.

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

Orion's Easyhaler® is a dry-powder inhaler developed in-house, for which Orion has developed Easyhaler®-adapted dry powder formulations of several well-known generic active pharmaceutical ingredients (salbutamol, beclometasone, budesonide, formoterol, salmeterol and fluticasone). Total net sales of the Easyhaler® product portfolio for treatment of asthma and chronic obstructive pulmonary disease increased by 2% and amounted to EUR 117 (115) million in January–December 2021. In the first half of the year, the market for dry-powder pulmonary drugs and the demand for Easyhaler® products suffered from the reduced rate of doctors' appointments due to the COVID-19 pandemic. After summer, the development was better and demand picked up. The strong development in the end of the year was also partly due to timing of partner deliveries. Sales of the budesonide-formoterol combined formulation increased by 3% and was EUR 74 (72) million. The sales of other Easyhaler® products (beclometasone, budesonide, formoterol, salbutamol and salmeterol-fluticasone combined formulation) was EUR 43 (43) million.

Menarini, an Italian pharmaceuticals company, has exclusive marketing rights to Orion's budesonide-formoterol combined formulation in France and also serves as a co-marketing partner in a few Southern European countries. In addition, Menarini is responsible for the sales of the budesonide-formoterol combined formulation in the Asia–Pacific region. Another company, Hikma Pharmaceuticals PLC, is responsible for selling the budesonide-formoterol combined formulation in the Middle East and North Africa. Hikma has started product launches in some of the countries.

Orion's drugs for treatment of Parkinson's disease are Stalevo® (active pharmaceutical ingredients carbidopa, levodopa and entacapone) and Comtess®/Comtan® (entacapone). Their total net sales in January–December 2021 declined by 3% and amounted to EUR 95 (99) million. Orion markets its own Parkinson's drugs in Europe and some countries in the Asia-Pacific area. Elsewhere, the products are sold by partners. The most important single market for Orion's Parkinson's drugs is currently Japan, where Orion has a distribution agreement with Novartis.

Net sales of Orion's Dexdor® intensive care sedative (dexmedetomidine), a product sold in Europe, were EUR 37 (55) million, down 33%. The expected decline in sales was due to generic competition and an extremely strong comparative period despite the launch of generic competition, owing to increased demand caused by the COVID-19 pandemic as well as shortages in some competing products in the markets. The demand for intensive care sedatives remains high due to the pandemic, and this has moderated the fall of Dexdor® sales. The sales of Precedex® (dexmedetomidine), a product sold outside Europe, in January–December 2021 amounted to EUR 11 (12) million.

Simdax® (levosimendan), a drug for treatment of acute decompensated heart failure is sold in some 60 countries worldwide. Net sales of the product in January-December 2021 were down by 9% at EUR 57 (62) million. The sales declined from the comparative period mainly due to falling prices in some markets. Simdax® is a liquid infusion concentrate, and its formulation patent in key markets expired in September 2020. However, direct generic competition for the product, i.e. with a similar formulation, did not commence yet in most markets during 2021.

In August, Orion and Marinus Pharmaceuticals signed a European wide marketing and distribution agreement for ganaxolone, a GABAA receptor modulator being investigated in multiple rare seizure disorders. Under the terms of the agreement, Orion will have the right to sell and market ganaxolone in Europe. Orion has made an upfront payment of EUR 25 million to Marinus as a signing fee. Marinus is also eligible to receive tiered royalty ranging from low double-digits to low twenties on Orion's future sales. In addition, Marinus is eligible to receive milestone payments upon achievement of certain development and commercialisation milestones.

Marinus will be the marketing authorisation holder and responsible for current and future clinical trials of ganaxolone. Orion will be responsible for market access in all 30 countries comprising the European Economic Area (EEA) as well as in the United Kingdom and Switzerland. Marinus has applied for marketing authorisation for ganaxolone for the first indication in Europe i.e. for the treatment of seizures in children and young adults with cyclin-dependent kinase-like 5 (CDKL5) deficiency disorder (CDD). After the review period in February 2022, Marinus announced that the processing of the marketing authorisation application is converted from accelerated assessment to standard review.

Specialty Products

The net sales of the Specialty Products unit, comprising generic (off-patent) prescription drugs (including biosimilars) and self-care products, in January-December 2021 amounted to EUR 503 (498) million. Prices of reference priced prescription drugs have continued to decline especially in Finland but Orion has been able to compensate the impact of decreasing prices by increased sales volumes. Owing to the coronavirus pandemic and related restrictions implemented in various countries, the prevalence of seasonal illnesses, such as common respiratory tract infections, was lower than normal in the first half of the year, and there was a decline in non-critical medical appointments and thereby in the number of prescriptions issued. In the second half of the year, clear recovery was evident in the markets. Of the net sales of Specialty Products, generic prescription drugs accounted for 75% (75%) and self-care products for 25% (25%).

BREAKDOWN OF SPECIALTY PRODUCTS' NET SALES BY PRODUCT GROUP 1–12/2021:

EUR million	1–12/2021	1–12/2020	Change %	Share of unit's net sales 1–12/21	Share of unit's net sales 1–12/20
Generic prescription drugs	380	376	+1%	75%	75%
Self-care products	123	122	+1%	25%	25%
Total	503	498	+1%		

The Specialty Products unit's most important market areas are Finland, Scandinavia and Eastern Europe and Russia. The unit's sales in Finland in January–December 2021 amounted to EUR 278 (280) million. The small decline came mostly from self-care products. The general decline in the prices of reference-priced generic drugs due to price competition continued but Orion was able to compensate this impact with strong volume development.

In Scandinavia, the sales of Specialty Products totalled EUR 76 (78) million, down by 2%. In Eastern Europe and Russia, Specialty Products' sales were up by 16% and amounted to EUR 81 (70) million. The growth was boosted by the timing of the deliveries of certain products, but the business in Eastern Europe and Russia developed favourably in other respects as well. Specialty Products' sales in regions other than Finland, Scandinavia and Eastern Europe and Russia stood at EUR 67 (71) million.

Orion and CuraTeQ Biologics have expanded their biosimilar distribution agreement to the Baltic countries. The original marketing and distribution agreement signed in 2020 covered the Nordics, Austria, Hungary and Slovenia. Under the agreement, Orion will have the right to sell and market CuraTeQ's biosimilars in these territories. All the products under the agreement are still in development or regulatory phases and the launches in Orion territories are estimated to take place in 2023–2026 depending on the success of the development and regulatory approvals.

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.

Net sales of the Animal Health unit in January–December 2021 were down by 18% and amounted to EUR 73 (89) million. The unit's business developed vigorously in all markets, due to new product launches and distribution agreements, among other things. This favourable development mitigated the decrease in total net sales, which was mainly due to the expiration of a major distribution agreement in Scandinavia on 31 December 2020. The sales of other products, excluding the EUR 28 million loss of net sales caused by the said agreement expiration, increased by around 20%. Sales of animal sedative products accounted for 53% (39%), or EUR 39 (35) million, of the unit's total net sales. The animal sedative product family comprises Orion's animal sedatives Dexdomitor® (dexmedetomidine), Domitor® (medetomidine) and Domosedan® (detomidine), and antagonist Antisedan® (atipamezole), which reverses the effects of the sedatives.

In 2021, the European Commission granted a marketing authorisation to Orion's Bonqat® (pregabalin) and Tessie® (tasipimidine) products. Bonqat® is indicated for alleviation of acute anxiety and fear associated with transportation and veterinary visits in cats. Tessie® is indicated for short term alleviation of situational anxiety and fear in dogs triggered by noise or the owner's departure.

Fermion and contract manufacturing

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

Net sales of Fermion and contract manufacturing excluding deliveries for Orion's own use totalled EUR 75 (75) million. In recent years order cycles in the trade in pharmaceutical raw materials have become ever shorter, and this has led to clearly greater fluctuation in business volume than before within each year and between different years. Demand for Fermion products has been good, and production capacity has been nearly fully utilised.

Research and development

The Group's R&D expenses in January–December 2021 totalled EUR 118 (123) million, down by 4%. They accounted for 11% (11%) of the Group's net sales. R&D expenses also include expenses related to development of the current portfolio. The core therapy areas of Orion's pharmaceutical R&D are neurological disorders, oncology and respiratory diseases, for which Orion develops inhaled pulmonary drugs. Orion also develops veterinary drugs and selected generic drugs.

Orion has focused on managing the safety and continued treatment of patients involved in clinical trials during the COVID-19 pandemic. However, the exceptional circumstances may cause delays in ongoing projects for example due to slower than anticipated patient recruitment.

Key clinical development projects

Project	Indication	PHASE			Registration
Darolutamide ARASENS[1]	Prostate cancer (mHSPC)	I	II	III	
Darolutamide ARANOTE[1]	Prostate cancer (mHSPC)	I	II	III	
ODM-208 (CYP11A1 inhibitor)	Prostate cancer (CRPC)	I	II		
ODM-105 (tasipimidine)	Treatment of psychiatric disorders	I			
Easyhaler® tiotropium	COPD	Bioequivalence study			
Easyhaler® indacaterol-glycopyrronium	COPD	Bioequivalence study			

[1] In collaboration with Bayer

= Phase completed
= Phase ongoing
= Status changed

Orion's and Bayer's Phase III ARASENS trial investigating the use of the oral androgen receptor inhibitor (ARi) darolutamide in metastatic hormone-sensitive prostate cancer (mHSPC) has met its primary endpoint. In the ARASENS trial, darolutamide in combination with docetaxel and androgen deprivation therapy (ADT) significantly increased overall survival (OS) compared to placebo, docetaxel and ADT. The overall incidence of reported adverse events was similar between treatment arms. Detailed results of the study will be published in near-term.

In addition, Orion and Bayer have an ongoing Phase III clinical trial ARANOTE which investigates the efficacy and safety of darolutamide in combination with androgen deprivation therapy (ADT) versus placebo plus ADT in patients with metastatic hormone-sensitive prostate cancer (mHSPC).

Orion has carried out ongoing early phase clinical trials on two novel selective hormone synthesis inhibitors (CYP11A1 inhibitors). Based on research data obtained so far, the ODM-208 and ODM-209 molecules do not radically differ from one another. On this basis, Orion has made the decision to terminate development of the ODM-209 molecule and to focus on further developing the more evolved ODM-208 molecule. Orion has an ongoing Phase II clinical trial on ODM-208, and the company is preparing to launch a Phase III clinical trial with prostate cancer patients. Orion is also looking for a collaboration partner for the development and commercialisation of the molecule. In preclinical studies, the ODM-208 has shown antitumor activity. It has potential efficacy also for those cancers that have become resistant to the standard hormonal treatments. Orion is the first pharmaceutical company to develop a drug that works with this mechanism.

Orion has launched a Phase I clinical trial on ODM-105 molecule (tasipimidine) that is based on its alpha 2 research, investigating the tolerability and safety of the drug candidate in healthy volunteers. The molecule is intended for the treatment of psychiatric disorders.

Orion is working on projects to expand the Easyhaler® product portfolio for the treatment of asthma and COPD. Orion is developing a tiotropium formulation for European markets and the bioequivalence study with the formulation is ongoing. Tiotropium is a long-acting anticholinergic bronchodilator used in the treatment of chronic obstructive pulmonary disease. In addition, Orion is developing an indacaterol-glycopyrronium combined formulation indicated for the treatment of COPD. Glycopyrronium and indacaterol are long-acting bronchodilators.

Orion has together with Propeller Health an ongoing development project in which the Easyhaler® device is equipped with a sensor that monitors the use of the device.

Orion has two ongoing clinical projects in the field of digital therapies. The VIRPI (Pilot Study of a Virtual Reality Software for Chronic Pain) trial investigated the impacts of using virtual reality software in treating chronic low back pain. The results of this trial published in June 2021 were positive, and Orion is currently looking for a partner for further development and commercialisation of a digital therapy software solution for treatment of chronic pain. The ODD-402 project in collaboration with Healthware Group investigates how the care of Parkinson's patients could be developed, personalised and improved using a digital tool that collects data from patients.

Orion has several projects in the early research phase, investigating cancer and various neurological diseases including rare ones, among others. In the review period, Orion and Swedish Alligator Bioscience signed a research collaboration and license agreement to discover and develop together new bispecific antibody cancer therapeutics. In the spring, Orion and the Finnish Red Cross Blood Service announced their research collaboration with the aim of developing CAR T-cell therapy. Additionally, Orion has projects underway to develop new veterinary drugs and selected generic drugs.

Personnel

The average number of employees in the Orion Group in January–December 2021 was 3,364 (3,337). At the end of December 2021 the Group had a total of 3,355 (3,311) employees, of whom 2,617 (2,615) worked in Finland and 738 (696) outside Finland.

Salaries and other personnel expenses in January–December 2021 totalled EUR 231 (227) million.

Changes in Executive Management

Orion's President and CEO Timo Lappalainen has informed the Board of Directors that he will exercise his option to retire at the age of 60. Mr. Lappalainen will turn 60 in October 2022. Orion's Board of Directors and Mr. Lappalainen have agreed that his successor should start in the position of President and CEO of Orion in the beginning of 2023 at the latest. After the transition, Mr. Lappalainen will be at the disposal of the Board of Directors as advisor until the end of March 2023. After that he will retire.

Orion's Board of Directors has started a recruitment process for the successor of President and CEO.

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.

Shares and shareholders

On 31 December 2021 Orion had a total of 141,134,278 (141,134,278) shares, of which 34,813,206 (35,122,793) were A shares and 106,321,072 (106,011,485) B shares. The Group's share capital is EUR 92,238,541.46 (92,238,541.46). At the end of December 2021 Orion held 571,314 (671,082) B shares as treasury shares. On 31 December 2021, the aggregate number of votes conferred by the A and B shares was 802,013,878 (807,796,263) excluding treasury shares.

At the end of December 2021, Orion had 80,792 (72,003) registered shareholders.

Voting rights conferred by shares

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

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

Conversion of shares

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. A total of 309,587 A shares were converted into B shares in January–December 2021.

Trading in Orion's shares

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

On 31 December 2021, the market capitalisation of the Company's shares, excluding treasury shares, was EUR 5,119 million.

In 2021 a total of 1,620,990 of Orion's A shares and 84,437,433 B shares were traded on Nasdaq Helsinki. The total value of the shares traded was EUR 3,087 million. During the year, 4.7% of the A shares and 79.4% of the B shares were traded. The average turnover in Orion's shares was 61.0%.

The price of Orion's A shares decreased by 3.5% and the price of its B shares by 2.7% in 2021. On 31 December 2021 the closing quotation was EUR 36.10 for the A shares and EUR 36.52 for the B shares. The highest quotation for Orion's A shares was EUR 41.05 and the lowest quotation was EUR 33.45. The highest quotation for the B shares in 2021 was EUR 39.42 and the lowest quotation was EUR 32.51.

Orion shares are also traded on various alternative trading platforms in addition to Nasdaq Helsinki. In 2021, 26% of all trading in Orion's A share and 65% of all trading in its B share took place outside Nasdaq Helsinki Oy (Source: Fidessa Fragmentation Index).

Authorisations of the Board of Directors

On 25 March 2021, the Annual General Meeting of Orion Corporation authorised the Board of Directors to decide on issuance of new shares. On the basis of the authorisation, the Board of Directors shall be entitled to decide on the issuance of no more than 14,000,000 new Class B shares. The share issue authorisation shall be valid until the next Annual General Meeting of the Company. The terms are reported in more detail in a stock exchange release on 25 March 2021.

The Board of Directors was authorised by Orion Corporation's Annual General Meeting on 26 March 2019 to decide on a share issue in which shares held by the Company can be conveyed. The Board of Directors is authorised to decide on a share issue in which no more than 850,000 B shares held by the Company can be conveyed. The authorisation to issue shares is valid for five years from the decision taken by the Annual General Meeting. The terms and conditions of the authorisations are reported in more detail in a stock exchange release on 26 March 2019.

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

Share-based incentive plans

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

Share ownership

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

At the end of December 2021, Orion had a total of 80,792 (72,003) registered shareholders, of whom 96% (96%) were private individuals. They held 40% (39%) of the entire share stock and had 61% (61%) of the total votes. There were 56 (58) million nominee-registered and foreign-owned shares, which was 40% (41%) of all shares, and they conferred entitlement to 10% (10%) of the total votes.

At the end of December 2021, Orion held 571,314 (671,082) 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.

Flagging notifications

In January–December 2021 Orion Corporation received altogether 22 notifications pursuant to Chapter 9, Section 5 of the Securities Market Act. According to the notifications, the total number of Orion shares owned directly, indirectly or through financial instruments by BlackRock, Inc. and its funds either increased above five (5) per cent or decreased below five (5) per cent of Orion Corporation's total shares.

After the reporting period, Orion Corporation has received from BlackRock, Inc. three notifications pursuant to Chapter 9, Section 5 of the Securities Market Act.

The details of the notifications are available at www.orion.fi/en/flaggings.

Management's shareholdings

At the end of 2021, the members of the Board of Directors owned a total of 700,674 of the Company's shares, of which 634,991 were A shares and 65,683 B shares. At the end of 2021, the President and CEO owned 85,997 of the Company's shares, which were all B shares. The members of the Group's Executive Management Board (excluding the President and CEO) owned a total of 176,081 of the Company's shares, which were all B shares. Thus, the Company's executive management held 0.68% of all of the Company's shares and 1.62% of the total votes. These shareholdings include holdings by controlled corporations.

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.

Proposal by the Board of Directors: dividend EUR 1.50 per share

The parent company's distributable funds are EUR 470,557,071.27, or EUR 3.35 per share. This includes EUR 204,676,467.01, or EUR 1.46 per share, of profit for the financial year. These per share amounts are calculated excluding treasury shares held by the Company. The Board of Directors proposes payment of a dividend of EUR 1.50 (1.50) per share from the parent company's distributable funds.

No dividend shall be paid on treasury shares held by the Company on the dividend distribution record date. On the day when the profit distribution was proposed, the number of shares conferring entitlement to receive dividend totalled 140,562,964, on which the total dividend payment would be EUR 210,844,446.00. The Group's payout ratio for the financial year 2021 would be 108.8% (95.9%). The dividend payment date would be 1 April 2022, and shareholders registered in the Company's shareholder register on 25 March 2022 would be entitled to the dividend payment.

The Board of Directors further proposes that EUR 350,000 (350,000) be donated to medical research and other purposes of public interest in accordance with a separate decision by the Board and that EUR 259,362,625.27 remain in equity.

Corporate Governance

The operations and activities of Orion Corporation and its subsidiaries (the Orion Group) are based on compliance with laws and regulations issued thereunder, as well as with ethically acceptable operating practices. The tasks and duties of the different governance bodies of the Group are determined in accordance with legislation and the corporate governance principles of the Group.

In its governance, Orion Corporation follows the Finnish Corporate Governance Code 2020 for companies listed on Nasdaq Helsinki Ltd. Orion Corporation departs from the Code's recommendation No. 15 concerning the election of members to the Nomination Committee, which can also include persons other than members of the Board. More detailed information on compliance with the Corporate Governance Code and departure from it can be found on Orion's website at www.orion.fi/en.

The management system of the Orion Group consists of the Group level functions and business divisions. In addition, the system includes the organisation of the administration of the legal entities. For the steering and supervision of operations, the Group has a control system for all levels.

The parent company of the Group is Orion Corporation, whose shareholders exercise their decision-making power at a General Meeting of Shareholders in accordance with the Limited Liability Companies Act and the Articles of Association. The General Meeting of Shareholders elects the Board of Directors and decides on amendments to the Articles of Association, issuance of shares and repurchase of the Company's own shares, among other things.

The Board of Directors of Orion Corporation handles and decides all the most important issues relating to the operations of the whole Group or any units irrespective of whether the issues legally require a decision of the Board of Directors. The Board also ensures that good corporate governance practices are followed in the Orion Group.

The Board of Directors of the parent company comprises at least five and at most eight members elected by a General Meeting of Shareholders. The term of the members of the Board of Directors ends at the end of the Annual General Meeting of Shareholders following the election. The General Meeting of Shareholders elects the Chairman of the Board of Directors, and the Board of Directors elects the Vice Chairman of the Board of Directors, both for the same term as the other members.

The President and CEO of the parent company is elected by the Board of Directors. In accordance with the Limited Liability Companies Act, the President and CEO is in charge of the day-to-day management of the Company in accordance with instructions and orders issued by the Board of Directors. In addition, the President and CEO ensures that the bookkeeping of the Company complies with the law and that its asset management is arranged in a reliable way.

If the service contract of the President and CEO is terminated on the Company's initiative, the notice period is 6 months. If the service contract is terminated on the initiative of the President and CEO, the notice period is 6 months, unless otherwise agreed. The service ends at the end of the notice period. If the service contract is terminated either on the Company's initiative or on the initiative of the President and CEO because of a breach of contract by the Company, the President and CEO will be compensated with a total sum corresponding to the monetary salary for 18 months, unless otherwise agreed between the parties. No such separate compensation will be paid if the President and CEO resigns at his own request for reasons other than a breach of contract by the Company.

Orion publishes its Corporate Governance Statement and remuneration report for 2021 separately from the Report by the Board of Directors on the Company's website at www.orion.fi/en.

Annual General Meeting on 25 March 2021

The Annual General Meeting of Orion Corporation was held on 25 March 2021 under special arrangements in the company's head office in Espoo. In order to limit the spread of the Covid-19 pandemic, the Annual General Meeting was held without shareholders' or their proxy representatives' presence at the meeting venue. In addition to matters in accordance with Section 10 of the Articles of Association and Chapter 5, Section 3 of the Limited Liability Companies Act, the meeting dealt with the Company's remuneration policy and a proposal concerning authorisation of the Board of Directors to decide on a share issue.

Distribution of a dividend of EUR 1.50 per share was approved for 2020, in accordance with the Board's proposal.

The decisions taken by the Annual General Meeting and the organising meeting of the Board of Directors were reported in stock exchange releases on 25 March 2021.

Annual General Meeting on 23 March 2022

Orion Corporation's Annual General Meeting is planned to be held on Wednesday 25 March 2022 commencing at 14:00.

Significant risks and uncertainties

Risk management is an integral part of the day-to-day management processes and the Corporate Governance of the Orion Group, and it is closely related to the Company's responsibility structures and principles of operational control. It is part of the Company's strategy process, operational planning and monitoring, and internal control system.

The purpose of risk management is to identify, assess and manage by cost-effective measures the risks that may threaten the Company's operations and the achievement of the set goals.

The risk management policy is based on Orion Group's strategies and financial objectives. The aim is to identify, analyse and evaluate the risks threatening the implementation of the Company's strategy and achievement of the Company's objectives. Identified risks are responded to, so that the Company can be hedged against losses or opportunities related to potential risks can be utilised.

Risks are divided into the following main categories:

- Strategic risks
- Operational risks
- Financial risks
- Compliance risks

Agreements referred to in Ministry of Finance decree 1020/2012, Section 8, Paragraph 1, Subparagraph 11

Orion and its co-operation partner Bayer (Bayer Consumer Care AG) have licensing, commercialisation, manufacturing and supply agreements in place concerning the Nubeqa® drug. These agreements include terms concerning change of control in the company that entitle a party to terminate the agreement in certain circumstances, as referred to in the Ministry of Finance Decree 1020/2012, Section 8, Subsection 1, Paragraph 11.

Non-financial reporting

Orion is a globally operating Finnish pharmaceutical company. Orion develops, manufactures and markets human and veterinary pharmaceuticals and active pharmaceutical ingredients. The company operates in the global pharmaceuticals market as part of a global supply chain. Orion procures final products and pharmaceutical ingredients from others, while others also purchase them from Orion. All Group production facilities and pharmaceutical research centres are in Finland, with the exception of the Nottingham site. Orion had a total of 3,355 employees at the end of 2021, of them 2,617 in Finland and 738 outside Finland.

Orion is committed to continuously improving its performance in sustainability. In managing matters related to the environment, occupational health and safety and human resources, and ensuring its operations are ethical, the Company strives to achieve the high objectives it has set for the above. Based on a materiality assessment the Company has identified material themes and indicators for its corporate responsibility. They are prioritised in the development of operations, and the Company also regularly reports on the indicators. The key themes of Orion's Sustainability Agenda are ensuring patient safety and reliable supply of medications, in addition to which the Company has a responsibility for the environment, its employees, business ethics and transparency. In 2021, the Company has advanced its Sustainability Agenda, continued integrating sustainability into key processes and taken measures to increase awareness of sustainability, such as training and investments in sustainability communications. A separate, third-party verified Sustainability Report for 2021 will be published in April or May. The non-financial reporting key figures have also been verified by a third party.

Environment, social matters and personnel

Policies

Orion's environmental, health and safety (EHS) policy defines the Group-level commitment on how Orion manages environmental matters and promotes the well-being of its workforce. The environmental management system, for managing and developing environmental matters, is built upon the principles set out in the ISO 14001 environmental standard. In the development of energy efficiency Orion applies the principles of the ETJ+ energy management system framework and practices consistent with the ISO 50001 standard. In management of occupational health and safety, Orion applies the ISO 45001 standard. The Company complies with valid legislation and with other regulations and requirements applicable to its operations. Orion manufactures human and animal pharmaceuticals and active pharmaceutical ingredients in an environmentally sustainable way, ensuring efficient use of materials and energy and appropriate wastewater management.

Orion's human resources policy defines the principles adopted in the Orion Group concerning human resources management and attending to human resources matters. Compliance with legislation, collective agreements, occupational health and safety regulations, and other obligations shall be ensured in attending to human resources matters. In its operations, the Company complies with the principles of non-discrimination, equality and fairness. The aim of the Group's values, management principles, ethical guidelines and policies is to ensure that the Company operates in a socially responsible manner concerning its personnel and working conditions. The human resources policy defines what well-being at work means in Orion, and the responsibilities for developing the workforce and promoting the working and functional capabilities of its employees.

Risks and risk management

Risks related to the environment, social matters and personnel are identified and managed as part of the Group's overall risk assessment and management process. Various organisations' expertise and co-operation are utilised in assessing and managing risks with the aim of continuously improving operations. The Group's environmental, occupational health and occupational safety guidelines define procedures and responsibilities for predicting, preventing and identifying deviations and exceptional situations causing possible harm. In addition, the guidelines define how to identify, assess, deal with and manage the risks involved in such situations. Management of EHS matters is monitored through annual internal audits. Operations are continuously improved by identifying development objectives. The management of sustainability issues is also part of our supplier and partner selection and management practices.

Orion's most significant environmental impacts arise in the consumption of raw materials, energy and water; emissions into air and wastewater; and waste volumes arising from the operations. Annual development measures are defined for impacted areas, and the progress of these measures is monitored, for example, by measuring emissions, monitoring the amount of waste and compiling statistics on the amounts of resources used. All the Group's production plants are located in Finland, and the manufacturing plants have the valid environmental permits required for operations.

The Company's objective is to improve safety at work, keeping in mind that incidents and accidents are among the key social and human resources risks. The Company works continuously to prevent incidents and accidents and to further promote a safety culture, for example through comprehensive training, regular audits and by encouraging people to make observations that promote safety.

Risks associated with the environment, social issues and personnel can typically lead to damage to the Company's reputation. Besides risk management, the Company communicates in a way that is reliable, transparent, comprehensive and timely to avoid reputational risk. Systematic communication of both positive and negative matters also makes predictive action and learning from incidents possible.

Indicators and results

Orion continuously measures and monitors matters related to the environment, social impacts and personnel, and reports on them annually in its Sustainability Report. The key figures concerning operations relate to energy, greenhouse gas emissions and the well-being of employees.

Total energy consumption, energy savings and greenhouse gas emissions

Orion systematically reduces its greenhouse gas emissions and engages in energy conservation through an Energy Efficiency Programme. Orion is committed to the joint Energy Efficiency Programme for the members of the Confederation of Finnish Industries (EK) for the years 2017–2025. In the programme period, the savings target for 2025 is 7.5% of the energy consumption in 2016, which in Orion's case translates to savings of slightly over 12,000 MWh. In 2021, the company achieved energy savings by renewing its lighting with LED lamps in Espoo and Oulu, by enhancing the dust extraction system and demolishing unused premises in Turku, and by changing the operating times of air conditioners in Kuopio. The largest single energy saving project was implemented in Turku, where a new heat pump plant was commissioned. The plant produces heat and cooling for the factory from outside air as well as from the factory's waste heat. Of Energy Efficiency Programme target for 2025, 114% is now achieved and Orion continues to advance the programme.

In 2021, the Company updated its climate target to carbon neutrality of its own operations by 2030.The greenhouse gas emission reductions are mainly achieved by Energy Efficiency Programme measures, in addition to which renewable energy sources are utilised. By the end of 2021 Orion has reduced its greenhouse gas emissions by 54% compared with 2016. Understanding the greenhouse gas emissions in the value chain is also important. The Company assesses the greenhouse gas emissions from its value chain (scope 3) and reports these as part of its 2021 sustainability reporting. In 2022, the Company will start defining roadmap to reduce value chain greenhouse gas emissions. In addition, Orion has conducted a product-specific life cycle assessment of environmental impacts, based on which product-specific greenhouse gas emissions have been assessed.

	2021	2020
Total energy consumption, energy savings and greenhouse gas emissions		
Total absolute energy consumption (MWh)[1]	156,707	151,303
Energy savings achieved by saving measures and efficiency improvements (MWh)[2]	7,349	237
Energy Efficiency Programme targets achieved	114%	53%
Greenhouse gas emissions, scope 1 (tCO_2e)	4,403	3,102
Greenhouse gas emissions, scope 2 (tCO_2e)	16,160	15,509

[1] The reported energy consumption, including electricity, heat and fuels, covers the Orion Group's properties in Finland except for those that do not contribute significantly to the total and have no production operations. The Group has no production plants outside Finland. Rented offices abroad are excluded from this report.

[2] Energy savings are estimates calculated in compliance with the guidelines of the Energy Authority.

EU taxonomy: disclosure on environmentally sustainable activities

Orion has been actively following the development of the EU's classification system for environmentally sustainable activities, the EU Taxonomy, and its related obligations. The Company has set a carbon neutrality target for its own operations and is taking steps to achieve this through the measures described above. Orion develops, manufactures and markets human and veterinary medicines and active pharmaceutical ingredients, creating well-being for people and value for the society.

The activities of the Company's industry sector are currently not defined in the climate-related part of the EU taxonomy. Orion has interpreted the Commission Delegated Act on the EU taxonomy and its annexes as defining the company's activities as taxonomy-neutral with respect to climate objectives. Consequently, the taxonomy-eligible share of the company's net sales, capital expenditure and operating expenses are 0%. Orion monitors the development of the EU taxonomy and is preparing to develop its reporting in line with the evolution of the taxonomy legislation.

PROPORTION OF TAXONOMY-ELIGIBLE ACTIVITIES[1]

Economic activity	Net sales	Capital expenditure	Operating expenses
Taxonomy-eligible	0%	0%	0%
Taxonomy-non-eligible	100%	100%	100%
Total	100%	100%	100%

[1] Indicators include the proportion of taxonomy-eligible activities on environmental objectives related to climate change mitigation and climate change adaptation.

Occupational well-being of personnel: Workplace injuries and sick leave of the personnel

By taking care of occupational health and well-being at work, Orion aims to ensure that Orion employees are fit for work and healthy at work, and not exposed to occupational diseases. Achievement of this is shown by the occupational well-being indicators[1] of lost time incident frequency and absence due to illness rate. In 2021, the company continued the Skills to care trainings and by the end of the year, all employee groups targeted by the training had participated in the training. During the year, the target group for the training was employees in units outside Finland. In 2021, efforts were made to improve commuting safety and to ensure better use of the safety tools in place. The Company's aim is to achieve zero lost time incident frequency by continuously striving to prevent incidents and accidents and to improve the safety culture. Unfortunately, the lost time incident frequency in 2021 evolved in the wrong direction and the 2021 target of LTIF 1 ≤3.0 was not achieved. The Company continues its sustained efforts to achieve the zero incident goal.

As the COVID-19 pandemic continued, Orion monitored the pandemic situation and, where necessary, adapted its operating guidelines to ensure a safe work environment for personnel. During the year, hybrid working was implemented and the Company strove to minimise contacts that were not essential for business continuity, for example, through extensive remote working arrangements and by minimising external visits to production sites. Additionally, hygiene guidelines were updated to make them appropriate for the current situation. During the year, the Company paid particular attention to the well-being of employees working remotely, including mental well-being, remote working conditions and work ergonomics.

	2021	2020
Occupational well-being of personnel: Workplace injuries and sick leave of the personnel		
Lost time incident frequency, LTIF[2]	4.8	3.6
Absence due to illness (hours of absence due to illness as percentage of total theoretical working hours)[3]	3.1%	3.0%

[1] The reporting of injuries and sick leave absences covers the Orion Group's employees in Finland.
[2] Indicates the workplace injury rate as injuries causing an absence of at least one day per million total actual working hours.
[3] Hours of absence due to illness as percentage of total theoretical working hours of Company personnel.

Respect for human rights and prevention of corruption and bribery

Policies

Orion's Code of Conduct defines the Group's ethical practices and commitment to complying with laws, ethically approved practices and respect for human rights. Orion expects all its personnel to comply with the Code of Conduct and practices resulting from it. The Code of Conduct is available in 14 languages. Correspondingly, the ethical guidelines of the Third Party Code of Conduct applying to Orion's suppliers define the minimum requirements to which Orion expect its partners to be committed. In addition to regulatory requirements, they include key principles for business operations concerning sustainability and ethics.

Orion's aim is to comply with human rights obligations in all its operations. The Company strives to ensure that there are no violations in its own or its collaboration partners' operations. Orion complies with and respects the United Nations Universal Declaration of Human Rights and the principles in ILO conventions, and expects the same from its partners.

The principles that are included in the Code of Conduct and the anti-corruption policy require that employees refuse to offer or take a bribe, or any comparable benefit. Orion has zero tolerance of all forms of bribery and corruption in its business operations.

Risks and risk management

Orion expects the partners in its supply chain to comply with Orion's requirements and the Third Party Code of Conduct. In selecting its suppliers, the Company has a critical approach as regards so-called risk countries where there is a risk of human rights or labour rights violations and/or exploitation of child labour, and where national labour legislation is weak or at least poorly monitored. Orion manages risks in its supply chain through its due diligence practices. Suppliers' compliance with regulations and requirements is monitored through regular or random assessment surveys and by undertaking risk-based sustainability audits (involving matters such as the environment, occupational health and safety, working conditions and ethics) of their facilities and operations. Any findings detected in the sustainability audits will be addressed and followed up. Persons working for the Orion Group are expected to be familiar and comply with the Code of Conduct. Code of Conduct e-learning is mandatory for all personnel.

Identifying and assessing risks relating to corruption is part of the comprehensive overall Group Risk Management. Among other things, assessing bribery risks is a standard part of the preparation of all collaboration agreements. Training and increasing awareness are the most critical actions to mitigate these risks. The Company regularly and systematically educates and trains its personnel to internalise the purpose and importance of these principles. The training is mandatory for the selected personnel.

For reporting any misconduct, Orion has a public whistleblowing channel that complements the usual communications and reporting channels. The channel promotes good governance and ethical operations, and improves processes after any reported incident. Orion encourages the personnel to bring to the attention of the Company's management their experiences, observations and suspicions about behaviour suggesting violation of human rights, as well as any other activity breaching the ethical codes. Orion investigates and deals with cases quickly and impartially and, to the extent possible, confidentially. The Company takes appropriate case-specific measures to end the conduct and activity violating the principles.

Indicators and results

In 2021, Orion continued to roll out the Code of Conduct. The majority of employees completed the mandatory Code of Conduct e-learning in 2020, when the training was published. The Company ensures that the training is completed by all new employees. During the 2021, 653 employees had completed the training.

In 2021, Orion conducted a Group-wide human rights impact assessment and evaluated salient human rights impacts in its business operations. The company will report the results of these assessments as part of its sustainability reporting. Orion was not made aware of any human rights violations in its own operations through the whistleblowing channel in 2021. The Company takes all such notifications seriously and handles them quickly and impartially.

Anti-corruption and bribery training is mandatory for certain personnel groups. We provide regular training, and the last comprehensive targeted personnel training was arranged in 2017, when the total number of employees attending was 2,808. The Company ensures that the training is completed by all new employees for whom it is mandatory. The company will organise the next comprehensive retraining for the targeted personnel in 2022.

	2021	2020
Respect for human rights and prevention of corruption and bribery		
Code of Conduct training, number of participants[1]	653	3,410
Anti-corruption and anti-bribery training, number of participants[1]	532	407

[1] Participants in training: all individuals who completed the training in the course of the year, including those in part-time, temporary and past employment.

Product quality and safety

Policies

Patient safety is a basic guiding value in all Orion's operations, for which the Company works to ensure throughout the product life cycle. Ensuring the availability of medications by preventing supply disruptions and by communicating through appropriate channels constitutes part of ensuring patient safety. As a pharmaceutical company, Orion is legally obligated to monitor the safety and quality of its products. The Company ensures that the drugs developed, manufactured and marketed are proven to be safe for their users, effective for the indications for which they are approved, and consistent with the quality standards set for them.

Orion ensures continuous monitoring of the safety of products, manages risks throughout the life cycle of a product and takes timely and appropriate measures to ensure safe use of products and patient safety. Orion maintains the pharmacovigilance system required by legislation and regulatory requirements, which compliance with legislation and regulatory requirements is monitored by internal audits and inspections conducted by authorities.

The quality of Orion's products is ensured by rigorous management of the entire supply chain irrespective of the location of raw materials and product manufacture. The Company inspects manufacturing sites regularly to assess the adequacy of the quality system. Orion analyses each raw material and product batch to ensure that quality requirements set in advance for the product are met, undertakes process controls and checks that activities have been appropriately documented. In compliance with EU standards and the Finnish Medicines Act, the defined Qualified Person in the quality assurance organisation decides when a product batch is released for sale and is responsible for ensuring that the product meets all the conditions set in the marketing authorisation by the authorities. The shelf life of products and any customer complaints are monitored throughout the entire product life. Immediate action is taken if any deficiency in product quality is detected.

Risks and risk management

The Company ensures that the drugs developed, manufactured and marketed are proven to be safe for their users, effective for the indications for which they are approved, and consistent with the quality standards set for them. The Company cooperates with the authorities and reports and communicates on product quality and safety operations in a manner that is appropriate for its stakeholders.

The launch of a new proprietary product in the market is preceded by extensive phased research that delineate the drug's pharmacological properties, such as its efficacy and safety. Clinical trials involving human subjects can only be conducted with approval of the regulatory drug authorities. The pharmacology and safety of a drug candidate are extensively studied using preclinical laboratory models and by monitoring tolerability and adverse effects throughout the clinical trials. For the marketing authorisation application and the summary of products characteristics (SPC), each research phase and its results are carefully documented for regulatory approval. Marketing authorisation issued by drug authorities is required to start sales and marketing of a drug. In accordance with the statutory requirements, the drug's adverse effects continue to be monitored even after product has been launched. Orion ensures continuous safety monitoring of the safety of products, collects feedback from customers and carries out benefit-risk assessments throughout the product life cycle.

Through the trials and pharmaceutical production methods described above as well as based on safety reports received from the market, Orion strives to ensure that its products have no such unreasonable adverse effects for patients in relation to the benefits of the drugs that might lead to liability or withdrawal of a product from the market. To cover for the financial impact of product liability risk, the Orion Group's products and operations are insured through operational and product liability insurance.

The manufacturing of pharmaceutical products is subject to regular inspections by the authorities. Pharmaceutical products must be safe, efficacious and compliant with all quality requirements. To comply with statutory requirements, in pharmaceutical production close attention must be paid to various safety and quality risks.

Adequate quality of pharmaceuticals is ensured through systematic, comprehensive management of operations covering all factors with direct and indirect impact on the quality of the drugs. The operations are managed by comprehensive instructions and adequate control of materials and products before and after production.

Orion's broad product range may cause risks to the delivery reliability and make it challenging to maintain the very 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. Carrying out any remedial actions that may be required may at least temporarily have effects that decrease delivery reliability and increase costs. Orion's product range also contains products manufactured by other pharmaceutical companies and products that Orion manufactures on its own but for which other companies deliver active pharmaceutical or other ingredients. Possible problems related to the delivery reliability or quality of the products of those manufacturers may cause a risk to Orion's delivery reliability.

Risks and risk management relating to patient safety in the Orion Group are described in more detail in Orion's Corporate Governance Statement.

Indicators and results

The Company carries out annual audits at the facilities and operations of suppliers and partners to ensure compliance with Good Practices (GxP) specified for the pharmaceutical industry. Key figures for inspections and audits of Orion's operations and audits conducted by the Company include GxP inspections and audits and from 2021 onwards ISO 13485 audits.

Because of restrictions in place due to the COVID-19 pandemic, some of the audits on our suppliers and partners in 2021 were conducted remotely. Similarly, some of the audits of Orion's operations were conducted remotely.

The COVID-19 pandemic continued to challenge global supply chains. The availability of Orion's products remained at a good level throughout 2021 despite the COVID-19 pandemic.

	2021	2020
Product quality and safety		
Number of GxP inspections/audits of Orion's operations[1], total	43	37
Inspections by authorities	11	8
Audits by collaboration partners	32	29
Non-compliances from authority inspections	0	0
Number of GxP audits[1] undertaken by Orion	256	141
Rejections	3	3
Number of customer complaints about the Pharmaceuticals business (ppm[2])	65	76

[1] Inspections and audits of Good Practices (GxP). ISO 13485 audits included from 2021 onwards.
[2] ppm = parts per million packages sold

Strategy

Orion's Board of Directors has confirmed the Company's strategy for 2022–2026.

Operating environment

Orion's strategy implementation is supported by global healthcare megatrends that have material impact on the consumption and price level of drugs as well as on pharmaceutical research. These megatrends include:

- Ageing of population: as population ages, the prevalence of various diseases increases, causing increased demand for drugs and treatments.
- Increasing healthcare cost burden: the share of healthcare costs of available funds continues to increase, both at national and individual level, creating needs for cost-effective drugs and treatments.
- Advances in science: personalised medicine, increased genetic and epigenetic data and developments in drug dosing and diagnostics create possibilities and markets for new treatments and therapies.
- Increased personal responsibility for own health and pets' health: growing awareness and understanding of the factors affecting personal well-being increase the demand for health-promoting and illness-preventing products and pets' health products.
- Sustainability: sustainability and compliance in all business sectors increasingly guide the actions and decisions of consumers, authorities and investors.

Mission

Orion's mission is to build well-being. Orion builds well-being by bringing to markets drugs and therapies from which patients get help for their illnesses. An effective drug or therapy also creates added value for patients by improving their quality of life.

Preconditions for strategic success

Orion has determined the following areas where it must succeed in order for the company to achieve strategic success:

- **Quality and safety.** High quality and safety of operations and products and regulatory compliance are preconditions for a company's existence in the pharmaceutical industry.
- **Competitive and dynamic product portfolio.** Orion invests in product development and commercialisation and product life cycle management. Success requires that we constantly develop new products and discontinue unsuccessful ones.
- **Strong corporate culture of working together.** Our working together is based on work that is valuable and important for the customer. Orion wants to be an excellent workplace and a responsible and attractive employer that continuously develops the well-being of its personnel at work and their expertise.
- **Building strong partnerships.** Orion's operations are based on utilising global partnerships and networks. Finding the right partners and managing partnerships with skill give the company a competitive edge.
- **Productivity and flexibility.** Attaining competitiveness and the desired level of profitability requires constant productivity improvements in all business operations. Flexibility to respond rapidly to changes in the operating environment is also required. Due to its size, Orion can be more agile than large companies and gain a competitive advantage from this.

Strategic targets

The following strategic targets and their achievement are monitored in the Company with clearly defined indicators:

- **Growing more rapidly than the growth in the market.** The key objective in the coming years is to persistently strive for growing faster than the markets. The objective is to increase net sales to EUR 1.5 billion by the end of 2025. Growth enables the Company to develop and take manageable risks. The target of growing faster than the markets should be achieved by the Company as a whole and in the geographic and product areas in which Orion operates.

  Orion's solid balance sheet supports the Company's chances to grow and achieve its financial goals. Orion is currently working on numerous projects that target growth. The Company continues to invest in its own research and development activities, for example by investing in new clinical trials, and actively evaluates in-licensing opportunities of products in the late stage of development. At the same time, the solid balance sheet strengthens Orion's equity position and ability to continue achieving its dividend distribution objective.

  The single most important growth project in the next few years is the commercialisation of the Nubeqa® prostate cancer drug in partnership with Bayer. Other than this, growth in the near future will be sought especially from the Easyhaler® product portfolio and possibly through product acquisitions.
- **Providing patients with new innovative and cost-effective drugs and treatments.** Developing and strengthening the product development pipeline both in early research stages and clinical development phase projects. Besides Orion's own product development, we strive to strengthen our product development pipeline by in-licencing development projects.
- **Working together to benefit the customer.** Our objective is to continuously develop our own understanding of customer needs and of the progress made in therapy areas. We recognise new opportunities by relying on our scientific competence and customer knowledge.
- **Continuous improvement of performance in sustainability.** Patient safety is the most vital aspect of Orion's corporate responsibility, and managing the environmental responsibilities is an important part of the Company's sustainability. Orion is committed to making its own operations carbon neutral by 2030. In addition, Orion aims to continuously develop the well-being of its personnel, including occupational safety and well-being at work.
- **Strong development of profitability**

Financial objectives

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

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

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

Outlook for 2022

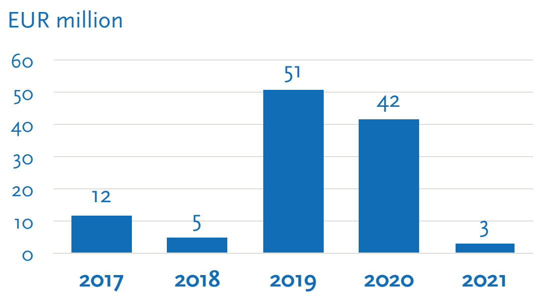
Orion estimates that net sales in 2022 will be at a similar level as in 2021 (net sales in 2021 were EUR 1,041 million).

Operating profit is estimated to be at a similar level as in 2021 (operating profit in 2021 was EUR 243 million).

Basis for outlook in more detail

Collaboration agreements with other pharmaceutical companies are an important component of Orion's business model. Agreements often include payments recorded in net sales and operating profit that vary greatly from year to year. Forecasting the timing and amount of these payments is difficult. In some cases they are conditional on terms such as research outcomes which are not known until studies have been completed, the progress of research projects or the attainment of specified sales levels. On the other hand, neither the outcome nor the schedule of contract negotiations is generally known before the final signing of the agreement.

Milestone payments received by Orion in 2017–2021



The outlook for 2022 does not include any material milestones. Orion is currently looking for a partner for further development and commercialisation of its ODM-208 molecule research and a digital therapy software solution for treating chronic pain. The outlook does not contain any potential milestone payments associated with these projects, as the company does not yet have assurance of finding any partners or of the financial structure of any agreements to be made. Orion is entitled to receive milestone payments from Bayer for Nubeqa sales when certain global annual sales thresholds are met for the first time. Such milestone payments are not included in the outlook for 2022, as Orion does not have the ability to accurately estimate or predict the timing when the sales thresholds potentially are met.

The outlook is based on the assumption that Orion's own production can continue to operate normally despite the COVID-19 pandemic and the challenges in the global supply chains. This requires, among other things, continued success in employee protection so that absence rates do not significantly increase, that personal protective equipment, supplies, equipment and spare parts needed in production as well as starting materials, intermediate products and materials are available and that there are no material disruptions in the logistics chains.

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

Net sales

Regarding Proprietary Products, the outlook anticipates that the net sales of Nubeqa® booked by Orion will clearly increase in 2022. Orion's estimate is based on forecasts received from its partner Bayer. The sales of the Easyhaler® product portfolio is estimated to increase slightly. The sales of Orion's branded Parkinson's drugs (Comtess®, Comtan® and Stalevo®) are estimated to remain at the same level as in the previous year.

The COVID-19 pandemic significantly increased the demand for the intensive care sedative Dexdor® in 2020 and 2021, as a result of which the impact of generic competition on its sales did not fully materialise. Although the demand for intensive care sedatives remains elevated due to the pandemic, a clear decline in the net sales of the Dexdor® product is expected to continue in 2022. However, uncertainty prevails in this respect due to the pandemic.

Net sales of Simdax® are estimated to clearly decrease due to generic competition. Nevertheless, uncertainty still prevails as to when direct generic competition begins and how significantly the prices will drop.

The Specialty Products unit, meaning generic drugs and self-care products, accounts for a significant share of Orion's total sales. The outlook assumes that the COVID-19 pandemic will no longer materially affect the demand for generic drugs in 2022, although some customers may start using the stockpiles they had accumulated earlier in the pandemic. The outlook assumes that Orion will be able to increase its generic drugs sales volume, but foresees a simultaneous continued decline in generic drug prices. As a consequence, net sales of the Specialty Products unit are expected to be on par with the preceding year. The estimate does not include any impact of material supply disruptions or product shortages.

Net sales of Orion's Animal Health unit are expected to be on par with the preceding year. Net sales are weighed down by the termination of one distribution agreement in Finland, but products whose demand is increasing are expected to counterbalance the lost sales.

Fermion has been operating at very near full capacity over the past few years. The share of manufacturing of the active pharmaceutical ingredients of Orion's own proprietary drugs is estimated to increase, and consequently Fermion's external net sales reported by Orion are estimated to slightly decline in 2022.

Operating profit

Orion's operating profit will be weighed down in 2022 by the falling sales of proprietary drugs Dexdor® and Simdax® due to generic competition. Relative gross margin is estimated to decline, as production costs, including wages, and the prices of raw materials, goods and services rise, and these price increases cannot be passed through to Orion's product prices. On the contrary, the prices of generic drugs are estimated to continue on a downward path despite rising costs. This development will negatively affect Orion's operating profit in 2022.

Operating expenses are estimated to increase from 2021. The impact of the COVID-19 pandemic kept operating expenses below normal in 2020–2021. The outlook presupposes that the pandemic will no longer affect costs with equal force in the second half of 2022. At the same time, increasing investments are made in the sales and marketing of products that are experiencing growth as well as new products, such as ganaxolone. Research and development expenses are estimated to be on par with or slightly higher than in 2021. Products whose demand is increasing, such as Nubeqa®, are expected to be able to offset the decrease in operating profit due to the above reasons; therefore, Orion estimates its operating profit to be at a similar level as in 2021.

Capital expenditure

The Group's total capital expenditure in 2022 is expected to be on par with 2021 levels, when capital expenditure was EUR 85 million. Investments in 2021 included the EUR 25 million signing fee paid to Marinus for the sales and marketing rights to ganaxolone. In 2022, the grand total of investments will be raised by the revamping of Orion's Enterprise Resource Planning (ERP) system and renovation of the company's head office in Espoo, both scheduled for 2021–23.

Near-term risks and uncertainties

The outlook is based on the assumption that Orion's own production can continue to operate normally despite the COVID-19 pandemic and the challenges in the global supply chains. The sales of Orion-manufactured products depend on the ability of production and the entire supply chain to operate at the planned level. This involves numerous risks that may cause even material production disruptions. Such risks include the infection of employees, poor availability of personal protective equipment, supplies, equipment and spare parts, deteriorating availability of starting materials and intermediate products as well as logistics chain disruptions.

The outlook assumes that sales of Orion's Parkinson's drugs Stalevo® and Comtan® to its partner Novartis in Japan will not differ greatly from the preceding year. However, the outlook contains a degree of uncertainty due to potential generic competition or a decline in prices.

The basic patents for Dexdor® and Simdax® have expired and generic competition on these products has begun. In 2020–2021, the COVID-19 pandemic strongly increased the demand for intensive care sedatives, and therefore the sales of Dexdor® decreased during the period far less than anticipated. Its sales are estimated to decrease clearly in 2022, but this estimate is subject to uncertainty due to the pandemic situation. Generic competition to Simdax® started in the first markets in 2020 with a different formulation. Direct generic competition with a similar formulation has not yet commenced. In 2022, net sales of Simdax® are estimated to decrease clearly, but this estimate is subject to uncertainty. Actual sales will be affected, among other things, by the timing of the beginning of direct generic competition in the various markets and the intensity of this competition.

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 pharmaceutical markets in recent years will specifically focus on Orion's products. Product deliveries to key partners are based on timetables that are jointly agreed in advance. Nevertheless, they can change, for example as a consequence of decisions concerning adjustments of stock levels. In addition, changes in market prices and exchange rates affect the value of deliveries. The COVID-19 pandemic significantly increased the demand for some Orion products especially in 2020, partly because customers increased their safety stocks. The dismantling of such safety stocks may have a momentary negative effect on the demand of Orion products. However, Orion is unaware of how much additional safety stocks customers have remaining and when customers might start using inventories that exceed normal stock levels. Due to the pandemic and various pandemic-related restrictions, the prevalence of many seasonal illnesses has been below normal, whereby the numbers of medical appointments and prescriptions issued have also declined. Non-critical procedures have also been postponed due to the pandemic. These phenomena have negatively impacted the development of the entire pharma market. At present, it is difficult to estimate how long the situation will last or to what extent the eventual waning of the pandemic will manifest as a release of any pent-up demand.

Currently no single currency is posing a material exchange rate risk for Orion. In Orion's total net sales, the share of invoicing in US dollars has fallen to around ten per cent. At the same time, the value of purchases in dollars has increased. The weight of the US dollar will increase due to increasing sales of Nubeqa®. Other key currencies that carry an exchange rate risk are European currencies, including the Swedish krona and Norwegian krone and the British pound. However, the overall effect of the risk arising from currencies of European countries will be abated by the fact that Orion has organisations of its own in most European countries, which means that in addition to sales income there are also costs in these currencies. The exchange rate performance of the Japanese yen is significant due to sales of Parkinson's drugs in Japan. The exchange rate effect related to the Russian rouble arises in particular due to the strong volatility of the currency. However, Russian sales do not represent a significant portion of Orion's entire net sales.

Orion's broad product range may cause risks to the delivery reliability and make it challenging to maintain the high quality standard required in production. The impacts of the COVID-19 pandemic and other challenges in the global supply and logistics chains of pharmaceuticals have increased the already elevated risk of supply disruptions. Moreover, the disruptions, production volume changes and logistical challenges experienced in other industries may also have unexpected and sudden ramifications that can manifest as shortages of necessary raw materials, supplies and equipment in the chemical and pharmaceutical industries and as increases in prices. The rise of raw material prices and other supply chain costs deteriorates the profitability of Orion's products, since in the pharmaceuticals industry it is virtually impossible to pass through the cost increases to own product prices, especially in Europe. The impacts of the COVID-19 pandemic on the availability of Orion's products have not been significant in 2021, but the risk of poorer than normal product availability remains elevated also in 2022.

Authorities and key customers in different countries carry out regular and detailed inspections of drug development and manufacturing at Orion's production sites. Any remedial actions that may be required may at least temporarily have effects that decrease delivery reliability and increase costs. Orion's product range also contains products manufactured by other pharmaceutical companies and products that Orion manufactures on its own but for which other companies deliver active pharmaceutical or other ingredients. Orion's product range also contains products manufactured by other pharmaceutical companies and products that Orion manufactures on its own but for which other companies supply active pharmaceutical or other ingredients and components or parts (among these the Easyhaler® products). Possible problems related to the delivery reliability or quality of the products of those manufacturers may cause a risk to Orion's delivery reliability. The single-channel system used for pharmaceuticals distribution in Finland, in which Orion's products have been delivered to customers through only one wholesaler, may also cause risks to delivery reliability.

Research projects always entail uncertainty factors that may either increase or decrease estimated costs. The projects may progress more slowly or faster than assumed, or they may be discontinued. Nonetheless, changes that may occur in ongoing clinical studies, for example due to the COVID-19 pandemic, are reflected in costs relatively slowly and are not expected to have a material impact on earnings in the current year. Owing to the nature of the research process, the timetables and costs of new studies that are being started are known well in advance. They therefore typically do not lead to unexpected changes in the estimated cost structure. Orion often undertakes the last, in other words Phase III, clinical trials in collaboration with other pharmaceutical companies. Commencement of these collaboration relationships and their structure also materially affect the schedule and cost level of research projects.

Collaboration arrangements are an important component of Orion's business model. Possible collaboration and licensing agreements related to these arrangements also often include payments to be recorded in net sales that may materially affect Orion's financial results. In 2014–2021 the annual payments varied from EUR 3 million to EUR 51 million. The payments may be subject to conditions relating to the progress of research projects or sales or to new contracts to be signed, and whether these conditions or contracts materialise and what their timing is will always entail uncertainties.

Group's key figures

Key figures relating to financial performance

	2017	2018	2019	2020	2021
Net sales, EUR million[1]	1,033.6	977.5	1,051.0	1,078.1	1,041.0
EBITDA, EUR million[1]	323.6	293.9	308.9	336.5	289.1
% of net sales[1]	31.3%	30.1%	29.4%	31.2%	27.8%
Operating profit, EUR million[1]	284.1	252.8	252.8	280.1	243.3
% of net sales[1]	27.5%	25.9%	24.1%	26.0%	23.4%
Profit for the period, EUR million[1]	226.0	197.3	200.4	219.9	193.8
% of net sales[1]	21.9%	20.2%	19.1%	20.4%	18.6%
R&D expenses, EUR million[1]	99.1	104.0	119.3	123.2	117.7
% of net sales[1]	9.6%	10.6%	11.3%	11.4%	11.3%
Capital expenditure, EUR million[1]	75.0	64.8	42.6	48.5	85.4
% of net sales[1]	7.2%	6.6%	4.0%	4.5%	8.2%
Depreciation, amortisation and impairment, EUR million[1]	39.5	41.1	56.1	56.5	45.8
Personnel expenses, EUR million[1]	203.9	200.7	217.1	227.0	231.0
Equity total, EUR million	679.7	773.1	779.4	731.3	747.9
Interest-bearing net liabilities, EUR million	-12.7	-132.1	-139.1	-185.8	-108.3
Assets total, EUR million	1,055.5	1,146.7	1,035.7	1,115.6	1,114.0
Cash flow from operating activities, EUR million	228.4	230.9	270.8	299.1	215.7
Equity ratio, %	64.6%	68.8%	76.7%	66.7%	68.1%
Gearing, %	-1.9%	-17.1%	-17.8%	-25.4%	-14.5%
ROCE (before taxes), %	36.2%	44.3%	29.9%	34.8%	28.8%
ROE (after taxes), %	34.2%	45.5%	25.8%	29.1%	26.2%
Personnel at the end of the period[1]	3,161	3,154	3,265	3,311	3,355
Average personnel during the period[1]	3,205	3,179	3,251	3,337	3,364

[1] Contuining operations since 2017

Perfomance per share

	2017	2018	2019	2020	2021
Basic earnings per share, EUR	1.61	2.35	1.43	1.56	1.38
Diluted earnings per share, EUR	1.61	2.35	1.43	1.56	1.38
Cash flow per share before financial items, EUR	1.09	2.32	1.68	1.85	0.96
Equity per share, EUR	4.83	5.50	5.55	5.21	5.32
Dividend per share[1], EUR	1.45	1.50	1.50	1.50	1.50
Total dividend[1], EUR million	203.8	211.0	210.7	210.7	210.8
Payout ratio[1], %	90.1%	63.8%	105.2%	95.9%	108.8%
A share					
Number of shares at the end of the period	37,120,346	37,120,346	36,335,463	35,122,793	34,813,206
% of total share stock	26.3%	26.3%	25.7%	24.9%	24.7%
Effective dividend yield[1], %	4.5%	5.0%	3.7%	4.0%	4.2%
Price/earnings ratio (P/E)	19.92	12.89	28.64	23.97	26.16
Number of votes excluding treasury shares	742,406,920	742,406,920	726,709,260	702,455,860	696,264,120
% of total votes	87.8%	87.8%	87.5%	87.0%	86.8%
Total number of shareholders	18,254	20,368	19,990	22,015	23,252
Closing quotation at the end of previous financial year, EUR	42.38	32.07	30.30	40.95	37.40
Lowest quotation of review period, EUR	31.21	24.75	28.20	29.60	33.45
Average quotation of review period, EUR	46.37	29.63	34.26	40.26	36.33
Highest quotation of review period, EUR	58.35	35.70	42.00	48.45	41.05
Closing quotation at the end of review period, EUR	32.07	30.30	40.95	37.40	36.10
Trading volume, EUR million	148.3	63.2	73.5	102.5	58.9
Shares traded	3,197,610	2,131,981	2,149,046	2,547,090	1,620,990
% of the total number of shares	8.5%	5.7%	5.9%	7.3%	4.7%

[1] The Board of Directors' proposal for 2021 to the AGM.

	2017	2018	2019	2020	2021
B share	,				
Number of shares at the end of the period, including treasury shares	104,137,482	104,137,482	104,922,365	106,011,485	106,321,072
% of total share stock	73.7%	73.7%	74.3%	75.1%	75.3%
Treasury shares	675,401	562,440	765,399	671,082	571,314
Number of shares at the end of the period, excluding treasury shares	103,462,081	103,575,042	104,156,966	105,340,403	105,749,758
Effective dividend yield[1], %	4.7%	5.0%	3.6%	4.0%	4.1%
Price/earnings ratio (P/E)	19.30	12.89	28.86	24.06	26.46
Number of votes excluding treasury shares	103,462,081	103,575,042	104,156,966	105,340,403	105,749,758
% of total votes	12.2%	12.2%	12.5%	13.0%	13.2%
Total number of shareholders	44,913	58,903	52,913	56,487	64,385
Closing quotation at the end of previous financial year, EUR	42.29	31.08	30.28	41.27	37.53
Lowest quotation of review period, EUR	29.72	22.57	28.19	30.02	32.51
Average quotation of review period, EUR	43.11	27.90	33.48	40.69	35.86
Highest quotation of review period, EUR	58.50	33.50	42.52	48.80	39.42
Closing quotation at the end of review period, EUR	31.08	30.28	41.27	37.53	36.52
Trading volume, EUR million	3,733.4	3,389.3	2,846.5	4,213.9	3,027.7
Shares traded	86,593,836	121,458,874	85,303,946	103,556,863	84,437,433
% of the total number of shares	83.5%	116.6%	81.3%	97.7%	79.4%
A and B share total					
Number of shares at the end of the period	141,257,828	141,257,828	141,257,828	141,134,278	141,134,278
Average number of shares during the period excluding treasury shares	140,564,679	140,676,819	140,571,373	140,506,969	140,546,563
Treasury shares	845,869,001	845,981,962	830,866,226	807,796,263	802,013,878
Total number of shareholders	57,339	72,802	66,595	72,003	80,792
Trading volume, EUR million	3,881.6	3,452.5	2,920.0	4,316.4	3,086.6
Shares traded	89,791,446	123,590,855	87,452,992	106,103,953	86,058,423
Total shares traded, % of total shares	63.6%	87.5%	61.9%	75.2%	61.0%
Market capitalisation at the end of the period excluding treasury shares, EUR million	4,406.1	4,261.0	5,786.5	5,267.0	5,118.7

[1] The Board of Directors' proposal for 2021 to the AGM.

Largest shareholders by number of shares[1]

31 Dec 2021		A shares	B shares	Total shares	% of total shares	Total votes	% of total votes
1.	Ilmarinen Mutual Pension Insurance Company	1,728,676	1,211,629	2,940,305	2.08%	35,785,149	4.46%
2.	Erkki Etola and companies	2,500,000	297,806	2,797,806	1.98%	50,297,806	6.27%
	Etola Erkki	200,000	0			4,000,000	0.50%
	Etola Oy	2,300,000	0			46,000,000	5.73%
	Etola Group Oy		297,806			297,806	0.04%
3.	Land and Water Technology Foundation and companies	2,083,360	0	2,083,360	1.48%	41,667,200	5.19%
	Land and Water Technology Foundation	1,034,860	0			20,697,200	2.58%
	Tukinvest Oy	1,048,500	0			20,970,000	2.61%
4.	Elo Mutual Pension Insurance Company	292,800	1,376,855	1,669,655	1.18%	7,232,855	0.90%
5.	The Social Security Institution of Finland, Kela	0	1,576,368	1,576,368	1.12%	1,576,368	0.20%
6.	Ylppö Jukka	1,247,136	147,729	1,394,865	0.99%	25,090,449	3.13%
7.	OP-Finland Fund	0	1,256,200	1,256,200	0.89%	1,256,200	0.16%
8.	Into Ylppö and commanding votes	785,492	242,848	1,028,340	0.73%	15,952,688	1.99%
	Ylppö Into	577,936	240,200			11,798,920	1.47%
	Ylppö Eeva	110,778	1,324			2,216,884	0.28%
	Ylppö Aurora	96,778	1,324			1,936,884	0.24%
9.	The State Pension Fund	0	950,000	950,000	0.67%	950,000	0.12%
10.	Varma Mutual Pension Insurance Company	0	889,397	889,397	0.63%	889,397	0.11%
10 largest total		**8,637,464**	**7,948,832**	**16,586,296**	**11.75%**	**180,698,112**	**22.51%**
Total		**34,813,206**	**106,321,072**	**141,134,278**	**100.00%**	**802,585,192**	**100.00%**

[1] The list includes the direct holdings and votes of the Company's major shareholders, corresponding holdings of organisations or foundations controlled by a shareholder in so far as they are known to the issuer, holdings of a pension foundation or pension fund of a shareholder or an organisation controlled by a shareholder, and other holdings the use of which the shareholder, alone or together with a third party, may decide on under a contract or otherwise.

Largest shareholders by number of votes[1]

31 Dec 2021	A shares	B shares	Total shares	% of total shares	Total votes	% of total votes
1. Erkki Etola and companies	2,500,000	297,806	2,797,806	1.98%	50,297,806	6.27%
Etola Erkki	200,000	0			4,000,000	0.50%
Etola Oy	2,300,000	0			46,000,000	5.73%
Etola Group Oy		297,806			297,806	0.04%
2. Land and Water Technology Foundation and companies	2,083,360	0	2,083,360	1.48%	41,667,200	5.19%
Land and Water Technology Foundation	1,034,860	0			20,697,200	2.58%
Tukinvest Oy	1,048,500	0			20,970,000	2.61%
3. Ilmarinen Mutual Pension Insurance Company	1,728,676	1,211,629	2,940,305	2.08%	35,785,149	4.46%
4. Ylppö Jukka	1,247,136	147,729	1,394,865	0.99%	25,090,449	3.13%
5. Into Ylppö and commanding votes	785,492	242,848	1,028,340	0.73%	15,952,688	1.99%
Ylppö Into	577,936	240,200			11,798,920	1.47%
Ylppö Eeva	110,778	1,324			2,216,884	0.28%
Ylppö Aurora	96,778	1,324			1,936,884	0.24%
6. Aho Group Oy and commanding votes	735,099	5,809	740,908	0.52%	14,707,789	1.83%
Aava Terveyspalvelut Oy	358,230	4			7,164,604	0.89%
Juhani Aho Foundation for Medical Research	107,800	0			2,156,000	0.27%
Aho Kari Jussi	75,763	880			1,516,140	0.19%
Lappalainen Annakaija	58,034	2,000			1,162,680	0.14%
Aho Ville Jussi	50,496	425			1,010,345	0.13%
Porkkala Miia	46,183	0			923,660	0.12%
Aho Antti Jussi	38,593	2,500			774,360	0.10%
7. Orion Pension Fund[2]	544,208	180,632	724,840	0.51%	11,064,792	1.38%
8. Saastamoinen Foundation	544,996	0	544,996	0.39%	10,899,920	1.36%
9. Eija Ronkainen and companies	535,500	39,130	574,630	0.41%	10,749,130	1.34%
EVK-Capital Oy	535,500	16,671			10,726,671	1.34%
Eija Ronkainen	0	22,459			22,459	0.00%
10. Oy Ingman Finance Ab	445,000	0	445,000	0.32%	8,900,000	1.11%
10 largest total	**11,149,467**	**2,125,583**	**13,275,050**	**9.41%**	**225,114,923**	**28.05%**
Total	**34,813,206**	**106,321,072**	**141,134,278**	**100.00%**	**802,585,192**	**100.00%**

[1] The list includes the direct holdings and votes of the Company's major shareholders, corresponding holdings of organisations or foundations controlled by a shareholder in so far as they are known to the issuer, holdings of a pension foundation or pension fund of a shareholder or an organisation controlled by a shareholder, and other holdings the use of which the shareholder, alone or together with a third party, may decide on under a contract or otherwise.

[2] Not entitled to vote at Orion's General Meetings of shareholders.

Ownership base by type of shareholder

31 Dec 2021	Owners	%	A shares	%	B shares	%	Total shares	%	Total votes	%
Non-financial companies	2,087	2.58	4,832,191	13.88	3,107,580	2.92	7,939,771	5.63	99,751,400	12.43
Financial and insurance institutions	70	0.09	589,144	1.69	4,478,977	4.21	5,068,121	3.59	16,261,857	2.03
Public sector entities	39	0.05	2,025,330	5.82	6,366,430	5.99	8,391,760	5.95	46,873,030	5.84
Households	77,524	95.96	22,987,673	66.03	32,807,132	30.86	55,794,805	39.53	492,560,592	61.37
Non-profit organisations	710	0.88	3,118,434	8.96	3,986,830	3.75	7,105,264	5.03	66,355,510	8.27
Nominee-registered and foreign shareholders	361	0.45	1,260,434	3.62	55,002,809	51.73	56,263,243	39.87	80,211,489	9.99
Number of treasury shares	1	0.00	0	0.00	571,314	0.54	571,314	0.40	571,314	0.07
Total	**80,792**	**100.00**	**34,813,206**	**100.00**	**106,321,072**	**100.00**	**141,134,278**	**100.00**	**802,585,192**	**100.00**

Ownership base by number of shares

31 Dec 2021	Owners	%	A shares	%	B shares	%	Total shares	%	Total votes	%
1–100	38,912	48.16	420,967	1.21	1,324,466	1.25	1,628,858	1.15	8,519,816	1.06
101–1,000	32,297	39.98	3,215,525	9.24	10,342,761	9.73	12,150,634	8.61	60,093,942	7.49
1,001–10,000	8,766	10.85	8,420,068	24.19	16,892,987	15.89	24,099,858	17.08	171,451,432	21.36
10,001–100,000	746	0.92	7,605,942	21.85	9,754,823	9.17	18,832,648	13.34	175,846,995	21.91
100,001–1 000,000	58	0.07	7,791,532	22.38	8,168,391	7.68	15,717,689	11.14	152,303,274	18.98
1,000,001–	12	0.01	7,359,172	21.14	59,266,330	55.74	68,133,277	48.28	233,798,419	29.13
Total	**80,791**	**100.00**	**34,813,206**	**100.00**	**105,749,758**	**99.46**	**140,562,964**	**99.60**	**802,013,878**	**99.93**
of which nominee-registered	12	0.01	1,099,499	3.16	54,450,803	51.49	55,550,302	39.52	76,440,783	9.53
Number of treasury shares	1	0.00	0	0.00	571,314	0.54	571,314	0.40	571,314	0.07
Total	**80,792**	**100.00**	**34,813,206**	**100.00**	**106,321,072**	**100.00**	**141,134,278**	**100.00**	**802,585,192**	**100.00**

Shareholdings in Orion Corporation of the Members elected to the Board of Directors on 25 March 2021[1]

31 Dec 2021	A shares	Change from 1 Jan	B shares	Change from 1 Jan	A and B total	% of total shares	% of total votes
Mikael Silvennoinen, Chairman	0	0	7,827	982	7,827	0.01	0.00
Timo Maasilta, Vice chairman	21,928	0	6,906	600	28,834	0.02	0.06
Kari Jussi Aho	75,763	6,000	880	491	76,643	0.05	0.19
Pia Kalsta	0	0	1,448	491	1,448	0.00	0.00
Ari Lehtoranta	0	0	2,568	600	2,568	0.00	0.00
Veli-Matti Mattila	0	0	3,356	491	3,356	0.00	0.00
Hilpi Rautelin	1,800	0	3,568	600	5,368	0.00	0.00
Eija Ronkainen	535,500	0	39,130	491	574,630	0.41	1.34
Board of Directors total	**634,991**	**6,000**	**65,683**	**4,746**	**700,674**	**0.50**	**1.59**

[1] The figures include the shares held by organisations and foundations controlled by the person.

Shareholdings in Orion Corporation of the Members of the Executive Management Board[1]

31 Dec 2021	A shares	Change from 1 Jan	B shares	Change from 1 Jan	A and B total	% of total shares	% of total votes
Timo Lappalainen, President and CEO	0	0	85,997	13,106	85,997	0.06	0.01
Satu Ahomäki	0	0	38,301	6,553	38,301	0.03	0.00
Olli Huotari	0	0	66,392	5,243	66,392	0.05	0.01
Liisa Hurme	0	0	17,472	-6,147	17,472	0.01	0.00
Jari Karlson	0	0	35,232	5,243	35,232	0.02	0.00
Virve Laitinen	0	0	18,684	5,243	18,684	0.01	0.00
Outi Vaarala	0	0	0	0	0	0.00	0.00
Executive Management Board total	**0**	**0**	**262,078**	**29,241**	**262,078**	**0.19**	**0.03**

[1] The figures include the shares held by organisations and foundations controlled by the person.

Basic information on Orion's shares

31 Dec 2021	A share	B share	Total
Trading code on Nasdaq Helsinki	ORNAV	ORNBV	
Listing day	1 Jul 2006	1 Jul 2006	
ISIN code	FI0009014369	FI0009014377	
ICB code	4500	4500	
Reuters code	ORNAV.HE	ORNBV.HE	
Bloomberg code	ORNAV.FH	ORNBV.FH	
Share capital, EUR million	22.7	69.5	92.2
Counter book value per share, EUR	0.65	0.65	
Minimum number of shares			1
Maximum number of A and B shares, and maximum number of all shares	500,000,000	1,000,000,000	1,000,000,000
Votes per share	20	1	

A shares and B shares confer equal rights to the Company's assets and dividends.

Calculation of the key figures

EBITDA = Operating profit + Depreciation + Amortisation + Impairment losses

Interest-bearing net liabilities = Interest-bearing liabilities - Cash and cash equivalents - Money market investments

Return on capital employed (ROCE), %

$$= \frac{\text{Profit before taxes + interest and other finance expenses}}{\text{Total assets - Non-interest-bearing liabilities (average during the period)}} \times 100$$

Return on equity (ROE), %

$$= \frac{\text{Profit for the period}}{\text{Total equity (average during the period)}} \times 100$$

Equity ratio, %

$$= \frac{\text{Equity}}{\text{Total assets - Advances received}} \times 100$$

Gearing, %

$$= \frac{\text{Interest-bearing liabilities - Cash and cash equivalents - Money market investments}}{\text{Equity}} \times 100$$

Earnings per share, EUR

$$= \frac{\text{Profit available for the owners of the parent company}}{\text{Average number of shares during the period, excluding treasury shares}}$$

Cash flow per share before financial items, EUR

$$= \frac{\text{Cash flow from operating activities + Cash flow from investing activities}}{\text{Average number of shares, excluding treasury shares}}$$

Equity per share, EUR

$$= \frac{\text{Equity attributable to owners of the parent company}}{\text{Number of shares at the end of the period, excluding treasury shares}}$$

Dividend per share, EUR

$$= \frac{\text{Dividend to be distributed for the period}}{\text{Number of shares at the end of the period, excluding treasury shares}}$$

Payout ratio, %

$$= \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Effective dividend yield, %

$$= \frac{\text{Dividend per share}}{\text{Closing quotation of the period}} \times 100$$

Price/earnings ratio (P/E)

$$= \frac{\text{Closing quotation of the period}}{\text{Earnings per share}}$$

Average share price, EUR

$$= \frac{\text{Total EUR value of shares traded}}{\text{Average number of traded shares during the period}}$$

Market capitalisation, EUR million = Number of shares at the end of the period x Closing quotation of the period

Consolidated financial statements (IFRS)

Consolidated income statement

EUR million	Note	2021	2020
Net sales	2.1	1,041.0	1,078.1
Cost of goods sold		-447.5	-434.4
Gross profit		593.5	643.7
Other operating income and expenses	2.2	6.4	5.4
Selling and marketing expenses	2.2, 4.1	-191.0	-204.3
R&D expenses	2.2, 4.1	-117.7	-123.2
Administrative expenses	2.2, 4.1	-47.9	-41.6
Operating profit		243.3	280.1
Finance income and expenses	2.3	-1.0	-1.8
Profit before income taxes		242.3	278.3
Income tax expense	5.1	-48.5	-58.4
Profit for the period		193.8	219.9

Consolidated statement of comprehensive income

OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS

EUR million	Note	2021	2020
Profit for the period		193.8	219.9
Translation differences		1.6	-1.4
Items that may be reclassified subsequently to profit and loss		1.6	-1.4
Remeasurement of pension plans	4.2, 5.1	29.0	-59.4
Items that will not be reclassified to profit and loss		29.0	-59.4
Other comprehensive income net of tax		30.6	-60.8
Comprehensive income for the period including tax effects		224.4	159.1
PROFIT ATTRIBUTABLE TO			
Owners of the parent company		193.8	219.9
COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent company		224.4	159.1
Basic earnings per share, EUR[1]	2.4	1.38	1.56
Diluted earnings per share, EUR[1]	2.4	1.38	1.56
Depreciation, amortisation and impairment	2.2	-45.8	-56.5
Personnel expenses		-231.0	-227.0

[1] Earnings per share has been calculated from the profit attributable to the owners of the parent company.

The notes are an integral part of the consolidated financial statements.

Consolidated statement of financial position

ASSETS

EUR million, 31 Dec	Note	2021	2020
Property, plant and equipment	3.1	332.6	319.6
Goodwill	3.2	13.5	13.5
Intangible rights	3.2	53.0	26.8
Other intangible assets	3.2	2.5	2.7
Investments in associates	3.4	0.1	0.1
Other investments	6.6	0.2	0.2
Pension asset	4.2	15.0	
Deferred tax assets	5.2	6.6	8.4
Other non-current receivables	3.6	0.3	0.5
Non-current assets total		423.7	371.8
Inventories	3.5	265.2	258.1
Trade receivables	3.6	174.8	157.4
Other receivables	3.6	33.6	33.9
Cash and cash equivalents	6.5	216.7	294.4
Current assets total		690.3	743.7
Assets total		1,114.0	1,115.6

EQUITY AND LIABILITIES

EUR million, 31 Dec	Note	2021	2020
Share capital		92.2	92.2
Other reserves		3.3	3.4
Retained earnings		652.3	635.7
Equity attributable to owners of the parent company		747.9	731.3
Equity total	6.3	747.9	731.3
Deferred tax liabilities	5.2	34.0	29.3
Pension liability	4.2	4.9	19.9
Non-current provisions	3.7	0.4	0.4
Interest-bearing non-current liabilities	6.4	104.7	105.5
Other non-current liabilities	3.8	13.0	15.0
Non-current liabilities total		156.9	170.1
Trade payables	3.8	89.6	86.7
Current tax liabilities	3.8	6.8	2.5
Other current liabilities	3.8	109.0	121.8
Current provisions	3.7	0.0	
Interest-bearing current liabilities	6.4	3.8	3.1
Current liabilities total		209.2	214.1
Liabilities total		366.1	384.2
Equity and liabilities total		1,114.0	1,115.6

The notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

		Equity attributable to owners of the parent company						
EUR million	Note	Share capital	Other reserves	Remeasurement of pension plans	Treasury shares	Translation differences	Retained earnings	Equity total
Equity at 1 January 2020		92.2	3.0	30.5	-24.5	-7.0	685.2	779.4
Profit for the period							219.9	219.9
Other comprehensive income								
Translation differences	6.3					-0.9	-0.5	-1.4
Remeasurement of pension plans	4.2			-59.4				-59.4
Transactions with owners								
Dividends paid	6.3						-210.4	-210.4
Share-based incentive plan	4.1				2.9		0.4	3.3
Other adjustments			0.4				-0.6	-0.1
Equity at 31 December 2020		92.2	3.4	-28.9	-21.5	-7.9	694.1	731.3
Equity at 1 January 2021		92.2	3.4	-28.9	-21.5	-7.9	694.1	731.3
Profit for the period							193.8	193.8
Other comprehensive income								
Translation differences	6.3					-0.5	2.1	1.6
Remeasurement of pension plans	4.2			29.0				29.0
Transactions with owners								
Dividends paid	6.3						-211.2	-211.2
Share-based incentive plan	4.1				3.4		0.1	3.5
Other adjustments			-0.1				-0.0	-0.1
Equity at 31 December 2021		92.2	3.3	0.0	-18.2	-8.4	678.9	747.9

The notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

EUR million	Note	2021	2020
Profit before taxes		242.3	278.3
Financial income and expenses	2.3	1.0	1.8
Depreciation, amortisation and impairment	2.2	45.8	56.5
Gains/losses on sales or disposals of property, plant and equipment and intangible assets		-3.9	-0.0
Unrealised foreign exchange gains and losses		-0.4	0.7
Change in pension asset and pension obligation	4.2	6.2	-2.0
Change in provisions	3.7	0.1	0.0
Other adjustments		1.4	1.3
Total adjustments to profit before taxes		50.2	58.2
Change in trade and other receivables		-21.7	33.0
Change in inventories		-6.9	-29.0
Change in trade and other payables		-7.7	23.1
Total change in working capital		-36.3	27.1
Interest and other financial expenses paid		-2.1	-5.6
Interest and other financial income received		1.2	3.8
Dividends received		0.0	0.0
Income taxes paid	5.1	-39.6	-62.7
Total net cash flow from operating activities		215.7	299.1
Investments in property, plant and equipment	3.1	-47.0	-34.0
Investments in intangible assets	3.2	-38.0	-6.7
Sales of property, plant and equipment, other investments and associated companies	3.1, 3.4, 6.6	4.7	1.0
Total net cash flow from investing activities		-80.2	-39.7
Proceeds of current loans	6.4	2.9	1.6
Repayments of current loans	3.1, 6.4	-6.5	-5.6
Proceeds of non-current loans	6.4		100.0
Dividends paid and other distribution of profits	6.3	-211.2	-211.1
Total net cash flow from financing activities		-214.8	-115.1
Net change in cash and cash equivalents		-79.3	144.3
Cash and cash equivalents at 1 Jan	6.5	294.4	149.0
Foreign exchange differences		1.6	1.1
Cash and cash equivalents at 31 Dec	6.5	216.7	294.4

RECONCILIATION OF CASH AND CASH EQUIVALENTS IN STATEMENT OF FINANCIAL POSITION

EUR million	2021	2020
Cash and cash equivalents in statement of financial position at the end of the period	216.7	294.4
Money market investments at the end of the period		
Cash and cash equivalents in the statement of cash flows	216.7	294.4

The notes are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1 Basis of presentation of the consolidated financial statements

General information

Orion Corporation is a Finnish public limited company domiciled in Espoo, Finland and registered address is at Orionintie 1, FI-02200 Espoo. Orion Corporation and its subsidiaries develop and manufacture human and veterinary pharmaceuticals and active pharmaceutical ingredients that are marketed globally.

The Orion Group's first financial year was 1 July–31 December 2006, because the Group came into being on 1 July 2006 following the demerger of its predecessor Orion Group into the pharmaceuticals and diagnostics business and a pharmaceutical wholesale and distribution business. Orion Corporation's shares are listed on Nasdaq Helsinki. Trading in Orion's shares commenced on 3 July 2006.

At its meeting on 10 February 2022, the Company's Board of Directors approved the publication of these consolidated financial statements. Under the Finnish Limited Liability Companies Act, shareholders have the option to accept or reject the financial statements at the Annual General Meeting, which is held after the publication of the financial statements. In addition, the AGM may amend the financial statements. The financial statement documents can be viewed at the website www.orion.fi/en, and copies of the financial statements are available from Orion Corporation's headquarter, Orionintie 1, FI-02200 Espoo, Finland.

Accounting policies

The Consolidated Financial Statements of the Orion Group have been prepared in accordance with International Financial Reporting Standards (IFRS) applying the IAS and IFRS standards as well as SIC and IFRIC interpretations effective at 31 December 2021. International Financial Reporting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedure stipulated in the EU's regulation (EC) No. 1606/2002 and embodied in the Finnish Accounting Act and provisions issued under it. The notes to the consolidated financial statements have also been prepared in accordance with the requirements in Finnish accounting legislation and Community law that complement the IFRS regulations.

The information in the consolidated financial statements is based on historical costs, except for financial assets separately recorded at fair value through profit or loss or recorded through other comprehensive income.

Monetary figures in the financial statements are expressed in millions of euros unless otherwise stated. All figures in the financial statement have been rounded, which is why the total sums of individual figures may differ from the total sums shown.

Consolidation principles

The consolidated financial statements cover the parent company Orion Corporation and all companies directly or indirectly owned by it and controlled by the Group, as well as associates, joint ventures and joint operations.

Subsidiaries

Subsidiaries are those companies, which are controlled by Orion Corporation. A company is controlled by the Group if the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Internal shareholdings have been eliminated using the acquisition method of accounting. In the consolidated financial statements, acquired subsidiaries are fully consolidated from the date the Group acquires control, and divested subsidiaries are deconsolidated from the date control ceases. All intra-Group transactions, receivables and liabilities, distribution of profit and unrealised internal gains are eliminated in the preparation of the consolidated financial statements. The consolidated profit for the financial year is divided into portions attributable to owners of the parent company and non-controlling interests. The portion of the equity attributable to the non-controlling interests is included in Group equity and specified in the statement of changes in equity.

Associates, joint ventures and joint operations

Associates are all companies over which the Group has significant influence but not control. Significant influence generally means a shareholding of 20% to 50% of the voting rights.

Joint ventures are joint arrangements in which the parent companies or subsidiaries have joint control of an entity that is not part of the Group and in which a parent company or subsidiary has rights to the net assets of the arrangement. Associates and joint ventures are incorporated into the consolidated financial statements using the equity method of accounting.

Joint operations are joint arrangements that have been implemented without a separate investment instrument or in which the legal form of the arrangement is such that the parties have direct rights to certain assets or obligations for certain liabilities. Joint operations are incorporated into the consolidated financial statements in accordance with the proportional interest in the joint operation.

If the Group's share of the losses of an associate or joint venture exceeds the carrying amount, it is not consolidated unless the Group has made a commitment to fulfil the liabilities of the associate or joint venture.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the company operates (the functional currency). The consolidated financial statements are presented in euros, which is the functional currency of the parent company of the Group and the Group's presentation currency for the consolidated financial statements.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items in foreign currencies at the end of the reporting period in the statement of financial position are booked using the exchange rates at the end of the reporting period. Foreign exchange gains and losses from translation of the items are recognised in the statement of comprehensive income. Exchange rate gains and losses related to business operations are included in the corresponding items above the operating profit line. Exchange rate differences resulting from hedges made for hedging purposes but hedge accounting is applied to net amounts within other operating income or expenses. Exchange rate gains and losses related to financial liabilities and receivables in foreign currencies and foreign exchange derivatives related to them are included in financial income and expenses. Non-monetary items in foreign currencies in the statement of financial position which are not measured at fair value are measured using the exchange rate at the date of the transaction.

Group companies

For all Group companies with a functional currency different from the Group's presentation currency, the income statements are translated into euros using average exchange rates for the reporting period, and the statements of financial position are translated into euros using the exchange rates at the end of the reporting period. Any exchange difference arising from this and translation differences arising from elimination of the acquisition costs of these companies are recognised in equity and changes are disclosed in the items under other comprehensive income. There are no Group companies operating in a country with hyperinflation.

The accumulated translation differences related to divestment of Group companies, which are recognised in equity, are recognised as gains or losses in the statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the end of the reporting period.

Critical accounting estimates and assumptions, and main related uncertainties

Compiling the consolidated financial statements in accordance with the IFRS and accounting standards requires that the Company's management make certain estimates and assumptions concerning the future that have an impact on the items included in the financial statements. These assumptions include climate related factors where applicable. The actual values may differ from these estimates. The accounting policies relating to areas that call for more than ordinary judgement from the management and to associated uncertainty factors are presented in the following notes:

- 2.1 Revenue from contracts with customers
- 2.2 Tangible assets
- 3.2 Intangible assets
- 3.7 Provisions
- 4.1 Employee benefits
- 4.2 Pension assets and liabilities
- 5.2 Deferred taxes

Judgement is also exercised in applying the accounting policies.

Within the Group, the principal assumptions concerning the future and the main uncertainties relating to estimates at the end of the reporting period that constitute a significant risk of causing a material change in the carrying values of assets and liabilities within the next financial year are described in the note describing the financial statement item in question.

New IFRS standards, amendments and IFRIC interpretations applied in financial year 2021

New standards or amendments to standards, effective from January 1, 2021, has had no material impacto to Orion Corporations' financial statement. IFIRIC Interpretations Committee gave on April 2021 final agenda decision on accounting of cloud computing configuration and customization costs (IAS 38 Intangible assets). In its agenda decision Interpretation Committee considered if customer recognises intangible assets on configuration and customization costs according on IAS 38 standard, and whether no intangible asset is recognised, how configuration and customization costs are accounted. Orion Corporation has analyzed impact on agenda decision on cloud computing, and it has had no material impact to Group's result, financial position or presentation of financial statements.

New IFRS standards, amendments and IFRIC interpretations to be applied in future financial periods

New standards, amendments or interpretation that are effective on or after January 1, 2022 are not expected to have a material effect on Orion Corporations' consolidated financial statements.

2 Business performance

2.1 Revenue from contracts with customers

Accounting policies

Revenue recognition principles

The Group's net sales comprise three different revenue flows, which are product sales, revenue from sales rights to products and revenue from clinical phase research and development work undertaken with collaboration partners. Revenue recognition principles related to these are described below:

Product sales

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 may include variable consideration, such as various 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.

The Group has consignment stock arrangements in place with distributors and logistics partners operating in various countries. In these cases the Group owns the products held in the distributor's and logistics partners' consignment stock until they are delivered to the customer, at which point the Group recognises their sale in net sales. In Finland, the arrangement between Orion and Oriola explains a significant part of the Group's total consignment stock arrangements.

Net sales consisting of product sales also comprises royalties, which the Group recognises as revenue based on agreements signed with cooperation partners. The Group has sold the sales rights of certain products to cooperation partners and is entitled to royalties determined by the sales of these products achieved by the partners. The Group recognises the royalties as revenue once the partner has later sold the products to its own customers and the right to royalties has been established.

Revenue from sales rights to products

The Group enters into agreements in which it transfers the sales rights to a product already in the markets to an external party outside the Group and agrees to manufacture the product for that external party. For transferring sales rights and manufacturing products, depending on the agreement the Group may receive milestone payments, revenue from manufacture and sales of the products and royalty income. Typically milestone payments are fixed payments made at the time of signing of an agreement with no restitution obligation and payments related to the commercialisation of a 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. Two separate performance obligations are constituted at the time of sale of sales rights to products, which are 1) the transferred sales right and 2) manufacture of products and royalty payments received from them. Some of the considerations are variable due to conditionality of milestone payments and 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 treated as performance obligations satisfied at a single point of time, because estimating future sales volume entails uncertainty factors.

Revenue from 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 for Orion's past development work received on signing the agreement, and milestone payments based on the completion of subsequent phases or research results of the project later on. In addition, payments related to commercial rights to the finished product such as royalties may be agreed in the agreements. Depending on the content of the agreement, agreements may consist of performance obligations that are considered separately, or they may form a single service and product package that consists of performance obligations. Fixed milestone payments on signing an agreement are considered as distinct performance obligations that are satisfied on signing of the agreement. 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. Research and development work performed during the agreement period is considered a separate performance obligation and milestone payments for this phase are processed as variable considerations because they are conditional on reaching specific phases or research results. Even though Orion satisfies the performance obligations over time, revenue is only recognised 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, considerations 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. Royalty payments are recognised as revenue when the partner has sold products subject to royalties.

Agreements usually do not include a financing component, because a significant portion of the considerations is variable and their reception will be confirmed in the future.

The Group itemises net sales as follows:

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

In addition to these, net sales reporting contains one further item, "Other operations", which mostly comprises the impacts of exchange rate changes on Orion's net sales.

Segment reporting

The Group has one reportable operating segment, which is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for resources and assessing the performance, is the President and CEO of Orion Corporation, who makes the Group's strategic decisions. The Group consists of one business area, "Pharmaceuticals business", which comprises five business divisions. Due to the nature of the business model and corporate governance, the entire Group is reported as a single operating segment.

Critical accounting estimates and assumptions, and main related uncertainties concerning revenue from contracts with customers

The Group has contracts with customers that may include transfer of sales rights to products, product manufacturing, clinical phase research and development work and terms related to commercialisation. The Group exercises judgement especially regarding the specification of distinct performance obligations, whether the performance obligations are recognised over time or at a single point of time and regarding the recognition time of variable considerations. The Group takes into account the limitation to revenue recognition and recognises revenue only to the extent that it is very likely that a significant reversal to accrued recognised revenue will not be needed.

REVENUE BY REVENUE FLOWS

EUR million	2021	2020
Sale of goods	1,013.9	1,017.6
Royalty income	24.3	18.7
Total product sales	1,038.2	1,036.3
Milestone payments	2.8	41.8
Group total	1,041.0	1,078.1

In the financial year 2021 EUR 0.6 (2020: 0.6) million of the profits from clinical phase R&D falls under Milestone payments and EUR 11.7 (2020: 11.6) million under Product sales. Profits from clinical phase R&D are reported under Product sales once the product is commercially available. EUR 2.1 (2020: 2.1) million has been entered as income from performance obligations delivered to customers. The Group recorded EUR 5.0 (2020: 0.6) million of sales performance obligations satisfied during previous financial periods.

NET SALES BY BUSINESS DIVISION

EUR million	2021	2020
Proprietary products	388.1	420.2
Specialty products	503.2	498.4
Animal Health	73.1	89.3
Fermion and Contract manufacturing	74.9	74.9
Other	1.6	-4.7
Group total	1,041.0	1,078.1

ASSETS AND LIABILITIES BASED ON CONTRACT

	2021		2020	
EUR million	Asset	Liability	Asset	Liability
1 Jan	6.0	23.5	2.8	18.4
Revenue recognised during the financial period that was included in liabilities based on contract at the start of the period		-2.1		-2.1
Increase of considerations received less revenue recognised during the financial year				0.0
Actual billing during the financial year	-5.8		1.4	
Increase of assets and liabilities based on contract due to new business operations	10.7	3.7	1.9	7.2
31 Dec	11.0	25.1	6.0	23.5

Assets based on contract consist mainly of products and services transferred to customers, but which are not yet invoiced. Liabilities based on contract mainly of advance payments received.

Transaction price allocated to remaining performance obligations

The total transaction price allocated to contracts that were partly or entirely unsatisfied at the end of the financial year 2021 and were related to the revenue flows Revenue from sales rights to products and Revenue from clinical phase R&D collaboration with collaboration partners was EUR 14.0 (2020: 16.1) million. The Group expects to recognise EUR 6.2 million as revenue for this transaction price allocated to unsatisfied contracts during the financial years 2022 to 2024 (2020: EUR 6.2 million during the financial years 2021 to 2023). The remaining EUR 7.8 million is expected to be recognised as revenue starting from the beginning of the financial year 2025 (2020: EUR 9.9 million starting from the beginning of the financial year 2024). The Group applies the practical expedient under IFRS 15 of not reporting the transaction price allocated to remaining performance obligations for contracts that are in effect for less than 12 months.

Significant judgements related to recognition of revenue

The Group's significant judgements related to recognition of revenue concern the contract with Bayer on the licensing, development and commercialisation as well as manufacturing of Nubeqa.

Licensing, development and commercialisation

Darolutamide, developed by Orion in collaboration with Bayer for treatment of patients with prostate cancer, was granted marketing authorisation by the United States Food and Drug Administration (FDA) under the brand name Nubeqa in July 2019. The first Nubeqa product sales in the United States materialised in August 2019. The first Phase III clinical trial (ARAMIS) on the product was concluded and primary endpoint reached in 2018. The second Phase III clinical trial (ARASENS) on the product was concluded and primary endpoint reached in 2021. Significant judgement was required with regard to recognition of the sales revenue resulting from the research project and commercialisation of the product; these judgements were related to specifying performance obligations and the recognition time of variable considerations.

Through the Bayer contract, Orion licensed Nubeqa-related rights to Bayer. In this context the parties agreed on cooperation related to carrying out the Phase III clinical trial and the commercialisation of the product. The license granted to Bayer is considered as a separate performance obligation. The consideration for this comprises the single upfront payment for Orion's past research work received on signing the agreement, milestone payments to be received in connection with commercialisation and royalty payments based on sales. The performance obligation will be satisfied over time, and related considerations are variable payments by nature. The considerations will be recognised as net sales once it is highly likely that a significant reversal to accrued recognised revenue will not be needed.

Milestone payments received in this context of the commercialisation of Nubeqa are recognised in net sales. In the 2021 financial year no milestone payments were recognised in the context of the commercilisation of Nubeqa. In the 2020 financial year, a total of EUR 28 million of milestone payments received in the context of the commercialisation of Nubeqa were recognised in net sales of which EUR 20 million were attributable to Nubeqa's first commercial sale in the EU and EUR 8 million to its first commercial sale in Japan. In the 2019 financial year, EUR 45 million were correspondingly recognised in net sales for the first commercial sale of Nubeqa in the United States.

Manufacturing

Orion will manufacture darolutamide for global markets. The manufacturing is a separate performance obligation that comprises the manufacture, packaging and sales of darolutamide to Bayer as well as building production capacity, which is preceding beforementioned activities. The consideration related to building the production capacity will be satisfied over time. It will be recognised as net sales over the term of the contract, because Bayer will receive the benefit from the milestone payments for building production capacity as it receives finished Nubeqa products manufactured using the production capacity. Milestone payments related to building production capacity and payments for the manufacture and packaging of Nubeqa are fixed payments by nature.

Orion will additionally receive royalties on Nubeqa sales that will be recognised as net sales once Bayer has sold the products and the right to royalties has been established.

Other information related to recognition of revenue

The Group applies the practical expedient under IFRS 15 to not adjust consideration amounts by the effect of a financing component when a customer pays a product to the Group within a year from the delivery of the product or when a significant portion of the consideration promised by the customer is variable and the amount or timing of such consideration varies based on a future event that is not essentially controlled by the customer.

Information on assets based on customer contracts and expected credit losses are given in note 3.6. Trade and other receivables. Information on liabilities based on customer contracts are given in note 3.8. Trade payables and other liabilities. Information on Phase III clinical trials related to darolutamide (ARAMIS, ARASENS and ARANOTE) are given in note 3.3 Joint arrangements.

Data relating to geographical regions

These geographical regions correspond to the Group's main markets. Net sales are presented according to the customer's location. Assets and capital expenditure are presented according to their location.

	Finland		Scandinavia		Other Europe		North America		Other countries		Group total	
EUR million	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Sales to external customers	315.7	316.0	141.3	177.0	353.5	367.6	89.7	82.5	140.7	134.9	1,041.0	1,078.1
Assets	940.3	955.4	38.6	36.5	121.6	112.4	0.0	0.0	13.5	11.3	1,114.0	1,115.6
Capital expenditure	82.1	46.2	0.5	0.2	2.1	2.0			0.7	0.1	85.4	48.5

TOP TEN BEST-SELLING PHARMACEUTICAL PRODUCTS

EUR million	2021	2020
Easyhaler (asthma, COPD)	117.2	115.1
Stalevo, Comtess and Comtan (Parkinson's disease)	95.2	98.6
Simdax (acute decompensated heart failure)	56.8	62.1
Nubeqa (prostate cancer)	39.4	16.6
Dexdomitor, Domitor, Domosedan and Antisedan (animal sedatives)	38.8	34.8
Dexdor (intensive care sedative)	36.9	54.8
Burana (inflammatory pain)	23.7	23.4
Divina series (menopausal symptoms)	23.1	20.6
Solomet (inflammation)	22.4	15.5
Biosimilars (rheumatoid arthritis, inflammatory bowel diseases)	22.0	17.7
Total	475.6	459.3

2.2 Other operating expenses and income

Accounting policies

Group's function-based consolidated income statement in the cost of goods sold comprises wages and salaries, materials, procurement and other costs related to manufacturing and procurement. The expenses of selling and marketing operations comprise costs related to the distribution of products, field sales, marketing, advertising and other promotional activities, including the related wages and salaries. R&D expenses comprise wages and salaries on R&D personnel, materials, procurement of external services and other costs related to R&D function. R&D expenses also include expenses for R&D projects that are classified as joint operations. The portion of the expenses that corresponds to the Group's contractual share of a project is recognised as an expense. Further information on recognition of R&D expenses in Group's consolidated financial statements are given in note 3.2 Intangible assets.

R&D EXPENSES

EUR million	2021	2020
R&D expenses	117.7	123.2

DEPRECIATION, AMORTISATION AND IMPAIRMENT BY FUNCTION

EUR million	2021	2020
Cost of goods sold	27.0	26.0
Selling and marketing	7.8	20.0
Research and development	3.7	3.5
Administration	7.2	7.0
Total	45.8	56.5

DEPRECIATION, AMORTISATION AND IMPAIRMENT BY ASSET CLASS

EUR million	2021	2020
Buildings and constructions	13.9	13.2
Machinery and equipment	24.2	23.6
Other tangible assets	0.3	0.2
Property, plant and equipment, total	38.3	37.0
Intangible rights	6.0	18.5
Other intangible assets	1.4	0.9
Intangible assets, total	7.4	19.4

During the period, an impairment charge of EUR 0.6 (2020: 1.2) million was recognised in selling and marketing expenses on intangible rights.

OTHER OPERATING INCOME AND EXPENSES

EUR million	2021	2020
Gains on sales of property, plant and equipment, intangible assets and other investments	4.0	0.3
Rental income	2.1	2.2
Exchange rate gains and losses	-0.4	1.2
Other operating income	0.9	2.0
Other operating expenses	-0.1	-0.2
Total	6.4	5.4

Other operating income EUR 0.9 (2020: 2.0) million comprise small items, which separately are not material.

2.3 Finance income and expenses

Accounting policies

Borrowing costs

Borrowing costs are recognised in the consolidated statement of income as an expense in the period in which they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that requires a substantial period of time to be made ready are capitalised as a part of the cost of that asset.

FINANCE INCOME AND EXPENSES

EUR million	2021	2020
Interest income on money market investments	0.0	0.1
Dividend income on other investments	0.0	0.0
Other interest income	0.1	0.1
Foreign exchange gains and losses, net	0.1	
Other finance income	0.0	0.0
Finance income, total	0.3	0.2
Interest expenses	1.0	0.9
Foreign exchange gains and losses, net		0.8
Other finance expenses	0.3	0.3
Finance expenses, total	1.3	2.0
Finance income and expenses, total	-1.0	-1.8

During the period the Group did not acquire any assets requiring a substantial completion time, and therefore no borrowing costs have been capitalised during the period.

FOREIGN EXCHANGE GAINS (+) AND LOSSES (-) INCLUDED IN FINANCE INCOME AND EXPENSES

EUR million	2021	2020
Foreign exchange rate gains	1.1	3.6
Foreign exchange rate losses	-0.9	-4.4
Net	0.1	-0.8

FOREIGN EXCHANGE GAINS (+) AND LOSSES (-) ABOVE THE OPERATING PROFIT LINE

EUR million	2021	2020
In net sales	2.1	-5.3
In cost of goods sold	-0.3	0.3
In other income and expenses	-0.4	1.2
In functions' expenses	-0.3	0.2

2.4 Earnings and dividend per share

Accounting policies

Earnings per share are calculated by dividing the profit for the period attributable to owners by the weighted average number of shares outstanding during the period. The weighted average number of shares has been adjusted for the number of treasury shares held by the Group during the period.

Dividend per share is calculated by dividing the dividend distributed during the period by the number of shares outstanding at 31 December.

BASIC EARNINGS PER SHARE

	2021	2020
Profit for the period attributable to owners of the parent company, EUR million	193.8	219.9
Weighted average number of shares during the period (1,000 shares)	140,547	140,507
Basic earnings per share, EUR	1.38	1.56

DILUTED EARNINGS PER SHARE

	2021	2020
Profit used to determine diluted earnings per share, EUR million	193.8	219.9
Weighted average number of shares for diluted earnings per share (1,000 shares)	140,547	140,507
Diluted earnings per share, EUR	1.38	1.56

DIVIDEND PER SHARE

	2021	2020
Dividend paid during the period, EUR million	210.8	210.9
Number of shares at 31 Dec, (1,000 shares)	140,563	140,463
Dividend per share paid during the period, EUR	1.50	1.50

The Group held 571,314 Company's B shares as treasury shares at 31 December 2021.

For the financial year 2021 a dividend of EUR 1.50 per share, in total EUR 210.8 million is proposed to the Annual General Meeting, planned to be held on 23 March 2022. These financial statements do not reflect the proposed dividend.

3 Invested capital

3.1 Property, plant and equipment

Accounting policies

Property, plant and equipment

Property, plant and equipment comprise mainly factories, offices and research centres, and machines and equipment for manufacturing, research and development. Property, plant and equipment are measured at their historical cost, less accumulated depreciation and impairment, and are depreciated over their useful life using the straight-line method. The residual value and useful life of property, plant and equipment are reviewed when necessary, but at least at every year end for the financial statements, and adjusted to correspond to probable changes in the expectations of economic benefits. The estimated useful lives are as follows:

- Buildings 20–50 years
- Machinery and equipment 5–10 years
- Other tangible assets 10 years

Land is not depreciated. Repair and maintenance costs are recognised as expenses for the reporting period. Improvement investments are capitalised if they are expected to generate future economic benefits. Gains and losses on disposals of property, plant and equipment are recognised in the consolidated income statement.

Right-of-use assets (leases)

Recognition at the inception of the lease

At the commencement of a lease, the Group recognises a lease liability and a corresponding right-of-use asset. The lease liability is measured at the present value of the lease payments payable over the lease term that have not yet been paid. The leases are discounted at the rate implicit in the lease or the Group's incremental borrowing rate. In practice, the Group discounts the leases using the Group's incremental borrowing rate, since the rates implicit in the Group's leases typically cannot be readily determined. The incremental borrowing rate is based on market rates plus a country risk associated premium. The right-of-use asset is initially measured at acquisition cost, which includes the original amount of the lease liability plus any initial direct costs incurred by the Group, estimated restoration costs and any lease payments made at or prior to commencement, less lease incentives obtained.

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

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

Subsequent measuring of a lease

After lease commencement, the Group measures the right-of-use asset using the acquisition cost model. The right-of-use asset is measured at acquisition cost less accumulated depreciation and accumulated impairment, adjusted by any cost of remeasurement of the lease liability. Depreciation is recognised in equal installments over the useful life of the asset or a shorter lease-term. The residual value and useful life of the right-of-use asset is reviewed when necessary, but at least at every year end for the financial statements, and an impairment is recognised if expected economic benefits change.

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

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

Information on Group leases

The Group has roughly 400 leases involving a right-of-use asset under IFRS 16. The nature of these leases is described below.

Leases of business premises

Outside Finland, the Group typically operates in leased premises. The premises are mainly office premises with fixed-term or open-end leases. The Group has defined the average duration of its open-end leases for 7–10 years. The estimate is based on previous experience on the duration of similar leases. The leases do not contain material extension options. Some leases are subject to annual raises based on an index stated on the lease contract.

Lease of vehicles

Measured by numbers, car leases are the predominant lease type signed by the Group. Cars are mostly leased by Group offices outside Finland. Vehicles for employees working in the Group's non-Finnish subsidiaries are typically on lease. The leases typically run for 3–5 years and are signed without extension or purchase options.

Other leases

The Group's other leases are mostly associated with factory operations. The Group has contracts with various service providers involving a lease. The Group does not have such IT contracts that contain a lease contract.

The Group as lessor

The Group has one business facility that it has leased out to a third party. The Group treats this lease as an operational contract, since it does not grant the lessee any gains or risks essentially associated with the leased facility that arise from the ownership of an asset. The Group also has other low-value leases in which it operates as the lessor. Rental revenue from operative lease contracts is recognised in equal installments in the consolidated statement of income.

Critical accounting estimates and assumptions, and main related uncertainties concerning recognising right-of-use assets from customer contracts

Determining whether an arrangement contains a lease

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

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

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

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

Separating components of a contract

In some cases, contracts may contain lease components, which is due to the fact that the contract obligates the contracting party to provide various obligations to the Group. In such multi-component arrangements, the Group will specify each lease component and process them separately in accounting. The right to use the underlying asset is a separate lease component when the Group is able to benefit from the use of the asset either as such or jointly with other easily accessible resources and the asset is not highly dependent on other assets stipulated by the contract or it is not strongly attached to them. The Group allocates the contractual consideration to each lease component in proportion to their relative individual prices. Group did not have such material contracts as at December 31, 2021 or as at December 31, 2020 respectively.

Lease term

The lease term is the period during which the lease cannot be cancelled. The lease term is extended by the period covered by an extension option or termination option, if the Group is reasonably certain to exercise the extension option or not to exercise the termination option. The Group makes use of practical expedients and does not enter as liabilities leases with a lease term of 12 months or less, or leases associated with low-value assets. These leases are recognised as a constant expense over the lease term.

	Owned by Orion											
	Land and water		Buildings and constructions		Machinery and equipment		Other property, plant and equipment[1]		Advance payments and construction in progress		Total	
EUR million	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Historical cost at 1 Jan	5.8	5.8	386.3	376.2	415.9	403.0	5.3	5.1	23.1	18.9	836.4	809.1
Additions			9.3	5.6	15.6	12.9	0.2	0.1	23.4	15.8	48.5	34.5
Disposals	-0.2		-5.4	-0.2	-26.3	-6.7	-0.3	-0.0	-0.0	-0.0	-32.2	-6.9
Transfers between statement of financial position items			4.7	4.6	9.8	6.9	0.6	0.2	-14.9	-11.6	0.1	0.1
Translation differences					0.1	-0.2	0.0	-0.1			0.1	-0.3
Historical cost at 31 Dec	5.6	5.8	394.8	386.3	415.1	415.9	5.9	5.3	31.5	23.1	852.9	836.4
Accumulated depreciation and impairment at 1 Jan	0.2	0.2	-220.6	-209.1	-301.0	-285.3	-3.8	-3.7			-525.1	-498.0
Accumulated depreciation on disposals and transfers			5.4	0.2	25.7	6.0	0.3	0.0			31,4	6.2
Depreciation for the year			-12.1	-11.6	-22.3	-21.7	-0.3	-0.2			-34.7	-33.5
Translation differences					-0.1	0.1	-0.0	0.1			-0.1	0.2
Accumulated depreciations and impairment at 31 Dec	0.2	0.2	-227.3	-220.6	-297.6	-301.0	-3.8	-3.8			-528.5	-525.1
Carrying amount at 1 Jan	6.0	6.0	165.7	167.1	114.9	117.6	1.6	1.5	23.1	18.9	311.3	311.1
Carrying amount at 31 Dec	5.8	6.0	167.5	165.7	117.4	114.9	2.0	1.6	31.5	23.1	324.4	311.3

[1] Other tangible assets mainly comprise basic improvements to rented apartments, asphalting, environmental works and art objects.

	Right-of-use assets											
	Leased premises		Cars		Others		Total		Owned by Orion		Total	
EUR million	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Historical cost at 1 Jan	11.2	13.4	4.8	5.7	2.0	1.4	18.0	20.5	836.4	809.1	854.4	829.6
Additions	2.0	0.1	1.3	1.9	0.0	0.5	3.4	2.5	48.5	34.5	51.9	36.9
Disposals	-2.3	-1.6	-1.0	-2.5	-0.9		-4.2	-4.1	-32.2	-6.9	-36.5	-11.0
Transfers between statement of financial position items									0.1	0.1	0.1	0.1
Translation differences	0.3	-0.7	0.1	-0.3			0.4	-1.0	0.1	-0.3	0.5	-1.3
Historical cost at 31 Dec	11.1	11.2	5.3	4.8	1.1	2.0	17.5	18.0	852.9	836.4	870.4	854.4
Accumulated depreciation and impairment at 1 Jan	-6.4	-6.8	-2.0	-3.0	-1.2	-1.0	-9.6	-10.8	-525.1	-498.0	-534.7	-508.7
Accumulated depreciation on disposals and transfers	2.4	1.6	1.2	2.5	0.7		4.2	4.1	31.4	6.2	35.6	10.3
Depreciation for the year	-1.8	-1.6	-1.6	-1.7	-0.3	-0.2	-3.6	-3.5	-34.7	-33.5	-38.3	-37.0
Translation differences	-0.2	0.5	-0.0	0.2			-0.2	0.6	-0.1	0.2	-0.3	0.8
Accumulated depreciation and impairment at 31 Dec	-5.9	-6.4	-2.5	-2.0	-0.8	-1.2	-9.2	-9.6	-528.5	-525.1	-537.7	-534.7
Carrying amount at 1 Jan	4.8	6.5	2.8	2.8	0.7	0.5	8.3	9.8	311.3	311.1	319.6	320.9
Carrying amount at 31 Dec	5.2	4.8	2.8	2.8	0.3	0.7	8.3	8.3	324.4	311.3	332.6	319.6

Leases

ITEMS ARISING FROM LEASES IN THE CONSOLIDATED INCOME STATEMENT

EUR million	2021	2020
Depreciation from right-of-use assets	3.6	3.5
Interest expense from lease liabilities	0.2	0.2
Expense from short-term lease	0.4	0.7
Expense from leases of low-value assets	1.6	1.7
Lease income from third parties	-1.7	-2.2
Total	4.2	3.8

The Group has one business facility that it has leased out to a third party. The lease agreements is open-ended. The lease revenue from the facility was in the financial period EUR 1.7 (2020: 2.2) million.

Lease liabilities

The reconciliation of lease liabilities under current and non-current interest-bearing liabilities on the Group's consolidated balance sheet and undiscounted maturity spread of lease liabilities are presented in note 6.2.3 Liquidity risk.

Lease-related items entered in the consolidated cash flow statement

The consolidated cash flow statement item Repayments of current loans contains EUR 4.0 (2020: 3.9) million of lease payments to lessors.

3.2 Intangible assets

Accounting policies

Research and development costs

Research costs are expensed as incurred to consolidated income statement. Intangible assets generated from development activities are recognised in the statement of financial position only if the expenditure of the development phase can be reliably determined, the product is technically feasible and commercially viable, the product is expected to generate future economic benefits and the Group has the intention and resources to complete the development work. The Group's view is that until an authority has granted marketing authorisation, it could not be demonstrated that an intangible asset would generate future economic benefits. The Group has therefore not capitalised its internal development costs. The same principle for recognition has been applied for externally purchased services. Software, buildings, machinery and equipment used in research and development activities are depreciated and recognised under research and development costs over their useful life.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired company at the date of acquisition. Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination. Cash-generating units have been grouped according to operating segment. The goodwill in the consolidated statement of financial position arose prior to the adoption of IFRS, and it corresponds to the carrying amount according to the previous financial reporting standards, which was used as the deemed cost on 1 January 2004 when making the transition to IFRS.

Intangible rights and other intangible assets

Intangible rights and other intangible assets are measured at their historical cost, less accumulated amortisation and impairment. They are amortised over their useful life, usually five to ten years, using the straight-line method. As a rule, acquired marketing rights are amortised over the remaining term of the contract.

Externally acquired intangible rights, such as product and marketing rights, are recognised in the statement of financial position. For a product under development, the cost bases are assessed. The costs of payments for research and development work undertaken that has not yet generated an intangible right recognisable in the statement of financial position are recognised as research and development costs. However, if an intangible right is considered to have been transferred to the Group, the costs are recognised in the statement of financial position. Amortisations of marketing authorisations, and product and marketing rights included in the intangible rights are disclosed under selling and marketing expenses, and recording of an amortisation expense will commence when an authority has issued authorisation for marketing of the product and selling of it commences.

The accounting for cloud computing arrangements depends on whether the cloud-based software classifies as a software intangible asset or a service contract. Those arrangements where the Group does not have control over the underlying software are accounted for as service contracts providing the Company with the right to access the cloud provider's application software over the contract period. The ongoing fees to obtain access to the application software, together with related configuration or customisation costs incurred, are recognised under in the consolidated income statement when the services are received. Prepayments paid to the cloud vendor for customizing services which are not distinct are recognized as expense over the contract period.

Government grants

Government grants related to research activities are recognised as decreases in the research expenses incurred in the corresponding reporting period. If an authority decides to convert an R&D loan into a grant, that is recognised in the consolidated income statement under other operating income. Government grants related to the acquisition of property, plant and equipment or intangible assets are recognised as decreases in their acquisition costs. Such grants are recognised as income in the form of reduced depreciation during the useful life of the asset.

Impairment of property, plant, equipment and intangible assets

At the end of each reporting period, the Group assesses whether there are indications that an asset may be impaired. If there are any such indications, the respective recoverable amount is assessed. As regards goodwill and an material intangible asset not yet available for use, the assessment is undertaken annually even if no such indications had become apparent. The recoverable amount is the higher of the asset's fair value less selling costs or value in use. The value in use is obtained by discounting the present value of the future cash flows from that asset. The discount rate is the weighted average cost of capital (WACC) calculated before tax and using Standard & Poor's index for the healthcare industry as the debt-to-equity ratio. The index corresponds to the potential and risks of the asset under review.

An impairment loss is recognised in the consolidated income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. An impairment loss other than on goodwill is reversed if there is a change in the circumstances and the asset's recoverable amount exceeds its carrying amount. An impairment loss is not reversed to more than what the carrying amount of the asset would have been had there been no impairment loss.

Impairment of goodwill is recognised in the consolidated income statement under Other operating expenses, which include expenses not allocable to specific operations. Intangible assets not yet available for use, comprising mainly marketing authorisations and product rights, are tested for impairment individually for each asset carrying material value in the statement of financial position. Impairment charges are recognised as an expense under the appropriate activity, and for marketing authorisations and product and marketing rights under selling and marketing expenses.

Critical accounting estimates and assumptions, and main related uncertainties concerning impairment of property, plant and equipment and intangible assets

Actual cash flows can differ from estimated discounted future cash flows because changes in the long-term economic life of the Company's assets, the forecast selling prices of products, production costs and the discount rate applied in the calculations can lead to the recognition of impairment losses.

EUR million	Goodwill 2021	Goodwill 2020	Intangible rights[1] 2021	Intangible rights[1] 2020	Other intangible assets[2] 2021	Other intangible assets[2] 2020	Total 2021	Total 2020
Historical cost at 1 Jan	13.5	13.5	173.4	163.4	59.5	58.8	246.3	235.7
Additions			32.5	10.6	1.0	0.9	33.5	11.6
Disposals			-4.0	-0.6	-4.5	-0.2	-8.5	-0.8
Transfers between statement of financial position items			-0.3	-0.1	0.3	0.0	-0.1	-0.1
Translation differences			0.0	-0.0	0.0	-0.0	0.0	-0.0
Historical cost at 31 Dec	13.5	13.5	201.6	173.4	56.2	59.5	271.2	246.3
Accumulated amortisation and impairment at 1 Jan			-146.5	-128.6	-56.8	-56.0	-203.3	-184.6
Accumulated amortisation on disposals			4.0	0.6	4.5	0.1	8.5	0.7
Amortisation for the period			-5.5	-17.4	-1.4	-0.9	-6.9	-18.3
Impairment			-0.6	-1.2			-0.6	-1.2
Accumulated amortisation and impairment at 31 Dec			-148.6	-146.5	-53.7	-56.8	-202.3	-203.3
Carrying amount at 1 Jan	13.5	13.5	26.8	34.8	2.7	2.8	43.0	51.1
Carrying amount at 31 Dec	13.5	13.5	53.0	26.8	2.5	2.7	69.0	43.0

[1] Intangible rights comprise mainly product rights and marketing authorisations with carrying amount EUR 41.7 (2020: 18.7) million, and also software, trademarks and patents.

[2] Other intangible assets include development costs for software paid to external parties and entry fees.

Besides goodwill, the Group has no other intangible assets with indefinite useful life. The Group has no internally produced intangible assets. All intangible assets have been obtained through acquisition.

Impairment testing of goodwill, property, plant and equipment and intangible assets

Goodwill

The goodwill of EUR 13.5 million originated from the acquisition of Farmos-Group Ltd. in 1990. In impairment testing, the goodwill is allocated to the cash generating units that form the Pharmaceuticals business. The Group does not have any other cash generating units.

In the impairment tests, the recoverable amount is determined on the basis of the value-in-use calculation. The cash flow forecasts are based on the detailed five-year plans adopted by the management. The cash flows beyond the forecast period adopted by the management have been calculated cautiously assuming zero per cent growth. The management's forecasts are based on the growth of global pharmaceutical markets, market shares in sales of pharmaceuticals, and the trends expected in pharmaceutical markets and sales.

The discount rate used is the weighted average cost of capital (WACC), in which the special risks related to the cash generating unit have been taken into account. The discount rate is defined before taxes. The discount rate for the period is 4.7% (2020: 4.3%).

Based on impairment testing, there was no need to recognise any impairment of goodwill during the period.

A change in any of the main variables used would, reasonably judged, not lead to a situation in which the recoverable amount of a group of cash-generating units is lower than its carrying amount.

Intangible assets not yet available for use

Intangible assets not yet available for use are tested for impairment annually. The recoverable amount is based on the value in use. Cash flow forecasts adopted by the management cover a 5–15 year period from taking asset into use. The use of forecasts for periods of over five years is based on the estimated useful life of products. Beyond the five-year period, the cash flow growth rate does not exceed the average growth rates of markets for the Company's products and the pharmaceutical industry. The discount rates for the period varied from 10% to 12%, and they are defined separately for each unit taking into account its risks

The carrying amount of intangible assets not yet available for use was EUR 38.2 (2020: 10.0) million.

Impairment charges recognised in the period

During the period impairment charges totalling EUR 0.6 (2020: 1.2) million were recognised on the intangible rights of the Pharmaceuticals business. Intangible rights not yet available for use accounted for EUR 0.0 (2020: 1.0) million of the impairments. The most significant impairment charges relate to acquired rights to products the development of which has ceased, and to products that are already in markets, but for which the forecast recoverable cash flows were less than the carrying amount. The full carrying amount of rights to products the development of which has ceased has been recognised as an expense.

There were no other indications that the value of intangible assets might have been impaired during the period.

3.3 Joint arrangements

In the 2020 financial year, total cost of joint operations amounted to EUR 4.4 (2020: 11.3) million. At the end of the financial year 2021, Orion had no (2020: had no) of the upfront payments related to the joint operations in the consolidated statement of financial position.

Licensing, development and commercialisation agreement between Orion and Bayer

In year 2014, Orion commenced global collaboration with Bayer in the development and commercialisation of the novel androgen receptor antagonist darolutamide (brand name Nubeqa).

Darolutamide is in clinical development for the treatment of patients with prostate cancer. The clinical Phase III trial (ARAMIS) launched in 2014 continued to evaluate the efficacy and safety of darolutamide in patients with non-metastatic castration-resistant prostate cancer (nmCRPC). The primary endpoint of the ARAMIS trial was reached in October 2018. A second clinical Phase III trial (ARASENS) began in 2016 and evaluates the safety and efficacy of darolutamide in patients with metastatic hormone-sensitive prostate cancer (mHSPC). The primary endpoint of the ARASENS trial was reached in December 2021. Additionally, another clinical Phase III trial (ARANOTE) was launched in 2020 to evaluate the efficacy and safety of the combined darolutamide and hormonal therapy (androgen deprivation therapy, ADT) vs. combined placebo and hormonal therapy in patients with metastatic hormone-sensitive prostate cancer (mHSPC).

Orion and Bayer set up a steering group for the darolutamide Phase III clinical trial. They are considered to have joint control over the project. The agreement does not involve a separate investment instrument, so the project is considered a joint operation under IFRS 11. Bayer takes main responsibility for the darolutamide research project costs, irrespective of the outcome of the research.

Under the agreement, Bayer will commercialise the product globally while Orion has the option of co-promoting the product in Europe. In addition, Orion will manufacture and package the product for global markets. Information on Nubeqa sales revenue is provided in Note 2.1.

3.4 Investments in associates, joint ventures and joint operations

EUR million	2021	2020
Carrying amount at 1 Jan	0.1	0.1
Share of associated companies' results		
Carrying amount at 31 Dec	0.1	0.1

ASSOCIATES AND JOINT VENTURES OF THE GROUP

Holding at 31 Dec, %	Domicile	2021	2020
Hangon Puhdistamo Oy	Hanko	50.0%	50.0%

Hangon Puhdistamo Oy engages in wastewater treatment for the companies that own it. The company operates at cost, by covering its own expenses and without making any profit, so its impact on the consolidated income statement and statement of financial position is minor.

SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

EUR million	2021	2020
Assets	3.7	4.5
Liabilities	3.1	3.8
Revenues	3.2	3.4
Profit (+) or loss (-) for the period	0.0	0.0

The most recent available financial statements of the associate are for the years 2020 and 2019.

3.5 Inventories

Accounting policies

Inventories are presented in the statement of financial position using the standard price for self-manufactured products, and for purchased products the weighted average cost method using the value of the purchase and variable conversion costs, or if lower, the net realisable or replacement value. Inventories are valued at the cost of the materials consumed plus the cost of conversion, which comprises costs directly proportional to the amount produced and a systematically allocated share of fixed and variable production overheads.

The net realisable value is the estimated selling price obtainable through normal business, less the estimated expenses incurred in finalising the product and selling it.

EUR million, 31 Dec	2021	2020
Raw materials and consumables	62.6	52.6
Work in progress	50.9	44.3
Finished products and goods	151.7	161.2
Total	265.2	258.1

The value of inventories has been impaired by EUR 15.5 (2020: 12.3) million during the period to correspond to net realisable value.

3.6 Trade and other receivables

	Carrying amount	Fair value	Carrying amount	Fair value
EUR million, 31 Dec	**2021**	**2021**	**2020**	**2020**
Trade receivables	174.8	174.8	157.4	157.4
Current tax receivables	3.3	3.3	8.6	8.6
Receivables from associates	0.1	0.1	0.1	0.1
Prepaid expenses and accrued income	20.7	20.7	17.1	17.1
Receivables on derivative contracts	0.1	0.1	0.3	0.3
VAT receivables	3.1	3.1	2.2	2.2
Other receivables	6.2	6.2	5.6	5.6
Total	208.3	208.3	191.3	191.3

The maturities of the money market investments on their acquisition dates were over three months but no more than six months. The carrying amount of trade receivables and other current receivables is a reasonable estimate of their fair value.

AGEING ANALYSIS OF TRADE RECEIVABLES

	Carrying amount	Default rate	Expected credit loss	Carrying amount
EUR million, 31 Dec	**2021**	**2021**	**2020**	**2020**
Not due	153.2	0.02%	0.0	135.5
1 to 30 days past due	13.5	0.29%	0.0	15.2
31 to 60 days past due	1.0	0.44%	0.0	1.4
61 to 90 days past due	0.6	0.59%	0.0	0.6
Over 90 days overdue	6.5	0.72%	0.0	4.6
Total	174.8		0.1	157.4

The total credit losses of trade and other receivables for the period were net EUR -0.0 (2020: 0.0) million.

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MATERIAL ITEMS INCLUDED IN PREPAID EXPENSES AND ACCRUED INCOME

EUR million, 31 Dec	2021	2020
Assets based on contracts	11.0	6.0
Prepayments for service and maintenance	4.1	2.9
Prepaid sales rights	1.3	1.1
Pending R&D contributions	1.0	1.6
Pending compensations	0.7	0.8
Price differential payments on purchases	0.1	1.3
Share remunerations for restricted period		0.7
Other prepaid expenses and accrued income	2.5	2.5
Total	20.7	17.1

Due to the short-term character of the prepaid expenses and accrued income, the carrying amounts do not differ from fair value.

OTHER NON-CURRENT RECEIVABLES

EUR million, 31 Dec	2021	2020
Loan receivables from associates	0.3	0.3
Other loan receivables		0.0
Other non-current receivables	0.1	0.1
Total	0.3	0.5

Loan receivables include interest-bearing receivables. The carrying amounts do not materially differ from fair values.

3.7 Provisions

Accounting policies

A restructuring provision is recognised when the Group has compiled a detailed restructuring plan, launched its implementation or informed the parties concerned.

Critical accounting estimates and assumptions, and main related uncertainties concerning recognising of provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

PROVISIONS

EUR million	Pension provisions	Other provisions	Total
1 Jan 2021	0.1	0.3	0.4
Translation differences		-0.0	-0.0
Utilised during the period	-0.1	0.0	-0.1
Additions to provisions	0.1	0.1	0.2
31 Dec 2021	0.0	0.4	0.5

EUR million, 31 Dec	2021	2020
Non-current provisions	0.4	0.4
Current provisions	0.0	
Total	0.5	0.4

Pension, restructuring and other provisions

Pension provisions include provisions for costs of additional days relating to unemployment pension. Other provisions include provision in Italy, which relates to compensation paid to the employee when leaving the company and management's pension insurance provision in Sweden. The provisions are expected to materialise in the next 2–5 years.

3.8 Trade payables and other liabilities

EUR million, 31 Dec	2021	2020
Trade payables	89.6	86.7
Current tax liabilities	6.8	2.5
Liabilities on derivative contracts	0.1	0.2
Other current liabilities to associates	0.0	0.0
Accrued liabilities and deferred income	87.1	101.6
VAT liabilities	5.6	4.8
Other current liabilities	16.2	15.1
Total	205.4	211.0

MATERIAL ITEMS INCLUDED IN ACCRUED LIABILITIES AND DEFERRED INCOME

EUR million, 31 Dec	2021	2020
Liabilities from share-based incentive plans	3.9	4.6
Liabilities from other incentive plans	11.3	17.9
Other accrued salary, wage and social security payments	30.4	30.4
Liabilites based on contracts	13.1	9.5
Accrued price reductions	10.1	13.1
Accrued R&D expenses	6.9	3.5
Accrued price adjustments on purchases	4.6	4.4
Accrued royalties	2.5	1.9
Accrued expert fees	1.7	1.5
Accrued litigation costs	1.2	1.8
Accrued sales compensation	1.2	1.2
Accrued prepayments of sales rights		4.7
Accrued interest	0.0	0.1
Other accrued liabilities and deferred income	0.2	7.0
Total	87.1	101.6

Due to the short-term character of the trade payables and other current liabilities, the carrying amounts do not materially differ from fair value.

OTHER NON-CURRENT LIABILITIES

EUR million, 31 Dec	2021	2020
Liabilities based on contracts	11.9	14.0
Other liabilities	1.0	1.0
Total	13.0	15.0

Liabilities due to agreements include items from accruals of sales income, which have been described in Note 2.1 Revenue from contracts with customers.

4 Personnel

4.1 Employee benefits

Accounting policies

The benefits under the share-based incentive plan for key employees approved by the Board of Directors are recognised as an expense in the income statement during the vesting period of the benefit. The equity-settled portion is measured at fair value at the time of granting the benefit, and an increase corresponding to the expense entry in the statement of comprehensive income is recognised in equity. The cash-settled portion is recognised as a liability, which is measured at fair value at the end of the reporting period. The fair value of shares is the closing quotation for B shares on the day of granting the benefit.

Critical accounting estimates and assumptions concerning share-based incentive plans

Non-market vesting conditions, such as individual goals and result targets, affect the estimate of the final number of shares and amount of associated cash payments. The estimate of the final number of shares and associated cash payments is updated at the end of each reporting period. Changes in estimates are recognised in the statement of comprehensive income.

Employee benefits

EUR million	2021	2020
Wages and salaries	184.5	185.5
Pension costs		
Defined contribution plans	20.4	20.0
Defined benefit plans	6.4	3.1
Share-based incentive plan		
Equity-settled	4.2	3.0
Cash-settled	3.4	3.6
Other social security expenses	12.2	11.8
Total	227.0	0.0
Average number of personnel	3,364	3,337

Defined benefit pension obligations are presented in Note 4.2, Pension assets and pension liabilities. The management's employee benefits are presented in Note 7.1, Related party transactions.

Share-based incentive plans

The Group has one share-based incentive plan in force for key persons of the Group that commenced in 2019.

The plan than commenced in 2019 includes five earning periods, which are the calendar years 2019, 2019–2020, 2019–2021, 2020–2022 and 2021–2023. The Board of Directors decides on the earnings criteria and on targets to be established for them at the beginning of each earning period. Three earning periods, calendar year 2019, calendar years 2019–2020 and 2019–2021, commenced upon implementation of the plan. One earning period, calendar years 2020–2022, commenced in 2020. One earning period, calendar years 2021–2023, commenced in 2021. The potential rewards of the plans for the earning periods commencing in 2019, 2020 and 2021 are based on achieving the Orion Group's operating profit and net sales targets.

The target group of the plan consists of approximately 50 people. The total maximum amount of rewards to be paid on the basis of the plan is 700,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares. The total maximum amount includes a separate, so called reward for commitment part that the Board of Directors can use by a separate decision during the years 2019–2023. The maximum amount of the reward for commitment is no more than 100,000 shares and a cash payment corresponding to the value of the shares. By 31 December 2021, 114,131 B shares had been paid as rewards under this plan.

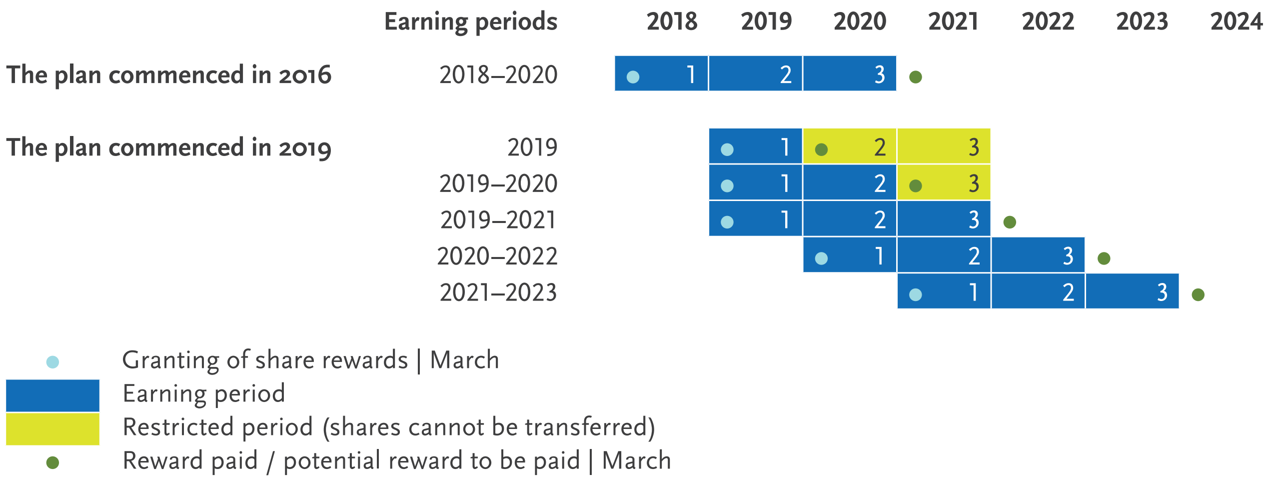
Under the plan, shares received based on one-year earning periods cannot be transferred during the restricted period determined in the plan. There is no restricted period for the three-year earning periods. The Board of Directors may decide to decrease the rewards to be paid to a key person if the limits set for the Orion Group long-term incentive plan rewards for one calendar year are exceeded.

The plan that commenced in 2016 ended in 2020. The plan included earning periods and the Board of Directors decided annually on the beginning and duration of the earning periods in 2016, 2017 and 2018. The Board of Directors decided on the earning criteria and targets to be established for them at the beginning of each earning period. Two earning periods, calendar year 2016 and calendar years 2016–2018, commenced upon implementation of the plan. Two earning periods, calendar year 2017 and calendar years 2017–2019, commenced in 2017. Two earning periods, calendar year 2018 and calendar years 2018–2020, commenced in 2018. The reward under the plan for the earning periods 2016, 2017 and 2018 was based on the Orion Group's operating profit and for the earning periods 2016–2018, 2017–2019 and 2018–2020 on the total return on Orion Corporation B shares.

The target group of the plan consisted of no more than 50 people. The total maximum amount of rewards to be paid based on the plan is 500,000 Orion Corporation B Shares and a cash payment corresponding to the value of the shares. By 31 December 2021, a total of 260,957 Orion Corporation B shares had been paid as rewards under this plan.

Under the plan, shares received based on one-year and two-year earning periods could not be transferred during the restricted period determined in the plan. There was no restriction period for the three year earning periods. The value of reward to be paid based on the plans during one calendar year was a key person's gross annual salary multiplied by 1.75, in the maximum, at the date of the reward payment.

The earning and restricted periods of Group's share-based incentive plan that is in force (LTI 2019) and share-based incentive plan that ended in 2020 (LTI 2016):



The rewards under the plan shall be paid partly in the form of the Company's B shares and partly in cash. Rewards under the plans have been paid and potential future rewards under the plans shall be paid as follows:

Earning period	Reward paid on/potential reward to be paid in
2018–2020	1 Mar 2021
2019	2 Mar 2020
2019–2020	1 Mar 2021
2019–2021	2022
2020–2022	2023
2021–2023	2024

The costs due to plan are recognised as expenses during the restricted period. The anticipated dividends have not been taken into account separately as they are taken into account in determining the share-based rewards.

EARNINGS PERIODS CURRENTLY IN EFFECT

	2021–2023	2020–2022	2019	2019–2020	2019–2021
Start date of earning period	1 Jan 2021	1 Jan 2020	1 Jan 2019	1 Jan 2019	1 Jan 2019
End date of earning period	31 Dec 2023	31 Dec 2022	31 Dec 2019	31 Dec 2020	31 Dec 2021
End date of restricted period			31 Dec 2021	31 Dec 2021	
Grant date of share rewards	3 Mar 2021	17 Mar 2020	27 Mar 2019	27 Mar 2019	27 Mar 2019
Fair value of shares at granting, EUR	33,58	32,51	32,99	32,99	32,99

TRANSFERRED SHARES

	2021	2020	2019	2018
Number of shares transferred during period	99,768	94,317	47,279	112,961
Price per transferred share, EUR[1]	34.11	36.30	32.26	26.52
Total price of transferred shares, EUR million	3.4	3.4	1.5	3.0
End date of restricted period[2]	31 Dec 2021	31 Dec 2021	31 Dec 2020	31 Dec 2019

[1] Average price of B share on tranfer date.
[2] Concerns only shares which are granted based on earning period term of one or two calendar years.

4.2 Pension assets and pension liabilities

Accounting policies

The Group has pension plans in accordance with each country's local regulations and practices. The Group has both defined contribution and defined benefit plans. In the defined contribution plans, the Group pays fixed contributions to separate entities. The Group has no legal or constructive obligations to pay further contributions if the recipient of the contributions is unable to pay the employee benefits. All the plans that do not fulfil these criteria are defined benefit plans. The payments to the defined contribution plans are recognised as expenses in the statement of comprehensive income in accordance with the contributions payable for the period.

The Orion Group has defined benefit pension plans in Finland and Norway. The regulation of these pension plans is quite similar. The most significant individual pension plan in Finland is the Orion Pension Fund, through which pension plans are provided for white-collar staff working in Finland. The Pension Fund includes statutory pension insurance to which all whitecollar staff are entitled (Department B), only part of which is treated as defined benefit based under IAS 19, and supplementary insurance for some white-collar staff (Department A), which is entirely defined benefit based. Assets of the Orion Pension Fund are invested in accordance with Finnish legislation. The management and Board of Directors of the Pension Fund are responsible for management of the assets of the Fund. The Group also has defined benefit pension plan in Norway for which a party outside the Group provides asset management. In addition, the Group management has defined benefit pension plans taken out with life assurance companies. The obligations under the defined benefit pension plans have been calculated separately for each plan.

The pension expenses related to the defined benefit pension plans have been calculated using the projected unit credit method. The pension expenses are recognised as expenses by distributing them over the whole estimated period of service of the personnel. The net defined benefit liability to be recorded in the statement of financial position is the present value of the defined benefit obligation at the end date of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation is the present value of the estimated future pensions payable, and the discount rate applied is the interest rate of low-risk bonds issued by companies with a maturity that corresponds to that of the defined benefit obligation as closely as possible. The interest rate is derived from bonds issued in the same currency as the benefits payable.

Items arising from remeasurement of defined benefit plan assets are recognised directly into components of other comprehensive income during the period when they arise. The most substantial items due to remeasurement in the Group are due to actuarial gains and losses and return on the plan assets (excluding net interest items).

The Group applies an accounting procedure in which net interest arising from plan assets is recognised functionally above operating profit as part of defined benefit plan pension expense.

Critical accounting estimates and assumptions, and main related uncerntainties

The Group has various pension plans to provide for the retirement of its employees or to provide for when the employment ends. Various statistical and other actuarial assumptions are applied in calculating the expenses and liabilities of employee benefits, such as the discount rate, estimated changes in the future level of wages and salaries, and employee turnover. The statistical assumptions made can differ considerably from the actual trend because of, among other things, a changed general economic situation and the length of the period of service. The gains and losses due to changes in actuarial assumptions are recorded into components of other comprehensive income during the period in which they arise. The changes affect the comprehensive income for the period.

DEFINED BENEFIT PLANS – AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

EUR million, 31 Dec	Pension fund 2021	Other 2021	Pension fund 2020	Other 2020
Present value of funded obligations	437.1	18.1	417.2	16.6
Fair value of plan assets	-452.1	-13.8	-401.0	-13.6
Surplus (-) / deficit (+)	-15.0	4.3	16.3	3.0
Present value of unfunded obligations		0.6		0.7
Net asset (-) / liability (+) recognised in the statement of financial position	-15.0	4.9	16.3	3.7

The net pension liability change of EUR 30.0 million is mostly due to return on plans assets, EUR 59.5 million, a change in the discount rate and the difference between the assumed and realised pension increase rate in the 2021 financial year.

The change in discount rate has been reported under the item Profits (-) and losses (+) due to changes in economic assumptions of the table illustrating the change in the current value of the obligation. The impact of the difference between assumed and realised pension increase rates has been reported under the item Empirical profits (-) and losses (+). The capital value coefficient of disability pensions in the Employees Pensions Act will change in the beginning of year 2022. A retrospective gain has been reported as Gains (-) and losses (+) due to changes in demographic assumptions. These items have been directly recognised in equity under other comprehensive income.

AMOUNTS IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Pension fund 2021	Other 2021	Pension fund 2020	Other 2020
Liabilities		4.9	18.1	3.7
Asset	-15.0		-1.8	
Net asset (-) / liability (+) recognised in the statement of financial position	-15.0	4.9	16.3	3.7

DEFINED BENEFIT PLAN PENSION EXPENSES IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Pension fund 2021	Other 2021	Pension fund 2020	Other 2020
Current service cost	5.5	0.7	3.4	0.6
Interest expense and income, total	0.1	0.0	-0.9	0.1
Pension expense (+) / income (-) in income statement	5.6	0.8	2.4	0.7
Items due to remeasurement	-37.7	1.5	73.7	0.5
Pension expense (+) / income (-) in statement of comprehensive income	-32.1	2.3	76.2	1.2

DEFINED BENEFIT PLAN PENSION EXPENSES BY FUNCTION

EUR million	Pension fund 2021	Other 2021	Pension fund 2020	Other 2020
Cost of goods sold	2.1		0.9	
Selling and marketing	0.6	0.2	0.3	0.6
Research and development	1.5		0.7	
Administration	1.3	0.6	0.6	0.0
Pension expense (+) / income (-) in the income statement	5.6	0.8	2.4	0.7

CHANGES IN PRESENT VALUE OF OBLIGATION

EUR million	Pension fund 2021	Other 2021	Pension fund 2020	Other 2020
Defined benefit plan obligation at 1 Jan	417.2	17.3	324.9	15.5
Current service cost	5.5	0.7	3.5	0.6
Interest expense	2.1	0.1	5.3	0.3
Curtailments			-0.1	
Items due to remeasurement:				
Gains (-) or losses (+) due to change in demographic assumptions	-1.8			
Gains (-) or losses (+) due to change in economic assumptions	7.0	0.9	77.2	1.9
Experienced gains (-) or losses (+)	16.5	-0.2	15.2	-0.3
Total	21.7	0.7	92.3	1.6
Translation differences		0.2		-0.2
Benefits paid	-9.4	-0.4	-8.7	-0.5
Obligation at 31 Dec	437.1	18.7	417.2	17.3

CHANGES IN FAIR VALUE OF PLAN ASSETS

EUR million	Pension fund 2021	Other 2021	Pension fund 2020	Other 2020
Fair value of plan assets at 1 Jan	401.0	13.6	380.7	12.1
Interest income	2.0	0.1	6.2	0.2
Items due to remeasurement:				
Return on plan assets excluding items in interest expense and income	59.5	-0.8	18.6	1.1
Total	59.5	-0.8	18.6	1.1
Translation differences		0.2		-0.2
Employer contributions	-0.9	1.0	4.1	0.8
Benefits paid	-9.4	-0.4	-8.7	-0.3
Fair value of plan assets at 31 Dec	452.1	13.8	401.0	13.6

FAIR VALUES OF ASSETS OF BENEFIT PLAN ARRANGED THROUGH THE ORION PENSION FUND BY ASSET CATEGORY AS PERCENTAGES OF FAIR VALUE OF ALL PLAN ASSETS

%	2021	2020
Equity in developed markets	55%	51%
Equity in emerging markets	5%	6%
Bonds	13%	15%
Cash and money market investments	5%	8%
Properties	20%	18%
Other	2%	2%
Total	100%	100%

In other benefit plans the insurance companies are responsible for the plan assets, so it is not possible to present a breakdown of those assets.

The Pension Fund plan assets in 2021 include shares issued by the parent company Orion Corporation with fair value EUR 26.3 (2020: 27.1) million that account for 5.6% (2020: 6.6%) of the plan assets.

The objective of the Orion Pension Fund is a distribution of investments that spreads risk between different types of asset over the long term. Most of the assets are invested in shares and bonds.

ACTUARIAL ASSUMPTIONS USED BY THE ORION PENSION FUND

%	2021	2020
Discount rate	1.00	0.50
Inflation rate	2.10	1.04
Future pension increases	1.00–2.40	0.40–1.34
Future salary increases	1.60	1.30

In 2021 the Group expects to contribute EUR 18 million to its pension plans (in period 2020 expected to contribute EUR 17 million in 2021 to its pension plans).

Discount rate is the most significant assumption, which affects the value of pension liability. The EUR 437.1 (2020: 417.2) million liability of the Orion Pension Fund has been discounted at a discount rate of 1.0% (2020: 0.5%). The impact on the liability of a change in the discount rate of +/- 0.50 percentage points would be EUR -40.0/+46.4 (2020: -39.0/+45.3) million, when other assumptions unchanged.

The weighted average duration of the defined benefit liability is 20 (2020: 20) years.

The defined benefit plans expose the Group to risks, the most significant of which are described in more detail below.

Volatility related to assets and liability

The discount rate applied in calculating the net liability due to the plans is based on the return of low-risk bonds issued by companies. The Group determines the discount rate based on publicly available market information. Discount rate is the most significant assumption, which affects the value of pension liability.

The Group's target over the long-term for defined benefit plan assets is to achieve a return exceeding the discount rate because some of the assets are equity instruments for which the return over the long term is expected to be higher than the return of bonds on which the discount rate is based. The value of defined benefit assets changes as the return rises above or decreases below the discount rate. This may generate a surplus or deficit of plan assets. The solidity of the Orion Pension Fund is good, so the Orion Pension Fund can withstand quite a heavy fall in stock markets.

Changes in returns of bonds

The Group may have to change the discount rate if the return on bonds changes. That would alter the liabilities of the defined benefit plans and the components relating to defined benefit plans to be recorded in the statement of comprehensive income. However, some of the assets of the plans are invested in bonds, and the change in their value may partly compensate for the effect of the change in the liability on the value of the net debt.

Inflation risk

The liability of the defined benefit plans would increase if inflation increased. Some of the plan assets are invested in equity instruments that are affected only a little by inflation. Acceleration of inflation would therefore increase the deficit of the defined benefit plans.

Anticipated life expectancy

Defined benefit plan liabilities to a large extent relate to the generation of life-long benefits for members. A rise in anticipated life expectancy would therefore increase the defined benefit liability.

5 Income taxes and deferred taxes

5.1 Income taxes

Accounting policies

The income tax expense in the consolidated income statement income includes taxes based on the profit of the Group companies for the financial year, tax adjustments for previous financial years and deferred tax. For items recognised directly in equity, the corresponding tax effect is also recognised in equity. Current tax is calculated on the basis of the tax rate in force in each country.

INCOME TAXES

EUR million	2021	2020
Current taxes	49.6	57.5
Adjustments for current tax of prior periods	-0.3	-0.4
Deferred taxes	-0.8	1.4
Total	48.5	58.4

TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME

EUR million	2021	2020
Remeasurement of pension plans (income -/ expense +)	7.2	-14.9

RECONCILIATION BETWEEN TAX EXPENSE IN STATEMENT OF COMPREHENSIVE INCOME AND TAXES CALCULATED FROM GROUP´S 20.0% DOMESTIC TAX RATE

EUR million	2021	2020
Profit before taxes	242.3	278.3
Consolidated income taxes at Group's domestic tax rate	48.5	55.7
Impact of different tax rates of foreign subsidiaries	0.4	0.6
Tax-exempt income	-0.7	-0.9
Non-deductible expenses	0.8	0.8
Utilisation of deductible losses	0.0	-0.4
Tax adjustments for previous financial years	-0.3	-0.4
Withholding tax provision of dividends		1.4
Changes in deferred taxes related to prior years	0.4	0.9
Other items	-0.5	0.7
Income tax expense recognised in consolidated income statement	48.5	58.4
Effective tax rate	20.0%	21.0%

5.2 Deferred taxes

Accounting policies

Deferred tax is computed on all temporary differences between the carrying amount and the taxable value. Deferred tax assets due to confirmed tax losses of Group companies are imputed only to the extent that they can be utilised in the future. Deferred taxes are computed using the tax rates valid or in practice approved at the end of the reporting period.

Critical accounting estimates and assumptions, and main related uncertainties concerning deferred taxes

In preparing the financial statements, the Group estimates, in particular, the basis for recording deferred tax assets. For this purpose, an estimate is made of how probable it is that the subsidiaries will generate sufficient taxable income against which unused tax losses or unused tax assets can be utilised. The factors applied in making the forecasts can differ from the actual figures, and this can lead to expense entries for tax assets in the income statement.

DEFERRED TAX ASSETS

EUR million, 31 Dec	2021	2020
Revenue recognition	2.8	3.2
Internal inventory margin	2.3	1.2
Pension liability	1.0	4.0
Other deductible temporary differences	0.4	0.0
Total	6.6	8.4

DEFERRED TAX LIABILITIES

EUR million, 31 Dec	2021	2020
Depreciation difference and untaxed reserves	26.2	24.7
Pension assets	3.0	
Other taxable temporary differences	2.2	2.7
Capitalised cost of inventory	2.5	2.0
Total	34.0	29.3

CHANGE IN DEFERRED TAX ARISES FROM

EUR million, 31 Dec	2021	2020
Pension assets/liabilities	-6.0	14.5
Internal inventory margin	1.2	-1.0
Capitalised cost of inventory	0.5	0.6
Revenue recognition	-0.4	-0.4
Depreciation difference and untaxed reserves	-1.6	0.2
Deductible losses and other timing differences	-0.2	-0.4
Total	-6.5	13.5

During the period, increase of EUR 7.2 (2020: an increase of EUR 14.4) million has been recognised to other comprehensive income due to income taxes was recognised. The recognised taxes increased at 31 Dec 2021 the equity EUR 3.2 (2020: increased EUR 10.5) million.

6 Financing and capital structure

6.1 Financial assets and liabilities by category

Accounting policies

Classification

The Group's financial items are recognised and measured at amortised cost or at fair value through profit or loss. The classification of assets depends on the business models defined by the Company and on the cash flows of the financial assets based on contract. The classification may change following a change in business model. Classification per item in statement of financial position is found in the note concerning financial assets and liabilities.

1. Measured at amortised cost

When the target of the business model is to hold financial assets for the purpose of collecting cash flows based on contract and the cash flows are based exclusively on the payment of equity and interests, assets are classified at amortised cost. Of the Group's financial assets trade receivables, other receivables and financial assets are classified at amortised cost. Financial liabilities except for derivatives are classified at amortised cost.

2. Recognised at fair value through profit or loss

Financial assets are measured at fair value through profit or loss when they are not held for collecting cash flows based on contract nor for both collecting cash flows and for sale or when they were classified at this class in the initial classification. The Group's financial assets recognised at fair value through profit or loss comprise derivatives, shares and interests and money market investments. Of financial liabilities, derivatives are measured at fair value and are recognised through profit and loss.

A financial asset or liability with maturity over 12 months from the reporting date is included in the non-current assets or liabilities in the statement of financial position. If a financial asset is intended to be held for less than 12 months or its maturity is less than 12 months from the reporting date, it is included in the current assets in the statement of financial position. The credit limits of bank accounts to the extent that they are used and commercial paper issued by the Company are included in interest-bearing current liabilities, as are any repayments of capital of non-current interest-bearing liabilities due in the next 12 months.

Recognition and measurement

Purchases and sales of financial assets are recognised in the accounting through settlement date accounting except for derivatives, which are recognised on the acquisition date. Financial assets measured at amortised cost are also initially recognised at fair value, but transaction costs are taken into account in the value. After initial measurement, the value of these financial assets is measured at amortised cost using the effective interest method less any impairment. Impairment losses are recognised in the consolidated income statement.

Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are recognised as expenses in the consolidated income statement. Unrealised and realised gains and losses due to changes in the fair value are recognised through profit or loss. Fair value is based on the quoted market price on the end date of the reporting period.

Financial liabilities are initially recognised in accounting at fair value less transaction costs. Subsequently, financial liabilities except derivative liabilities at fair value through profit or loss are measured at amortised cost using the effective interest method.

A financial asset is derecognised in the statement of financial position when the Group no longer has the contractual rights to receive the cash flows or when it has substantially transferred the risks and income from the asset to outside the Group. Liabilities are derecognised in the statement of financial position once the debt has extinguished.

Impairment

At the end of each reporting period, it is assessed whether there is any objective evidence of expected credit losses regarding an item in the Group's financial assets.

Impairments are estimated in two different ways, either based on the amount of expected credit losses in the next 12 months or based on the amount of expected credit losses over the entire lifetime of the financial asset. As a rule, the used time period is the next 12 months unless there are specific grounds for a significantly increased credit risk of a financial asset.

Criteria applied by the Group in stating that there is significantly increased credit risk:
- issuer's or debtor's considerable financial problems
- breach of contract terms, such as neglecting payments or payments long overdue
- high probability of bankruptcy or other financial restructuring of debtor

For trade receivables, the Company applies a simplified model based on the amount and due date distribution of overdue receivables. Trade receivables do not include a significant financing component, and thus expected credit losses are recognised over the entire lifetime of the financial asset. Historical credit loss experience is used as the basic information in the provision matrix, and it is adjusted as needed with a future outlook estimate.

Expected credit losses are recognised through profit or loss, with the counter-item reducing the item in financial assets. Recognition takes place at the next reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and assets in bank accounts, and liquid debt instruments. Liquid debt instruments are short-term certificates of deposit and commercial paper with maturities initially of no more than three months issued by banks and companies.

Money market investments that are fair value through profit or loss instruments with maturities initially of over three months and no more than twelve months and liquid bond funds are regarded as cash and cash equivalents in the statement of cash flows. Money market investments are part of the Group's active cash management.

Derivative instruments

Derivatives are classified as measured at fair value through profit or loss and are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value using the closing market prices on the end date of the reporting period. Derivatives are recognised under other receivables and liabilities in the statement of financial position. The Group does not apply hedge accounting to foreign exchange derivatives that hedge items in foreign currencies in the statement of financial position or hedge highly probable forecast cash flows, even though they have been acquired for hedging purposes in accordance with the Group's treasury policy.

Both unrealised and realised gains and losses due to changes in the fair value of derivatives recorded through profit or loss are recognised in the reporting period in which they are incurred through profit or loss under either Other income and expenses or Finance income and expenses, depending on whether operational revenue or finance items have been hedged.

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

	2021				2020
EUR million, 31 Dec	Amortised cost	Fair value through profit and loss	Carrying amount of financial items	Fair value	Carrying amount of financial items
Other investments		0.2	0.2	0.2	0.2
Other non-current receivables	0.3		0.3	0.3	0.5
Non-current assets total	0.3	0.2	0.5	0.5	0.7
Trade receivables	174.8		174.8	174.8	157.4
Other receivables	1.2		1.2	1.2	1.8
Cash and cash equivalents	216.7		216.7	216.7	294.4
Derivatives		0.1	0.1	0.1	0.3
Current assets total	392.7	0.1	392.8	392.8	453.8
Financial assets total	393.1	0.3	393.3	393.3	454.5
Non-current interest-bearing liabilities	104.7		104.7	103.5	105.5
Other non-current liabilities	0.1		0.1	0.1	0.1
Non-current liabilities total	104.7		104.7	103.6	105.5
Trade payables	89.6		89.6	89.6	86.7
Other current liabilities	14.1		14.1	14.1	15.0
Current interest-bearing liabilities	3.8		3.8	3.8	3.1
Derivatives		0.1	0.1	0.1	0.2
Current liabilities total	107.4	0.1	107.5	107.5	105.1
Financial liabilities total	212.1	0.1	212.3	211.1	210.6

Derivative contracts are included in other receivables and other liabilities in the statement of financial position.

SPECIFICATION OF FINANCIAL LIABILITIES INCLUDED IN CASH FLOW FROM FINANCING ACTIVITIES

EUR million, 31 Dec	Cash flows	Other changes with no related payment	2021	2020
Interest-bearing non-current liabilities		-0.8	104.7	105.5
Interest-bearing current liabilities		0.7	3.8	3.1

FAIR VALUE MEASUREMENT AND HIERARCHY

Financial instruments measured at fair value in the statement of financial position are grouped as follows into three hierarchy levels depending on the valuation technique

EUR million, 31 Dec 2021	Level 1	Level 2	Level 3	Total
Derivatives				
Currency derivatives		0.1		0.1
Other investments				
Shares and investments			0.2	0.2
Assets total		0.1	0.2	0.3
Derivatives				
Currency derivatives		-0.1		-0.1
Liabilities total		-0.1		-0.1

EUR million, 31 Dec 2020	Level 1	Level 2	Level 3	Total
Derivatives				
Currency derivatives		0.3		0.3
Other investments				
Shares and investments			0.2	0.2
Assets total		0.3	0.2	0.5
Derivatives				
Currency derivatives		-0.2		-0.2
Liabilities total		-0.2		-0.2

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

The Group applies the principle of recognising transfers between levels of fair value hierarchy on the date on which the event triggering the transfer occurred.

6.2 Financial risk management

The objective of the Group's financial risk management is to decrease the negative effects of market and counterparty risks on the Group's profits and cash flows and to ensure sufficient liquidity.

The main principles for financial risk management are defined in the Group Treasury Policy approved by the Board of Directors of the parent company or CEO of the parent company, and the Group Treasury is responsible for its implementation. Treasury activities are centralised in the Group Treasury.

6.2.1 Market risk

The Group is exposed to market risks related to foreign currency exchange rate, market interest rate and electricity price.

6.2.1.1 Foreign currency exchange rate risk

The Group's foreign currency exchange rate risk consists of transaction risk and translation risk.

Transaction risk

Transaction risk arises from operational items (such as sales and purchases) and financial items (such as loans, deposits and interest flows) in foreign currency in the statement of financial position, and from forecast cash flows over the upcoming 12 months. Transaction risk is monitored and hedged actively. In accordance with the Treasury Policy, items based on significant currencies in the statement of financial position are normally hedged 90–105% and the forecast cash flows over the upcoming 12 months 0–50%. Currency derivatives with maturities up to 12 months are used as hedging instruments.

The most significant currencies for the Group's operational items are the US dollar, Swedish krona, Polish zloty, Norwegian krona, Russian rouble, Japanese yen and British pound. As regards these currencies, no individual currency accounts for a significant portion of the overall position. The position as regards these currencies is presented below.

					Total	
EUR million, 31 Dec	**USD**	**SEK**	**PLN**	**Other significant currencies**	**2021**	**2020**
Net position in statement of financial position	13.2	5.5	7.9	26.0	52.6	33.5
Forecast net position (12 months)	46.3	38.5	27.1	34.8	146.8	135.7
Net position, total	59.5	44.0	35.1	60.8	199.4	169.2
Currency derivatives for hedging	-15.9	-8.6	-6.9	-3.8	-35.3	-30.7
Net open position total	43.6	35.3	28.1	57.0	164,1	138.5

The Group's internal loans and deposits are denominated in the local currency of the subsidiary and the most significant ones have been fully hedged with currency swaps.

The fair value changes of the currency derivatives are recognised through profit and loss in either other operating income and expenses or finance income and expenses depending on whether, from an operational perspective, sales revenues or financial assets and liabilities have been hedged.

Translation risk

Translation risk arises from the equity of subsidiaries outside the eurozone. At 31 December 2021 the equity in these subsidiaries totalled EUR 63.2 (2020: 62.2) million. The most significant translation risk arises from the British pound. This translation position has not been hedged.

Sensitivity analysis

The effect of changes in foreign currency exchange rates on the Group's results (before taxes) and equity at the reporting date is presented below for the significant currencies. The assumption used in the sensitivity analysis is a +/- 10% change in the exchange rates (foreign currency depreciates/appreciates by 10%) while other factors remain unchanged. In accordance with IFRS 7, the sensitivity analysis includes only the financial assets and liabilities in the statement of financial position, and so the analysis does not take into account the forecast upcoming 12-month foreign currency cash flow included in the position. The potential translation position is not taken into account in the sensitivity analysis. In the case the Group is not adapting hedge accounting, the changes of exchange rates are recorded directly to profit or loss.

	Impact on profit	
EUR million, 31 Dec	**2021**	**2020**
+/- 10% change in exchange rates	-1.6/1.9	-0.3/0.3

6.2.1.2 Electricity price risk

The price risk refers to the risk resulting from changes in electricity market prices. The market price of electricity fluctuates greatly due to weather conditions, hydrology and emissions trading, for example. The Group obtains its electricity through deliveries that are partly fixed-price contracts and partly tied to the spot price of the price area of Finland, and in the latter case is therefore exposed to electricity price fluctuation. This price risk is not hedged.

6.2.1.3 Interest rate risk

Changes in interest rates affect the Group's cash flow and results. At 31 December 2021, the Group's interest-bearing liabilities totalled EUR 108.4 (2020: 108.5) million, which comprise of long-term loans and lease liabilities. Long-term loan of EUR 100 million has fixed interest rate and thus changes in interest levels in markets has no impact to Group's cash flow or profits.

6.2.2 Counterparty risk

Counterparty risk is realised when a counterparty to the Group does not fulfil its contractual obligations, resulting in non-payment of funds to the Group. The maximum credit risk exposure at 31 December 2021 is the total of financial assets less carrying amounts of derivatives in financial liabilities, which totalled EUR 393.2 (2020: 454.3) million (Note 6.1). The main risks relate to trade receivables, cash and cash equivalents, and money market investments.

The Group Treasury Policy defines the requirements for the creditworthiness of the financial institutions acting as counterparties to Group companies. Limits have been set for counterparties on the basis of creditworthiness and solidity, and they are regularly monitored and updated. The duration of money market investments is less than 12 months.

The Group Customer Credit Policy defines the basis for classifying customers and setting limits for them, and the ways through which the credit risk is managed. Payment performance and the financial situation of customers are monitored, and effective collection is regularly undertaken. Credit risk can be reduced by requiring advance payment as a payment term or a letter of credit or a bank guarantee to secure the payment, or by using credit insurance. In the pharmaceutical industry, trade receivables are typically generated by distributors representing different geographical areas. In certain countries, the Group also sells directly to local hospitals. The 25 largest customers accounted for 72.3% of the trade receivables at 31 December 2021 (2020: 73.9%). The trade receivables are not considered to involve significant risk (note 3.6). Credit losses for the period recognised through profit and loss were EUR -0.0 (2020: 0.0) million.

6.2.3 Liquidity risk

The Group seeks to maintain a good liquidity position in all conditions.This is ensured by cash flows from operating activities and cash and cash equivalents and other money market investments. In December 2021, EUR 100 million loan agreement with European Investment Bank was signed. The loan has not yet been withdrawn. In addition to this, the Group has undrawn bank overdraft limits and a EUR 100 million unconfirmed commercial paper program from which no commercial papers had been issued on the reporting date.

The Group's interest-bearing liabilities at 31 December 2020 were EUR 108.4 (2020: 108.5) million, which consisted of loan from EIB with fixed interest rate and lease liabilities. The average maturity for interest-bearing liabilities excluding lease liabilities is 4.2 years (2020: 5.2 years). At 31 December 2020, the Group's cash and cash equivalents and money market investments, which decrease liquidity risk, totalled EUR 216.7 (2020: 294.4) million. To ensure the Group's liquidity, any surplus cash is invested mainly in short-term euro-denominated interest-bearing instruments with good creditworthiness. An investment-specific limit is determined for each investment.

FORECAST UNDISCOUNTED CASH FLOWS OF FINANCIAL LIABILITIES, INTEREST PAYMENTS AND DERIVATIVES

EUR million, 31 Dec 2021	**2022**	**2023**	**2024**	**2025**	**2026–**	**Total**
Repayments of loans	11.8	11.8	11.8	11.8	52.9	100.0
Repayments of lease liabilities	3.8	2.4	0.9	0.4	0.9	8.4
Interest payments	0.3	0.2	0.2	0.1	0.3	1.0
Cash flow total, interest-bearing financial liabilities	15.8	14.3	12.9	12.3	54.1	109.4
Trade payables	89.6					89.6
Other non-interest-bearing financial liabilities	14.2				0.0	14.2
Cash flow total, non-interest-bearing financial liabilities	103.7				0.0	103.8
Derivative contracts, inflow	0.1					0.1
Derivative contracts, outflow	-0.1					-0.1
Cash flow total, derivative contracts	-0.0					-0.0
Cash flow total, all	119.5	14.3	12.9	12.3	54.1	213.1

EUR million, 31 Dec 2020	2021	2022	2023	2024	2025–	Total
Repayments of loans		11.8	11.8	11.8	64.7	100.0
Repayments of lease liabilities	3.1	2.3	1.4	1.0	0.8	8.5
Repayments of finance lease liabilities	0.3	0.2	0.2	0.2	0.4	1.3
Cash flow total, interest-bearing financial liabilities	3.4	14.3	13.4	12.9	65.9	109.8
Trade payables	86.7					86.7
Other non-interest-bearing financial liabilities	15.1				0.0	15.1
Cash flow total, non-interest-bearing financial liabilities	101.8				0.0	101.9
Derivative contracts, inflow	0.3					0.3
Derivative contracts, outflow	-0.2					-0.2
Cash flow total, derivative contracts	0.1					0.1
Cash flow total, all	105.3	14.3	13.4	12.9	65.9	211.8

Forward rates or the average reference rate per contract are used for forecasts of interest payments on floating-rate loans.

6.2.4 Management of capital structure

The financial objectives of the Group include a capital structure related goal to maintain the equity ratio, i.e. equity in proportion to total assets, at a level of at least 50%. This equity ratio is not the Company's opinion of an optimal capital structure, but rather part of an aggregate consideration of the Company's growth and profitability targets and dividend policy.

The terms of credit limit agreements of the Company include covenants that specify that if the covenants are breached, the lender optionally has the right to demand early repayment of the loan. The key figures used in calculation of covenants are calculated in accordance with the formulas given in loan agreements. The following tables show the levels of financial covenants specified in the terms of the loans and the corresponding values at 31 December 2021.

FINANCIAL COVENANTS	**Requirements**
Group equity ratio	>30%
Group interest-bearing net liabilities / EBITDA	<3.0

GROUP EQUITY RATIO

31 Dec	**2021**	**2020**
Equity, EUR million	747.9	731.3
Equity and liabilities total minus advances received, EUR million	1,097.9	1,097.2
Equity ratio, %	68.1%	66.7%

GROUP INTEREST-BEARING NET LIABILITIES / GROUP EBITDA

EUR million, 31 Dec	**2021**	**2020**
Interest-bearing net liabilities	-108.3	-185.8
EBITDA	289.1	336.5
Interest-bearing net liabilities / EBITDA	-0.37	-0.55

6.3 Equity

Accounting policies

Ordinary shares are presented as share capital. Transaction costs directly due to issuance of new shares or options are presented in equity including tax effects as a decrease in payments received. If a Group company purchases shares in the Company, the payment and direct costs relating to the acquisition are deducted from the equity.

The expendable fund and reserve for invested unrestricted equity are included in distributable funds under the Finnish Limited Liability Companies Act. .

CHANGES IN SHARE CAPITAL

	A shares	B shares	Total	Share capital EUR million
Total number of shares at 1 Jan 2020	**36,335,463**	**104,922,365**	**141,257,828**	**92.2**
Cancellation during the period	-63,650	-59,900	-123,550	
Conversions of A shares to B shares in 1 Jan – 31 Dec 2020	-1,149,020	1,149,020		
Total number of shares at 31 Dec 2020	**35,122,793**	**106,011,485**	**141,134,278**	**92.2**
Conversions of A shares to B shares in 1 Jan – 31 Dec 2021	-309,587	309,587		
Total number of shares at 31 Dec 2021	**34,813,206**	**106,321,072**	**141,134,278**	**92.2**
Number of treasury shares at 31 Dec 2021		571,314	571,314	
Total number of shares at 31 Dec 2021, excluding treasury shares	**34,813,206**	**105,749,758**	**140,562,964**	
Total number of votes at 31 Dec 2021 excluding treasury shares	**696,264,120**	**105,749,758**	**802,013,878**	

On 31 December 2021 Orion had a total of 141,134,278 (2020: 141,134,278) shares, of which 34,813,206 (2020: 35,122,793) were A shares and 106,321,072 (2020: 106,011,485) B shares. The Group's share capital was EUR 92,238,541.46 (2020: 92,238,541.46). At the end of 2021 Orion held 571,314 (2020: 671,082) B shares as treasury shares. On 31 December 2021 the aggregate number of votes conferred by the A and B shares was 802,013,878 (2020: 807,796,263) excluding treasury shares.

All shares issued have been paid in full.

Orion's shares have no nominal value. The counter book value of the A and B shares is about EUR 0.65 per share.

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 the General Meetings of Shareholders. In addition, Orion and Orion Pension Fund do not have the right to vote at Orion Corporation's General Meetings of Shareholders.

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

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. In 2021 a number of 309,587 A shares were converted to B shares.

According to Orion's Articles of Association, the minimum number of all shares in the Company is one (1) and the maximum number is 1,000,000,000. A maximum number of 500,000,000 of the shares shall be A shares and a maximum number of 1,000,000,000 shares shall be B shares.

On 25 March 2021, the Annual General Meeting of Orion Corporation authorised the Board of Directors to decide on issuance of new shares. On the basis of the authorisation, the Board of Directors shall be entitled to decide on the issuance of no more than 14,000,000 new Class B shares. The share issue authorisation shall be valid until the next Annual General Meeting of the Company.

The Board of Directors was authorised by Orion Corporation's Annual General Meeting on 26 March 2019 to decide on a share issue in which shares held by the Company can be conveyed. The Board of Directors is authorised to decide on a share issue in which no more than 850,000 B shares held by the Company can be conveyed. The authorisation to issue shares is valid for five years from the decision taken by the Annual General Meeting. The terms and conditions of the authorisations are reported in more detail in a stock exchange release on 26 March 2019.

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

The Board of Directors proposes that a dividend of EUR 1.50 per share will be paid out, donation of EUR 0.4 million based on the Consolidated statement of financial position to be adopted for the financial year ended December 31, 2021, and that the remaining part is carried forward in the Retained earnings in unrestricted equity.

OTHER RESERVES

EUR million	2021	2020
Expendable fund	0.5	0.5
Reserve for invested unrestricted equity	0.9	0.9
Reserve funds	1.9	2.0
Total	3.3	3.4

Translation differences

Translation differences include those arising from translation of the financial statements of foreign entities.

Dividends and other distribution of profits

A dividend of EUR 1.50 (2020: 1.50) per share were distributed in the 2021 financial year. In addition, donations of EUR 0.4 (2020: 0.3) million were distributed from profit funds.

6.4 Interest-bearing liabilities

	Carrying amount	Fair value	Carrying amount	Fair value
EUR million, 31 Dec	**2021**	**2021**	**2020**	**2020**
Loans from credit institutions	100.0	98.8	100.0	97.5
Lease liabilities	4.7	4.7	5.5	5.5
Non-current liabilities total	104.7	103.5	105.5	103.0

	Carrying amount	Fair value	Carrying amount	Fair value
EUR million, 31 Dec	**2021**	**2021**	**2020**	**2020**
Lease liabilities	3.8	3.8	3.1	3.1
Current liabilities total	3.8	3.8	3.1	3.1

The carrying value of lease liabilities can be considered as the fair value because of the short-term nature of the agreements.

The fair value of the loan was is determined by discounting the esimated cash flows to present value by using the rate that would be prevailing for Group to withdraw loan at the end of the financial year. The market interest rate prevailing at the end of the financial year is 0% to which a company-specific margin is added in discounting.

6.5 Cash and cash equivalents

	Carrying amount	Fair value	Carrying amount	Fair value
EUR million, 31 Dec	**2021**	**2021**	**2020**	**2020**
Cash and bank balances	216.7	216.7	294.4	294.4
Total	216.7	216.7	294.4	294.4

Money market investments included in cash and cash equivalents are band deposits, certificates of deposit and commercial paper with maturities of no more than three months on acquisition issued by banks and companies.

6.6 Other investments

Other investments, with asset value of EUR 0.2 (2020: 0.2) million at 31 December 2021, include mainly shares and investments in unlisted companies. They are stated at cost, because their fair value cannot be determined reliably.

6.7 Derivatives

NOMINAL VALUES AND MATURITY OF DERIVATIVES

EUR million, 31 Dec	2021	2020
Currency derivatives		
Currency forward contracts and currency swaps	30.4	20.6
Currency options	30.2	30.6

All derivatives have a maturity less than one year.

FAIR VALUES OF DERIVATIVES

	2021			2020
EUR million, 31 Dec	Positive	Negative	Net	Net
Non-hedge-accounting derivatives				
Currency forward contracts and currency swaps	0.0	-0.1	-0.0	0.1
Currency options	0.1	-0.0	0.0	0.0

All derivatives are OTC derivatives, and market quotations at the end of the reporting period have been used for determining their fair value. Derivatives measured at fair value have been reported in the consolidated statement of financial position on a gross basis. Derivative contract terms agreed with banks allow netting in the event of payment default or bankruptcy, among other things. At the end of the reporting period, after netting the counterparty risk to Orion was EUR 0.0 (2020: 0.5) million and to counterparties EUR 0.0 (2020: 0.0) million.

6.8 Contingent liabilities and commitments

Accounting policies

A contingent liability is a potential liability based on previous events. It depends on the realisation of an uncertain future event beyond the Group's control. Contingent liabilities also include obligations that will most likely not lead to a payment or its size cannot be reliably determined. Contingent liabilities are disclosed in the Notes.

COMMITMENTS AND CONTINGENCIES

EUR million, 31 Dec	2021	2020
Contingencies for own liabilities		
Guarantees	7.0	7.1
Other	0.3	0.3

Commitments

Orion has commitments for the acquisition of property, plant and equipment, which mainly concern existing factories and premises in Finland.

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.

7 Other notes

7.1 Related party transactions

In the Orion Group, the related parties are deemed to include the parent company Orion Corporation, the subsidiaries and associated and affiliated companies, the members of the Board of Directors of Orion Corporation, the members of the Executive Management Board of the Orion Group, the immediate family members of these persons, the companies controlled by these persons, and the Orion Pension Fund.

Related party transactions

The Group's material related party transactions relate to pension contributions paid to the Orion Pension Fund and services acquired from Lääkärikeskus Aava Oy. Services were purchased from Lääkärikeskus Aava Oy during the financial year 2021 for EUR 0.3 (2020: 0.2) million. The Group's debt to Lääkärikeskus Aava Oy at the end of the financial year 2021 was EUR 0.0 (2020: 0.0) million.

MANAGEMENT´S EMPLOYMENT BENEFITS

EUR million	2021	2020
Salaries and other short-term employment benefits	6.5	7.0
Share-based benefits	1.4	1.2
Post-employment benefits	0.5	0.5

SALARIES AND REMUNERATION[1]

EUR million	2021	2020
Timo Lappalainen, President and CEO	1.8	1.6
Mikael Silvennoinen, Chairman	0.1	0.1
Timo Maasilta, Vice chairman	0.1	0.1
Kari Jussi Aho	0.1	0.1
Pia Kalsta	0.1	0.1
Ari Lehtoranta	0.1	0.1
Veli-Matti Mattila	0.1	
Hilpi Rautelin	0.1	0.1
Eija Ronkainen	0.1	0.1
Heikki Westerlund		0.0
Board of Directors, total	0.6	0.5

[1] Exact figures are available in the Corporate Governance Statement, under Remunaration Report 2021.

The retirement age of the parent company's President and CEO is agreed to be 60 years and the pension level 60% of the agreed pensionable salary. During the period EUR 0.2 (2020: 0.1) million was recorded as expenses for the statutory pension and EUR 0.7 (2020: 0.6) million for the supplementary pension of the parent company's President and CEO.

Loans, guarantees and other commitments to or on behalf of the related parties

Orion Corporation is the lender of an interest-bearing loan of EUR 0.3 million to Hangon Puhdistamo Oy.

7.2 Auditor's remuneration

EUR million	2021	2020
Auditing	0.3	0.3
Assignments under Auditing Act Section 1 Subsection 1 Paragraph 2	0.0	0.0
Advice on taxation	0.0	0.0
Total	0.3	0.3

7.3 Group companies

31 Dec 2021	Group		Parent company	
	Ownership %	Share of votes %	Ownership %	Share of votes %
Pharmaceuticals				
Parent company Orion Corporation, Espoo				
Fermion Oy, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Tonttuvainio, Espoo	100.00	100.00	100.00	100.00
Orion Export Oy, Espoo[1]	100.00	100.00	100.00	100.00
Saiph Therapeutics Oy, Espoo[1]	100.00	100.00	100.00	100.00
FinOrion Pharma India Pvt. Ltd., India	100.00	100.00	95.00	95.00
OOO Orion Pharma, Russia	100.00	100.00		
Orion Pharma (AUS) Pty, Ltd., Australia[1]	100.00	100.00	100.00	100.00
Orion Pharma (Austria) GmbH, Austria	100.00	100.00	100.00	100.00
Orion Pharma (Ireland) Ltd., Ireland	100.00	100.00	100.00	100.00
Orion Pharma (NZ) Ltd., New Zealand[1]	100.00	100.00	100.00	100.00
Orion Pharma (UK) Ltd., United Kingdom	100.00	100.00	100.00	100.00
Orion Pharma A/S, Denmark	100.00	100.00	100.00	100.00
Orion Pharma AB, Sweden	100.00	100.00	100.00	100.00
Orion Pharma AG, Switzerland	100.00	100.00	100.00	100.00
Orion Pharma AS, Norway	100.00	100.00	100.00	100.00
Orion Pharma BVBA, Belgium	100.00	100.00	100.00	100.00
Orion Pharma d.o.o., Slovenia	100.00	100.00	100.00	100.00
Orion Pharma East LLP, Kazakhstan	100.00	100.00	100.00	100.00
Orion Pharma GmbH, Germany	100.00	100.00	100.00	100.00
Orion Pharma Hellas, Pharmakeftiki Mepe, Greece	100.00	100.00	100.00	100.00
Orion Pharma Kft., Hungary	100.00	100.00	100.00	100.00
Orion Pharma (MY) SDN. BMD., Malaysia	100.00	100.00	100.00	100.00
Orion Pharma Poland Sp. z o.o., Poland	100.00	100.00	100.00	100.00
Orion Pharma Romania S.R.L., Romania	100.00	100.00	100.00	100.00
Orion Pharma (SG) Pte. Ltd., Singapore	100.00	100.00	100.00	100.00
Orion Pharma S.L., Spain	100.00	100.00	100.00	100.00
Orion Pharma S.r.l., Italy	100.00	100.00	100.00	100.00
Orion Pharma s.r.o., Czech Republic	100.00	100.00	100.00	100.00
Orion Pharma s.r.o., Slovakia	100.00	100.00	100.00	100.00
Orion Pharma SA, France	100.00	100.00	100.00	100.00
Orion Pharma Thai Co, Ltd., Thailand	100.00	100.00	99.00	99.00
Orion Pharma, Inc., USA[1]	100.00	100.00	100.00	100.00
Orionfin Unipessoal Lda, Portugal	100.00	100.00	100.00	100.00
OÜ Orion Pharma Eesti, Estonia	100.00	100.00	100.00	100.00
TOV Orion Pharma Ukraine, Ukraine	100.00	100.00	95.00	95.00
UAB Orion Pharma, Lithuania	100.00	100.00	100.00	100.00

[1] These companies are not engaged in business activities.

There are no companies in which the Group's ownership is 1/5 or more that have not been consolidated as associated companies or subsidiaries.

7.4 Events after the end of the reporting period

There have been no other events after the reporting period.

Parent company Orion corporation's financial statements (FAS)

Income Statement

EUR million	Note	2021	2020
Net sales	1	912.8	944.9
Other operating income	2	12.6	14.1
Operating expenses	3, 4	-657.5	-661.0
Depreciation, amortisation and impairment	4	-32.8	-43.7
Operating profit		235.1	254.3
Finance income and expenses	5	11.4	3.9
Profit before extraordinary items, appropriations and taxes		246.5	258.2
Appropriations	6	4.5	11.8
Income tax expense	7	-46.4	-53.6
Profit for the period		204.7	216.4

Balance Sheet

ASSETS

EUR million, 31 Dec	Note	2021	2020
Intangible rights		52.7	26.6
Other long-term expenditure		2.5	2.6
Intangible assets total	8	55.2	29.2
Land areas		4.0	4.2
Buildings and constructions		151.3	148.7
Machinery and equipment		78.3	75.7
Other tangible assets		1.7	1.4
Advance payments and construction in progress		21.8	17.0
Tangible assets total	9	257.1	246.9
Holdings in Group companies		67.2	67.2
Other investments		0.2	0.2
Investments total	10	67.4	67.5
Non-current assets total		379.7	343.5
Inventories	11	182.5	185.8
Non-current receivables	12	0.3	0.4
Trade receivables	13	152.1	132.7
Other current receivables	13	65.6	54.4
Cash and bank		156.0	232.6
Current assets total		556.5	605.9
Assets total		936.2	949.4

LIABILITIES

EUR million, 31 Dec	Note	2021	2020
Share capital		92.2	92.2
Expendable fund		0.5	0.5
Reserve for invested unrestricted equity		0.9	0.9
Retained earnings		264.5	259.3
Profit for the period		204.7	216.4
Shareholders' equity	14	562.8	569.3
Appropriations	15	101.0	96.0
Provisions	16	0.4	0.6
Loans from credit institutions		100.0	100.0
Non-current liabilities total	17	100.0	100.0
Trade payables		79.3	81.4
Other current liabilities		92.7	102.1
Current liabilities total	18	172.0	183.5
Liabilities total		936.2	949.4

Cash flow statement

EUR million	2021	2020
Operating profit	235.1	254.3
Depreciation, amortisation and impairment	32.8	43.7
Other adjustments	-4.4	3.2
Total adjustments to operating profit	28.4	46.9
Change in non-interest-bearing current receivables	-25.3	83.5
Change in inventories	3.3	-20.6
Change in non-interest-bearing current liabilities	-22.9	5.5
Total change in working capital[1]	-44.9	68.4
Interest and other financial expenses paid	-2.0	-5.3
Dividends received[2]	12.3	5.4
Interest and other financial income received[2]	1.0	3.7
Income tax paid	-37.6	-57.4
Total net cash flow from operating activities	192.4	316.0
Investments in intangible assets	-33.1	-6.0
Investments in tangible assets	-36.8	-28.1
Sales of intangible assets		0.0
Sales of tangible assets	4.6	0.9
Sales of other investments		0.0
Investments in subsidiary shares	0.0	-3.3
Repayments of loan receivables	0.1	0.2
Total net cash flow from investing activities	-65.1	-36.3
Proceeds of non-current loans		100.0
Proceeds of current loans	10.2	
Repayments of current loans	-10.9	-26.5
Dividends paid and other distribution of profits	-211.2	-211.1
Group contributions received	8.0	8.0
Total cash flow from financing activities	-203.9	-129.6
Net change in cash and cash equivalents	-76.6	150.1
Cash and cash equivalents at 1 Jan[3]	232.6	82.5
Net change in cash and cash equivalents	-76.6	150.1
Cash and cash equivalents at 31 Dec[3]	156.0	232.6

[1] The change of the current loans and receivables between the parent company and the Finnish subsidiaries are recorded in the change of the parent company's working capital at their gross value.

[2] The dividends and interest paid by the subsidiaries are included in the cash flow from operating activities of the parent company.

[3] Cash and cash equivalents include liquid securities with a very low fluctuation-in-value risk, as well as cash in hand and at bank.

Parent company notes to the financial statements for 2021 (FAS)

The parent company of the Orion Group is Orion Corporation, business ID 1999212-6, domiciled in Espoo.

The Orion Group's first financial year was 1 July–31 December 2006, because the Group came into being on 1 July 2006 following the demerger of its predecessor Orion Group into a pharmaceuticals and diagnostics business and a pharmaceutical wholesale and distribution business. Orion Corporation was listed on the Helsinki stock exchange on 3 July 2006.

Accounting policies

The Financial Statements of Orion Corporation are prepared in accordance with the Finnish Accounting Act, as well as other provisions and regulations related to compilation of financial statements.

Non-current assets

The Balance Sheet values of intangible and tangible assets are based on their historical costs, depreciated according to plan. The depreciation according to plan is based on the economic life of the assets, following the straight-line depreciation method.

The historical cost of the intangible and tangible assets includes assets with remaining economic life, as well as fully depreciated non-current asset items that are still in operative use. The corresponding policies are applied to the accumulated depreciation.

The economic lives of various asset categories are as follows:

• intangible rights and other capitalised expenditure	5–10 years
• goodwill	5–20 years
• buildings	20–40 years
• machinery, equipment and furniture	5–10 years
• vehicles	6 years
• other tangible assets	10 years

As a rule, goodwill is amortised over five years. In certain cases, however, the estimated economic life of the goodwill is longer, but at maximum twenty years. Other long-term expenditure items that generate or maintain income for three years or longer are capitalised and are normally depreciated over five years.

Land areas and revaluations are not depreciated according to plan. The production and office facilities were revalued in the Orion Group in the 1970s and 1980s. The revaluations are based on valuation of each asset separately.

Research and development expenses

R&D expenses are entered as expenses during the financial year in which they are incurred.

Inventories

Inventories are presented in the Balance Sheet using the standard price for self-manufactured products, and for purchased products the weighted average cost method using the value of the purchase and variable conversion costs, or if lower, the net realisable or replacement value.

Foreign currency transactions

The valuation of the receivables and liabilities denominated in foreign currencies is based on the exchange rates quoted by the European Central Bank on the reporting date. The resulting translation gains and losses are recognised through profit or loss.

Translation gains and losses related to business operations are recorded as adjustments of sales and purchases, whereas those related to financial items are recognised under financial income or expenses.

Financial assets and liabilities and derivative financial instruments

Other investments, derivatives and part of securities are measured at fair value using an alternative treatment allowed under the Finnish Accounting Act Chapter 5, Section 2a. Other loans and receivables and other financial liabilities included in financial instruments are measured at amortised cost.

Other investments include shares and investments, securities include interest instruments, which are included in current assets. Other investments are measured at fair value using the price quoted in active markets on the reporting date. Investments in unquoted shares are measured at acquisition cost because their fair value cannot be measured using the fair value method.

Loans and receivables comprise cash and cash equivalents, loans granted, and trade and other receivables. Other financial liabilities include interest-bearing liabilities and trade and other payables.

Foreign exchange derivatives for hedging currency risk are measured at fair value using market prices on the reporting date. The fair value of foreign exchange derivatives that hedge operative items is recorded in other operating income and expenses, whereas the fair value of foreign exchange derivatives that hedge loans and receivables denominated in foreign currencies is recorded in translation differences in the financial items.

Provisions

Commitments by the Company to contractual expenses that are unlikely to generate corresponding revenue are deducted from income as provisions. Similarly, contractual losses that are likely to materialise are deducted from income.

Net sales

Net sales include revenue from sales of goods and services adjusted for indirect taxes, discounts and currency translation differences on sales in foreign currencies. Net sales also include milestone payments under contracts with marketing partners, which are paid by the partner as a contribution to cover the R&D expenses of a product during the development phase and are tied to certain milestones in research projects. In addition, net sales include royalties from the products licensed out by the Group.

Revenue from sales of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer. Revenue from services is recognised when the service has been provided. Milestone payments are recognised when the R&D project has progressed to a phase that, in accordance with an advance agreement with the partner, triggers the partner's obligation to pay its share. Royalties are recorded on an accrual basis in accordance with the licensing agreements.

Share-based payment

The share-based incentive plan for key employees approved by the Board of Directors includes the portion to be settled in shares and the portion to be settled in cash. The portion to be settled in shares does not give rise to any entries affecting the accounts. The rights relating to the portion to be settled in cash are valued at fair value at the balance sheet date and are recognised as expense during the vesting period of the right. The estimate of the final number of shares and associated cash payments is updated at each reporting date. Further information on share-based payments are given in the note 4. Operating expenses, depreciation, amortisation and impairment.

Pension arrangements

The pension security of the Company's employees has been arranged through the Orion Pension Fund and pension insurance companies. Supplementary pension security has been arranged through the pension fund for employees whose employment began prior to 25 June 1990 and continues until retirement. Supplementary pensions for some executives have also been arranged through pension insurance companies. The pension liability of the Orion Pension Fund is covered in full.

Income taxes

Income taxes comprise the taxes based on taxable profit and tax adjustments to previous financial periods. The financial statements do not itemise the deferred tax liabilities and assets, but the notes record the deferred tax liabilities and assets recognised in the balance sheet. These deferred tax liabilities or assets are calculated from material differences due to timing between the tax assessment and the financial statements, using the tax rate confirmed at the time of the financial statements for subsequent years.

1 Net sales

NET SALES BY BUSINESS AREA

EUR million	2021	2020
Pharmaceuticals business	912.8	944.9
Total	912.8	944.9

NET SALES BY MARKET AREA

EUR million	2021	2020
Finland	313.4	313.5
Scandinavia	127.8	162.6
Other Europe	300.6	296.4
North America	73.7	67.9
Other countries	97.3	104.5
Total	912.8	944.9

2 Other operating income

EUR million	2021	2020
Service charges received from Group companies	5.5	10.1
Gains on sales of property, plant and equipment and intangible assets	3.9	0.2
Rental income	2.2	2.3
Returned royalties		0.4
Gains on sales of shares		0.0
Other operating income	0.9	1.1
Total	12.6	14.1

3 Change in provisions

EUR million	2021	2020
Change in provisions	0.1	0.0
Total, increase (-), decrease (+)	0.1	0.0

4 Operating expenses, depreciation, amortisation and impairment

OPERATING EXPENSES

EUR million	2021	2020
Increase (-) or decrease (+) in stocks of finished goods or work in progress	11.0	-13.0
Production for own use	-3.4	-1.6
Raw materials and services		
Purchases during the financial year	247.8	263.1
Increase (-) or decrease (+) in stocks	-7.7	-7.6
External services	27.7	26.7
Total	267.8	282.2
Personnel expenses		
Wages and salaries	125.2	130.4
Pension expenses	14.7	19.0
Share-based incentive plan	3.2	3.8
Other social security expenses	5.6	5.2
Total	148.7	158.4
Other operating expenses	233.4	235.0
Total operating expenses	657.5	661.0

The accounting method of expenses of the share-based incentive plan was revised in the 2020 financial year. In accordance with the Accounting Board's statement no. 1998 issued on 15 January 2020, no entries that affect accounting should arise from the portion of share-based payments that is settled in the form of shares.

Voluntary social security expenses are included in other operating expenses.

AUDITOR'S REMUNERATION

EUR million	2021	2020
Auditing fee	0,1	0,1
Assignments under Auditing Act Section 1 Subsection 1 Paragraph 2	0,0	0,0
Tax advice	0,0	
Total	0,1	0,1

DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR million	2021	2020
Impairment	0.6	1.2
Other depreciation and amortisation	32.2	42.6
Total	32.8	43.7

See Balance Sheet Notes 8–9 for depreciation and amortisation by asset class for the financial year.

See Accounting Policies for the financial statements of the parent company for basis of provisions according to plan.

AVERAGE NUMBER OF EMPLOYEES

	2021	2020
Average number of employees during the financial year	2,285	2,310

Share-based payments

The Group has one share-based incentive plan in force for key persons of the Group that commenced in 2019.

The plan than commenced in 2019 includes five earning periods, which are the calendar years 2019, 2019–2020, 2019–2021, 2020–2022 and 2021–2023. The Board of Directors decides on the earnings criteria and on targets to be established for them at the beginning of each earning period. Three earning periods, calendar year 2019, calendar years 2019–2020 and 2019–2021, commenced upon implementation of the plan. One earning period, calendar years 2020–2022, commenced in 2020. One earning period, calendar years 2021–2023, commenced in 2021. The potential rewards of the plans for the earning periods commencing in 2019, 2020 and 2021 are based on achieving the Orion Group's operating profit and net sales targets.

The target group of the plan consists of approximately 50 people. The total maximum amount of rewards to be paid on the basis of the plan is 700,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares. The total maximum amount includes a separate, so called reward for commitment part that the Board of Directors can use by a separate decision during the years 2019–2023. The maximum amount of the reward for commitment is no more than 100,000 shares and a cash payment corresponding to the value of the shares. By 31 December 2021, a total of 114,131 B shares had been paid as rewards under this plan.

Under the plan, shares received based on one-year earning periods cannot be transferred during the restricted period determined in the plan. There is no restricted period for the three-year earning periods. The Board of Directors may decide to decrease the rewards to be paid to a key person if the limits set for the Orion Group long-term incentive plan rewards for one calendar year are exceeded.

The plan that commenced in 2016 ended in 2020. The plan included earning periods and the Board of Directors decided annually on the beginning and duration of the earning periods in 2016, 2017 and 2018. The Board of Directors decided on the earning criteria and targets to be established for them at the beginning of each earning period. Two earning periods, calendar year 2016 and calendar years 2016–2018, commenced upon implementation of the plan. Two earning periods, calendar year 2017 and calendar years 2017–2019, commenced in 2017. Two earning periods, calendar year 2018 and calendar years 2018–2020, commenced in 2018. The reward under the plan for the earning periods 2016, 2017 and 2018 was based on the Orion Group's operating profit and for the earning periods 2016–2018, 2017–2019 and 2018–2020 on the total return on Orion Corporation B shares.

The target group of the plan consisted of no more than 50 people. The total maximum amount of rewards to be paid based on the plan is 500,000 Orion Corporation B Shares and a cash payment corresponding to the value of the shares. By 31 December 2021, a total of 260,957 Orion Corporation B shares had been paid as rewards under this plan.

Under the plan, shares received based on one-year and two-year earning periods could not be transferred during the restricted period determined in the plan. There was no restriction period for the three year earning periods. The value of reward to be paid based on the plans during one calendar year was a key person's gross annual salary multiplied by 1.75, in the maximum, at the date of the reward payment.

The rewards under the plan shall be paid partly in the form of the Company's B shares and partly in cash. Rewards have been paid and potential future rewards, shall be paid as follows:

Earning period	Reward paid on / potential reward to be paid in
2018–2020	1 Mar 2021
2019	2 Mar 2020
2019–2020	1 Mar 2021
2019–2021	2022
2020–2022	2023
2021–2023	2024

5 Finance income and expenses

EUR million	2021	2020
Income from Group companies	12.3	5.4
Income from other non-current investments		
Dividend income from other shares and equity	0.0	0.0
Interest income from Group companies		
Interest income from other companies	0.0	0.0
Other interest and finance income		
Interest income from Group companies	0.1	0.0
Interest income from other companies	0.1	0.0
Revaluation result	0.0	0.1
Other finance income	0.9	3.5
Interest expenses and other finance expenses		
Interest expenses to Group companies		-0.1
Interest expenses to others	-0.8	-0.6
Other finance expenses	-1.1	-4.4
Total	11.4	3.9

FINANCE INCOME AND EXPENSES INCLUDE

EUR million	2021	2020
Income from equity in other companies	12.3	5.4
Interest income	0.1	0.1
Interest expenses	-0.8	-0.7

6 Appropriations

EUR million	2021	2020
Change in cumulative accelerated depreciation	-5.0	3.8
Group contribution received	9.5	8.0
Total, increase (-), decrease (+)	4.5	11.8

7 Income taxes

EUR million	2021	2020
Income tax on ordinary activities	46.8	54.0
Adjustments for income tax of prior periods	-0.4	-0.4
Total	46.4	53.6

Deferred tax liability and deferred tax asset

No deferred tax liability or deferred tax asset of the Parent company has been recorded in the Company's Balance sheet.

DEFERRED TAX ASSET

EUR million, 31 Dec	2021	2020
Provisions	0.1	0.1
Total	0.1	0.1

DEFERRED TAX LIABILITY

EUR million, 31 Dec	2021	2020
Appropriations	20.2	19.2
Revaluations	3.3	3.3
Total	23.5	22.5

8 Intangible assets

	Intangible rights		Goodwill		Other capitalised expenditure		Total	
EUR million	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Acquisition cost at 1 Jan[1]	168.5	158.6	68.3	68.3	56.4	55.6	293.1	282.5
Additions	32.4	10.6			1.1	0.9	33.5	11.5
Disposals	-2.9	-0.6			-1.3	-0.2	-4.2	-0.8
Transfers between Balance Sheet items	-0.3	-0.1			0.3	0.0	-0.1	-0.1
Acquisition cost at 31 Dec	197.7	168.5	68.3	68.3	56,4	56.4	322.4	293.1
Accumulated amortisation and impairment at 1 Jan[1]	-141.9	-124.1	-68.3	-68.3	-53.8	-53.0	-264.0	-245.4
Accumulated amortisation on disposals	2.9	0.6			1.2	0.1	4.1	0.7
Amortisation for the financial year	-5.3	-17.2			-1.4	-0.9	-6.8	-18.1
Impairment	-0.6	-1.2					-0.6	-1.2
Accumulated amortisation and impairment at 31 Dec	-144.9	-141.9	-68.3	-68.3	-54.0	-53.8	-267.2	-264.0
Book value at 1 Jan	26.6	34.5			2.6	2.6	29.2	37.1
Book value at 31 Dec	52.7	26.6			2.5	2.6	55,2	29.2
Accumulated difference between total and planned amortisation at 1 Jan	2.6	8.6			0.4	0.4	3.1	9.1
Change in cumulative accelerated amortisation, increase (+) / decrease (-)	-0.3	-6.0			-0.0	0.0	-0.3	-6.0
Accumulated difference at 31 Dec	2.4	2.6			0.4	0.4	2.8	3.1

[1] Initial values include fixed asset items with remaining useful life and fully depreciated asset items still in operational use. Accumulated depreciation is calculated in the corresponding way.

9 Tangible assets

EUR million	Land areas 2021	Land areas 2020	Buildings and structures 2021	Buildings and structures 2020	Machinery and equipment 2021	Machinery and equipment 2020	Other tangible assets 2021	Other tangible assets 2020	Advance payments and construction in progress 2021	Advance payments and construction in progress 2020	Total 2021	Total 2020
Acquisition cost at 1 Jan[1]	4.2	4.2	307.3	298.3	285.1	276.1	3.3	3.1	17.0	13.6	616.9	595.4
Additions			8.8	5.2	12.3	10.7	0.0	0.0	15.3	11.9	36.4	27.9
Disposals	-0.2		-0.2	-0.2	-23.7	-6.1		-0.1	-0.0	-0.0	-24.1	-6.3
Transfers between Balance Sheet items			3.5	4.0	6.4	4.4	0.5	0.2	-10.4	-8.5	0.1	0.1
Acquisition cost at 31 Dec	4.0	4.2	319.4	307.3	280.2	285.1	3.9	3.3	21.8	17.0	629.3	616.9
Accumulated depreciation at 1 Jan[1]			-158.7	-149.7	-209.4	-199.7	-1.9	-1.8			-370.0	-351.2
Accumulated depreciation on disposals and transfers			0.2	0.2	23.1	5.4		0.1			23.3	5.6
Depreciation for the financial year			-9.7	-9.2	-15.6	-15.1	-0.2	-0.2			-25.5	-24.5
Accumulated depreciation at 31 Dec			-168.1	-158.7	-201.9	-209.4	-2.2	-1.9			-372.2	-370.0
Book value at 1 Jan	4.2	4.2	148.7	148.6	75.7	76.5	1.4	1.3	17.0	13.6	246.9	244.2
Book value at 31 Dec	4.0	4.2	151.3	148.7	78.3	75.7	1.7	1.4	21.8	17.0	257.1	246.9
Accumulated difference between total and planned depreciation at 1 Jan			44.7	44.6	48.2	46.0	0.1	0.1			92.9	90.7
Change in cumulative accelerated depreciation, increase (+) / decrease (-)			0.9	0.0	4.4	2.1	0.0	0.0			5.2	2.2
Accumulated difference at 31 Dec			45.5	44.7	52.6	48.2	0.1	0.1			98.2	92.9

[1] Initial values include fixed asset items with remaining useful life and fully depreciated asset items still in operational use. Accumulated depreciation is calculated in the corresponding way.

The book value of production machines and equipment at 31 December 2021 was EUR 49.4 (2020: 50.8) million. The revaluation included in the acquisition cost of land was EUR 0.0 (2020: 0.1) million and in the acquisition cost of buildings EUR 16.5 (2020: 16.5) million.

10 Investments

EUR million	Shares in Group companies 2021	Shares in Group companies 2020	Other shares and equity 2021	Other shares and equity 2020	Loan receivables[1] 2021	Loan receivables[1] 2020	Total 2021	Total 2020
Acquisition cost at 1 Jan	107.3	104.0	0.2	0.2		0.1	107.5	104.3
Additions		3.3						3.3
Disposals	-0.0			-0.0		-0.1	-0.0	-0.1
Acquisition cost at 31 Dec	107.3	107.3	0.2	0.2			107.5	107.5
Accumulated impairment at 1 Jan	-40.0	-40.0					-40.0	-40.0
Accumulated impairment at 31 Dec	-40.0	-40.0					-40.0	-40.0
Book value at 1 Jan	67.2	64.0	0.2	0.2		0.1	67.5	64.3
Book value at 31 Dec	67.2	67.2	0.2	0.2			67.4	67.5

[1] Loan receivables are equity loan receivables under the Companies Act.

11 Inventories

EUR million, 31 Dec	2021	2020
Raw materials and consumables	46.5	41.1
Work in progress	12.7	15.9
Finished products/goods	117.5	123.3
Other inventories	5.8	5.6
Total	182.5	185.8

12 Non-current receivables

EUR million, 31 Dec	2021	2020
Other receivables from Group companies	0.0	0.0
Loan receivables from associated companies	0.3	0.3
Other loan receivables		0.0
Total	0.3	0.4

13 Current receivables

EUR million, 31 Dec	2021	2020
Trade receivables	103.9	96.9
Receivables from Group companies		
Trade receivables	48.2	35.8
Loan receivables	27.7	18.5
Other receivables	0.0	0.0
Prepaid expenses and accrued income	15.0	13.0
Total	90.8	67.4
Loan receivables from associated companies	0.1	0.1
Other loan receivables	0.0	0.0
Other receivables	3.9	3.2
Prepaid expenses and accrued income	18.9	19.6
Total	217.7	187.1

SPECIFICATION OF PREPAID EXPENSES AND ACCRUED INCOME

EUR million, 31 Dec	2021	2020
Receivables from royalties	7.7	4.0
Prepayments for services and maintenance	4.1	2.9
Price differences from sales and other sales accruals	3.1	1.9
Prepaid sales rights	1.3	1.1
Pending contributions	1.0	1.6
Pending compensations	0.7	0.7
Pending price differences	0.1	1.3
Receivables based on derivative contracts	0.1	0.3
Income tax receivable		4.7
Prepaid remunerations under incentive plan		0.6
Other prepaid expenses and accrued income	0.9	0.5
Total	18.9	19.6

14 Shareholder's equity

RESTRICTED EQUITY

Share capital

EUR million	2021	2020
Share capital at 1 Jan	92.2	92.2
Share capital at 31 Dec	92.2	92.2
Restricted equity total at 31 Dec	92.2	92.2

UNRESTRICTED EQUITY

Expendable fund

EUR million	2021	2020
Expendable fund at 1 Jan	0.5	0.5
Expendable fund at 31 Dec	0.5	0.5

Reserve for invested unrestricted equity

EUR million	2021	2020
Reserve for invested unrestricted equity at 1 Jan	0.9	0.9
Reserve for invested unrestricted equity at 31 Dec	0.9	0.9

Retained earnings

EUR million	2021	2020
Retained earnings at 1 Jan	475.7	467.0
By decision of Annual General Meeting		
dividends distributed	-210.8	-210.9
donations made	-0.4	-0.3
share rewards paid		2.7
Cancellation of shares		0.7
Unpaid dividends		0.0
Profit for the period	204.7	216.4
Retained earnings at 31 Dec	469.2	475.7
Unrestricted equity total at Dec 31	470.6	477.1

PARENT COMPANY SHARE CAPITAL BY SHARE CLASS

	2021		2020	
31 Dec	number	EUR	number	EUR
A shares (20 votes/share)	34,813,206		35,122,793	
B shares (1 vote/share)	106 ,321,072		106,011,485	
Total	141,134,278	92,238,541.46	141,134,278	92,238,541.46

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. In 2021 a number of 309,587 A shares were converted to B shares.

15 Appropriations

EUR million, 31 Dec	2021	2020
Cumulative accelerated depreciation	101.0	96.0
Total	101.0	96.0

16 Provisions

EUR million, 31 Dec	2021	2020
Pension provisions	0.4	0.6
Total	0.4	0.6

17 Non-current liabilities

EUR million, 31 Dec	2021	2020
Loans from credit institutions	100.0	100.0
Total	100.0	100.0

18 Current liabilities

EUR million, 31 Dec	2021	2020
Advances received	0.8	0.8
Trade payables	65.1	69.7
Liabilites to Group companies		
Trade payables	14.2	11.7
Loans	6.6	7.7
Accrued liabilities and deferred income	1.8	1.2
Other liabilities		0.0
Total	22.6	20.6
Other liabilities	13.3	13.3
Accrued liabilities and deferred income	70.3	79.1
Total	172.0	183.5

SPECIFICATION OF ACCRUED LIABILITIES AND DEFERRED INCOME

EUR million, 31 Dec	2021	2020
Liabilities from share-based incentive plan	13.6	20.3
Other accrued salary, wage and social security payments	20.9	20.7
Accrued research and development expenses	6.9	3.5
Accrued price reductions	6.5	10.1
Income tax liability	5.5	
Accrued price adjustments related to sales and purchases	5.4	6.3
Accrued sales compensations	2.5	1.6
Accrued royalties and commisions	2.5	1.9
Non-paid compensation on royalty income	1.8	1.0
Accrued expert fees	1.7	1.5
Accrued litigation costs	1.2	1.8
Liabilities on derivative contracts	0.1	0.2
Accrued interest	0.0	0.1
Accrued prepayments of sales rights		4.7
Non-sell part of repurchased inventories		2.9
Withholding tax provision of dividends		1.4
Other accrued liabilities and deferred income	1.6	1.1
Total	70.3	79.1

LIABILITIES INCLUDE

EUR million, 31 Dec	2021	2020
Non-current interest-bearing liabilities	100.0	100.0
Current interest-bearing liabilities	6.6	7.7
Current non-interest-bearing liabilities	165.5	175.8
Total	272.0	283.5

19 Notes relating to members of administrative bodies

SALARIES AND REMUNERATION PAID TO MEMBERS OF ADMINISTRATIVE BODIES OF THE COMPANY

EUR million	2021	2020
President and CEO and members of Board of Directors	2.4	2.1

No partial remuneration has been paid.

No loans have been granted to the members of administrative bodies.

Management pension commitments

The retirement age of the Company's President and CEO is agreed to be 60 years and the pension level 60% of the agreed pensionable salary.

20 Contingencies

CONTINGENCIES FOR OWN LIABILITIES

EUR million, 31 Dec	2021	2020
Guarantees given	6.8	6.8

TOTAL GUARANTEES

EUR million, 31 Dec	2021	2020
Total guarantees	6.8	6.8

21 Liabilities and commitments

LEASE AGREEMENTS

EUR million, 31 Dec	2021	2020
Payments payable under lease agreements		
within next 12 months	2.0	2.2
later than 12 months	1.7	1.9
Total	3.7	4.1

The terms of lease agreements are normal.

OTHER LIABILITIES

EUR million, 31 Dec	2021	2020
Drug damage liability	0.3	0.3

VAT liability for real estate investments

The company is liable to review VAT deductions made for real estate investments completed in 2013–2021 if the use subject to VAT decreases during the review period. The last review year is 2030 and the maximum liability is EUR 14.3 million.

22 Financial risks

The objective of the financial risk management is to decrease the negative effects of market and counterparty risks on the Group's profits and cash flows and to ensure sufficient liquidity.

The main principles for financial risk management are defined in the Group Treasury Policy that is approved by the Board of Directors of the parent company or by Group's President and CEO, and the Group Treasury is responsible for its implementation. Treasury activities are centralised in the Group Treasury.

More information about the financial risks can be found from the Group's Financial Statements. The main difference between company's and Group's risk position is in the reported currency position, because (parent) company centrally hedges the Group's currency risk without implementing internal hedges separately with the subsidiaries.

23 Derivatives

NOMINAL VALUES AND MATURITY OF DERIVATIVES

EUR million, 31 Dec	2021	2020
Currency derivatives		
Currency forward contracts and currency swaps	30.4	20.6
Currency options	30.2	30.6

All derivatives have a maturity less than one year.

FAIR VALUES OF DERIVATIVES

	2021			2020
EUR million, 31 Dec	**Positive**	**Negative**	**Net**	**Net**
Non-hedge-accounting derivatives				
Currency forward contracts and currency swaps	0.0	-0.1	-0.0	0.1
Currency options	0.1	-0.0	0.0	0.0

FAIR VALUE MEASUREMENT AND HIERARCHY

Financial instruments measured at fair value in the stament of financial position are grouped as follows into three hierarchy levels depending on the valuation technique:

EUR million, 31 Dec 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivatives				
Currency derivatives		0.1		0.1
Other investments				
Shares and investments			0.2	0.2
Assets total		0.1	0.2	0.3
Derivatives				
Currency derivatives		-0.1		-0.1
Liabilities total		-0.1		-0.1

EUR million, 31 Dec 2021	Level 1	Level 2	Level 3	Total
Derivatives				
Currency derivatives		0.3		0.3
Other investments				
Shares and investments			0.2	0.2
Assets total		0.3	0.2	0.5
Derivatives				
Currency derivatives		-0.2		-0.2
Liabilities total		-0.2		-0.2

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

The Group applies the principle of recognising transfers between levels of fair value hierarchy on the date on which the event triggering the transfer occurred.

24 Holdings in other companies

See Note 7.3 Group companies in the Notes to the Consolidated financial statements for the Parent Company's holdings in other companies.

Proposal by the Orion Corporation Board of Directors on use of profit funds from the financial year

The parent company's distributable funds are EUR 470,557,071.27, including EUR 204,676,467.01 of profit for the financial year.

The Board of Directors proposes that the distributable funds of the parent company be used as follows:

• distribution of EUR 1.50 of dividend per share. No dividend shall be paid on treasury shares held by the Company on the record date for dividend payment. On the day when the profit distribution was proposed, the number of shares conferring entitlement to receive dividend totaled 140,562,964, on which the total dividend would be	EUR 210,844,446.00
• donations to medical and other purposes of public interest as decided by the Board of Directors	EUR 350,000.00
• retention in equity	EUR 259,362,625.27
	EUR 470,557,071.27

There have been no material changes in the Company's financial position since the end of the financial year. The liquidity of the Company is good and, in the opinion of the Board of Directors, the proposed profit distribution would not compromise the liquidity of the Company.

Signatures for the Financial Statements and Report by the Board of Directors

The Board of Directors submits these Financial Statements and the Report by the Board of Directors to the Annual General Meeting of Shareholders for approval.

Espoo,10 February 2022

Mikael Silvennoinen Chairman	Timo Maasilta Vice Chairman	Kari Jussi Aho
Pia Kalsta	Ari Lehtoranta	Veli-Matti Mattila
Hilpi Rautelin	Eija Ronkainen	

Timo Lappalainen
President and CEO

Our auditor's report has been issued today.

Espoo, 10 February 2022

KPMG OY AB

Kimmo Antonen
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of Orion Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Orion Corporation (business identity code 1999212-6) for the year ended 31 December, 2021. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 7.2 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

The key audit matter	How the matter was addressed in the audit
Revenue recognition *(refer to no 2.1 Revenue from contracts with customers)*	
Both parent company's net sales and consolidated net sales comprise different revenue flows: product sales, revenue from sales rights to products and revenue from clinical phase research and development work undertaken with collaboration Net sales include both fixed and variable considerations. Variable considerations relate to various discounts or incentives in sales of goods or to conditional milestone payments in collaboration agreements, among other things. Thus, revenue recognition involves management judgement. Due to analyses of different contract terms and conditions associated with the choice of a revenue recognition method and high level of management judgement involved, revenue recognition is considered a key audit matter.	Our audit procedures included evaluation of the revenue recognition principles applied by the Group and assessment of their appropriateness by reference to IFRS standards. We assessed the effectiveness of control environment and application controls in respect of the main sales software and the related user rights management. We identified and assessed internal controls over invoicing as well as tested their effectiveness. In addition we performed substantive testing and analytical procedures based partly on data analytics in order to assess the appropriateness of revenue recognition and the accounting treatment of recording revenue and the related expenses in the correct period. We discussed with the management the revenue recognition practices applied and decisions involving management judgement which had a significant impact on revenue recognition. Furthermore, we considered the appropriateness of the Group's disclosures in respect of revenue recognition principles and net sales.

Inventories *(refer to note 3.5 Inventories)*

The inventories account for a significant amount (approximately 24 %) of the total consolidated assets.

Pricing of individual inventory items is based on the functionality of information systems and the accuracy of product-specific calculations.

Inventories are valued at cost or, if lower, at net realisable or replacement value.

Management judgement is used in determining the need for impairment and assessing aged items in the inventories.

Due to the significance of the inventories and management judgement relating to the valuation, inventories is considered a key audit matter.

Our audit procedures included consideration of the valuation principles applied by the Group and assessment of their appropriateness based on IFRS standards.

We assessed the effectiveness of control environment and application controls in respect of the main inventory management software and the related user rights management.

We participated in physical stock counts in selected locations and assessed the appropriateness of stock count processes.

We performed data analysis to test the appropriateness of pricing and the reliability of valuation calculations.

We assessed the sufficiency of impairment entries relating to the inventories.

We considered the sufficiency of the Group's disclosures in respect of inventories and assessed their appropriateness.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 20 March 2018, and our appointment represents a total period of uninterrupted engagement of four years.

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The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the above mentioned other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Other statements

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Espoo 10 February 2022

KPMG OY AB

Kimmo Antonen
Authorised Public Accountant, KHT

Key events in 2021

January

Orion Animal Health and Vetoquinol announce expansion of collaboration – Vetoquinol to distribute Orion's Clevor® in the USA

Clevor®

February

Orion and Bayer announce expansion of the development program for darolutamide in prostate cancer with ARANOTE trial

April

Orion announced that the Company aims to achieve carbon neutrality by 2030

Finnish Red Cross
Blood Service

June

Orion and the Finnish Red Cross Blood Service launch collaboration to develop new CAR T-cell cancer therapy

June

Orion's clinical trial shows significant improvement for chronic pain patients using virtual reality therapy

July

Orion Animal Health's Bonqat® receives marketing authorisation in Europe

August

Orion signs European wide marketing and distribution agreement with Marinus Pharmaceuticals for ganaxolone

August

Orion Animal Health's Tessie® receives marketing authorisation in Europe

September

Orion and Alligator Bioscience announce immuno-oncology research collaboration and license agreement

December

ARASENS trial met its primary endpoint

September

Successor plan of the President and CEO of Orion was announced

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