Financial Statement documents 2020

ORION
Building well-being

Building well-being

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.

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.

This PDF file is not an xHTML document compliant with the ESEF (European Single Electronic Format) regulation.

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 2020 (2019)
1,078 MEUR (1,051)

R&D investments
123 MEUR (119)

Operating profit
280 MEUR (253)

6 production sites in Finland

Operating profit margin
26% (24%)

Shareholders (on 31 December 2020)
72,003 (66,595)

Personnel at year's end
3,311 (3,265)

Business areas

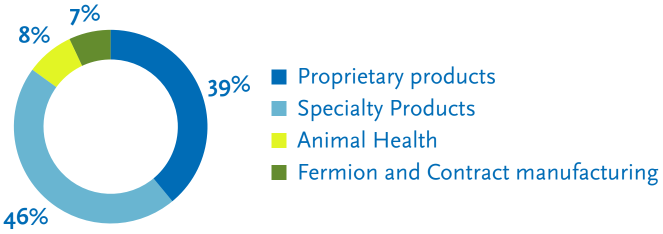
Proprietary Products
Drugs developed in-house and other drugs with product protection

Specialty Products
Generic prescription drugs, self-care products and biosimilars

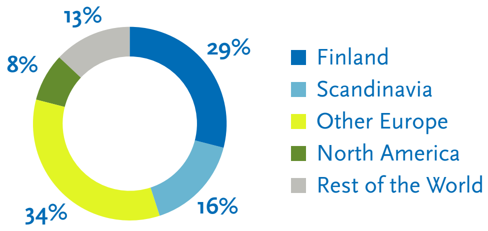
Animal Health
Medicine and well-being products for animals

Fermion and contract manufacturing
Active pharmaceutical ingredient (API) production for Orion and API and pharmaceutical production for other pharmaceutical companies

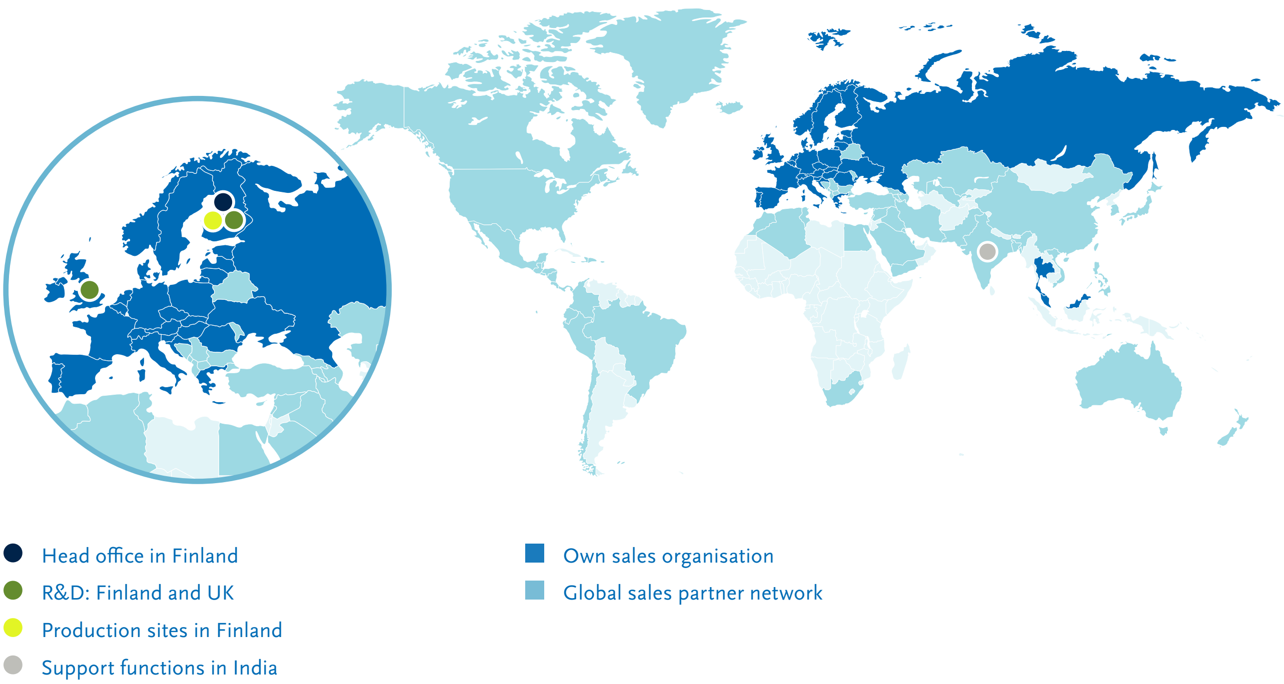
Net sales by business



Net sales by market area



Orion's products are available in over one hundred countries



The key themes of Orion's corporate responsibility 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.

Customer complaints (pharmaceuticals)	GxP* audits by Orion	Greenhouse gas emissions (scope 1 & 2)	Energy savings target set for 2025 achieved	Injury rate	Code of Conduct training, no. of participants
76	**141**	**18,611**	**53%**	**3.6**	**3,410**
Ppm (76)	(238)	tCO_2e (20,123)	(51%)	LTIF 1 (6.6)	(n/a)

* Good Practices

Report by the Board of Directors for the financial year 2020

Group's key figures

Key figures relating to financial performance

	2018	2019	2020
Net sales, EUR million	977.5	1,051.0	1,078.1
EBITDA, EUR million	293.9	308.9	336.5
% of net sales	30.1%	29.4%	31.2%
Operating profit, EUR million	252.8	252.8	280.1
% of net sales	25.9%	24.1%	26.0%
Profit before taxes, EUR million	248.4	250.8	278.3
% of net sales	25.4%	23.9%	25.8%
Profit for the period, EUR million	197.3	200.4	219.9
% of net sales	20.2%	19.1%	20.4%
R&D expenses, EUR million	104.0	119.3	123.2
% of net sales	10.6%	11.3%	11.4%
Capital expenditure, EUR million	64.8	42.6	48.5
% of net sales	6.6%	4.0%	4.5%
Interest-bearing net liabilities, EUR million	-132.1	-139.1	-185.8
Basic earnings per share, EUR	2.35	1.43	1.56
Cash flow per share before financial items, EUR	2.32	1.68	1.85
Equity ratio, %	68.8%	76.7%	66.7%
Gearing, %	-17.1%	-17.8%	-25.4%
ROCE (before taxes), %	44.3%	29.9%	34.8%
ROE (after taxes), %	45.5%	25.8%	29.1%
Average personnel during the period	3,179	3,251	3,337

Events during the period

23 Jan 2020	Japan's Ministry of Health granted marketing authorisation to darolutamide for the treatment of non-metastatic castration-resistant prostate cancer (nmCRPC).
30 Jan 2020	Orion announced that new results from the ARAMIS trial indicate that the combination of darolutamide and conventional hormonal therapy significantly extend the overall survival of men with non-metastatic castration-resistant prostate cancer.
31 Jan 2020	The Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) issued a positive opinion, recommending darolutamide be granted marketing authorisation.
5 Mar 2020	Orion announced that the Company's SVP for Research and Development, Christer Nordtstedt, resigned from his post for family reasons.
19 Mar 2020	Orion cancelled the Annual General Meeting which was due to be held on 25 March 2020 due to the coronavirus situation.
30 Mar 2020	Nubeqa® (darolutamide) was granted marketing authorisation in the EU as a new treatment for non-metastatic castration-resistant prostate cancer.
24 Apr 2020	Orion upgraded full-year outlook for 2020.
28 Apr 2020	Orion announced that Mr. Markku Huhta-Koivisto, SVP for Growth Projects and member of the Executive Management Board of the Orion Group will retire in July 2020 and leave the Executive Management Board of the Orion Group as of 1 May 2020.
6 May 2020	Orion Corporation's Annual General Meeting was held in Helsinki.
25 May 2020	Orion announced that Professor Outi Vaarala has been appointed as Senior Vice President for Research and Development as of 1 June 2020.
15 Jun 2020	Orion decided on cancellation of shares on the joint account.
25 Jun 2020	The cancellation of shares on the joint account was entered in the Finnish Trade Register.
8 Jul 2020	Orion upgraded full-year outlook for 2020.
28 Jul 2020	Orion announced that Phase III REFALS trial evaluating the efficacy of oral levosimendan in treatment of ALS patients did not reach its pre-specified endpoints.
10 Sep 2020	New England Journal of Medicine published final overall survival data for darolutamide showing treatment significantly extends life in men with non-metastatic castration-resistant prostate cancer.
10 Sep 2020	Orion announced that the company is planning to renew its R&D strategy and organisation.
19 Oct 2020	Orion announced that the statutory co-operation negotiations regarding the Research & Development function were completed.
19 Oct 2020	Orion upgraded full-year outlook for 2020.

Events after 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.

Financial review

Change in reporting of net sales

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

Net sales

Orion Group's net sales in 2020 totalled EUR 1,078 (1,051) million, an increase of 3%. Exchange rates impacted net sales negatively by EUR 16 million. Net sales of Orion's top ten pharmaceuticals in 2020 were EUR 460 (458) million. They accounted for 43% (44%) of the total net sales.

In the first half of 2020, net sales increased clearly from 2019, due to the spike in demand caused by the COVID-19 pandemic in March and April and the timing of milestone payments, for example. In the second half of the year, net sales fell from 2019 as a result of a number of things, such as the timing of milestone payments and partner deliveries, levelling out of the impacts of the spike in demand in the first half of the year, and a very strong fourth quarter in the comparative period in 2019.

Operating profit

The Orion Group's operating profit was up by 11% at EUR 280 (253) million. EBITDA was up by 9% at EUR 337 (309) million.

The positive effect of increased net sales calculated in local currencies on the gross profit of product and service sales was EUR 25 million. Price, cost and product portfolio changes had a positive impact of EUR 9 million and currency rate changes a negative impact of EUR 14 million. The improvement in the cost level was due to, for example, the high capacity utilisation rate of production facilities and reduction of scrap and inventory write-offs. In all, with the joint impact of these items, the gross profit from product and service sales was EUR 20 million higher than in the comparative period.

Milestone payments accounted for EUR 42 (51) million and royalties for EUR 19 (11) million of net sales and operating profit. The increase in other operating income improved operating profit by EUR 3 million.

Operating expenses decreased by EUR 6 million.

Operating expenses

The Group's sales and marketing expenses were down by 5% and totalled EUR 204 (216) million. Due to the COVID-19 pandemic, travel expenses in particular decreased significantly. However, expenses were clearly higher towards the end of the year than earlier during the year, mostly due to marketing investments that took place towards the end of the year.

Research and development expenses were up by 3% and amounted to EUR 123 (119) million. R&D expenses increased late in the year from the comparative period mainly due to the timing of clinical trials, such as the new ARANOTE trial. They accounted for 11% (11%) of the Group's net sales. Research projects are reported in more detail under the 'Research and development' section of this review.

Administrative expenses were EUR 49 (48) million.

Other operating income and expenses amounted to EUR 5 (2) million (positive).

Group's profit

Profit for the period was EUR 220 (200) million.

Basic earnings per share were EUR 1.56 (1.43). Equity per share was EUR 5.21 (5.55).

The return on capital employed before taxes (ROCE) was 35% (30%) and the return on equity after taxes (ROE) 29% (26%).

Financial position

The Group's gearing was -25% (-18%) and the equity ratio 67% (77%).

The Group's total liabilities at 31 December 2020 were EUR 384 (256) million. At the end of the period, interest-bearing liabilities amounted to EUR 109 (10) million, including EUR 105 (7) million of long-term liabilities. Orion withdraw a EUR 100 million long-term loan from the European Investment Bank in the year under review. The loan ensures that the Company's liquidity will be good despite possible adverse impacts of the coronavirus pandemic. The EUR 50 million short-term loan withdrawn in the first quarter was repaid in the third quarter. Orion is not currently aware of factors that would materially affect the Company's liquidity negatively.

The Group had EUR 294 (149) million of cash and cash equivalents and money market investments at the end of the review period.

Cash flow

Cash flow from operating activities was EUR 299 (271) million. Cash flow improved both due to increased profit and decrease in working capital. Working capital decreased by EUR 27 million during the year despite inventories were increased due to the COVID-19 pandemic.

The cash flow from investing activities was EUR -40 (-34) million.

The cash flow from financing activities was EUR -115 (-371) million. The difference to the comparative period is due to the change in amounts of loans. In 2020, net borrowing increased by EUR 100 million. In the comparative period, a matured bond loan of EUR 150 million was repaid.

Capital expenditure

The Group's capital expenditure totalled EUR 49 (43) million. This comprised EUR 37 (35) million on property, plant and equipment and EUR 12 (7) million on intangible assets.

Key business targets for 2020

TARGET	DEVELOPMENT 1–12/2020
Launch and commercialisation of the prostate cancer drug darolutamide jointly with Bayer. Continued research and development collaboration in the ARASENS trial (metastatic prostate cancer) to expand the indication.	• First commercial sales of darolutamide in Japan and the EU. • The fully recruited ARASENS trial is estimated to be completed in 2021.
Development of orally administered levosimendan (ODM-109) for the treatment of symptoms of ALS in Phase III clinical trial (REFALS) and preparation for its possible commercialisation. In research and development, the potential of different projects are reviewed with consideration of the total research portfolio.	• The REFALS trial did not reach its pre-specified endpoints. • Orion has currently no plans on the establishment of commercial operations in the United States. • Orion is in negotiations with a potential partner to take ODM-203 to the next development phase.
Strengthening Orion's position as the most significant provider of generic drugs in Finland and competitive pricing. Development of a competitive product portfolio in Specialty Products and strengthening of product launches.	In self-care products and reference-priced prescription drugs Orion is a clear market leader and grew faster than the market. The product portfolio was increased and developed as planned.
Accelerating the growth of the Easyhaler® product portfolio and strengthening its market position. Progress on the launch of the salmeterol-fluticasone Easyhaler® in Europe.	Easyhaler® product portfolio sales increased by 10%.
Evaluation of new in-licensing opportunities in Europe, particularly in the area of hospital care.	The work continues. In 2020, a few significant in-licensing agreements in the Specialty Products unit.

Key business targets for 2021

	TARGET	Outcome
Nubeqa®	Supporting sales growth and co-promotion in Europe with Bayer	Ongoing
	Positive outcome from Phase III ARASENS trial	Ongoing
	Taking Phase III ARANOTE trial forward together with Bayer	Ongoing
Easyhaler® product portfolio	Sales growth	Ongoing
ODM-208	Taking the development program forward according to plan	Ongoing
Finland	Maintenance and strengthening of market position	Ongoing
Scandinavia	Reinforcing Orion's position in generic prescription drugs and self-care products	Ongoing
Future growth enablement	In-licensing of new products	Ongoing
	Portfolio enhancement through product acquisitions and M&A	Ongoing

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 (1–12/2020), the total sales of Orion's human pharmaceuticals, including both medicinal and non-medicinal products, grew slightly slower than the market in 2020. In March, the COVID-19 epidemic increased demand strongly, but the impact of this spike in demand mostly levelled out in the course of the year.

Orion's biggest product group in Finland are reference-priced prescription drugs in the pharmacy channel. The sales of Orion's reference-priced prescription drugs increased from the comparative period faster than the market despite continuing tough price competition and availability disruptions. The average price of reference-priced drugs in the market declined approximately 5% from the comparative period (Source: Pharmarket). The impact of price competition on Orion has been significant due to the Company's broad product range and significant market share in Finland.

Despite the challenging operating environment, Orion has maintained its position as leader in marketing pharmaceuticals in Finland. Orion has a particularly strong position in reference-priced prescription drugs and 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	1–12/20	1–12/19	Change %
Total sales of human pharmaceuticals (hospital and pharmacy channel)			
Market	2,903	2,859	+2%
Orion	316	314	+0%
Prescription drugs total (pharmacy channel)			
Market	1,646	1,602	+3%
Orion	182	178	+2%
Reference priced prescription drugs (pharmacy channel) *			
Market	449	452	-1%
Orion	110	108	+2%
Self-care products (pharmacy channel)			
Market	404	399	+1%
Orion	104	100	+4%

* 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 1–12/2020

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

Orion's market share, %	1–12/20	1–12/19
Human pharmaceuticals in total (hospital and pharmacy channel)	11%	11%
Prescription drugs total (pharmacy channel)	11%	11%
Reference priced prescription drugs (pharmacy channel)*	25%	24%
Self-care products (pharmacy channel)	26%	25%

* 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 1–12/2020

Proprietary Products

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

Net sales of the Proprietary Products unit in 2020 were up by 3% and totalled EUR 420 (406) million.

NET SALES BY PRODUCT

EUR million	1–12/20	1–12/19	Change %
Easyhaler® product portfolio	115.1	104.5	+10.2%
Stalevo®, Comtess® and Comtan®	98.6	97.5	+1.1%
Simdax®	62.1	67.6	-8.1%
Dexdor®	54.8	56.6	-3.2%
Nubeqa®*	16.6	2.3	+609.3%
Other**	72.9	77.5	-5.9%
TOTAL	420.2	406.1	+3.5%

* includes product sales to Bayer and royalties booked by Orion
** includes milestone payments and products such as Enanton®, Precedex® and pharmaceuticals sold for use in clinical trials.
In 2020, net sales of darolutamide sold for use in clinical trials were EUR 11.6 (0.8) million.

Orion's Easyhaler® is a dry-powder inhaler developed in-house, for which Orion has developed Easyhaler®-adapted dry powder formulations of several well-known generic active pharmaceutical ingredients (salbutamol, beclometasone, budesonide, formoterol, salmeterol and fluticasone). Total net sales of the Easyhaler® product portfolio for treatment of asthma and chronic obstructive pulmonary disease were up by 10% in 2020 at EUR 115 (104) million. In March, the COVID-19 pandemic increased demand momentarily, but the demand levelled out in the course of the year, and at the end of the year, sales were behind the previous year. According to Orion's estimate, the development towards the end of the year was affected by customers using their stockpiles following the strong demand earlier in the year, as well as reduced numbers of doctors' appointments due to tighter coronavirus restrictions in place in various parts of Europe. Sales of the budesonide-formoterol combined formulation were up by 15% at EUR 72 (62) million. The combined sales of other Easyhaler® products were EUR 43 (42) million.

Besides Orion's sales, co-marketing partner Menarini sells the budesonide-formoterol combined formulation in France and in a few Southern European countries. The first marketing authorisation applications have also been submitted outside Europe. Menarini is in charge of selling the budesonide-formoterol combined formulation in the Asia and Pacific region, and Hikma Pharmaceuticals PLC in the Middle East and North Africa.

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

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 2020 were EUR 99 (98) million, or at the level forecast at the beginning of 2020. The fluctuating sales in the course of the year were due to the timing of partner deliveries.

With the exception of Japan, the distribution agreements with Novartis concerning Parkinson's drugs expired in 2020. In most of these markets, Orion has since entered into distribution agreements with new partners. In Singapore, Thailand and Malesia, Orion sells these products through its own sales organisations.

BREAKDOWN OF SALES OF PARKINSON'S DRUGS 1–12/2020:

EUR million	1–12/2020	1–12/2019	Change %
Deliveries to key partners	50	52	-3%
Orion's own sales	48	46	+6%

Net sales of Orion's Dexdor® intensive care sedative (dexmedetomidine) were EUR 55 (57) million. Sales were extremely strong in March and April due to increased demand caused by the COVID-19 pandemic as well as shortages in some competing products in the markets. In the summer, the demand for the product fell to the level where it was expected to be at the beginning of the year due to generic competition, but it picked up again slightly late in the year. For this reason, the sales of Dexdor® in 2020 were on par with the previous year, although generic competition for the product has started and expanded in

Europe. The impact of COVID-19 was also evident in the sales of Precedex®, which developed significantly more favourably than anticipated in the course of the year, mainly due to the spike in demand in spring. Sales of Precedex® totalled EUR 12 (13) million in 2020.

Simdax® (levosimendan), a drug for treatment of acute decompensated heart failure is sold in some 60 countries worldwide. Net sales of the product in 2020 were down by 8% and amounted to EUR 62 (68) million. Sales began to decline late in the year due to a decrease in planned hospital visits caused by the COVID-19 pandemic and, in some markets, due to falling prices. Simdax® is a liquid infusion concentrate, and its formulation patent in key markets expired in September 2020.

In 2020, Orion booked a total of EUR 17 (2) million of product sales for deliveries of Nubeqa® (darolutamide) to Bayer and in royalties from the same product. Nubeqa® is a drug indicated for the treatment of non-metastatic castration-resistant prostate cancer. In addition, Orion booked a total of EUR 28 million in milestone payments from first commercial sales of the product in the EU and Japan. In the comparative period in August 2019, Orion booked a EUR 45 million milestone payment for the first commercial sales of the product in the USA.

Bayer holds global commercial rights to darolutamide. In Europe, however, Orion and Bayer have agreed on co-promotion. In addition, Orion will manufacture the product for global markets. Besides milestone payments, Orion will also receive tiered royalties on global darolutamide sales, which will be approximately 20% including 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.

Specialty Products

Net sales of the Specialty Products unit's off-patent products, i.e. generic prescription drugs, self-care products and biosimilars were up by 3% in 2020 and totalled EUR 498 (486) million. The COVID-19 pandemic caused a drug hoarding phenomenon in Finland and other main markets in March, which partly explains the full-year development of Specialty Products' net sales. In Orion's assessment, the fundamental need for these products has not materially changed, and the impact of the spike in demand largely levelled out during the rest of the year. However, in some products, such as generic dexmedetomidine products, full-year sales were higher than expected at the start of the year due to the pandemic. On the other hand, the sales of some products fell behind anticipated levels in part due to pandemic restrictions. As a whole, the business developed favourably in many regions despite the COVID-19 impacts. The expected clear decline in the net sales of biosimilars had a negative impact on the unit's overall net sales.

In 2020, the Specialty Products unit signed new in-licensing agreements on development or registration phase products. If the development and registration projects succeed, these products are estimated to reach markets gradually in the coming years and their long-term combined sales potential will exceed EUR 80 million.

BREAKDOWN OF SPECIALTY PRODUCTS' NET SALES BY PRODUCT GROUP 1–12/2020:

EUR million	1–12/2020	1–12/2019	Change %	Share of unit's net sales 1–12/2020	Share of unit's net sales 1–12/2019
Generic prescription drugs	358	331	+8 %	72 %	68 %
Self-care products	122	118	+4 %	25 %	24 %
Biosimilars	18	38	-53 %	3 %	8 %
TOTAL	498	486	+3 %		

The Specialty Products unit's most important market areas are Finland, Scandinavia and Eastern Europe and Russia. In Finland, the unit's sales in 2020 increased by 3% and were EUR 280 (272) million. The growth is mainly due to the spike in demand for self-care products and prescription drugs caused by the COVID-19 epidemic in March. On the other hand, net sales were negatively affected by the decline in the prices of generic drugs due to price competition as well as availability disruptions due to causes other than the COVID-19 pandemic. This impact, however, was clearly smaller than in the few preceding years.

In Scandinavia, the sales of Specialty Products totalled EUR 78 (89) million, down by 12%. The decline is due to the expected clear decrease in the sales of biosimilars. Strong demand for generic prescription drugs in the course of the year and particularly in March mitigated the decline in Specialty Products' net sales in Scandinavia. In Eastern Europe and Russia, Specialty Products' sales were up by 3% and amounted to EUR 70 (68) million. Specialty Products' sales in regions other than Finland, Scandinavia and Eastern Europe and Russia increased by 23% and stood at EUR 71 (57) million. The growth was attributable, among other things, to an increase in generic dexmedetomidine product sales due to the COVID-19 pandemic.

In Specialty Products, 72% (68%) of the net sales came from generic prescription drugs, 25% (24%) from self-care products and 3% (8%) from biosimilars. The biosimilars net sales totalled EUR 18 (38) million, down by 53%. The expected decline is due to lost tendering competitions. Biosimilars distributed by Orion include Remsima® (infliximab), Ritemvia® (rituximab) and Amgevita® (adalimumab). Starting with the Q1/2021 interim report, Orion will no longer separately report its biosimilars business, and will instead report biosimilars as part of generic prescription drugs.

Animal Health

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

Net sales of the Animal Health unit were up by 4% in 2020 and amounted to EUR 89 (86) million. Sales of animal sedative products accounted for 39% (42%), or EUR 35 (36) 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 June 2020, The U.S. Food and Drug Administration (FDA) granted marketing authorisation to Clevor®, a product of Orion's Animal Health unit whose European launch also started in 2020. Clevor®, with ropinirole as the active pharmaceutical ingredient, is an eye-drop formula designed to induce vomiting in dogs. The drug can be utilised to treat poisoning in dogs, among other things. After the review period in January 2021, Orion announced an agreement with Vetoquinol on the distribution of Orion's Clevor® in the United States.

Orion ceased to distribute products of animal health company Zoetis in Denmark, Norway and Sweden on 31 December 2020, as Zoetis is setting up its own sales and marketing activities in these countries. The distribution of Zoetis products in these countries amounted to EUR 28 million in net sales for Orion in 2020. The impact of this product portfolio on Orion Group's overall operating profit was not material. The expiration of this agreement opens up opportunities to utilise Orion's strong and competent sales network in Scandinavia in collaboration with other animal health companies.

Fermion and contract manufacturing

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

Net sales of Fermion and contract manufacturing excluding deliveries for Orion's own use were up by 6% and totalled EUR 75 (71) 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 2020 totalled EUR 123 (119) million, up 3%. 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 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, in 2020 patient recruitment for the ODM-208 and ODM-209 projects experienced delays due to COVID-19.

Professor Outi Vaarala started as Senior Vice President for Orion's Research and Development in June 2020. In the second half of 2020, Orion refocused its research and development function and revised the function's strategy. The changes and reorganisation aim at strengthening the company's R&D portfolio and speeding up the progress of research projects. The changes affected the entire research and development organisation and involved a round of cooperation negotiations in Finland.

Key clinical development projects

Project	Indication	PHASE			Registration
Darolutamide[1] ARASENS	Prostate cancer (mHSPC)	I	II	III*	
Darolutamide[1] ARANOTE	Prostate cancer (mHSPC)	I	II	III*	
ODM-208 (CYP11A1 inhibitor)	Prostate cancer (CRPC)	I	II*		
ODM-209 (CYP11A1 inhibitor)	Prostate cancer (CRPC), breast cancer	I*			
Easyhaler® tiotropium	COPD	Bioequivalence study*			
New dry-powder inhaler / indacaterol-glycopyrronium	COPD	Bioequivalence study*			

1 In collaboration with Bayer

= Phase completed
= Phase ongoing
= Status changed

Orion is working on a project to expand the Easyhaler® product portfolio for the treatment of asthma and COPD by developing a tiotropium formulation for European markets. The bioequivalence study with the formulation is ongoing. Tiotropium is a long-acting anticholinergic bronchodilator used in the treatment of chronic obstructive pulmonary disease.

To strengthen its position in the treatment of respiratory diseases, Orion is developing a new-generation dry-powder inhaler and has launched the first product development project on the new device platform. Orion develops an indacaterol-glycopyrronium combined formulation indicated for the treatment of COPD mainly for the European markets, and the bioequivalence study related to the product development with the formulation is commencing. Glycopyrronium and indacaterol are long-acting bronchodilators.

In addition, 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 and Bayer have an ongoing Phase III clinical trial (ARASENS), which evaluates the efficacy and safety of darolutamide in the treatment of patients with newly diagnosed metastatic hormone-sensitive prostate cancer (mHSPC) who are starting hormone therapy. The treatment is darolutamide in combination with hormonal therapy (androgen deprivation therapy, ADT) and docetaxel, a chemotherapy drug. The trial is estimated to be completed in 2021.

Orion is also initiating Phase III clinical ARANOTE trial with Bayer. The ARANOTE trial 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).

In 2020 Orion completed the Phase III clinical REFALS trial evaluating the efficacy and safety of oral levosimendan (ODM-109) in the treatment of ALS (amyotrophic lateral sclerosis). The primary endpoint of the trial was to show a difference between levosimendan and placebo in slow vital capacity (SVC) in the supine position at 12 weeks. An important secondary endpoint was to show a difference between levosimendan and placebo in patient functionality measured by ALSFRS-R Scale (Revised

Amyotrophic Lateral Sclerosis Functional Rating Scale) in combination with survival at 48 weeks compared to the baseline. The trial did not reach its pre-specified endpoints. No new safety concerns were identified for levosimendan in this study.

Orion has also suspended the REFALS-ES trial that provided an opportunity for all applicable patients completing the REFALS study to receive oral levosimendan treatment for as long as clinically required, since the outcome of the REFALS study indicates that levosimendan does not provide clinical benefit to the patients.

Orion has completed its Phase I clinical trial on the ODM-208 molecule, a novel selective hormone synthesis inhibitor (CYP11A1 inhibitor). Due to the COVID-19 pandemic, new patient recruitment to the expanded Phase I clinical trial had to be temporarily suspended in the spring of 2020, leading to a slight delay in the project. Based on the results obtained, Orion has launched a Phase II clinical trial on the ODM-208 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. The trial will investigate the safety and tolerability of the drug candidate in prostate cancer patients.

Orion has an ongoing Phase I clinical trial on the ODM-209 molecule. This molecule is a selective hormone synthesis inhibitor (CYP11A1 inhibitor) much like the ODM-208. As with ODM-208, a decision has been made to expand this trial as well to ensure sufficient research data for making informed decisions regarding subsequent development phases. The recruitment of new patients to the expanded Phase I clinical trial had to be temporarily suspended in the spring of 2020 due to the COVID-19 pandemic, causing a slight delay in the project. In preclinical studies, the ODM-209 has shown antitumor activity. Like ODM-208, it has potential efficacy also for those hormone-dependent cancers that have become resistant to the standard hormonal treatments. The trial will investigate the safety and tolerability of the drug candidate in prostate cancer and breast cancer patients.

Orion has carried out a Phase II clinical trial with a new targeted FGFR+VEGFR inhibitor (ODM-203) for the treatment of cancers. The trial has investigated the efficacy of the drug candidate in slowing the growth of solid cancerous tumours in patients with detected FGFR changes in cancerous tumours. Orion is in negotiations with a potential partner to take ODM-203 to the next development phase.

Orion has carried out a Phase I clinical trial with a BET protein inhibitor (ODM-207) which inhibits transcription of key oncogenes such as Myc in many cancers. The results of the trial were published in the British Journal of Cancer on 29 September 2020. The project is no longer listed as a key clinical project.

Orion has two ongoing clinical pilot trials in the field of digital therapies. The VIRPI (Pilot Study of a Virtual Reality Software for Chronic Pain) trial investigates the impacts of using virtual reality software in treating chronic low back 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 also has several projects in the early research phase investigating neurological disorders, including rare neurological diseases, cancer and neuropathic pain, among others.

Personnel

The average number of employees in the Orion Group in 2020 was 3,337 (3,251). At the end of 2020 the Group had a total of 3,311 (3,265) employees, of whom 2,615 (2,594) worked in Finland and 696 (671) outside Finland.

Salaries and other personnel expenses in 2020 totalled EUR 227 (217) million.

Changes in executive management

Christer Nordstedt was Senior Vice President for Research and Development until 1 April 2020.

Markku Huhta-Koivisto, SVP for Growth Projects, served on the Executive Management Board of the Orion Group until 1 May 2020 and retired in July 2020.

Professor Outi Vaarala started as Senior Vice President for Research and Development and member of the Executive Management Board on 1 June 2020.

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 2020 Orion had a total of 141,134,278 (141,257,828) shares, of which 35,122,793 (36,335,463) were A shares and 106,011,485 (104,922,365) B shares. The Group's share capital is EUR 92,238,541.46 (92,238,541.46). At the end of 2020 Orion held 671,082 (765,399) B shares as treasury shares. On 31 December 2020, the aggregate number of votes conferred by the A and B shares was 807,796,263 (830,866,226) excluding treasury shares.

At the end of December 2020, Orion had 72,003 (66,595) 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 1,149,020 A shares were converted into B shares in 2020.

Cancellation of shares

Orion cancelled 63,650 Orion Corporation A shares and 59,900 Orion Corporation B shares on the Company's joint account on 25 June 2020. According to the decision made by the Annual General Meeting of 6 May 2020 on the forfeiture of shares on the joint account, these shares had been transferred to the Company.

Trading in Orion's shares

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

On 31 December 2020, the market capitalisation of the Company's shares, excluding treasury shares, was EUR 5,267 million.

In 2020 a total of 2,547,090 of Orion's A shares and 103,556,863 B shares were traded on Nasdaq Helsinki. The total value of the shares traded was EUR 4,316 million. During the year, 7.3% of the A shares and 97.7% of the B shares were traded. The average turnover in Orion's shares was 75.2%.

The price of Orion's A shares decreased by 8.7% and the price of its B shares by 9.1% in 2020. On 31 December 2020 the closing quotation was EUR 37.40 for the A shares and EUR 37.53 for the B shares. The highest quotation for Orion's A shares was EUR 48.45 and the lowest quotation was EUR 29.60. The highest quotation for the B shares in 2020 was EUR 48.80 and the lowest quotation was EUR 30.02.

Orion shares are also traded on various alternative trading platforms in addition to Nasdaq Helsinki. In 2020, 25% of all trading in Orion's A share and 59% of all trading in its B share took place outside Nasdaq Helsinki Oy (Source: Fidessa Fragmentation Index).

Authorisations of the Board of Directors

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

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

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

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

Share-based incentive plans

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

Share ownership

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

At the end of 2020, Orion had a total of 72,003 (66,595) registered shareholders, of whom 96% (96%) were private individuals. They held 39% (40%) of the entire share stock and had 61% (60%) of the total votes. There were 57 (53) million nominee-registered and foreign-owned shares, which was 40% (38%) of all shares, and they conferred entitlement to 10% (9%) of the total votes.

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

Flagging notifications

In 2020 Orion received no flagging notifications.

Management's shareholdings

At the end of 2020, the members of the Board of Directors owned a total of 687,063 of the Company's shares, of which 628,991 were A shares and 58,072 B shares. At the end of 2020, the President and CEO owned 72,891 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 159,946 of the Company's shares, which were all B shares. Thus, the Company's executive management held 0.65% of all of the Company's shares and 1.59% 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 477,075,050.26, or EUR 3.40 per share. This includes EUR 216,389,442.49, or EUR 1.54 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 140,463,196, on which the total dividend payment would be EUR 210,694,794.00. The Group's payout ratio for the financial year 2020 would be 95.9% (105.2%). The dividend payment date would be 7 April 2021, and shareholders registered in the Company's shareholder register on 29 March 2021 would be entitled to the dividend payment.

The Board of Directors further proposes that EUR 350,000 (250,000) be donated to medical research and other purposes of public interest in accordance with a separate decision by the Board and that EUR 266,030,256.26 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 2020 separately from the Report by the Board of Directors on the Company's website at www.orion.fi/en.

Annual General Meeting 6 May 2020

Orion Corporation's Annual General Meeting was held in Messukeskus Helsinki, Expo and Convention Centre, on 6 May 2020 with special arrangements due to the COVID-19 pandemic. 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 regarding the cancellation of Orion Corporation shares on the joint account.

Distribution of a dividend of EUR 1.50 per share was approved for 2019, 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 6 May 2020.

Annual General Meeting 25 March 2021

The Annual General Meeting of the Shareholders of Orion Corporation will be held on Thursday 25 March 2021 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, Subsection 1, Paragraph 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 located in Finland, with the exception of the Nottingham site. Orion had a total of 3,311 employees at the end of 2020, of them 2,615 in Finland and 696 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 2020, the Company has advanced its Sustainability Agenda, continued integrating sustainability into key processes and taken measures to increase awareness of sustainability, such as in-house training and investments in sustainability communications. A separate, third-party verified Sustainability Report for 2020 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 water; 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 of the Group's production plants are 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 accidents and incidents are among the key social and human resources risks. The Company works continuously to prevent accidents and incidents and to further promote a culture of safety, 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. The intermediate target of the programme for 2020 was 4% savings of the energy consumption in 2016. Orion did not quite meet this target as the implementation of one of its energy efficiency projects was postponed to 2021 due to the COVID-19 pandemic. In 2020, the Company achieved energy savings by investing in LED lighting changes and by improving the energy efficiency of air supply unit at the Salo warehouse by replacing four fan motors. Of Energy Efficiency Programme target for 2025, 53% is now achieved.

The Company's aim is a 75% reduction in greenhouse gas emissions caused by its own operations by 2025 compared with 2016. 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 2020 Orion has reduced its greenhouse gas emissions by 58% compared with 2016.

	2020	2019
Total energy consumption, energy savings and greenhouse gas emissions		
Total absolute energy consumption (MWh)[1]	151,303	158,442
Energy savings achieved by saving measures and efficiency improvements (MWh)[2]	237	1,422
Energy Efficiency Programme targets achieved	53%	51%
Greenhouse gas emissions, scope 1 (tCO2e)	3,102	2,838
Greenhouse gas emissions, scope 2 (tCO2e)	15,509	17,285

[1] The reported energy consumption, including electricity, heating 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.

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 2020, the Company made efforts to further develop its safety culture by continuing Skills to care -managerial trainings. Most of the managers in Finland, around 170 of them, were trained in the course of the year. 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. The lost time incident frequency in 2020 evolved in the right direction, but the 2020 target of LTIF 1 ≤ 3.0 was not achieved. The Company continues its sustained efforts to achieve the zero incident goal.

During the COVID-19 pandemic, the occupational health and well-being of personnel faced new kinds of risks. Orion adapted its operating guidelines to ensure a safe work environment for personnel in the exceptional circumstances during the pandemic. 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.

	2020	2019
Occupational well-being of personnel: Workplace injuries and sick leave of the personnel		
Lost time incident frequency, LTIF 1[2]	3.6	6.6
Absence due to illness (hours of absence due to illness as percentage of total theoretical working hours)[3]	3.0%	3.3%

[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, updated in 2019, is available in 14 languages. Correspondingly, the ethical guidelines of the Supplier 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 suppliers 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 2020, Orion put in time and effort to roll out the updated Code of Conduct and increase related awareness among personnel. The Company rolled out a Code of Conduct e-learning that is mandatory to all employees and available in 14 languages. By the end of the year, 3,410 employees had completed the training.

The Company strengthened the risk management of its supply chain in 2020 by expanding the supplier sustainability process risk-based assessment questionnaires and sustainability audits to also apply to its indirect suppliers.

In 2020, Orion reviewed the Company's human rights due diligence processes and started a Group-level human rights impact assessment. Orion was not made aware of any human rights violations in its own operations through the whistleblowing channel in 2020. 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.

	2020	2019
Respect for human rights and prevention of corruption and bribery		
Code of Conduct training, number of participants[1]	3,410	n/a
Anti-corruption and anti-bribery training, number of participants[1]	407	409

[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, and compliance with legislation and regulatory requirements is monitored by internal audits and audits 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 legislation 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, Orion strives to ensure that its products have no such adverse effects that might lead to liability or withdrawal of an established 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 at 8.2.3.1.2. Research and development risks, at 8.2.3.2.2. Risks associated with pharmaceutical production and at 8.2.3.2.4. Product liability risks. Risks associated with the COVID-19 pandemic and their management are described in section 8.2.3.2.8 of the report.

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.

Because of restrictions in place due to the COVID-19 pandemic, most of the audits on our suppliers and partners in 2020 were conducted remotely. Audits of Orion's operations were likewise conducted remotely.

In 2020 during the COVID-19 pandemic, Orion prioritised the production of products critical for the care of patients, in particular of products used in support of the treatment of COVID-19 patients or those most vulnerable to the pandemic. The availability of Orion's products remained at a good level throughout 2020 despite the COVID-19 pandemic.

	2020	2019
Product quality and safety		
Number of GxP inspections/audits of Orion's operations[1], total	37	66
Inspections by authorities	8	8
Audits by collaboration partners	29	58
Non-compliances from authority inspections	0	0
Number of GxP audits undertaken by Orion	141	238
Rejections	3	5
Number of customer complaints about the Pharmaceuticals business (ppm[2])	76	76

[1] Inspections and audits of Good Practices (GxP).

[2] ppm = parts per million packages sold.

Strategy

Orion's Board of Directors has confirmed the Company's strategy for 2021–2025.

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
- advances in science: personalised medicine, increased genetic and epigenetic data and developments in drug dosing and diagnostics
- the increasing cost burden of healthcare, need for cost-effective treatments and drugs
- increased personal responsibility for own health
- sustainability

Mission

Orion's mission is to build well-being. Orion builds well-being by bringing to markets drugs that give patients help and an effective treatment for their illnesses. An effective drug also creates added value for the patient by improving the quality of life.

Focus areas

The crucial focus areas for implementing the strategy are:

- **Quality and safety.** High quality, product safety and complying with requirements of authorities are indispensable in the pharmaceutical industry.
- **Competitive product portfolio** requires continuous renewal of the portfolio. Orion invests in product development, manufacturing, acquisition and effective launching of products and management of their life cycle.
- **Strong corporate culture of working together,** the basis of which is valuable and important work 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.

- **Partnerships.** Orion's operations are based on utilising worldwide networks. Well-managed partnerships and collaborations are a competitive advantage for the Company.
- **Productivity and flexibility.** Price pressure on drugs requires cost awareness and seamless cooperation between different parts of the Company to achieve the targeted profitability level. Flexibility to react rapidly to changes in the operating environment is also needed. 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 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 new innovative and cost-effective drugs and treatments for patients.** The product development pipeline has balanced numbers of proprietary products and generic projects in different phases. In its research the Company aims for the best input/output ratio in the field.

- **Working together to benefit the customer.** Orion's personnel are committed and understand the needs of customers. The working atmosphere, customer satisfaction and Company image are at a high level.

- **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. In addition, Orion aims to continuously develop the personnel's occupational safety and ability to cope with their 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 2021

Orion estimates that net sales in 2021 will be slightly lower than in 2020 (net sales in 2020 were EUR 1,078 million).

Operating profit is estimated to be lower or clearly lower than in 2020 (operating profit in 2020 was EUR 280 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.

In 2020 Orion received a total of EUR 42 million in milestone payments, most of these in connection with the commercialisation of Nubeqa® in Europe and Japan (EUR 28 million in total) and the transfer of distribution rights to Parkinson's products to new partners around the world. In 2019, Orion received a total of EUR 51 million in milestone payments, of which EUR 45 million in connection with the commercialisation of Nubeqa® in the United States. The net sales and operating profit estimates for 2021 include less than EUR 5 million of milestone payments, a significantly lower figure than in the preceding years.

Orion estimates that its operating profit in 2020 was around EUR 40 million higher due to the impacts of the COVID-19 pandemic than the Company estimated at the beginning of 2020. More than half of this came from the increased international sales of dexmedetomidine products and the rest from lower than anticipated expenses and increased sales of other products. The outlook for 2021 does not contain similar impacts due to the pandemic.

The outlook is based on the assumption that Orion's own production can continue to operate normally despite the COVID-19 pandemic. This requires, among other things, continued success in employee protection so that absence rates do not significantly increase, that personal protective equipment, starting materials, intermediate products and materials are available and that the logistics chains are sufficiently functional.

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

Net sales

Orion continues persistent actions to generate growth more rapidly than growth of the market in the long term. However, in 2021 net sales will be negatively affected by significantly lower milestone payments than in the previous years, generic competition and expiration of a major distribution agreement in the Animal Health unit. In addition, the COVID-19 pandemic significantly increased the demand for some Orion products in 2020, but similar added sales beyond normal demand are not anticipated for the same products in 2021, which negatively affects net sales in comparison with 2020.

Sales of Orion's Dexdor® and Simdax® will decrease due to generic competition. In 2020, the sales of Dexdor® remained at the previous year's level due to the increased demand caused by the COVID-19 pandemic, but in 2021 its sales are expected to decline.

Nubeqa®, the drug developed by Orion in collaboration with Bayer, received marketing authorisation in the United States in 2019 and in the EU and Japan in 2020. Nubeqa® has now been approved in several other countries as well, and marketing authorisation application filings in other regions are underway or planned by Bayer. The outlook anticipates that the net sales of Nubeqa® booked by Orion will clearly increase in 2021. Orion's estimate is based on forecasts received from its partner Bayer.

The sales of the Easyhaler® product portfolio will continue to grow also in 2021 due to combined formulations (budesonide-formoterol and salmeterol-fluticasone) launched in the past few years. However, growth is expected to be slower than in the preceding years. 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 Scandinavian distribution agreement between Orion's Animal Health unit and the animal health company Zoetis, in effect for several years, terminated at the end of 2020. As a consequence, the net sales of Orion's Animal Health unit in 2021 will decrease clearly from the previous year. Distribution of Zoetis products contributed around EUR 28 million to Orion's net sales in 2020.

Sales of generic products account for a significant proportion of Orion's total sales. Decline in the price of generic drugs and availability disruptions due to causes other than the COVID-19 pandemic have impacted Orion's net sales negatively in the past few years. However, the combined negative impact of price decline and product shortages is estimated to be clearly smaller in 2021 than in the previous years. The demand for some generic drugs sold by Orion exceeded normal levels in 2020 due to the COVID-19 pandemic, but the demand for these products is estimated to return to a more normal level this year, negatively affecting net sales development in 2021 in comparison with 2020.

The outlook for 2021 includes under EUR 5 million in milestone payments, which is clearly less than what was booked in 2020 (EUR 42 million) or 2019 (EUR 51 million).

Operating profit

Orion anticipates clearly lower milestone payments in 2021 than in 2020, and the Company's net product sales are expected to decrease slightly from 2020. Operating profit will also be affected by declining sales of the proprietary products Dexdor® and Simdax® due to generic competition. Growing sales of products like Easyhaler® product portfolio or Nubeqa® will not be able to compensate for the resulting decline in operating profit. Orion therefore estimates that operating profit will be lower or clearly lower than in 2020.

Orion anticipates that operating expenses will remain at a similar level with the previous year. Depreciations related to the acquisition of sales and distribution rights for the Parkinson's drugs were booked for the final time in 2020, and this will reduce sales and marketing expenses by around EUR 12 million. At the same time, increasing investments are made in the sales and marketing of products that are experiencing growth. Expenses that saw a decline due to the COVID-19 pandemic are anticipated to return to a more normal level in the second half of 2021. R&D expenses are estimated to remain at a similar level as in the previous year.

The Group's total capital expenditure in 2021 is expected to be more than in 2020, when capital expenditure was EUR 49 million. However, the COVID-19 pandemic may slow down the implementation of planned investments. Orion has launched a project to renew its enterprise resource planning (ERP) system, and renovations of the Company head office in Espoo will also commence in 2021. Most of the investments in these projects will materialise in 2022–2023.

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. 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 pandemic-related risks that may cause even material production disruptions. Such risks include the infection of employees, poor availability of personal protective equipment, poorer availability of starting materials and intermediate products as well as logistics chain disruptions.

In the course of 2020, as the agreement with Novartis expired, Orion transferred the distribution of the Parkinson's drugs Stalevo® and Comtan® to new partners in most non-European markets with the exception of Japan. Orion started to sell these products on its own in Singapore, Malaysia and Thailand and continues to sell them in Europe. These changes, as well as continued generic competition affecting sales negatively, have been factored into the outlook for the current year. However, they still entail uncertainty that may materially affect the accuracy of the estimate made at this stage.

The basic patents for Dexdor® and Simdax® have expired and generic competition on these products has begun. In 2020, the COVID-19 pandemic strongly increased the demand for intensive care sedatives, and therefore the sales of Dexdor® decreased far less than anticipated. Its sales are estimated to notably decrease in 2021, but this estimate is subject to substantial uncertainty due to the pandemic situation. Generic competition to Simdax® started in the first markets in 2020. In 2021, net sales of Simdax® are estimated to decrease, but it is difficult to make exact estimates of sales at this point. Actual sales will be affected, among other things, by the timing of the beginning of 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 in 2020, but similar added sales beyond normal demand are not anticipated for the same products in 2021. There is uncertainty around this estimate, since the path of the pandemic and its impacts on the demand for Orion's products are difficult to assess with any precision. On the other hand, Orion is unaware of how much of the stockpiles acquired by customers in 2020 are remaining and when customers might start using inventories that exceed normal stock levels.

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

Orion's broad product range may cause risks to the delivery reliability and make it challenging to maintain the high quality standard required in production. The impact of availability disruptions on the Company's net sales has increased in the past few years. The ongoing COVID-19 pandemic has clearly ramped up this risk, as restrictions on travel and other operations and the increase in sick leaves in different parts of the world may cause delayed disruptions in pharmaceuticals' global distribution and logistics chains. In Orion's estimate, the COVID-19 pandemic will not significantly affect the availability of Company products in the first half of 2021, but there is a risk of poorer product availability in the second half of the year. 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. 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 2014–2020 the annual payments varied from EUR 5 million to EUR 51 million. The payments may be subject to conditions relating to the progress of research projects or sales or to new contracts to be signed, and whether these conditions or contracts materialise and what their timing is will always entail uncertainties.

Group's key figures

Key figures relating to financial performance

	2016	2017	2018	2019	2020
Net sales, EUR million[1]	1,073.5	1,033.6	977.5	1,051.0	1,078.1
EBITDA, EUR million[1]	355.2	323.6	293.9	308.9	336.5
% of net sales[1]	33.1%	31.3%	30.1%	29.4%	31.2%
Operating profit, EUR million[1]	314.6	284.1	252.8	252.8	280.1
% of net sales[1]	29.3%	27.5%	25.9%	24.1%	26.0%
Profit for the period, EUR million[1]	249.0	226.0	197.3	200.4	219.9
% of net sales[1]	23.2%	21.9%	20.2%	19.1%	20.4%
R&D expenses, EUR million[1]	118.2	99.1	104.0	119.3	123.2
% of net sales[1]	11.0%	9.6%	10.6%	11.3%	11.4%
Capital expenditure, EUR million[1]	51.1	75.0	64.8	42.6	48.5
% of net sales[1]	4.8%	7.2%	6.6%	4.0%	4.5%
Depreciation, amortisation and impairment, EUR million[1]	40.6	39.5	41.1	56.1	56.5
Personnel expenses, EUR million[1]	224.4	203.9	200.7	217.1	227.0
Equity total, EUR million	641.4	679.7	773.1	779.4	731.3
Interest-bearing net liabilities, EUR million	-79.4	-12.7	-132.1	-139.1	-185.8
Assets total, EUR million	1,062.9	1,055.5	1,146.7	1,035.7	1,115.6
Cash flow from operating activities, EUR million	249.1	228.4	230.9	270.8	299.1
Equity ratio, %	60.8%	64.6%	68.8%	76.7%	66.7%
Gearing, %	-12.4%	-1.9%	-17.1%	-17.8%	-25.4%
ROCE (before taxes), %	40.9%	36.2%	44.3%	29.9%	34.8%
ROE (after taxes), %	40.3%	34.2%	45.5%	25.8%	29.1%
Personnel at the end of the period[1]	3,469	3,161	3,154	3,265	3,311
Average personnel during the period[1]	3,446	3,205	3,179	3,251	3,337

[1] Contuining operations since 2017

Perfomance per share

	2016	2017	2018	2019	2020
Basic earnings per share, EUR	1.77	1.61	2.35	1.43	1.56
Diluted earnings per share, EUR	1.77	1.61	2.35	1.43	1.56
Cash flow per share before financial items, EUR	1.62	1.09	2.32	1.68	1.85
Equity per share, EUR	4.57	4.83	5.50	5.55	5.21
Dividend per share, EUR	1.55	1.45	1.50	1.50	1.50[1]
Total dividend, EUR million	217.7	203.8	211.0	210.7	210.7[1]
Payout ratio, %	87.6%	90.1%	63.8%	105.2%	95.9%[1]
A share					
Number of shares at the end of the period	38,294,154	37,120,346	37,120,346	36,335,463	35,122,793
% of total share stock	27.1%	26.3%	26.3%	25.7%	24.9%
Effective dividend yield, %	3.7%	4.5%	5.0%	3.7%	4.0%[1]
Price/earnings ratio (P/E)	23.94	19.92	12.89	28.64	23.97
Number of votes excluding treasury shares	765,883,080	742,406,920	742,406,920	726,709,260	702,455,860
% of total votes	88.2%	87.8%	87.8%	87.5%	87.0%
Total number of shareholders	16,786	18,254	20,368	19,990	22,015
Closing quotation at the end of previous financial year, EUR	31.83	42.38	32.07	30.30	40.95
Lowest quotation of review period, EUR	27.70	31.21	24.75	28.20	29.60
Average quotation of review period, EUR	34.37	46.37	29.63	34.26	40.26
Highest quotation of review period, EUR	42.91	58.35	35.70	42.00	48.45
Closing quotation at the end of review period, EUR	42.38	32.07	30.30	40.95	37.40
Trading volume, EUR million	68.2	148.3	63.2	73.5	102.5
Shares traded	1,983,921	3,197,610	2,131,981	2,149,046	2,547,090
% of the total number of shares	5.1%	8.5%	5.7%	5.9%	7.3%

[1] The Board of Directors' proposal for 2020 to the AGM.
The data in table includes Continuing and Discontinued operations.

	2016	2017	2018	2019	2020
B share					
Number of shares at the end of the period, including treasury shares	102,963,674	104,137,482	104,137,482	104,922,365	106,011,485
% of total share stock	72.9%	73.7%	73.7%	74.3%	75.1%
Treasury shares	783,366	675,401	562,440	765,399	671,082
Number of shares at the end of the period, excluding treasury shares	102,180,308	103,462,081	103,575,042	104,156,966	105,340,403
Effective dividend yield, %	3.7%	4.7%	5.0%	3.6%	4.0%[1]
Price/earnings ratio (P/E)	23.89	19.30	12.89	28.86	24.06
Number of votes excluding treasury shares	102,180,308	103,462,081	103,575,042	104,156,966	105,340,403
% of total votes	11.8%	12.2%	12.2%	12.5%	13.0%
Total number of shareholders	37,362	44,913	58,903	52,913	56,487
Closing quotation at the end of previous financial year, EUR	31.97	42.29	31.08	30.28	41.27
Lowest quotation of review period, EUR	27.79	29.72	22.57	28.19	30.02
Average quotation of review period, EUR	34.54	43.11	27.90	33.48	40.69
Highest quotation of review period, EUR	43.10	58.50	33.50	42.52	48.80
Closing quotation at the end of review period, EUR	42.29	31.08	30.28	41.27	37.53
Trading volume, EUR million	1,970.9	3,733.4	3,389.3	2,846.5	4,213.9
Shares traded	57,062,757	86,593,836	121,458,874	85,303,946	103,556,863
% of the total number of shares	55.6%	83.5%	116.6%	81.3%	97.7%
A and B share total					
Number of shares at the end of the period	141,257,828	141,257,828	141,257,828	141,257,828	141,134,278
Average number of shares during the period excluding treasury shares	140,670,663	140,564,679	140,676,819	140,571,373	140,506,969
Total number of votes	868,063,388	845,869,001	845,981,962	830,866,226	807,796,263
Total number of shareholders	48,547	57,339	72,802	66,595	72,003
Trading volume, EUR million	2,039.1	3,881.6	3,452.5	2,920.0	4,316.4
Shares traded	59,046,678	89,791,446	123,590,855	87,452,992	106,103,953
Total shares traded, % of total shares	41.8%	63.6%	87.5%	61.9%	75.2%
Market capitalisation at the end of the period excluding treasury shares, EUR million	5,944.1	4,406.1	4,261.0	5,786.5	5,267.0

[1] The Board of Directors' proposal for 2020 to the AGM.

The data in table includes Continuing and Discontinued operations.

Largest shareholders by number of shares[1]

31 Dec 2020	A shares	B shares	Total shares	% of total shares	Total votes	% of total votes
1. Ilmarinen Mutual Pension Insurance Company	1,753,499	1,981,629	3,735,128	2.65%	37,051,609	4.58%
2. Erkki Etola and companies	2,500,000	200,000	2,700,000	1.91%	50,200,000	6.21%
Etola Erkki	200,000				4,000,000	0.49%
Etola Oy	2,300,000				46,000,000	5.69%
Tiiviste-Group Oy		200,000			200,000	0.02%
3. Land and Water Technology Foundation and companies	2,083,360		2,083,360	1.48%	41,667,200	5.15%
Land and Water Technology Foundation	1,034,860				20,697,200	2.56%
Tukinvest Oy	1,048,500				20,970,000	2.59%
4. Elo Mutual Pension Insurance Company	292,800	1,507,855	1,800,655	1.28%	7,363,855	0.91%
5. The Social Security Institution of Finland, Kela		1,658,368	1,658,368	1.18%	1,658,368	0.21%
6. Ylppö Jukka	1,247,136	197,729	1,444,865	1.02%	25,140,449	3.11%
7. Varma Mutual Pension Insurance Company		1,079,397	1,079,397	0.76%	1,079,397	0.13%
8. Into Ylppö and commanding votes	785,492	242,848	1,028,340	0.73%	15,952,688	1.97%
Ylppö Into	577,936	240,200			11,798,920	1.46%
Ylppö Eeva	110,778	1,324			2,216,884	0.27%
Ylppö Aurora	96,778	1,324			1,936,884	0.24%
9. The State Pension Fund		925,000	925,000	0.66%	925,000	0.11%
10. Aho Group Oy and commanding votes	729,099	2,818	731,917	0.52%	14,584,798	1.80%
Aava Terveyspalvelut Oy	358,230	4			7,164,604	0.89%
Juhani Aho Foundation for Medical Research	107,800				2,156,000	0.27%
Aho Kari Jussi	69,763	389			1,395,649	0.17%
Lappalainen Annakaija	58,034	2,000			1,162,680	0.14%
Aho Ville Jussi	50,496	425			1,010,345	0.12%
Porkkala Miia	46,183				923,660	0.11%
Aho Antti Jussi	38,593				771,860	0.10%
10 largest total	**9,391,386**	**7,795,644**	**17,187,030**	**12.18%**	**195,623,364**	**24.20%**
Total	**35,122,793**	**106,011,485**	**141,134,278**	**100.00%**	**808,467,345**	**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 2020	A shares	B shares	Total shares	% of total shares	Total votes	% of total votes
1. Erkki Etola and companies	2,500,000	200,000	2,700,000	1.91%	50,200,000	6.21%
Etola Erkki	200,000				4,000,000	0.49%
Etola Oy	2,300,000				46,000,000	5.69%
Tiiviste-Group Oy		200,000			200,000	0.02%
2. Land and Water Technology Foundation and companies	2,083,360		2,083,360	1.48%	41,667,200	5.15%
Land and Water Technology Foundation	1,034,860				20,697,200	2.56%
Tukinvest Oy	1,048,500				20,970,000	2.59%
3. Ilmarinen Mutual Pension Insurance Company	1,753,499	1,981,629	3,735,128	2.65%	37,051,609	4.58%
4. Ylppö Jukka	1,247,136	197,729	1,444,865	1.02%	25,140,449	3.11%
5. Into Ylppö and commanding votes	785,492	242,848	1,028,340	0.73%	15,952,688	1.97%
Ylppö Into	577,936	240,200			11,798,920	1.46%
Ylppö Eeva	110,778	1,324			2,216,884	0.27%
Ylppö Aurora	96,778	1,324			1,936,884	0.24%
6. Aho Group Oy and commanding votes	729,099	2,818	731,917	0.52%	14,584,798	1.80%
Aava Terveyspalvelut Oy	358,230	4			7,164,604	0.89%
Juhani Aho Foundation for Medical Research	107,800				2,156,000	0.27%
Aho Kari Jussi	69,763	389			1,395,649	0.17%
Lappalainen Annakaija	58,034	2,000			1,162,680	0.14%
Aho Ville Jussi	50,496	425			1,010,345	0.12%
Porkkala Miia	46,183				923,660	0.11%
Aho Antti Jussi	38,593				771,860	0.10%
7. Saastamoinen Foundation	654,996		654,996	0.46%	13,099,920	1.62%
8. Orion Pension Fund[2]	544,208	180,632	724,840	0.51%	11,064,792	1.37%
9. Eija Ronkainen and companies	535,500	38,639	574,139	0.41%	10,748,639	1.33%
EVK-Capital Oy	535,500	16,671			10,726,671	1.33%
Eija Ronkainen		21,968			21,968	0.00%
10. Oy Ingman Finance Ab	445,000		445,000	0.32%	8,900,000	1.10%
10 largest total	**11,278,290**	**2,844,295**	**14,122,585**	**10.01%**	**228,410,095**	**28.25%**
Total	**35,122,793**	**106,011,485**	**141,134,278**	**100.00%**	**808,467,345**	**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 2020	Owners	%	A shares	%	B shares	%	Total shares	%	Total votes	%
Non-financial companies	1,801	2.50	4,819,545	13.72	2,668,590	2.52	7,488,135	5.31	99,059,490	12.25
Financial and insurance institutions	84	0.12	605,752	1.72	2,871,910	2.71	3,477,662	2.46	14,986,950	1.85
Public sector entities	37	0.05	2,049,953	5.84	7,532,856	7.11	9,582,809	6.79	48,531,916	6.00
Households	69,094	95.94	23,064,980	65.67	31,818,857	30.01	54,883,837	38.89	493,118,457	60.99
Non-profit organisations	702	0.97	3,293,177	9.38	3,773,090	3.56	7,066,267	5.01	69,636,630	8.61
Nominee-registered and foreign shareholders	296	0.41	1,289,386	3.67	56,675,100	53.46	57,964,486	41.07	82,462,820	10.20
Number of treasury shares	1				671,082	0.63	671,082	0.48	671,082	0.08
Total	**72,015**	**100.00**	**35,122,793**	**100.00**	**106,011,485**	**100.00**	**141,134,278**	**100.00**	**808,467,345**	**100.00**

Ownership base by number of shares

31 Dec 2020	Owners	%	A shares	%	B shares	%	Total shares	%	Total votes	%
1–100	32,701	45.42	391,876	1.12	1,128,740	1.06	1,414,317	1.00	7,877,376	0.97
101–1,000	29,918	41.55	3,165,094	9.01	9,671,560	9.12	11,422,367	8.09	58,461,351	7.23
1,001–10,000	8,558	11.89	8,469,924	24.12	16,425,991	15.49	23,693,061	16.79	171,956,331	21.27
10,001–100,000	756	1.05	7,637,793	21.75	10,159,062	9.58	19,072,641	13.51	175,353,284	21.69
100,001–1,000,000	58	0.08	8,074,111	22.99	7,236,773	6.83	15,153,960	10.74	157,415,035	19.47
1,000,001–	11	0.02	7,383,995	21.02	60,718,277	57.28	69,706,850	49.39	236,732,886	29.28
Total	**72,002**	**100.00**	**35,122,793**	**100.00**	**105,340,403**	**99.37**	**140,463,196**	**99.52**	**807,796,263**	**99.92**
of which nominee-registered	12	0.02	1,144,097	3.26	55,854,224	53.02	56,998,321	40.58	78,736,164	9.75
Number of treasury shares	1				671,082	0.63	671,082	0.48	671,082	0.08
Total	**72,003**	**100.00**	**35,122,793**	**100.00**	**106,011,485**	**100.00**	**141,134,278**	**100.00**	**808,467,345**	**100.00**

Shareholdings in Orion Corporation of the Members elected to the Board of Directors on 6 May 2020[1]

31 Dec 2020	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	6,845	777	6,845	0.00	0.00
Timo Maasilta, Vice chairman	21,928	0	6,306	509	28,234	0.02	0.06
Kari Jussi Aho	69,763	0	389	389	70,152	0.05	0.17
Pia Kalsta	0	0	957	389	957	0.00	0.00
Ari Lehtoranta	0	0	1,968	389	1,968	0.00	0.00
Hilpi Rautelin	1,800	0	2,968	389	4,768	0.00	0.00
Eija Ronkainen	535,500	0	38,639	389	574,139	0.41	1.33
Board of Directors total	**628,991**	**0**	**58,072**	**3,231**	**687,063**	**0.49**	**1.56**

[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 2020	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	72,891	11,400	72,891	0.05	0.01
Satu Ahomäki	0	0	31,748	2,700	31,748	0.02	0.00
Olli Huotari	0	0	61,149	4,560	61,149	0.04	0.01
Liisa Hurme	0	0	23,619	-5,300	23,619	0.02	0.00
Jari Karlson	0	0	29,989	-940	29,989	0.02	0.00
Virve Laitinen	0	0	13,441	-3,440	13,441	0.01	0.00
Outi Vaarala	0	0	0	0	0	0.00	0.00
Executive Management Board total	**0**	**0**	**232,837**	**8,980**	**232,837**	**0.16**	**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 2020	A share	B share	Total
Trading code on Nasdaq Helsinki	ORNAV	ORNBV	
Listing day	1 Jul 2006	1 Jul 2006	
ISIN code	FI0009014369	FI0009014377	
ICB code	4500	4500	
Reuters code	ORNAV.HE	ORNBV.HE	
Bloomberg code	ORNAV.FH	ORNBV.FH	
Share capital, EUR million	23.0	69.2	92.2
Counter book value per share, EUR	0.65	0.65	
Minimum number of shares			1
Maximum number of A and B shares, and maximum number of all shares	500,000,000	1,000,000,000	1,000,000,000
Votes per share	20	1	

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	2020	2019
Net sales	2.1	1,078.1	1,051.0
Cost of goods sold		-427.0	-417.6
Gross profit		651.0	633.4
Other operating income and expenses	2.2	5.4	2.2
Selling and marketing expenses	2.2, 4.1	-204.3	-215.7
R&D expenses	2.2, 4.1	-123.2	-119.3
Administrative expenses	2.2, 4.1	-48.9	-47.8
Operating profit		280.1	252.8
Finance income	2.3	0.2	0.7
Finance expenses	2.3	-2.0	-2.6
Profit before income taxes		278.3	250.8
Income tax expense	5.1	-58.4	-50.5
Profit for the period		219.9	200.4

Consolidated statement of comprehensive income

OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS

EUR million	Note	2020	2019
Translation differences		-1.4	0.9
Items that may be reclassified subsequently to profit and loss		-1.4	0.9
Remeasurement of pension plans	4.2	-59.4	19.9
Items that will not be reclassified to profit and loss		-59.4	19.9
Other comprehensive income net of tax		-60.8	20.9
Comprehensive income for the period including tax effects		159.1	221.2
PROFIT ATTRIBUTABLE TO			
Owners of the parent company		219.9	200.4
COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent company		159.1	221.2
Basic earnings per share, EUR[1]	2.4	1.56	1.43
Diluted earnings per share, EUR[1]	2.4	1.56	1.43
Depreciation, amortisation and impairment	2.2	-56.5	-56.1
Personnel expenses		-227.0	-217.1

[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	2020	2019
Property, plant and equipment	3.1	319.6	320.9
Goodwill	3.2	13.5	13.5
Intangible rights	3.2	26.8	34.8
Other intangible assets	3.2	2.7	2.8
Investments in associates	3.4	0.1	0.1
Other investments	6.6	0.2	0.2
Pension asset	4.2		55.8
Deferred tax assets	5.2	8.4	6.8
Other non-current receivables	3.6	0.5	0.8
Non-current assets total		371.8	435.6
Inventories	3.5	258.1	230.3
Trade receivables	3.6	157.4	196.5
Other receivables	3.6	33.9	24.3
Money market investments	3.6		35.0
Cash and cash equivalents	6.5	294.4	114.0
Current assets total		743.7	600.1
Assets total		1,115.6	1,035.7

EQUITY AND LIABILITIES

EUR million, 31 Dec	Note	2020	2019
Share capital		92.2	92.2
Other reserves		3.4	3.0
Retained earnings		635.7	684.2
Equity attributable to owners of the parent company		731.3	779.4
Equity total	6.3	731.3	779.4
Deferred tax liabilities	5.2	29.3	41.2
Pension liability	4.2	19.9	3.4
Provisions	3.7	0.4	0.4
Interest-bearing non-current liabilities	6.4	105.5	6.7
Other non-current liabilities	3.8	15.0	17.1
Non-current liabilities total		170.1	68.8
Trade payables	3.8	86.7	79.0
Current tax liabilities	3.8	2.5	2.6
Other current liabilities	3.8	121.8	102.6
Interest-bearing current liabilities	6.4	3.1	3.3
Current liabilities total		214.1	187.5
Liabilities total		384.2	256.3
Equity and liabilities total		1,115.6	1,035.7

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**	**Remeasure-ment of pension plans**	**Own shares**	**Translation differences**	**Retained earnings**	**Equity total**
Equity at 1 January 2019		92.2	2.9	10.5	-18.0	-7.7	693.2	773.1
Impact of adoption of the IFRS 16 standard							-0.2	-0.2
Adjusted equity at 1 January 2019		92.2	2.9	10.5	-18.0	-7.7	693.0	772.9
Profit for the period							200.4	200.4
Other comprehensive income								
Translation differences						0.7	0.2	0.9
Remeasurement of pension plans				19.9				19.9
Transactions with owners								
Dividend	6.3						-211.4	-211.4
Repurchase of own shares					-7.4			-7.4
Share-based incentive plan	4.1				0.9		1.6	2.5
Other adjustments			0.0				1.5	1.5
Equity at 31 December 2019		92.2	3.0	30.5	-24.5	-7.0	685.2	779.4
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						-0.9	-0.5	-1.4
Remeasurement of pension plans				-59.4				-59.4
Transactions with owners								
Dividend	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

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

Consolidated statement of cash flows

EUR million	Note	2020	2019
Profit before taxes		278.3	250.8
Financial income and expenses	2.3	1.8	2.0
Depreciation, amortisation and impairment	2.2	56.5	56.1
Gains/losses on sales or disposals of property, plant and equipment and intangible assets		-0.0	-0.1
Unrealised foreign exchange gains and losses		0.7	-0.4
Change in pension asset and pension obligation	4.2	-2.0	0.5
Change in provisions	3.7	0.0	0.0
Other adjustments		1.3	0.6
Total adjustments to profit before taxes		58.2	58.7
Change in trade and other receivables		33.0	-0.2
Change in inventories		-29.0	-8.0
Change in trade and other payables		23.1	22.7
Total change in working capital		27.1	14.5
Interest and other financial expenses paid		-5.6	-7.0
Interest and other financial income received		3.8	3.1
Dividends received		0.0	0.0
Income taxes paid	5.1	-62.7	-49.3
Total net cash flow from operating activities		299.1	270.8
Investments in property, plant and equipment	3.1	-34.0	-28.7
Investments in intangible assets	3.2	-6.7	-7.5
Sales of property, plant and equipment, other investments and associated companies	3.1, 3.4, 6.6	1.0	0.8
Sale of subsidiary			1.4
Total net cash flow from investing activities		-39.7	-34.0
Current loans raised	6.4	1.6	1.4
Repayments of current loans	3.1, 6.4	-5.6	-154.2
Non-current loans raised	6.4	100.0	
Repurchase of own shares	6.3		-7.4
Dividends paid and other distribution of profits	6.3	-211.1	-211.2
Total net cash flow from financing activities		-115.1	-371.4
Net change in cash and cash equivalents		144.3	-134.5
Cash and cash equivalents at 1 Jan	6.5	149.0	283.7
Foreign exchange differences		1.1	-0.1
Cash and cash equivalents at 31 Dec	6.5	294.4	149.0

RECONCILIATION OF CASH AND CASH EQUIVALENTS IN STATEMENT OF FINANCIAL POSITION

EUR million	2020	2019
Cash and cash equivalents in statement of financial position at the end of the period	294.4	114.0
Money market investments at the end of the period		35.0
Cash and cash equivalents in the statement of cash flows	294.4	149.0

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 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 is listed on Nasdaq Helsinki. Trading in Orion's shares commenced on 3 July 2006.

At its meeting on 9 February 2021, 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 headquarters, Orionintie 1, FI-02200 Espoo.

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 IFRIC interpretations effective at 31 December 2020. 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.

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 compilation 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 for which hedge accounting under IFRS 9 does not apply are included as 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. 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
- 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 2020

The following new standards, amendments and interpretations, which have been endorsed in the EU and which are applicable for Group's business model, have been adopted as of 1 January 2020.

- Conceptual Framework (amendment). To the revised Framework is codified IASB's thinking adopted in recent standards. The Framework does not override the requirements of individual IFRSs.
- IFRS 3 (amendment), Business Combinations. The amendment narrows and clarifies the definition of a business. With the change is also permitted a simplified assessment of whether an acquired set is a group of assets rather than a business.
- IAS 1, Presentation of Financial Instruments and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (amendment). The amendments clarify the definition of material and improve possibilities to apply consistently the concept across all IFRS Standards.

The standard amendments had not material effect on Orion's consolidated financial statements.

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

Upcoming new standards, amendments to the current standards and interpretations published at the balance sheet date to be applied on 1st January 2021 or later are not expected to have a material impact on 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	2020	2019
Sale of goods	1,017.6	988.6
Royalty income	18.7	11.5
Total product sales	1,036.3	1,000.1
Milestone payments	41.8	50.8
Group total	1,078.1	1,051.0

In the financial year 2020 EUR 0.6 (0.6) million of the profits from clinical phase R&D falls under Milestone payments and EUR 11.6 (0.8) million under Product sales. Profits from clinical phase R&D are reported under Product sales once the product is commercially available. EUR 2.1 (2.0) million has been entered as income from performance obligations delivered to customers. The Group recorded EUR 0.6 (0.7) million of sales performance obligations satisfied during previous financial years.

NET SALES BY BUSINESS DIVISION

EUR million	2020	2019
Proprietary products	420.2	406.1
Specialty products	498.4	486.1
Animal Health	89.3	85.8
Fermion and Contract manufacturing	74.9	70.7
Other	-4.7	2.4
Group total	1,078.1	1,051.0

ASSETS AND LIABILITIES BASED ON CONTRACT

	2020		2019	
EUR million	**Asset**	**Liability**	**Asset**	**Liability**
1 Jan	2.8	18.4	1.7	22.0
Revenue recognised during the financial period that was included in liabilities based on contract at the start of the period		-2.1		-2.8
Increase of considerations received less revenue recognised during the financial year		0.0		0.8
Actual billing during the financial year	1.4		-1.5	
Increase of assets and liabilities based on contract due to new business operations	1.9	7.2	2.6	-1.6
31 Dec	6.0	23.5	2.8	18.4

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 2020 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 16.1 (2019: 46.1) million. The Group expects to recognise EUR 6.2 million as revenue for this transaction price allocated to unsatisfied contracts during the financial years 2021 to 2023 (2019: EUR 34.2 million during the financial years 2020 to 2022). The remaining EUR 9.9 million is expected to be recognised as revenue starting from the beginning of the financial year 2024 (2019: EUR 11.9 million starting from the beginning of the financial year 2023). 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 Phase III clinical trial (ARAMIS) on the product was concluded in 2018. 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.

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 these, 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.

EUR million	Finland 2020	Finland 2019	Scandinavia 2020	Scandinavia 2019	Other Europe 2020	Other Europe 2019	North America 2020	North America 2019	Other countries 2020	Other countries 2019	Group total 2020	Group total 2019
Sales to external customers	316.0	308.9	177.0	176.7	367.6	334.1	82.5	103.0	134.9	128.4	1,078.1	1,051.0
Assets	955.4	876.6	36.5	36.2	112.4	119.3	0.0		11.3	3.6	1,115.6	1,035.7
Capital expenditure	46.2	37.4	0.2	0.3	2.0	4.8			0.1	0.1	48.5	42.6

TOP TEN BEST-SELLING PHARMACEUTICAL PRODUCTS

EUR million	2020	2019
Easyhaler (asthma, COPD)	115.1	104.5
Stalevo, Comtess and Comtan (Parkinson’s disease)	98.6	97.5
Simdax (acute decompensated heart failure)	62.1	67.6
Dexdor (intensive care sedative)	54.8	56.6
Dexdomitor, Domitor, Domosedan and Antisedan (animal sedatives)	34.8	36.2
Burana (inflammatory pain)	23.4	25.0
Divina series (menopausal symptoms)	20.6	19.0
Biosimilars (rheumatoid arthritis, inflammatory bowel diseases)	17.7	37.7
Trexan (rheumatoid arthritis, cancer)	16.7	11.4
Nubeqa (prostate cancer)	16.6	2.3
Total	460.5	458.0

2.2 Other operating expenses and income

Accounting policies

The function-based expenses in Group’s consolidated statement of profit and loss include the following. 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, 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	2020	2019
R&D expenses	123.2	119.3

DEPRECIATION, AMORTISATION AND IMPAIRMENT BY FUNCTION

EUR million	2020	2019
Cost of goods sold	26.0	25.3
Selling and marketing	20.0	20.6
Research and development	3.5	3.3
Administration	7.0	6.9
Total	56.5	56.1

DEPRECIATION, AMORTISATION AND IMPAIRMENT BY TYPE OF ASSET

EUR million	2020	2019
Buildings and constructions	13.2	13.1
Machinery and equipment	23.6	23.0
Other tangible assets	0.2	0.2
Property, plant and equipment, total	37.0	36.3
Intangible rights	18.5	18.9
Other intangible assets	0.9	0.9
Intangible assets, total	19.4	19.8

During the period, an impairment charge of EUR 1.2 (2019: 0.0) million was recognised in selling and marketing expenses on intangible rights.

OTHER OPERATING INCOME AND EXPENSES

EUR million	2020	2019
Gains on sales of property, plant and equipment, intangible assets and other investments	0.3	0.2
Rental income	2.2	2.2
Exchange rate gains and losses	1.2	-1.3
Service charges received from discontinued operations		0.7
Other operating income	2.0	0.6
Other operating expenses	-0.2	-0.2
Total	5.4	2.2

Other operating income EUR 2.0 (2019: 0.6) 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 statement of comprehensive 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	2020	2019
Interest income on money market investments	0.1	0.2
Dividend income on other investments	0.0	0.0
Other interest income	0.1	0.2
Foreign exchange gains and losses, net		0.3
Other finance income	0.0	0.0
Finance income, total	0.2	0.7
Interest expenses	0.9	2.3
Foreign exchange gains and losses, net	0.8	
Other finance expenses	0.3	0.4
Finance expenses, total	2.0	2.6
Finance income and expenses, total	-1.8	-2.0

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	2020	2019
Foreign exchange rate gains	3.6	2.7
Foreign exchange rate losses	-4.4	-2.5
Net	-0.8	0.3

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

EUR million	2020	2019
In net sales	-5.3	1.6
In cost of goods sold	0.3	-0.0
In other income and expenses	1.2	-1.3
In functions' expenses	0.2	-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

	2020	2019
Profit for the period attributable to owners of the parent company, EUR million	219.9	200.4
Weighted average number of shares during the period (1,000 shares)	140,507	140,571
Basic earnings per share, EUR	1.56	1.43

DILUTED EARNINGS PER SHARE

	2020	2019
Profit used to determine diluted earnings per share, EUR million	219.9	200.4
Weighted average number of shares for diluted earnings per share (1,000 shares)	140,507	140,571
Diluted earnings per share, EUR	1.56	1.43

DIVIDEND PER SHARE

	2020	2019
Dividend paid during the period, EUR million	210.9	211.1
Number of shares at 31 Dec, (1,000 shares)	140,463	140,492
Dividend per share paid during the period, EUR	1.50	1.50

The Group held 671,082 Company's B shares as treasury shares at 31 December 2020.

For the financial year 2020 a dividend of EUR 1.50 per share, in total EUR 210.7 million is proposed to the Annual General Meeting, planned to be held on 25 March 2021. 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 statement of comprehensive income.

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 agreements relating to Group's IT software are service agreements.

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 profit and loss.

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:

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

Separating components of a contract

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

Lease term

The lease term is the period during which the lease cannot be cancelled. The lease term is extended by the period covered by an extension 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, pland and equipment[1]		Advance payments and construction in progress		Total	
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Historical cost at 1 Jan	5.8	6.6	376.2	352.4	403.0	387.3	5.1	5.0	18.9	56.3	809.1	807.7
Additions			5.6	6.7	12.9	13.9	0.1	0.1	15.8	10.0	34.5	30.8
Disposals		-0.8	-0.2	-4.2	-6.7	-24.5	-0.0	-0.0	-0.0	-0.2	-6.9	-29.7
Transfers between statement of financial position items			4.6	21.3	6.9	26.1	0.2	0.0	-11.6	-47.3	0.1	0.1
Translation differences					-0.2	0.1	-0.1	0.0			-0.3	0.1
Historical cost at 31 Dec	5.8	5.8	386.3	376.2	415.9	403.0	5.3	5.1	23.1	18.9	836.4	809.1
Accumulated depreciation and impairment at 1 Jan	0.2	0.2	-209.1	-201.1	-285.3	-286.3	-3.7	-3.5			-498.0	-490.7
Accumulated depreciation on disposals and transfers			0.2	3.5	6.0	22.4	0.0	0.0			6.2	25.8
Depreciation for the year			-11.6	-11.4	-21.7	-21.3	-0.2	-0.2			-33.5	-32.9
Translation differences					0.1	-0.1	0.1	-0.0			0.2	-0.1
Accumulated depreciations and impairment at 31 Dec	0.2	0.2	-220.6	-209.1	-301.0	-285.3	-3.8	-3.7			-525.1	-498.0
Carrying amount at 1 Jan	6.0	6.8	167.1	151.3	117.6	101.0	1.5	1.5	18.9	56.3	311.1	316.9
Carrying amount at 31 Dec	6.0	6.0	165.7	167.1	114.9	117.6	1.6	1.5	23.1	18.9	311.3	311.1

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

	Right-of-use assets											
2020	Leased premises		Cars		Others		Total		Owned by Orion		Total	
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Historical cost at 1 Jan	13.4		5.7		1.4		20.5		809.1	807.7	829.6	807.7
Impact of adoption of the IFRS 16 standard		10.7		4.2		1.4		16.4				16.4
Additions	0.1	2.8	1.9	1.8	0.5		2.5	4.6	34.5	30.8	36.9	35.4
Disposal	-1.6	-0.5	-2.5	-0.4			-4.1	-0.9	-6.9	-29.7	-11.0	-30.5
Transfers between statement of financial position items									0.1	0.1	0.1	0.1
Translation differences	-0.7	0.3	-0.3	0.1			-1.0	0.4	-0.3	0.1	-1.3	0.6
Historical cost at 31 Dec	11.2	13.4	4.8	5.7	2.0	1.4	18.0	20.5	836.4	809.1	854.4	829.6
Accumulated depreciation and impairment at 1 Jan	-6.8		-3.0		-1.0		-10.8		-498.0	-490.7	-508.7	-490.7
Impact of adoption of the IFRS 16 standard		-5.3		-1.7		-0.7		-7.7				-7.7
Accumulated depreciation on disposals and transfers	1.6	0.3	2.5	0.2			4.1	0.5	6.2	25.8	10.3	26.4
Depreciation for the year	-1.6	-1.6	-1.7	-1.4	-0.2	-0.3	-3.5	-3.3	-33.5	-32.9	-37.0	-36.3
Translation differences	0.5	-0.2	0.2	-0.1			0.6	-0.3	0.2	-0.1	0.8	-0.4
Accumulated depreciations and impairment at 31 Dec	-6.4	-6.8	-2.0	-3.0	-1.2	-1.0	-9.6	-10.8	-525.1	-498.0	-534.7	-508.7
Carrying amount at 1 Jan	6.5		2.8		0.5		9.8		311.1	316.9	320.9	316.9
Carrying amount at 31 Dec	4.8	6.5	2.8	2.8	0.7	0.5	8.3	9.8	311.3	311.1	319.6	320.9

Leases

ITEMS ARISING FROM LEASES IN THE CONSOLIDATED INCOME STATEMENT

EUR million	2020	2019
Depreciation from right-of-use assets	3.5	3.3
Interest expense from lease liabilities	0.2	0.2
Expense from short-term lease	0.7	0.6
Expense from leases of low-value assets	1.7	1.5
Lease income from third parties	-2.2	-2.2
Total	3.8	3.4

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 2.2 (2019: 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 3.9 (2019: 3.0) million of lease payments to lessors from the lease contracts capitalized in the balance sheet.

3.2 Intangible assets

Accounting policies

Research and development costs

Research costs are expensed as incurred in the statement of comprehensive income. 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.

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 statement of comprehensive income 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 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 statement of comprehensive income 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 statement of comprehensive income 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 2020	Goodwill 2019	Intangible rights[1] 2020	Intangible rights[1] 2019	Other intangible assets[2] 2020	Other intangible assets[2] 2019	Total 2020	Total 2019
Historical cost at 1 Jan	13.5	13.5	163.4	157.2	58.8	57.8	235.7	228.5
Additions			10.6	6.2	0.9	0.9	11.6	7.2
Disposals			-0.6	-0.1	-0.2		-0.8	-0.1
Transfers between statement of financial position items			-0.1	0.0	0.0		-0.1	0.0
Translation differences			-0.0	0.0	-0.0		-0.0	0.0
Historical cost at 31 Dec	13.5	13.5	173.4	163.4	59.5	58.8	246.3	235.7
Accumulated amortisation and impairments at 1 Jan			-128.6	-109.8	-56.0	-55.1	-184.6	-164.9
Accumulated amortisation on disposals			0.6	0.1	0.1		0.7	0.1
Amortisation for the period			-17.4	-18.9	-0.9	-0.9	-18.3	-19.8
Impairment			-1.2	-0.0			-1.2	-0.0
Accumulated amortisation and impairment at 31 Dec			-146.5	-128.6	-56.8	-56.0	-203.3	-184.6
Carrying amount at 1 Jan	13.5	13.5	34.8	47.5	2.8	2.7	51.1	63.7
Carrying amount at 31 Dec	13.5	13.5	26.8	34.8	2.7	2.8	43.0	51.1

[1] Intangible rights comprise mainly product rights and marketing authorisations with carrying amount EUR 18.7 (2019: 27.0) 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.

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 4.3% (2019: 4.7%).

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 amounts of a group of cash-generating units were lower than their 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 10.0 (2019: 5.1) million.

Impairment charges recognised in the period

During the period impairment charges totalling EUR 1.2 (2019: 0.0) million were recognised on the intangible rights of the Pharmaceuticals business. Intangible rights not yet available for use accounted for EUR 1.0 (2019: 0.0) 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 11.3 (2019: 9.5) million. At the end of the financial year 2020, Orion had no (2019: EUR 0.5 million) 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 ARASENS trial is estimated to reach completion in 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. The United States Food and Drug Administration (FDA) granted marketing authorisation to Nubeqa in July 2019, and sales in the United States commenced in August 2019. In the 2020 financial year, Nubeqa sales commenced in the EU and Japanese markets. Orion received milestone payments from Bayer upon first commercial sales of Nubeqa in the United States, EU and Japan. Orion recognises the Nubeqa sales revenue in sales of goods and royalty income. Orion may also receive one-off payments from Bayer if certain sales targets are met. Information on Nubeqa sales revenue is provided in Note 2.1.

3.4 Investments in associates, joint ventures and joint operations

EUR million	2020	2019
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	2020	2019
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 statement of comprehensive income and statement of financial position is minimal.

SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

EUR million	2020	2019
Assets	4.5	5.2
Liabilities	3.8	4.5
Revenues	3.4	3.3
Profit (+) or loss (-) for the period	0.0	0.0

The most recent available financial statements of the associate are for the years 2019 and 2018.

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	2020	2019
Raw materials and consumables	52.6	45.9
Work in progress	44.3	39.1
Finished products and goods	161.2	145.2
Total	258.1	230.3

The value of inventories has been impaired by EUR 12.3 (2019: 12.5) million for the period so it corresponds to net realisable value.

3.6 Trade and other receivables

EUR million, 31 Dec	Carrying amount 2020	Fair value 2020	Carrying amount 2019	Fair value 2019
Trade receivables	157.4	157.4	196.5	196.5
Current tax assets	8.6	8.6	3.1	3.1
Receivables from associates	0.1	0.1	0.1	0.1
Prepaid expenses and accrued income	17.1	17.1	12.2	12.2
Receivables on derivative contracts	0.3	0.3	0.1	0.1
VAT receivables	2.2	2.2	3.5	3.5
Other receivables	5.6	5.6	5.3	5.3
Money market investments			35.0	35.0
Total	191.3	191.3	255.9	255.9

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

EUR million, 31 Dec	Carrying amount 2020	Default rate 2020	Expected credit loss 2020	Carrying amount 2019
Not yet due	135.5	0.02%	0.0	171.0
1 to 30 days past due	15.2	0.29%	0.0	18.6
31 to 60 days past due	1.4	0.43%	0.0	2.2
61 to 90 days past due	0.6	0.59%	0.0	0.9
Over 90 days overdue	4.6	0.72%	0.0	3.8
Total	157.4		0.1	196.5

The total credit losses of trade and other receivables for the period were net EUR 0.0 (2019: 0.0) million.

MATERIAL ITEMS INCLUDED IN PREPAID EXPENSES AND ACCRUED INCOME

EUR million, 31 Dec	2020	2019
Assets based on contracts	6.0	2.6
Prepayments for service and maintenance	2.9	2.2
Pending R&D contributions	1.6	0.7
Price differential payments	1.3	1.5
Prepaid sales rights	1.1	
Pending compensations	0.8	0.8
Share remunerations for restricted period	0.7	0.9
Pending compensation due to inventory write-down		0.7
Other prepaid expenses and accrued income	2.5	2.7
Total	17.1	12.2

Assets due to agreements include royalties since period 2019.

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	2020	2019
Loan receivables from associates	0.3	0.4
Other loan receivables	0.0	0.1
Other non-current receivables	0.1	0.2
Total	0.5	0.8

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 recognisition 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	Restructuring provisions	Other provisions	Total
1 Jan 2020	0,1	0,1	0,2	0,4
Exchange rate differences			0.0	0.0
Reclassification of provisions		-0.1	0.1	
Utilised during the period			-0.0	-0.0
Additions to provisions			0.0	0.0
31 Dec 2020	0.1		0.3	0.4

EUR million, 31 Dec	2020	2019
Non-current provisions	0.4	0.4
Total	0.4	0.4

Pension, restructuring and other provisions

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

3.8 Trade payables and other liabilities

EUR million, 31 Dec	2020	2019
Trade payables	86.7	79.0
Current tax liabilities	2.5	2.6
Liabilities on derivative contracts	0.2	0.7
Other current liabilities to associates	0.0	0.0
Accrued liabilities and deferred income	101.6	83.7
VAT liabilities	4.8	4.1
Other current liabilities	15.1	14.1
Total	211.0	184.2

MATERIAL ITEMS INCLUDED IN ACCRUED LIABILITIES AND DEFERRED INCOME

EUR million, 31 Dec	2020	2019
Liabilities from share-based incentive plans	4.6	4.2
Liabilities from other incentive plans	17.9	15.2
Other accrued salary, wage and social security payments	30.4	24.1
Accrued price reductions	13.1	9.4
Liabilities based on contract	9.5	2.3
Accrued unpaid sales rights	4.7	
Accrued price adjustments	4.4	8.9
Accrued R&D expenses	3.5	4.4
Accrued royalties	1.9	1.9
Accrued litigation costs	1.8	1.9
Accrued expert fees	1.5	2.0
Accrued sales compensation	1.2	0.8
Accrued interest	0.1	
Other accrued liabilities and deferred income	7.0	8.7
Total	101.6	83.7

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	2020	2019
Liabilities based on contract	14.0	16.1
Other liabilities	1.0	1.0
Total	15.0	17.1

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	**2020**	**2019**
Wages and salaries	185.5	173.9
PENSION COSTS		
Defined contribution plans	20.0	20.9
Defined benefit plans	3.1	3.2
SHARE-BASED INCENTIVE PLAN		
Equity-settled	3.0	3.5
Cash-settled	3.6	4.9
Other social security expenses	11.8	10.7
Total	227.0	217.1
Average number of personnel	3,337	3,251

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 two share-based incentive plans in force for key persons of the Group.

The plan that commenced in 2016 includes earning periods and the Board of Directors has annually decided on the beginning and duration of the earning periods in 2016, 2017 and 2018. The Board of Directors has 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 is 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.

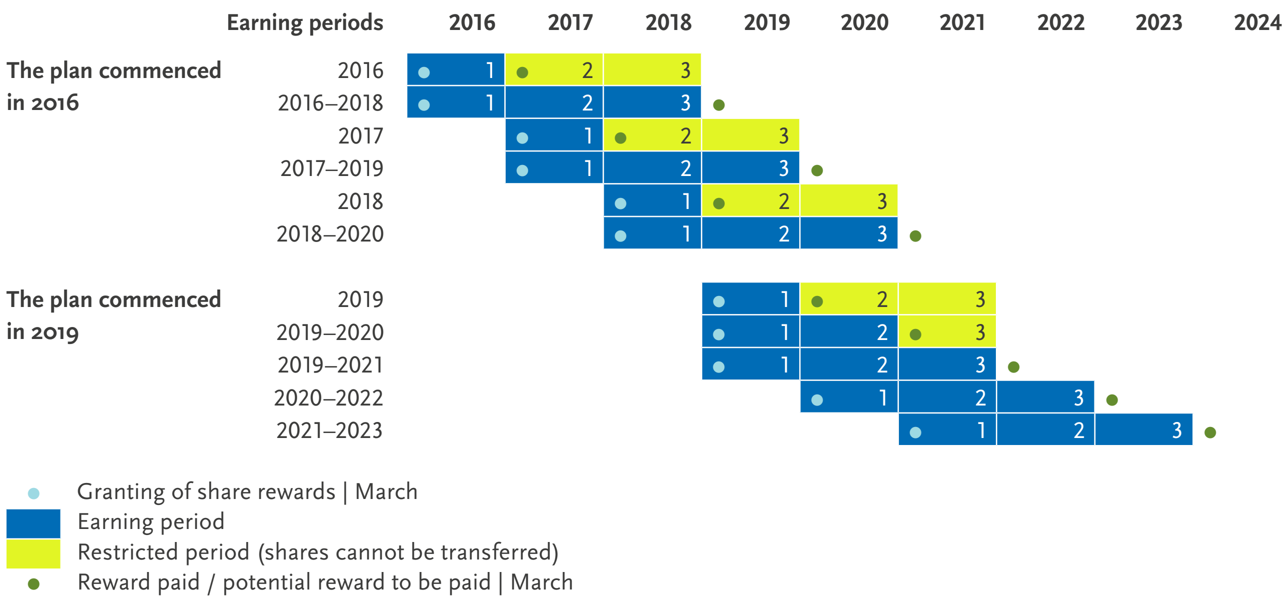
The target group of the plan consists of no more than 50 people. The total maximum amount of rewards to be paid based on the plan is 500,000 Orion Corporation B Shares and a cash payment corresponding to the value of the shares. By 31 December 2020, a total of 216,659 Orion Corporation B shares had been 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 value of reward to be paid based on the plans during one calendar year is a key person's gross annual salary multiplied by 1.75, in the maximum, at the date of the reward payment.

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. The potential rewards of the plans for the earning periods commencing in 2019 and 2020 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 2020, a total of 58,661 B shares had been paid as rewards under this plan.

Under the plan, shares received based on one-year and two-year earning periods cannot be transferred during the restricted period determined in the plan. There is no restriction period for the three year earning periods.



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
2016	1 Mar 2017
2017	1 Mar 2018
2016–2018	1 Mar 2019
2018	1 Mar 2019
2017–2019	2 Mar 2020
2018–2020	2021
2019	2 Mar 2020
2019–2020	2021
2019–2021	2022
2020–2022	2023
2021–2023	2024

The costs due to the plan are recorded as expenses during the restricted period. The anticipated dividends have not been taken into account separately because they are taken into account in determining the share-based rewards. The fair values of the rewards granted based on the total return on Orion Corporation B shares for the earning periods are shown in the table below. The fair values have been determined using the Binary "asset or nothing call" option evaluation method.

EARNING PERIODS CURRENTLY IN EFFECT

	2020–2022	2019	2019–2020	2019–2021	2018–2020
Start date of earning period	1 Jan 2020	1 Jan 2019	1 Jan 2019	1 Jan 2019	1 Jan 2018
End date of earning period	31 Dec 2022	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2020
End date of restricted period		31 Dec 2021	31 Dec 2021		
Grant date of share rewards	17 Mar 2020	27 Mar 2019	27 Mar 2019	27 Mar 2019	14 Mar 2018
Fair value of shares at granting, EUR	32.51	32.99	32.99	32.99	26.73
Fair value of reward at grant date, EUR[1]					4.45

[1] The fair value of the rewards per share on the granting date has been determined with the binary asset or nothing call evaluation method.

TRANSFERRED SHARES

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

[1] Average price of B share on transfer date.

[2] Concerns only shares which are granted based on earning period term of calendar year.

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 uncertainties

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 2020	Other 2020	Pension fund 2019	Other 2019
Present value of funded obligations	417.2	16.6	324.9	14.9
Fair value of plan assets	-401.0	-13.6	-380.7	-12.1
Surplus (-) / deficit (+)	16.3	3.0	-55.8	2.8
Present value of unfunded obligations		0.7		0.7
Net asset (-) / liability (+) recognised in the statement of financial position	16.3	3.7	-55.8	3.4

The net pension liability change of EUR 72.3 million is mostly due to a change in the discount rate and the difference between the assumed and realised pension increase rate in the 2020 financial year. The change in discount rate has been reported under the item "Gains (-) and losses (+) due to changes in economic assumptions" of the table illustrating the change in the present value of the obligation. The impact of the difference between assumed and realised pension increase rates has been reported under the item "Experienced gains (-) and losses (+)". Both items have been directly recognised in equity under other comprehensive income.

AMOUNTS IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Pension fund 2020	Other 2020	Pension fund 2019	Other 2019
Liabilities	18.1	3.7		3.4
Asset	-1.8		-55.8	
Net asset (-) / liability (+) recognised in the statement of financial position	16.3	3.7	-55.8	3.4

DEFINED BENEFIT PLAN PENSION EXPENSES IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Pension fund 2020	Other 2020	Pension fund 2019	Other 2019
Current service cost	3.4	0.6	3.3	0.6
Interest expense and income, total	-0.9	0.1	-0.7	0.1
Pension expense (+) / income (-) in income statement	2.4	0.7	2.6	0.7
Items due to remeasurement	73.7	0.5	-25.1	0.2
Pension expense (+) / income (-) in statement of comprehensive income	76.2	1.2	-22.6	0.9

DEFINED BENEFIT PLAN PENSION EXPENSES BY FUNCTION

EUR million	Pension fund 2020	Other 2020	Pension fund 2019	Other 2019
Cost of goods sold	0.9		0.9	
Selling and marketing	0.3	0.6	0.3	0.2
Research and development	0.7		0.7	
Administration	0.6	0.0	0.6	0.5
Pension expense (+) / income (-) in the income statement	2.4	0.7	2.6	0.7

CHANGES IN PRESENT VALUE OF OBLIGATION

EUR million	Pension fund 2020	Other 2020	Pension fund 2019	Other 2019
Defined benefit plan obligation at 1 Jan	324.9	15.5	299.7	15.0
Current service cost	3.5	0.6	3.3	0.6
Interest expense	5.3	0.3	6.6	0.3
Curtailments	-0.1			
Items due to remeasurement:				
Gains (-) or losses (+) due to change in economic assumptions	77.2	1.9	19.2	0.4
Experienced gains (-) or losses (+)	15.2	-0.3	4.4	-0.1
Total	92.3	1.6	23.6	0.3
Foreign exchange differences		-0.2		0.0
Benefits paid	-8.7	-0.5	-8.3	-0.8
Obligation at 31 Dec	417.2	17.3	324.9	15.5

CHANGES IN FAIR VALUE OF PLAN ASSETS

EUR million	Pension fund 2020	Other 2020	Pension fund 2019	Other 2019
Fair value of plan assets at 1 Jan	380.7	12.1	331.2	11.4
Interest income	6.2	0.2	7.4	0.3
Items due to remeasurement:				
Return on plan assets excluding items in interest expense and income	18.6	1.1	48.7	0.1
Total	18.6	1.1	48.7	0.1
Foreign exchange differences		-0.2		0.0
Employer contributions	4.1	0.8	1.7	1.0
Benefits paid	-8.7	-0.3	-8.3	-0.8
Fair value of plan assets at 31 Dec	401.0	13.6	380.7	12.1

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

%	2020	2019
Equity in developed markets	51%	44%
Equity in emerging markets	6%	7%
Bonds	15%	15%
Cash and money market investments	8%	11%
Properties	18%	17%
Other	2%	6%
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 2020 include shares issued by the parent company Orion Corporation with fair value EUR 27.1 (2019: 29.7) million that account for 6.6% (2019: 7.7%) 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

%	2020	2019
Discount rate	0.50	1.65
Inflation rate	1.04	1.20
Future pension increases	0.40–1.34	0.50–1.50
Future salary increases	1.30	1.30

In 2020 the Group expects to contribute EUR 17 million to its pension plans (in period 2019 expected to contribute EUR 16 million in 2020 to its pension plans).

Discount rate is the most significant assumption, which affects the value of pension liability discount rate of 0.50% (2019: 1.65%). The EUR 324.9 (2018: 299.7) million liability of the Orion Pension Fund has been discounted at a discount rate of 1.65% (2.25%). The impact on the liability of a change in the discount rate of +/- 0.50 percentage points would be EUR -39.0/+45.3 (2019: -27.7/+31.9) million, when other assumptions unchanged.

The weighted average duration of the defined benefit liability is 20 (2019: 16) 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 statement of comprehensive 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	2020	2019
Current taxes	57.5	53.0
Adjustments in respect of prior periods	-0.4	0.7
Deferred taxes	1.4	-3.3
Total	58.4	50.5

TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME

EUR million	2020	2019
Remeasurement of pension plans (income -/ expense +)	-14.9	5.0

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

EUR million	2020	2019
Profit before taxes	278.3	250.8
Consolidated income taxes at Group's domestic tax rate	55.7	50.2
Impact of different tax rates of foreign subsidiaries	0.6	0.5
Tax-exempt income	-0.9	-0.1
Non-deductible expenses	0.8	1.2
Utilisation of deductible losses	-0.4	-0.4
Tax adjustments for previous financial years	-0.4	0.7
Withholding tax provision related to dividends	1.4	
Items due to IFRS adjustments	0.9	-1.0
Disposal of acquisition due to sold subsidiary		-0.6
Other items	0.7	-0.1
Income tax expense recognised in consolidated income statement	58.4	50.5
Effective tax rate	21.0%	20.1%

The Group has booked a withholding tax provision related to dividends of EUR 1.4 million in the financial year 2020.

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	2020	2019
Pension liability	4.0	0.7
Accruals of sales revenue	3.2	3.6
Internal inventory margin	1.2	2.1
Other deductible temporary differences	0.0	0.3
Total	8.4	6.8

DEFERRED TAX LIABILITIES

EUR million, 31 Dec	2020	2019
Depreciation difference and untaxed reserves	24.7	24.9
Capitalised cost of inventory	2.7	3.3
Pension assets		11.2
Effects of consolidation and elimination	1.6	1.9
Other taxable temporary differences	0.4	0.0
Total	29.3	41.2

CHANGE IN DEFERRED TAX ARISES FROM

EUR million	2020	2019
Pension assets/liabilities	14.5	-4.9
Capitalised cost of inventory	0.6	1.0
Depreciation difference and untaxed reserves	0.2	0.2
Accruals of sales revenue	-0.4	-0.2
Internal inventory margin	-1.0	1.9
Deductible losses and other timing differences	-0.4	0.4
Total	13.5	-1.7

During the period, an increase in equity of EUR 14.4 (2019: a decrease of EUR 5.3) million due to income taxes was recognised. The recognised taxes increased at 31 Dec 2020 the equity by EUR 10.5 (2019: decreased equity by EUR 4.0) 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 or 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 statement of comprehensive income.

Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are recognised as expenses in the statement of comprehensive income. 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 problem
- 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 available-for-sale debt 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

EUR million, 31 Dec	2020 Amortised cost	2020 Fair value through profit or loss	2020 Carrying amount of financial items	2020 Fair value	2019 Carrying amount
Other investments		0.2	0.2	0.2	0.2
Other non-current receivables	0.5		0.5	0.5	0.8
Non-current assets total	0.5	0.2	0.7	0.7	1.0
Trade receivables	157.4		157.4	157.4	196.5
Other receivables	1.8		1.8	1.8	2.6
Money market investments					35.0
Cash and cash equivalents	294.4		294.4	294.4	114.0
Derivatives		0.3	0.3	0.3	0.1
Current assets total	453.5	0.3	453.8	453.8	348.3
Financial assets total	454.0	0.5	454.5	454.5	349.3
Non-current interest-bearing liabilities	105.5		105.5	105.5	6.7
Other non-current liabilities	0.1		0.1	0.1	0.1
Non-current liabilities total	105.5		105.5	105.5	6.8
Trade payables	86.7		86.7	86.7	79.0
Other current liabilities	15.0		15.0	15.0	19.1
Current interest-bearing liabilities	3.1		3.1	3.1	3.3
Derivatives		0.2	0.2	0.2	0.7
Current liabilities total	104.8	0.2	105.1	105.1	102.1
Financial liabilities total	210.4	0.2	210.6	210.6	108.9

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	2020	2019
Interest-bearing non-current liabilities	100.0	-1.2	105.5	6.7
Interest-bearing current liabilities	-3.9	3.7	3.1	3.3

Other changes with no related payment are due to new lease contracts and reclassification of lease contracts to long-term and short-term interest-bearing liabilities during the leasing period.

FAIR VALUE THROUGH PROFIT OR LOSS

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 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

EUR million, 31 Dec 2019	Level 1	Level 2	Level 3	Total
Derivatives				
Currency derivatives		0.1		0.1
Money market investments	35.0			35.0
Other investments				
Shares and investments			0.2	0.2
Assets total	35.0	0.1	0.2	35.4
Derivatives				
Currency derivatives		-0.7		-0.7
Liabilities total		-0.7		-0.7

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, 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.

EUR million, 31 Dec	USD	SEK	PLN	Other significant currencies	Total 2020	Total 2019
Net position in statement of financial position	1.9	6.6	6.7	18.3	33.5	48.8
Forecast net position (12 months)	49.1	37.4	25.1	24.1	135.7	127.2
Net position, total	51.0	44.1	31.8	42.4	169.2	176.0
Currency derivatives for hedging	-9.6	-9.9	-6.8	-4.5	-30.7	-40.5
Net open position total	41.4	34.2	25.0	37.9	138.5	135.4

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 2020 the equity in these subsidiaries totalled EUR 62.2 (2019: 59.8) 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	**2020**	**2019**
+/- 10% change in exchange rates	-0.3/0.3	-0.7/0.9

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 2020, the Group's interest-bearing liabilities totalled EUR 108.5 (2019: 10.0) million, which comprise of long-term loans and lease liabilities.

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 2020 is the total of financial assets less carrying amounts of derivatives in financial liabilities, which totalled EUR 454.3 (2019: 348.6) 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 73.9% of the trade receivables at 31 December 2020 (2019: 78.1%). 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 (2019: 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. The company has EUR 100 million of binding undrawn bilateral credit limits that will mature in 2024. 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 108.5 (2019: 10.0) million, which consisted of loan from EIB with fixed interest rate and lease liabilities. At 31 December 2020, the Group's cash and cash equivalents and money market investments, which decrease liquidity risk, totalled EUR 294.4 (2019: 149.0) 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 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
Interest payments	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	66.0	211.8

EUR million, 31 Dec 2019	2020	2021	2022	2023	2024–	Total
Repayments of finance lease liabilities	3.3	2.4	1.6	1.3	1.3	10.0
Cash flow total, interest-bearing financial liabilities	3.3	2.4	1.6	1.3	1.3	10.0
Trade payables	79.0					79.0
Other non-interest-bearing financial liabilities	19.2				0.0	19.2
Cash flow total, non-interest-bearing financial liabilities	98.2				0.0	98.2
Derivative contracts, inflow	0.1					0.1
Derivative contracts, outflow	-0.7					-0.7
Cash flow total, derivative contracts	-0.6					-0.6
Cash flow total, all	100.9	2.4	1.6	1.3	1.4	107.6

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 2020.

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

GROUP EQUITY RATIO

31 Dec	2020	2019
Equity, EUR million	731.3	779.4
Equity and liabilities total minus advances received, EUR million	1,097.2	1,016.0
Equity ratio, %	66.7%	76.7%

GROUP INTEREST-BEARING NET LIABILITIES / GROUP EBITDA

EUR million, 31 Dec	2020	2019
Interest-bearing net liabilities	-185.8	-139.1
EBITDA	336.5	308.9
Interest-bearing net liabilities / EBITDA	-0.55	-0.45

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 2019	**37,120,346**	**104,137,482**	**141,257,828**	**92.2**
Conversions of A shares to B shares in 1 Jan–31 Dec 2019	-784,883	784,883		
Total number of shares at 31 Dec 2019	36,335,463	104,922,365	141,257,828	92.2
Cancellation during the financial period	-63,650	-59,900		
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**
Number of treasury shares at 31 Dec 2020		671,082	671,082	
Total number of shares at 31 Dec 2020, excluding treasury shares	**35,122,793**	**105,340,403**	**140,463,196**	
Total number of votes at 31 Dec 2020 excluding treasury shares	**702,455,860**	**105,340,403**	**807,796,263**	

On 31 December 2019 Orion had a total of 141,134,278 (141,257,828) shares, of which 35,122,793 (36,335,463) were A shares and 106,011,485 (104,922,365) B shares. The Group's share capital was EUR 92,238,541.46 (92,238,541.46). At the end of 2020 Orion held 671,082 (765,399) B shares as treasury shares. On 31 December 2020 the aggregate number of votes conferred by the A and B shares was 807,796,263 (830,866,226) 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 2020 a number of 1,140,020 A shares were converted to B shares.

Orion cancelled 63,650 Orion Corporation A shares and 59,900 Orion Corporation B shares on the Company's joint account on 25 June 2020. According to the decision made by the Annual General Meeting of 6 May 2020 on the forfeiture of shares onthe joint account, these shareshad been transferred to the Company.

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.

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

The Board of Directors is authorised to decide on conveyance of no more than 850,000 Orion Corporation B shares held by the Company. They authorisation to issue shares is valid for five years from the decision taken by the Annual General Meeting. The authorisation to be exercised is described in Note 4.1 under "Share-based payments".

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

After the end of the period, the Board of Directors proposed a dividend of EUR 1.50 per share to be distributed.

OTHER RESERVES

EUR million	2020	2019
Expendable fund	0.5	0.5
Reserve for invested unrestricted equity	0.9	0.9
Reserve funds	2.0	1.6
Total	3.4	3.0

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 (2019: 1.50) per share were distributed in the 2020 financial year. In addition, donations of EUR 0.3 (2019: 0.3) million were distributed from profit funds.

6.4 Interest-bearing liabilities

EUR million, 31 Dec	Carrying amount 2020	Fair value 2020	Carrying amount 2019	Fair value 2019
Loans from credit institutions	100.0	97.5		
Lease liabilities	5.5	5.5	6.7	6.7
Non-current liabilities total	105.5	103.0	6.7	6.7

EUR million, 31 Dec	Carrying amount 2020	Fair value 2020	Carrying amount 2019	Fair value 2019
Lease liabilities	3.1	3.1	3.3	3.3
Current liabilities total	3.1	3.1	3.3	3.3

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 a bond was based on the estimated market value received from the bank. The market interest rate at the end of the financial year was 0%, above which a company-related margin was added in discounting.

6.5 Cash and cash equivalents

EUR million, 31 Dec	Carrying amount 2020	Fair value 2020	Carrying amount 2019	Fair value 2019
Cash and bank balances	294.4	294.4	113.0	113.0
Money market investments			1.0	1.0
Total	294.4	294.4	114.0	114.0

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 (2019: 0.2) million at 31 December 2020, 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	2020	2019
Currency derivatives		
Currency forward contracts and currency swaps	20.6	56.2
Currency options	30.6	44.6

All derivatives have a maturity less than one year.

FAIR VALUES OF DERIVATIVES

EUR million, 31 Dec	2020 Positive	2020 Negative	2020 Net	2019 Net
Non-hedge-accounting derivatives				
Currency forward contracts and currency swaps	0.2	-0.1	0.1	-0.5
Currency options	0.1	-0.1	0.0	-0.1

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 0.5 (2019: 0.0) million and to counterparties EUR 0.0 (2019: 0.6) 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	2020	2019
Contingencies for own liabilities		
Guarantees	7.1	6.5
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 2020 for EUR 0.2 million. The Group's debt to Lääkärikeskus Aava Oy at the end of the financial year 2020 was EUR 0.0 million.

MANAGEMENT'S EMPLOYMENT BENEFITS

EUR million	2020	2019
Salaries and other short-term employment benefits	7.0	4.9
Share-based benefits	1.2	0.5
Post-employment benefits	0.5	0.5

SALARIES AND REMUNERATION[1]

EUR million	2020	2019
Timo Lappalainen, President and CEO	1.6	1.1
Mikael Silvennoinen, Chairman	0.1	0.1
Timo Maasilta, Vice chairman	0.1	0.1
Kari Jussi Aho	0.1	
Pia Kalsta	0.1	0.1
Ari Lehtoranta	0.1	0.1
Hilpi Rautelin	0.1	0.1
Eija Ronkainen	0.1	0.1
Heikki Westerlund	0.0	0.1
Board of Directors, total	0.5	0.5

[1] Exact figures are available in the Corporate Governance Statement, under Remuneration Statement

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 0.1 (2019: 0.1) million was recorded as expenses for the statutory pension and EUR 0.6 (2019: 0.5) 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 0.4 million to Hangon Puhdistamo Oy.

7.2 Auditor's remuneration

EUR million	2020	2019
Auditing	0.3	0.2
Assignments under Auditing Act Section 1 Subsection 1 Paragraph 2	0.0	0.0
Advice on taxation	0.0	
Other services		0.0
Total	0.3	0.3

7.3 Group companies

31 Dec 2020	Group Ownership %	Group Share of votes %	Parent company Ownership %	Parent company Share of votes %
Pharmaceuticals				
Parent company Orion Corporation, Espoo				
Fermion Oy, Espoo	100.00	100.00	100.00	100.00
Kiinteistö Oy Harmaaparta, 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 (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 (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, Kazakstan	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., Espanja	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	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	99.50	99.50
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	2020	2019
Net sales	1	944.9	931.1
Other operating income	2	14.1	7.1
Operating expenses	3, 4	-661.0	-660.5
Depreciation, amortisation and impairment	4	-43.7	-43.7
Operating profit		254.3	233.9
Finance income and expenses	5	3.9	17.8
Profit before extraordinary items, appropriations and taxes		258.2	251.7
Appropriations	6	11.8	8.9
Income tax expense	7	-53.6	-49.2
Profit for the period		216.4	211.4

Balance Sheet

ASSETS

EUR million, 31 Dec	Note	2020	2019
Intangible rights		26.6	34.5
Other long-term expenditure		2.6	2.6
Intangible assets total	8	29.2	37.1
Land		4.2	4.2
Buildings and constructions		148.7	148.6
Machinery and equipment		75.7	76.5
Other tangible assets		1.4	1.3
Advance payments and construction in progress		17.0	13.6
Tangible assets total	9	246.9	244.2
Holdings in Group companies		67.2	64.0
Other investments		0.2	0.3
Investments total	10	67.5	64.3
Non-current assets total		343.5	345.6
Inventories	11	185.8	165.2
Non-current receivables	12	0.4	0.5
Trade receivables	13	132.7	180.3
Other current receivables	13	54.4	43.3
Investments	14		36.0
Cash and bank		232.6	81.5
Current assets total		605.9	506.9
Assets total		949.4	852.5

LIABILITIES

EUR million, 31 Dec	Note	2020	2019
Share capital		92.2	92.2
Expendable fund		0.5	0.5
Reserve for invested unrestricted equity		0.9	0.9
Retained earnings		259.3	255.6
Profit for the period		216.4	211.4
Shareholders' equity	15	569.3	560.6
Appropriations	16	96.0	99.8
Provisions	17	0.6	0.6
Loans from credit institutions		100.0	
Non-current liabilities total	18	100.0	
Trade payables		81.4	77.2
Other current liabilities		102.1	114.4
Current liabilities total	19	183.5	191.5
Liabilities total		949.4	852.5

Cash flow statement

EUR million	2020	2019
Operating profit	254.3	233.9
Depreciation, amortisation and impairment	43.7	43.7
Other adjustments	3.2	5.0
Total adjustments to operating profit	46.9	48.7
Change in non-interest-bearing current receivables	83.5	-5.6
Change in inventories	-20.6	3.7
Change in non-interest-bearing current liabilities	5.5	2.8
Total change in working capital[1]	68.4	0.8
Interest and other financial expenses paid	-5.3	-6.9
Dividends received[2]	5.4	19.8
Interest and other financial income received[2]	3.7	2.9
Income tax paid	-57.4	-45.3
Total net cash flow from operating activities	316.0	253.9
Investments in intangible assets	-6.0	-7.2
Investments in tangible assets	-28.1	-23.1
Sales of intangible assets	0.0	
Sales of tangible assets	0.9	0.6
Investment in subsidiary shares	-3.3	
Sale of subsidiary		0.7
Sales of other investments	0.0	
Repayments of loan receivables	0.2	1.3
Total net cash flow from investing activities	-36.3	-27.6
Repurchase of treasury shares		-7.4
Non-current loans raiseed	100.0	
Current loans raised		33.0
Repayments of current loans	-26.5	-161.2
Dividends paid and other distribution of profits	-211.1	-211.3
Group contributions received	8.0	14.0
Total cash flow from financing activities	-129.6	-333.0
Net change in cash and cash equivalents	150.1	-106.6
Cash and cash equivalents at 1 Jan[3]	82.5	189.1
Net change in cash and cash equivalents	150.1	-106.6
Cash and cash equivalents at 31 Dec[3]	232.6	82.5

[1] The change of the short-term 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 2020 (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 future expenses that are unlikely to generate corresponding revenue are deducted from income as provisions. Similarly, future 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	2020	2019
Pharmaceuticals business	944.9	931.1
Total	944.9	931.1

NET SALES BY MARKET AREA

EUR million	2020	2019
Finland	313.5	307.5
Scandinavia	162.6	158.8
Other Europe	296.4	275.5
North America	67.9	88.2
Other countries	104.5	101.2
Total	944.9	931.1

2 Other operating income

EUR million	2020	2019
Service charges received from Group companies	10.1	3.6
Rental income	2.3	2.3
Returned royalties	0.4	
Gains on sales of property, plant and equipment and intangible assets	0.2	0.1
Gains on sales of shares	0.0	0.0
Other operating income	1.1	1.1
Total	14.1	7.1

3 Change in provisions

EUR million	2020	2019
Change in provisions	0.0	0.0
Total, increase (-), decrease (+)	0.0	0.0

4 Operating expenses, depreciation, amortisation and impairment

OPERATING EXPENSES

EUR million	2020	2019
Increase (-) or decrease (+) in stocks of finished goods or work in progress	-13.0	11.7
Production for own use	-1.6	-3.3
Raw materials and services		
Purchases during the financial year	263.1	238.2
Increase (-) or decrease (+) in stocks	-7.6	-8.1
External services	26.7	28.6
Total	282.2	258.8
Personnel expenses		
Wages and salaries	130.4	120.3
Pension expenses	19.0	17.7
Share-based incentive plan	3.8	8.9
Other social security expenses	5.2	4.6
Total	158.4	151.5
Other operating expenses	235.0	241.7
Total	661.0	660.5

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. The expenses arising from the share-based incentive plan in the 2020 financial year thus only include the expense arising from the portion that is settled in cash. The expense for the 2019 comparative period has not been adjusted, and it includes the expenses arising from both the portion settled in the form of shares as well as in cash.

Voluntary social security expenses are included in other operating expenses.

AUDITOR'S REMUNERATION

EUR million	2020	2019
Auditing fee	0.1	0.1
Assignments under Auditing Act Section 1 Subsection 1 Paragraph 2	0.0	0.0
Other services		0.0
Total	0.1	0.1

DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR million	2020	2019
Impairment	1.2	0.0
Other depreciation and amortisation	42.6	43.7
Total	43.7	43.7

See Balance Sheet Notes 8–9 for depreciation and amortisation by Balance Sheet item 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

	2020	2019
Average number of employees during the financial year	2,310	2,261

Share-based payments

The Group has two share-based incentive plans in force for key persons of the Group.

The plan that commenced in 2016 includes earning periods and the Board of Directors has annually decided on the beginning and duration of the earning periods in 2016, 2017 and 2018. The Board of Directors has 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 is 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 consists 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 2020, a total of 216,659 Orion Corporation 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 value of reward to be paid based on the plans during one calendar year is a key person's gross annual salary multiplied by 1.75, in the maximum, at the date of the reward payment.

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. The potential rewards of the plans for the earning periods commencing in 2019 and 2020 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 2020, a total of 58,661 B shares had been paid as rewards under this plan.

Under the plan, shares received based on one-year and two-year earning periods cannot be transferred during the restricted period determined in the plan. There is no restriction period for the three year earning periods.

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
2016	1 Mar 2017
2017	1 Mar 2018
2016–2018	1 Mar 2019
2018	1 Mar 2019
2017–2019	2 Mar 2020
2018–2020	2021
2019	2 Mar 2020
2019–2020	2021
2019–2021	2022
2020–2022	2023
2021–2023	2024

5 Finance income and expenses

EUR million	2020	2019
Income from Group companies	5.4	19.8
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	0.0	0.0
Interest income from other companies	0.0	0.1
Change in values	0.1	0.2
Other finance income	3.5	2.6
Interest expenses and other finance expenses		
Interest expenses to Group companies	-0.1	-0.1
Interest expenses to others	-0.6	-2.1
Other finance expenses	-4.4	-2.7
Total	3.9	17.8

FINANCE INCOME AND EXPENSES INCLUDE

EUR million	2020	2019
Income from equity in other companies	5.4	19.8
Interest income	0.1	0.2
Interest expenses	-0.7	-2.2

6 Appropriations

EUR million	2020	2019
Change in cumulative accelerated depreciation	3.8	4.9
Group contribution received	8.0	4.0
Total	11.8	8.9

7 Income taxes

EUR million	2020	2019
Income tax on ordinary activities	54.0	48.5
Tax adjustments for previous financial years	-0.4	0.7
Total	53.6	49.2

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	2020	2019
Provisions	0.1	0.1
Total	0.1	0.1

DEFERRED TAX LIABILITY

EUR million	2020	2019
Appropriations	19.2	20.0
Revaluations	3.3	3.3
Total	22.5	23.3

8 Intangible assets

	Intangible rights		Goodwill		Other capitalised expenditure		Total	
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Acquisition cost at 1 Jan[1]	158.6	152.5	68.3	68.3	55.6	54.7	282.5	275.5
Additions	10.6	6.2			0.9	0.9	11.5	7.1
Disposals	-0.6	-0.1			-0.2		-0.8	-0.1
Transfers between Balance Sheet items	-0.1	-0.0			0.0	0.0	-0.1	-0.0
Acquisition cost at 31 Dec	168.5	158.6	68.3	68.3	56.4	55.6	293.1	282.5
Accumulated amortisation and impairment at 1 Jan[1]	-124.1	-105.4	-68.3	-68.3	-53.0	-52.1	-245.4	-225.8
Accumulated amortisation on disposals	0.6	0.1			0.1		0.7	0.1
Amortisation for the financial year	-17.2	-18.8			-0.9	-0.9	-18.1	-19.6
Impairment	-1.2	-0.0					-1.2	-0.0
Accumulated amortisation and impairment at 31 Dec	-141.9	-124.1	-68.3	-68.3	-53.8	-53.0	-264.0	-245.4
Book value at 1 Jan	34.5	47.1			2.6	2.6	37.1	49.7
Book value at 31 Dec	26.6	34.5			2.6	2.6	29.2	37.1
Accumulated difference between total and planned amortisation at 1 Jan	8.6	13.0			0.4	0.3	9.1	13.3
Change in cumulative accelerated amortisation, increase (+) / decrease (-)	-6.0	-4.4			0.0	0.1	-6.0	-4.3
Accumulated difference at 31 Dec	2.6	8.6			0.4	0.4	3.1	9.1

[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

	Land and water		Buildings and constructions		Machinery and equipment		Other tangible assets[1]		Advance payments and construction in progress		Total	
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Acquisition cost at 1 Jan[1]	4.2	4.2	298.3	287.1	276.1	267.5	3.1	3.0	13.6	15.3	595.4	577.1
Additions			5.2	6.5	10.7	9.3	0.0	0.1	11.9	8.5	27.8	24.3
Disposals			-0.2		-6.1	-6.0	-0.1		-0.0	-0.1	-6.3	-6.1
Transfers between Balance Sheet items			4.0	4.7	4.4	5.4	0.2	0.0	-8.5	-10.1	0.1	0.0
Acquisition cost at 31 Dec	4.2	4.2	307.3	298.3	285.1	276.1	3.3	3.1	17.0	13.6	616.9	595.4
Accumulated depreciation at 1 Jan[1]			-149.7	-140.7	-199.7	-190.2	-1.8	-1.7			-351.2	-332.6
Accumulated depreciation on disposals and transfers			0.2		5.4	5.5	0.1				5.6	5.5
Depreciation for the financial year			-9.2	-8.9	-15.1	-15.0	-0.2	-0.1			-24.5	-24.1
Accumulated depreciation at 31 Dec			-158.7	-149.7	-209.4	-199.7	-1.9	-1.8			-370.0	-351.2
Book value at 1 Jan	4.2	4.2	148.6	146.4	76.5	77.3	1.3	1.3	13.6	15.3	244.2	244.5
Book value at 31 Dec	4.2	4.2	148.7	148.6	75.7	76.5	1.4	1.3	17.0	13.6	246.9	244.2
Accumulated difference between total and planned depreciation at 1 Jan			44.6	44.4	46.0	46.9	0.1	0.1			90.7	91.4
Change in cumulative accelerated depreciation, increase (+) / decrease (-)			0.0	0.2	2.1	-0.9	0.0	0.0			2.2	-0.6
Accumulated difference at 31 Dec			44.7	44.6	48.2	46.0	0.1	0.1			92.9	90.7

[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 2020 was EUR 50.8 (2019: 54.2) million. The revaluation included in the acquisition cost of land was EUR 0.1 (2019: 0.1) million and in the acquisition cost of buildings EUR 16.5 (2019: 16.5) million.

10 Investments

EUR million	Shares in Group companies 2020	Shares in Group companies 2019	Receivables from Group companies 2020	Receivables from Group companies 2019	Other shares and equity 2020	Other shares and equity 2019	Loan receivables[1] 2020	Loan receivables[1] 2019	Total 2020	Total 2019
Acquisition cost at 1 Jan	104.0	107.7		3.9	0.2	0.3	0.1	0.2	104.3	112.1
Additions	3.3								3.3	
Disposals		-3.7		-3.9	-0.0	-0.1	-0.1	-0.1	-0.1	-7.8
Acquisition cost at 31 Dec	107.3	104.0			0.2	0.2		0.1	107.5	104.3
Accumulated impairment at 1 Jan	-40.0	-40.0		-2.9					-40.0	-42.9
Change during the period				2.9						2.9
Accumulated impairment at 31 Dec	-40.0	-40.0							-40.0	-40.0
Book value at 1 Jan	64.0	67.7		1.0	0.2	0.3	0.1	0.2	64.3	69.2
Book value at 31 Dec	67.2	64.0			0.2	0.2		0.1	67.5	64.3

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

11 Inventories

EUR million, 31 Dec	2020	2019
Raw materials and consumables	41.1	35.4
Work in progress	15.9	12.5
Finished products/goods	123.3	112.4
Other inventories	5.6	4.9
Total	185.8	165.2

12 Non-current receivables

EUR million, 31 Dec	2020	2019
Other receivables from Group companies	0.0	0.0
Loan receivables from associated companies	0.3	0.4
Other loan receivables	0.0	0.1
Total	0.4	0.5

13 Current receivables

EUR million, 31 Dec	2020	2019
Trade receivables	96.9	133.8
Receivables from Group companies		
Trade receivables	35.8	46.5
Loan receivables	18.5	26.0
Other receivables	0.0	0.0
Prepaid expenses and accrued income	13.0	4.0
Total	67.4	76.6
Loan receivables from associated companies	0.1	0.1
Other loan receivables	0.0	0.1
Other receivables	3.2	2.7
Prepaid expenses and accrued income	19.6	10.4
Total	187.1	223.7

MATERIAL ITEMS INCLUDED IN PREPAID EXPENSES AND ACCRUED INCOME

EUR million, 31 Dec	2020	2019
Income tax receivable	4.7	
Receivables from royalties	4.0	2.4
Prepayments for services and maintenance	2.9	2.2
Price differencies from sales and other sales accruals	1.9	0.2
Pending contributions	1.6	0.7
Pending price differencies	1.3	1.5
Prepaid sales rights	1.1	
Pending compensations	0.7	0.8
Prepaid remunerations under incentive plan	0.6	0.9
Receivables based on derivative contracts	0.3	0.1
Pending compensation due to inventory write-down		0.7
Other prepaid expenses and accrued income	0.5	0.9
Total	19.6	10.4

14 Investments

EUR million, 31 Dec	2020	2019
Other securities: interest instruments		36.0
Total		36.0

DIFFERENCE BETWEEN MARKET VALUE AND BOOK VALUE

EUR million, 31 Dec	2020	2019
Market value		36.0
Corresponding book value		-36.0
Accrued interest from interest instruments included in prepayments and accrued income		-0.0
Difference		0.0

15 Shareholder's equity

SHARE CAPITAL

Share capital	2020	2019
Share capital at 1 Jan	92.2	92.2
Share capital at 31 Dec	92.2	92.2

EXPENDABLE FUND

EUR million	2020	2019
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	2020	2019
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	2020	2019
Retained earnings at 1 Jan	467.0	471.7
By decision of Annual General Meeting		
dividends distributed	-210.9	-211.1
donations made	-0.3	-0.3
share rewards paid	2.7	2.5
repurchase of own shares		-7.4
Cancellation of shares	0.7	
Unpaid dividends	0.0	0.2
Profit for the financial year	216.4	211.4
Retained earnings at 31 Dec	475.7	467.0

PARENT COMPANY SHARE CAPITAL BY SHARE CLASS

	2020		2019	
31 Dec	number	EUR	number	EUR
A shares (20 votes/share)	35,122,793		36,335,463	
B shares (1 vote/share)	106,011,485		104,922,365	
Total	141,134,278	92,238,541.46	141,257,828	92,238,541.46

During the financial year 1 January to 31 December 2020 1,149,020 A shares were converted into B shares. A total of 63,650 A shares and 59,900 B shares were cancelled during the year.

16 Appropriations

EUR million, 31 Dec	2020	2019
Cumulative accelerated depreciation	96.0	99.8
Total	96.0	99.8

17 Provisions

EUR million, 31 Dec	2020	2019
Pension provisions	0.6	0.6
Total	0.6	0.6

18 Non-current liabilities

EUR million, 31 Dec	2020	2019
Loans from credit institutions	100.0	
Total	100.0	

19 Current liabilities

EUR million, 31 Dec	2020	2019
Advances received	0.8	1.9
Trade payables	69.7	66.0
Liabilites to Group companies		
Trade payables	11.7	11.2
Accrued liabilities and deferred income	1.2	0.0
Other liabilities	7.7	34.1
Total	20.6	45.3
Other liabilities	13.3	11.2
Accruals and deferred income	79.1	67.1
Total	183.5	191.5

MATERIAL ITEMS INCLUDED IN ACCRUED LIABILITIES AND DEFERRED INCOME

EUR million, 31 Dec	2020	2019
Liabilities from share-based incentive plan	20.3	17.8
Other accrued salary, wage and social security payments	20.7	18.8
Accrued price reductions	10.1	8.3
Accrued price adjustments related to sales and purchases	6.3	9.2
Accrued prepayments of sales rights	4.7	
Accrued R&D expenses	3.5	4.4
Non-sold part of repurchased inventories	2.9	
Accrued royalties and commisions	1.9	1.9
Accrued litigation costs	1.8	1.9
Accrued sales compensations	1.6	0.8
Accrued expert fees	1.5	2.0
Withholding tax provision related to dividends	1.4	
Non-paid compensation on royalty income	1.0	
Liabilities on derivative contracts	0.2	0.7
Tax liability		0.5
Accrued interest	0.1	
Other accrued liabilities and deferred income	1.1	0.9
Total	79.1	67.1

LIABILITIES INCLUDE

EUR million, 31 Dec	2020	2019
Non-current interest-bearing liabilities	100.0	
Current interest-bearing liabilities	7.7	34.1
Current non-interest-bearing liabilities	175.8	157.4
Total	283.5	191.5

20 Notes relating to members of administrative bodies

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

EUR million	2020	2019
President and CEO and members of Board of Directors	2.1	1.6

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.

21 Contingencies

CONTINGENCIES FOR OWN LIABILITIES

EUR million, 31 Dec	2020	2019
Guarantees given	6.8	6.3

TOTAL GUARANTEES

EUR million, 31 Dec	2020	2019
Total guarantees	6.8	6.3

22 Liabilities and commitments

LEASE AGREEMENTS

EUR million, 31 Dec	2020	2019
Payments payable under lease agreements		
within next 12 months	2.2	2.1
later than 12 months	1.9	2.7
Total	4.1	4.8

The terms of lease agreements are normal.

OTHER LIABILITIES

EUR million, 31 Dec	2020	2019
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 2012–2020 if the use subject to VAT decreases during the review period. The last review year is 2029 and the maximum liability is EUR 14.9 million.

23 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 approved by the Board of Directors of the parent company, and the Group Treasury is responsible for its implementation. Treasury activities are centralised in the Group Treasury.

There are more information about the financial risks in 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.

24 Derivatives

NOMINAL VALUES AND MATURITY OF DERIVATIVES

EUR million, 31 Dec	2020	2019
Currency derivatives		
Currency forward contracts and currency swaps	20.6	32.4
Currency options	30.6	45.4

All derivatives have a maturity less than one year.

FAIR VALUES OF DERIVATIVES

	2020			2019
EUR million, 31 Dec	**Positive**	**Negative**	**Net**	**Net**
Non-hedge-accounting derivatives				
Currency forward contracts and currency swaps	0.2	-0.1	0.1	-0.5
Currency options	0.1	-0.1	0.0	-0.1

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 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

EUR million, 31 Dec 2019	Level 1	Level 2	Level 3	Total
Derivatives				
Currency derivatives		0.1		0.1
Money market investments	35.0			35.0
Other investments				
Shares and investments			0.2	0.2
Assets total	35.0	0.1	0.2	35.4
Derivatives				
Currency derivatives		-0.7		-0.7
Liabilities total		-0.7		-0.7

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.

25 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 477,075,050.26, including EUR 216,389,442.49 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 totalled 140,463,196, on which the total dividend would be	EUR 210,694,794.00
• donations to medical and other purposes of public interest as decided by the Board of Directors	EUR 350,000.00
• retention in equity	EUR 266,030,256.26
	EUR 477.075.050.26

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, 9 February 2021

Mikael Silvennoinen
Chairman

Timo Maasilta
Vice Chairman

Kari Jussi Aho

Pia Kalsta

Ari Lehtoranta

Hilpi Rautelin

Eija Ronkainen

Timo Lappalainen
President and CEO

Our auditor's report has been issued today.

Espoo, 9 February 2021

KPMG OY AB

Kimmo Antonen
Authorised Public Accountant

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

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 2020. 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 23%) 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 three years.

Other Information

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 9 February 2021

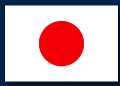
KPMG OY AB

Kimmo Antonen
Authorised Public Accountant, KHT

Key events in **2020**

January

Marketing authorisation was granted for Nubeqa® in Japan*



March

Marketing authorisation was granted for Nubeqa® in the European Union*

May

Orion's Annual General Meeting was held with special arrangements due to COVID-19 pandemic

May

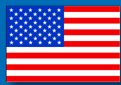
Orion received total of EUR 28 million in milestones from Bayer for the first commercial sales of darolutamide in the EU and Japan

June

Professor Outi Vaarala started as Orion's Senior Vice President for Research and Development

June

The US Food and Drug Administration FDA granted marketing authorisation for Orion Animal Health's Clevor® product



* Marketing authorisation is granted for the treatment of men with non-metastatic castration-resistant prostate cancer (nmCRPC), who are at high risk of developing metastatic disease.

July

Orion's phase 3 REFALS trial evaluating the efficacy of oral levosimendan in treatment of ALS patients did not reach its pre-specified endpoints

REFALS

September

The formulation patent of Simdax® expired in key markets

September

Orion announced plans to renew its R&D strategy and organisation

November

Orion announced EUR 17 million investments in its production plants in Turku

Orion Corporation
Orionintie 1A, P.O. Box 65,
FI-02101 Espoo, Finland
Phone: +358 10 4261
www.orion.fi

Follow Orion
in social media