



Orion Group  
Financial Statement Release  
2020



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## Orion Group Financial Statement Release 2020

- Net sales totalled EUR 1,078 million (EUR 1,051 million in 2019).
- Operating profit was EUR 280 (253) million.
- Net sales and operating profit include milestone payments amounting to EUR 42 (51) million.
- Profit before taxes was EUR 278 (251) million.
- Equity ratio was 67% (77%).
- ROCE before taxes was 35% (30%).
- ROE after taxes was 29% (26%).
- Basic earnings per share were EUR 1.56 (1.43).
- Cash flow per share before financial items was EUR 1.85 (1.68).
- The Board of Directors proposes payment of a dividend of EUR 1.50 (1.50) per share.
- 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).

### Key figures

	10-12/20	10-12/19	Change %	1-12/20	1-12/19	Change %
Net sales, EUR million	<b>255.4</b>	274.5	-7.0%	<b>1,078.1</b>	1,051.0	+2.6%
EBITDA, EUR million	<b>47.8</b>	69.5	-31.3%	<b>336.5</b>	308.9	+9.0%
% of net sales	<b>18.7%</b>	25.3%		<b>31.2%</b>	29.4%	
Operating profit, EUR million	<b>34.2</b>	55.0	-37.8%	<b>280.1</b>	252.8	+10.8%
% of net sales	<b>13.4%</b>	20.0%		<b>26.0%</b>	24.1%	
Profit before taxes, EUR million	<b>33.8</b>	54.7	-38.3%	<b>278.3</b>	250.8	+10.9%
% of net sales	<b>13.2%</b>	19.9%		<b>25.8%</b>	23.9%	
Profit for the period, EUR million	<b>25.5</b>	45.2	-43.6%	<b>219.9</b>	200.4	+9.7%
% of net sales	<b>10.0%</b>	16.4%		<b>20.4%</b>	19.1%	
R&D expenses, EUR million	<b>38.4</b>	32.8	+17.0%	<b>123.2</b>	119.3	+3.3%
% of net sales	<b>15.0%</b>	11.9%		<b>11.4%</b>	11.3%	
Capital expenditure, EUR million	<b>18.0</b>	14.5	+24.3%	<b>48.5</b>	42.6	+14.0%
% of net sales	<b>7.1%</b>	5.3%		<b>4.5%</b>	4.0%	
Interest-bearing net liabilities, EUR million				<b>-185.8</b>	-139.1	+33.6%
Basic earnings per share, EUR million	<b>0.18</b>	0.32	-43.5%	<b>1.56</b>	1.43	+9.8%
Cash flow per share before financial items, EUR	<b>0.33</b>	0.40	-18.3%	<b>1.85</b>	1.68	+9.6%
Equity ratio, %				<b>66.7%</b>	76.7%	
Gearing, %				<b>-25.4%</b>	-17.8%	
ROCE (before taxes), %				<b>34.8%</b>	29.9%	
ROE (after taxes), %				<b>29.1%</b>	25.8%	
Average personnel during the period				<b>3,337</b>	3,251	+2.6%

President and CEO Timo Lappalainen:

## Strong performance amid challenges brought on by COVID-19 pandemic

“The COVID-19 pandemic made 2020 an exceptional and demanding year for Orion and for the world. The strong spike in demand for pharmaceuticals seen in March and April brought challenges to Orion’s production and logistics. However, we prevailed due to the strong commitment and hard work of our people. We strived successfully - and will carry on striving - to ensure that pharmaceuticals manufactured and sold by Orion continue to be available to patients. Our current inventory status is good, but we need to keep working to this effect, as the risk of disruptions in global pharmaceutical supply chains remains higher than usual owing to the pandemic. In the current exceptional circumstances, we have prioritised looking after the health and safety of our employees and ensuring production continuity and patient safety in ongoing clinical trials, and we will continue to do so. Amidst the pandemic, we pushed ourselves to a good performance, for which many thanks are due to our dedicated and adaptable people at Orion as well as our collaboration partners.

Our net sales in 2020 were EUR 1,078 (1,051) million and our operating profit was EUR 280 (253) million. The COVID-19 pandemic had a variety of impacts on our sales. Full-year sales of some pandemic-related products, such as dexmedetomidine products used in intensive care, were clearly above the level estimated at the start of 2020. On the other hand, the sales of some products fell below anticipated levels in part due to restrictive measures put in place in various parts of Europe. The general strong spike in demand for pharmaceuticals in March and April increased sales somewhat at annual level, although demand did level off as expected over the rest of the year. We do not believe that there has been an increase in the basic need for pharmaceuticals other than those used for treating COVID-19 patients; our estimate is that the growth in demand rather reflects customers’ preparation measures and stockpiling. At this point it is difficult to estimate how customers’ stock levels will evolve in the near future. The coronavirus had visible impacts on Orion’s operations, but at the same time it can be said that our business operations developed favourably in many respects also without consideration to the COVID-19 impact.

The growth of operating profit is mostly due to higher net sales than in the previous year and a decrease in operating expenses owing to the pandemic. Gross margin was improved by the high utilisation rate of Orion’s production facilities and reduced waste following continual development of operations, as well as increased sales, although the level of margins in product sales fell late in the year mainly due to the timing of partner deliveries of Parkinson’s drugs and animal sedatives and a decrease in the sales of Simdax®. In the last months of the year, expenses increased relative to preceding months of the year due to new investments in research and development projects as well as sales and marketing. In our estimate, our operating profit was around EUR 40 million stronger than we anticipated at the beginning of 2020, due to the impacts of the COVID-19 pandemic. More than half of this were attributable to the increased international sales of dexmedetomidine products and the rest to lower than anticipated expenses and increased sales of other products.

The net sales of the Dexdor® sedative, used in intensive care and aimed at the European market, decreased slightly from the comparative period due to generic competition, but the decrease was significantly less than we had anticipated at the start of the year due to the increased demand brought on by the COVID-19 pandemic. The formulation patent of Simdax®, a drug used in the treatment of acute decompensated heart failure, expired in key markets in September. Its sales decreased sharply towards the end of the year due to a decrease in planned hospital visits because of the pandemic and, in some markets, due to falling prices. Year-on-year, its sales fell slightly from 2019.

Sales of the Easyhaler® product portfolio for asthma and chronic obstructive pulmonary disease saw expected strong growth until autumn but developed weaker than anticipated in the end of the year. In our estimate, COVID-19 restrictions cut the number of doctors’ appointments around Europe in the second half of the year, and customers used inventories they had stockpiled in the first year-half, which was reflected in the sales of Easyhaler® products. The net sales of the Parkinson’s drugs Stalevo® and Comtess®/Comtan® remained at the previous year’s level, as anticipated. The fluctuating sales in the course of the year were mostly due to the timing of partner deliveries.

In 2020, Orion booked EUR 17 million in net sales of Nubeqa®, 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.

Net sales of the Specialty Products unit increased slightly, but development was uneven in the course of the year, especially in self-care products, due to the spike in demand caused by the COVID-19 pandemic in spring and subsequent levelling out of demand. In a full-year view, the coronavirus somewhat increased demand, but business developed well even without the pandemic effect. We can be satisfied with the growth in a situation in which the net sales of our biosimilar products fell by more than EUR 20 million and the prices of generic prescription drugs continued to fall.

The Animal Health unit also had a robust year, with net sales reaching their highest level ever so far. In June, the U.S. Food and Drug Administration (FDA) granted a marketing authorisation to Orion's Clevor®, which will be distributed in the United States by our partner Vetoquinol. Orion's long-term distribution partnership with the animal health company Zoetis in Denmark, Norway and Sweden came to an end in 2020, as Zoetis decided to set up its own sales organisations in these countries. The change will have a negative impact on the unit's net sales in 2021, but will have no material impact on Orion Group's operating profit. Demand for Fermion products was at a high level all year and production capacity was nearly fully utilised.

COVID-19 also affected Orion's research and development projects, which experienced some delays due to the situation in 2020. The highest priority, however, was to look after the safety and continued care of patients involved in clinical trials. In July, we completed the Phase III clinical REFALS trial, which unfortunately did not meet its pre-specified endpoints. The trial investigated the efficacy and safety of oral levosimendan in the treatment of amyotrophic lateral sclerosis (ALS).

We are continuing the Phase III clinical ARASENS trial on darolutamide with Bayer, expecting to get results this year, and are jointly initiating the Phase III clinical ARANOTE trial on darolutamide as a new project. The ODM-208 and ODM-209 projects have seen a slight delay due to COVID-19 restrictions, but they are proceeding and ODM-208 has moved on to Phase II clinical trial. Orion's new Senior Vice President for Research and Development started in her post in June, and in the autumn we renewed the R&D organisation and strategy. The changes are aimed at strengthening the company's R&D portfolio and speeding up research projects. Orion has also been developing a new-generation dry-powder inhaler, and we have started first product development project using the new device platform.

Orion's strategic growth target, to reach net sales of EUR 1.5 billion by the end of 2025, remains valid, and we are working determinedly to achieve this target. For example, we have increased resource allocation to business development, and in 2020 we signed several fairly significant in-licensing agreements in the Specialty Products unit. Most of the potential of these agreements can only materialise after 2025. Nevertheless, the agreements indicate that Orion is able to acquire new products to its markets and that it is viewed as an attractive partner.

Orion has systematically invested tens of millions of euros annually in the maintenance, renewing and expansion of its production facilities in Finland. We continued these investments determinedly in 2020, our tangible investments totalling EUR 37 million. A renewal of Orion's enterprise resource planning system will be one significant investment in 2021-2023. Another major investment, the renovation of Orion's headquarters in Espoo, will begin in autumn 2021 and be completed in 2023."

## 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 the outlook and an overview of near-term risks and uncertainties are provided on pages 25-28 of this review.



# Financial review for 1 January-31 December 2020

## Change in reporting of net sales

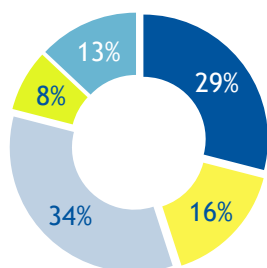
Starting with the January-March 2020 interim report, Orion has combined Fermion’s external net sales and Orion’s contract manufacturing net sales in reporting. The item “Other operations” reported in the context of net sales mostly comprises the impact of exchange rate changes on consolidated net sales.

## 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.

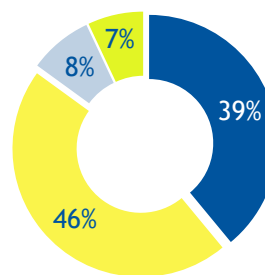
In the first half of 2020, net sales increased clearly from 2019, due to the spike in demand caused by the COVID-19 pandemic in March and April and the timing of milestone payments, for example. In the second half of the year, net sales fell from 2019 as a result of a number of things, such as the timing 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.

Net sales split by region  
1-12/2020



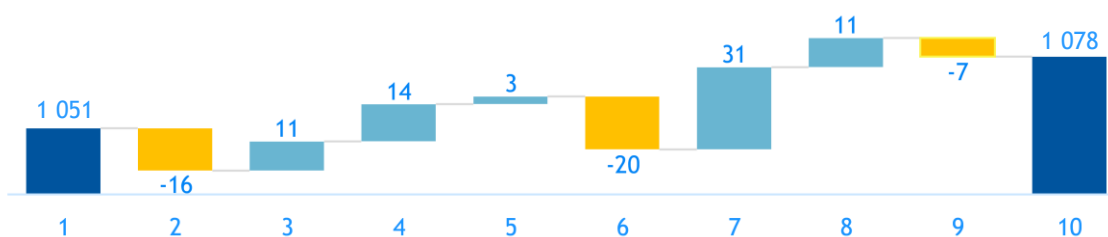
- Finland
- Other Europe
- ROW
- Scandinavia
- North America

Net sales split by business units  
1-12/2020



- Proprietary Products
- Specialty Products
- Animal Health
- Fermion & Contract manufacturing

Development of net sales 1-12/2020 vs. 1-12/2019



1	Net sales in 1-12/2019	6	Biosimilars
2	Exchange rates	7	Other Proprietary Products and Specialty Products
3	Easyhaler® product portfolio	8	Animal Health and Fermion & Contract manufacturing
4	Nubega® (product sales & royalty)	9	Royalties & milestones (without Nubega® royalties)
5	Reference Priced in Finland	10	Net sales in 1-12/2020

## 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.

Development of operating profit 1-12/2020 vs. 1-12/2019



1	Operating profit in 1-12/2019	5	Milestones & royalties
2	Product & service sales without sales margin and product mix change and exchange rate effect	6	Other income
3	Product sales margin and product mix change but without exchange rate effect	7	Fixed cost
4	Exchange rate effect on gross margin	8	Operating profit in 1-12/2020

## 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 withdrew 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.	<ul style="list-style-type: none"> <li>First commercial sales of darolutamide in Japan and the EU.</li> <li>The fully recruited ARASENS trial is estimated to be completed in 2021.</li> </ul>
Development of orally administered levosimendan (ODM109) for the treatment of symptoms of ALS in Phase III clinical trial (REFALS) and preparation for its possible commercialisation. In research and development, the potential of different projects are reviewed with consideration of the total research portfolio.	<ul style="list-style-type: none"> <li>The REFALS trial did not reach its pre-specified endpoints.</li> <li>Orion has currently no plans on the establishment of commercial operations in the United States.</li> <li>Orion is in negotiations with a potential partner to take ODM-203 to the next development phase.</li> </ul>
Strengthening Orion's position as the most significant provider of generic drugs in Finland and competitive pricing. Development of a competitive product portfolio in Specialty Products and strengthening of product launches.	<ul style="list-style-type: none"> <li>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.</li> </ul>
Accelerating the growth of the Easyhaler® product portfolio and strengthening its market position. Progress on the launch of the salmeterol-fluticasone Easyhaler® in Europe.	<ul style="list-style-type: none"> <li>Easyhaler® product portfolio sales increased by 10%.</li> </ul>
Evaluation of new in-licensing opportunities in Europe, particularly in the area of hospital care.	<ul style="list-style-type: none"> <li>The work continues. In 2020, a few significant in-licensing agreements in the Specialty Products unit.</li> </ul>

## Key business targets for 2021

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

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 %
<b>Total sales of human pharmaceuticals (hospital and pharmacy channel)</b>			
Market	2,903	2,859	+2%
Orion	316	314	+0%
<b>Prescription drugs total (pharmacy channel)</b>			
Market	1,646	1,602	+3%
Orion	182	178	+2%
<b>Reference priced prescription drugs (pharmacy channel) *</b>			
Market	449	452	-1%
Orion	110	108	+2%
<b>Self-care products (pharmacy channel)</b>			
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.

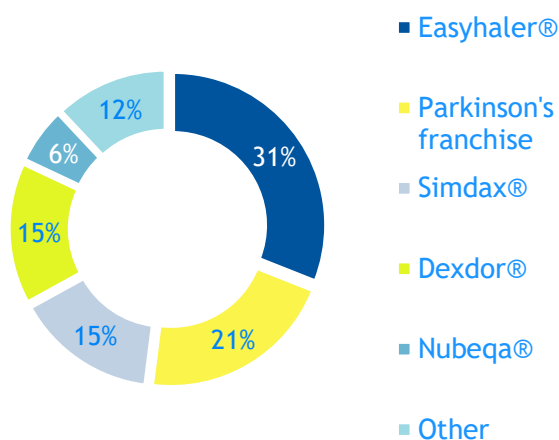
### Net sales by product

EUR million	10-12/20	10-12/19	Change %	1-12/20	1-12/19	Change %
Easyhaler® product portfolio	27.5	29.5	-6.8%	115.1	104.5	+10.2%
Stalevo®, Comtess® and Comtan®	18.3	27.1	-32.5%	98.6	97.5	+1.1%
Simdax®	13.1	18.2	-27.8%	62.1	67.6	-8.1%
Dexdor®	13.7	11.0	+24.9%	54.8	56.6	-3.2%
Nubeqa®*	5.6	1.6	+250.9%	16.6	2.3	+609.3%
Other**	10.6	11.2	-5.2%	72.9	77.5	-5.9%
<b>TOTAL</b>	<b>88.8</b>	<b>98.5</b>	<b>-9.9%</b>	<b>420.2</b>	<b>406.1</b>	<b>+3.5%</b>

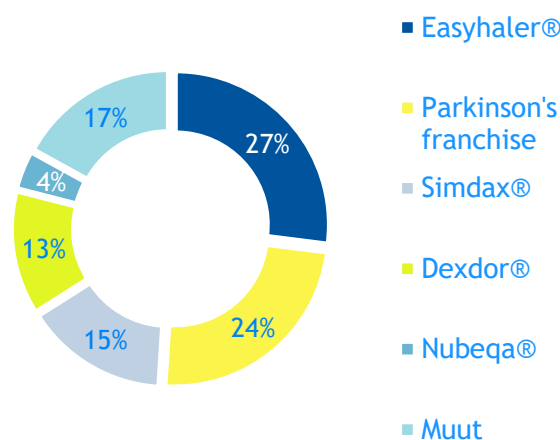
\*) includes product sales to Bayer and royalties booked by Orion

\*\*) 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.

### Net sales split 10-12/2020



### Net sales split 1-12/2020



Orion's Easyhaler® is a dry-powder inhaler developed in-house, for which Orion has developed Easyhaler®-adapted dry powder formulations of several well-known generic active pharmaceutical ingredients (salbutamol, beclometasone, budesonide, formoterol, salmeterol and fluticasone). Total net sales of the Easyhaler® product 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 Malaysia, Orion sells these products through its own sales organisations.

Breakdown of sales of Parkinson's drugs 10-12/2020:

EUR million	10-12/2020	10-12/2019	Change %
Deliveries to key partners	9	15	-41 %
Orion's own sales	10	12	-22 %

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.

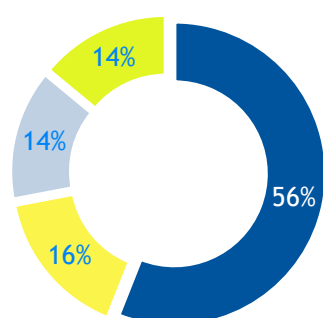
Bayer holds global commercial rights to darolutamide. In Europe, however, Orion and Bayer have agreed on co-promotion. In addition, Orion will manufacture the product for global markets. Besides milestone payments, Orion will also receive tiered royalties on global darolutamide sales, which will be approximately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

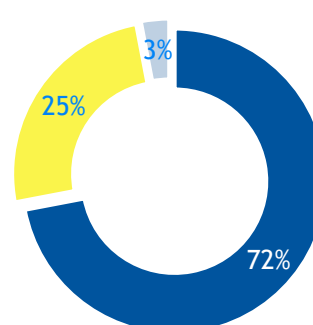
In 2020, the Specialty Products unit signed new in-licensing agreements on development or registration phase products. If the development and registration projects succeed, these products are estimated to reach markets gradually in the coming years and their long-term combined sales potential will exceed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

Net sales split 1-12/2020



- Finland
- Scandinavia
- Eastern Europe & Russia
- ROW

Net sales split by product groups 1-12/2020



- Generic prescription drugs
- Self-care
- Biosimilars

Breakdown of Specialty Products' net sales by product group 10-12/2020:

EUR million	10-12/2020	10-12/2019	Change %	Share of unit's net sales 10-12/2020	Share of unit's net sales 10-12/2019
Generic prescription drugs	89	95	-6%	71%	70%
Self-care products	32	32		25%	23%
Biosimilars	5	10	-48%	4%	7%
<b>TOTAL</b>	<b>126</b>	<b>137</b>	<b>-7%</b>		

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%
<b>TOTAL</b>	<b>498</b>	<b>486</b>	<b>+3%</b>		

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
		I	II	III	
Darolutamide <sup>1)</sup> ARASENS	Prostate cancer (mHSPC)	I	II	III	
Darolutamide <sup>1)</sup> 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			

<sup>1)</sup> 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.

## Key events in 2020

- 23 Jan 2020 Japan's Ministry of Health granted marketing authorisation to darolutamide for the treatment of non-metastatic castration-resistant prostate cancer (nmCRPC).
- 30 Jan 2020 Orion announced that new results from the ARAMIS trial indicate that the combination of darolutamide and conventional hormonal therapy significantly extend the overall survival of men with non-metastatic castration-resistant prostate cancer.
- 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 Nordstedt, 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.

## 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 responsibility: Material themes and indicators

Orion is committed to continuously improving its performance in sustainability. When managing matters related to the environment, occupational health and safety, and human resources, and ensuring that the 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 Programme are ensuring patient safety and reliable supply of medications, in addition to which the Company has a responsibility for the environment, its employees, ethical operations and transparency. In 2020, the Company has advanced its Sustainability Programme, 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.

	2020	2019
<b>Total energy consumption, energy savings and greenhouse gas emissions</b>		
Total absolute energy consumption (MWh) <sup>1</sup>	151 303	158 442
Energy savings achieved by saving measures and efficiency improvements (MWh) <sup>2</sup>	237	1 422
Energy Efficiency Programme targets achieved <sup>3</sup>	53 %	51 %
Greenhouse gas emissions, scope 1 (tCO <sub>2</sub> e)	3 102	2 838
Greenhouse gas emissions, scope 2 (tCO <sub>2</sub> e)	15 509	17 285
<b>Occupational well-being of personnel: Workplace injuries and sick leave of the personnel</b>		
Lost time incident frequency, LTIF 1 <sup>4</sup>	3,6	6,6
Absence due to illness (hours of absence due to illness as percentage of total theoretical working hours)	3,0 %	3,3 %
<b>Respect for human rights and prevention of corruption and bribery</b>		
Code of Conduct training, number of participants <sup>5</sup>	3 410	n/a
Anti-corruption and anti-bribery training, number of participants <sup>5</sup>	407	409
<b>Product quality and safety</b>		
Number of GxP audits of Orion's operations, total <sup>6</sup>	37	66
Audits by authorities	8	8
Audits by collaboration partners	29	58
Audit failures in audits by authorities	0	0
Number of GxP audits undertaken by Orion <sup>6</sup>	141	238
Rejections	3	5
Number of customer complaints about the Pharmaceuticals business (ppm) <sup>7</sup>	76	76

<sup>1</sup> 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.

<sup>2</sup> Energy savings are estimates calculated in compliance with the guidelines of the Energy Authority.

<sup>3</sup> Energy Efficiency Programme: Orion is committed to the extension period of the joint Energy Efficiency Programme for the members of the Confederation of Finnish Industries (EK).

<sup>4</sup> LTIF 1: Indicates the workplace injury rate as injuries causing an absence of at least one day per million total actual working hours.

<sup>5</sup> Participants in training: all individuals who completed the training in the course of the year, including those in part-time, temporary and past employment.

<sup>6</sup> Audits of Good Practices (GxP).

<sup>7</sup> 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.

## Upcoming events

Annual General Meeting 2021	planned to be held on Thursday 25 March 2021
Interim Report January-March 2021	Tuesday 27 April 2021
Half-Year Financial Report January-June 2021	Monday 19 July 2021
Interim Report January-September 2021	Wednesday 20 October 2021

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

Espoo, 9 February 2021

Board of Directors of Orion Corporation

Orion Corporation

## Tables

### CONSOLIDATED STATEMENT OF PROFIT AND LOSS

EUR million	10-12/20	10-12/19	Change %	1-12/20	1-12/19	Change %
<b>Net sales</b>	<b>255.4</b>	274.5	-7.0%	<b>1,078.1</b>	1,051.0	+2.6%
Cost of goods sold	<b>-115.7</b>	-113.0	+2.4%	<b>-427.0</b>	-417.6	+2.3%
<b>Gross profit</b>	<b>139.7</b>	161.5	-13.5%	<b>651.0</b>	633.4	+2.8%
Other operating income and expenses	<b>1.3</b>	0.4	+197.4%	<b>5.4</b>	2.2	+148.8%
Sales and marketing expenses	<b>-56.9</b>	-60.8	-6.4%	<b>-204.3</b>	-215.7	-5.3%
R&D expenses	<b>-38.4</b>	-32.8	+17.0%	<b>-123.2</b>	-119.3	+3.3%
Administrative expenses	<b>-11.5</b>	-13.4	-14.3%	<b>-48.9</b>	-47.8	+2.3%
<b>Operating profit</b>	<b>34.2</b>	55.0	-37.8%	<b>280.1</b>	252.8	+10.8%
Finance income	<b>0.2</b>	0.1	+134.9%	<b>0.2</b>	0.7	-73.7%
Finance expenses	<b>-0.5</b>	-0.4	+18.4%	<b>-2.0</b>	-2.6	-25.9%
<b>Profit before taxes</b>	<b>33.8</b>	54.7	-38.3%	<b>278.3</b>	250.8	+10.9%
Income tax expense	<b>-8.3</b>	-9.5	-13.1%	<b>-58.4</b>	-50.5	+15.8%
<b>Profit for the period</b>	<b>25.5</b>	45.2	-43.6%	<b>219.9</b>	200.4	+9.7%

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

#### OTHER COMPREHENSIVE INCOME INCLUDING TAX EFFECTS<sup>1</sup>

Translation differences	<b>1.2</b>	1.1		<b>-1.4</b>	0.9	
<b>Items that may be reclassified subsequently to profit and loss</b>	<b>1.2</b>	1.1		<b>-1.4</b>	0.9	
Remeasurement of pension plans	<b>-56.6</b>	19.9		<b>-59.4</b>	19.9	
<b>Items that will not be reclassified to profit and loss</b>	<b>-56.6</b>	19.9		<b>-59.4</b>	19.9	
<b>Other comprehensive income net of tax</b>	<b>-55.4</b>	21.1		<b>-60.8</b>	20.9	
<b>Comprehensive income for the period including tax effects</b>	<b>-29.9</b>	66.2	-145.2%	<b>159.1</b>	221.2	-28.1%
<b>PROFIT ATTRIBUTABLE TO<sup>1</sup></b>						
Owners of the parent company	<b>25.5</b>	45.2	-43.6%	<b>219.9</b>	200.4	+9.7%
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO<sup>1</sup></b>						
Owners of the parent company	<b>-29.9</b>	66.2	-145.2%	<b>159.1</b>	221.2	-28.1%
<b>Basic earnings per share, EUR<sup>1</sup></b>	<b>0.18</b>	0.32	-43.5%	<b>1.56</b>	1.43	+9.8%
<b>Diluted earnings per share, EUR<sup>1</sup></b>	<b>0.18</b>	0.32	-43.5%	<b>1.56</b>	1.43	+9.8%
Depreciation, amortisation and impairment	<b>-13.6</b>	-14.6	-6.8%	<b>-56.5</b>	-56.1	+0.7%
Personnel expenses	<b>-59.5</b>	-60.3	-1.4%	<b>-227.0</b>	-217.1	+4.6%

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### ASSETS

EUR million	12/20	12/19	Change %
Property, plant and equipment	319.6	320.9	-0.4%
Goodwill	13.5	13.5	
Intangible rights	26.8	34.8	-22.9%
Other intangible assets	2.7	2.8	-2.8%
Investments in associates	0.1	0.1	
Other investments	0.2	0.2	-4.7%
Pension asset		55.8	-100.0%
Deferred tax assets	8.4	6.8	+23.8%
Other non-current assets	0.5	0.8	-39.1%
<b>Non-current assets total</b>	<b>371.8</b>	435.6	-14.6%
Inventories	258.1	230.3	+12.1%
Trade receivables	157.4	196.5	-19.9%
Other receivables	33.9	24.3	+39.6%
Money market investments		35.0	
Cash and cash equivalents	294.4	114.0	+158.2%
<b>Current assets total</b>	<b>743.7</b>	600.1	+23.9%
<b>Assets total</b>	<b>1,115.6</b>	1,035.7	+7.7%

### EQUITY AND LIABILITIES

EUR million	12/20	12/19	Change %
Share capital	92.2	92.2	
Other reserves	3.4	3.0	+14.2%
Retained earnings	635.7	684.2	-7.1%
<b>Equity attributable to owners of the parent company</b>	<b>731.3</b>	779.4	-6.2%
<b>Equity total</b>	<b>731.3</b>	779.4	-6.2%
Deferred tax liabilities	29.3	41.2	-28.8%
Pension liability	19.9	3.4	+479.5%
Provisions	0.4	0.4	+12.6%
Interest-bearing non-current liabilities	105.5	6.7	
Other non-current liabilities	15.0	17.1	-12.0%
<b>Non-current liabilities total</b>	<b>170.1</b>	68.8	+147.4%
Trade payables	86.7	79.0	+9.8%
Current tax liabilities	2.5	2.6	
Other current liabilities	121.8	102.6	+18.7%
Interest-bearing current liabilities	3.1	3.3	-6.3%
<b>Current liabilities total</b>	<b>214.1</b>	187.5	+14.2%
<b>Liabilities total</b>	<b>384.2</b>	256.3	+49.9%
<b>Equity and liabilities total</b>	<b>1,115.6</b>	1,035.7	+7.7%

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Equity attributable to owners of the parent company						Equity total
	Share capital	Other reserves	Remeasurement of pension plans	Treasury shares	Translation differences	Retained earnings	
<b>Equity at 1 January 2019</b>	92.2	2.9	10.5	-18.0	-7.7	693.2	<b>773.1</b>
Impact of the adoption of the IFRS 16 standard						-0.2	<b>-0.2</b>
<b>Adjusted equity at 1 January 2019</b>	92.2	2.9	10.5	-18.0	-7.7	693.0	<b>772.9</b>
Profit for the period						200.4	<b>200.4</b>
<b>Other comprehensive income</b>							
Translation differences					0.7	0.2	<b>0.9</b>
Remeasurement of pension plans			19.9				<b>19.9</b>
<b>Transaction with owners</b>							
Dividend						-211.4	<b>-211.4</b>
Repurchase of own shares				-7.4			<b>-7.4</b>
Share-based incentive plan				0.9		1.6	<b>2.5</b>
Other adjustments		0.0				1.5	<b>1.5</b>
<b>Equity 31 December 2019</b>	92.2	3.0	30.5	-24.5	-7.0	685.2	<b>779.4</b>
<b>Equity at 1 January 2020</b>	92.2	3.0	30.5	-24.5	-7.0	685.2	<b>779.4</b>
Profit for the period						219.9	<b>219.9</b>
<b>Other comprehensive income</b>							
Translation differences					-0.9	-0.5	<b>-1.4</b>
Remeasurement of pension plans			-59.4				<b>-59.4</b>
<b>Transaction with owners</b>							
Dividend						-210.4	<b>-210.4</b>
Share-based incentive plan				2.9		0.4	<b>3.3</b>
Other adjustments		0.4				-0.6	<b>-0.1</b>
<b>Equity at 31 December 2020</b>	<b>92.2</b>	<b>3.4</b>	<b>-28.9</b>	<b>-21.5</b>	<b>-7.9</b>	<b>694.1</b>	<b>731.3</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	1-12/20	1-12/19
Profit before taxes	278.3	250.8
Adjustments	58.2	58.7
Change in working capital	27.1	14.5
Net financial items	-1.8	-3.9
Income taxes paid	-62.7	-49.3
<b>Total net cash flow from operating activities</b>	<b>299.1</b>	<b>270.8</b>
Investments in property, plant and equipment	-34.0	-28.7
Investments in intangible assets	-6.7	-7.5
Sales of property, plant and equipment and other investments	1.0	0.7
Sales of subsidiaries		1.4
<b>Total net cash flow from investing activities</b>	<b>-39.7</b>	<b>-34.0</b>
<b>Cash flow from operating and investing activities, total</b>	<b>259.4</b>	<b>236.8</b>
Current loans raised	1.6	1.4
Repayments of current loans	-5.6	-154.2
Non-current loans raised	100.0	
Repurchase of own shares		-7.4
Dividends paid and other distribution of profits	-211.1	-211.2
<b>Total net cash flow from financing activities</b>	<b>-115.1</b>	<b>-371.4</b>
<b>Net change in cash and cash equivalents</b>	<b>144.3</b>	<b>-134.5</b>
Cash and cash equivalents at the beginning of the period	149.0	283.7
Foreign exchange differences	1.1	-0.1
Cash and cash equivalents at the end of the period	294.4	149.0
<b>Reconciliation of cash and cash equivalents in statement of financial position</b>		
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
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>294.4</b>	<b>149.0</b>



## Appendices

### REVENUE BY REVENUE FLOWS

EUR million	10-12/20	10-12/19	Change %	1-12/20	1-12/19	Change %
Sale of goods	246.1	267.3	-7.9%	1,017.6	988.6	+2.9%
Royalty income	4.7	3.2	+44.8%	18.7	11.5	+63.0%
<b>Total sale of goods</b>	<b>250.8</b>	270.5	-7.3%	<b>1,036.3</b>	1,000.1	+3.6%
Milestone payments	4.6	4.0	+15.3%	41.8	50.8	-17.9%
<b>Group total</b>	<b>255.4</b>	274.5	-7.0%	<b>1,078.1</b>	1,051.0	+2.6%

In the period 1–12/20 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 periods.

### NET SALES BREAK-DOWN

EUR million	10-12/20	10-12/19	Change %	1-12/20	1-12/19	Change %
Proprietary products <sup>1)</sup>	88.8	98.5	-9.9%	420.2	406.1	+3.5%
Specialty Products	126.5	136.6	-7.4%	498.4	486.1	+2.5%
Animal Health	20.5	21.7	-5.4%	89.3	85.8	+4.1%
Fermion and contract manufacturing	19.3	17.1	+13.2%	74.9	70.7	+6.0%
Other	0.3	0.6	-59.8%	-4.7	2.4	-295.6%
<b>Group total</b>	<b>255.4</b>	274.5	-7.0%	<b>1,078.1</b>	1,051.0	+2.6%

<sup>1)</sup> The net sales of Proprietary Products during the period 1–12/20 includes EUR 2.1 (2.0) million of sales revenue for performance obligations to be transferred to customers that will be entered as income over time.

### NET SALES AND OPERATING PROFIT BY QUARTER

EUR million	2020				2019			
	10-12	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Net sales	255.4	250.3	292.5	279.9	274.5	283.7	251.7	241.0
Operating profit	34.2	65.1	96.4	84.4	55.0	90.7	52.1	55.0

### GEOGRAPHICAL BREAKDOWN OF NET SALES BY QUARTER

EUR million	2020				2019			
	10-12	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Finland	83.3	74.7	73.8	84.2	83.0	76.2	75.2	74.3
Scandinavia	43.0	39.5	43.6	51.0	46.2	42.0	44.6	43.9
Other Europe	87.0	89.2	104.1	87.3	87.5	78.1	85.7	82.8
North America	15.9	15.0	29.9	21.7	14.8	57.8	16.5	13.9
Other markets	26.2	31.9	41.1	35.7	42.9	29.6	29.9	26.1
<b>Group total</b>	<b>255.4</b>	250.3	292.5	279.9	274.5	283.7	251.7	241.0

## TOP TEN BEST-SELLING PHARMACEUTICAL PRODUCTS

EUR million	10-12/20	10-12/19	Change %	1-12/20	1-12/19	Change %
Easyhaler® product portfolio (asthma, COPD)	27.5	29.5	-6.8%	115.1	104.5	+10.2%
Stalevo®, Comtess® and Comtan® (Parkinson's disease)	18.3	27.1	-32.5%	98.6	97.5	+1.1%
Simdax® (acute decompensated heart failure)	13.1	18.2	-27.8%	62.1	67.6	-8.1%
Dexdor® (intensive care sedative)	13.7	11.0	+24.9%	54.8	56.6	-3.2%
Dexdomitor®, Domitor®, Domosedan® and Antisedan® (animal sedatives)	5.5	8.6	-35.9%	34.8	36.2	-3.9%
Burana® (inflammatory pain)	5.7	6.7	-14.7%	23.4	25.0	-6.3%
Dvina series (menopausal symptoms)	4.5	4.6	-1.4%	20.6	19.0	+8.2%
Biosimilars (rheumatoid arthritis, inflammatory bowel diseases)	5.0	9.6	-47.7%	17.7	37.7	-53.1%
Trexan® (rheumatoid arthritis, cancer)	3.0	3.5	-13.3%	16.7	11.4	+45.6%
Nubeqa® (prostate cancer)	5.6	1.6	+250.9%	16.6	2.3	+609.3%
<b>Total</b>	<b>102.0</b>	<b>120.3</b>	<b>-15.2%</b>	<b>460.5</b>	<b>458.0</b>	<b>+0.5%</b>
Share of net sales	40%	44%		43%	44%	

## CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	12/20	12/19
Carrying amount at the beginning of the period	320.9	316.9
+ Impact of the adoption of the IFRS 16 standard		8.6
Additions	36.9	35.4
Disposals	-1.3	-3.6
Depreciation, amortisation and impairment	-37.0	-36.3
<b>Carrying amount at the end of the period</b>	<b>319.6</b>	<b>320.9</b>

## CHANGES IN INTANGIBLE ASSETS (EXCLUDING GOODWILL)

EUR million	12/20	12/19
Carrying amount at the beginning of the period	37.6	50.2
Additions	11.6	7.2
Disposals	-0.1	-0.0
Depreciation, amortisation and impairment	-19.4	-19.8
<b>Carrying amount at the end of the period</b>	<b>29.5</b>	<b>37.6</b>

## CHANGES IN FINANCIAL LIABILITIES

Orion has withdrawn during the period 1–12/20 a long-term loan of 100 million Euros from European Investment Bank. The first repayment of the loan will be made in two years and the last repayment is scheduled after 10 years from the disbursement. In addition, Orion has undrawn committed credit limit facilities in the value of 100 million Euros. Orion has withdrawn in March 2020 a short-term loan of 50 million Euros from the before mentioned committed credit limit facility, which was repaid in September 2020. If the financial covenants determined in the terms of the credit limit agreements of the company and loan agreement of the European Investment Bank are breached, the lender optionally has the right to demand early repayment of the loan. As of 31 December 2020 Orion met these financial covenants.

## COMMITMENTS AND CONTINGENCIES

EUR million	12/20	12/19
<b>CONTINGENCIES FOR OWN LIABILITIES</b>		
Guarantees	7.1	6.5
<b>OTHER LIABILITIES</b>		
Other liabilities	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.

## DERIVATIVES

EUR million	12/20	12/19
<b>CURRENCY FORWARD CONTRACTS AND CURRENCY SWAPS</b>		
Fair value, EUR million	0.1	-0.5
Nominal value, EUR million	20.6	56.2
<b>CURRENCY OPTIONS</b>		
Fair value, EUR million	0.0	-0.1
Nominal value, EUR million	30.6	44.6

## FAIR VALUE MEASUREMENT AND HIERARCHY OF FINANCIAL INSTRUMENTS

EUR million	Level 1	Level 2	Level 3	Total
Derivatives				
Currency derivatives		0.3		<b>0.3</b>
Other investments				
Shares and investments			0.2	<b>0.2</b>
<b>Assets total</b>		0.3	0.2	<b>0.5</b>
Derivatives				
Currency derivatives		-0.2		<b>-0.2</b>
<b>Liabilities total</b>		-0.2		<b>-0.2</b>

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

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

No transfers between levels occurred during the reporting period.

## RELATED PARTY TRANSACTIONS

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.

EUR million	1-12/20	1-12/19
Management's employment benefits	<b>7.0</b>	4.9

## BASIC SHARE INFORMATION, 31 DECEMBER 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	

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

## KEY FINANCIAL FIGURES

	10-12/20	10-12/19	Change %	1-12/20	1-12/19	Change %
Net sales, EUR million	255.4	274.5	-7.0%	1,078.1	1,051.0	+2.6%
EBITDA, EUR million	47.8	69.5	-31.3%	336.5	308.9	+9.0%
% of net sales	18.7%	25.3%		31.2%	29.4%	
Operating profit, EUR million	34.2	55.0	-37.8%	280.1	252.8	+10.8%
% of net sales	13.4%	20.0%		26.0%	24.1%	
Profit for the period, EUR million	25.5	45.2	-43.6%	219.9	200.4	+9.7%
% of net sales	10.0%	16.4%		20.4%	19.1%	
R&D expenses, EUR million	38.4	32.8	+17.0%	123.2	119.3	+3.3%
% of net sales	15.0%	11.9%		11.4%	11.3%	
Capital expenditure, EUR million	18.0	14.5	+24.3%	48.5	42.6	+14.0%
% of net sales	7.1%	5.3%		4.5%	4.0%	
Depreciation, amortisation and impairment, EUR million	13.6	14.6	-6.8%	56.5	56.1	+0.7%
Personnel expenses, EUR million	59.5	60.3	-1.4%	227.0	217.1	+4.6%
Equity total, EUR million				731.3	779.4	-6.2%
Interest-bearing net liabilities, EUR million				-185.8	-139.1	+33.6%
Assets total, EUR million				1,115.6	1,035.7	+7.7%
Cash flow from operating activities, EUR million				299.1	270.8	+10.4%
Equity ratio, %				66.7%	76.7%	
Gearing, %				-25.4%	-17.8%	
ROCE (before taxes), %				34.8%	29.9%	
ROE (after taxes), %				29.1%	25.8%	
Personnel at the end of the period				3,311	3,265	+1.4%
Average personnel during the period				3,337	3,251	+2.6%

## PERFORMANCE PER SHARE

	10-12/20	10-12/19	Change %	1-12/20	1-12/19	Change %
Basic earnings per share, EUR	0.18	0.32	-43.5%	1.56	1.43	+9.8%
Diluted earnings per share, EUR	0.18	0.32	-43.5%	1.56	1.43	+9.8%
Cash flow per share before financial items, EUR	0.33	0.40	-18.3%	1.85	1.68	+9.6%
Equity per share, EUR				5.21	5.55	-6.2%
Proposed dividend per share, EUR				1.50	1.50	
Proposed payout ratio, %				95.9%	105.2%	
Total proposed dividend, EUR million				210.7	210.7	
<b>A share</b>						
Number of shares at the end of the period				35,122,793	36,335,463	-3.3%
% of total share stock				24.9%	25.7%	
Effective dividend yield according to proposal, %				4.0%	3.7%	
Price/earnings ratio (P/E)				23.97	28.64	
Number of votes excluding treasury shares				702,455,860	726,709,260	-3.3%
% of total votes				87.0%	87.5%	
Total number of shareholders				22,015	19,990	+10.1%
Closing quotation at the end of previous financial year, EUR				40.95	30.30	+35.1%
Lowest quotation of review period, EUR				29.60	28.20	+5.0%
Average quotation of review period, EUR				40.26	34.26	+17.5%
Highest quotation of review period, EUR				48.45	42.00	+15.4%
Closing quotation at the end of review period, EUR				37.40	40.95	-8.7%
Trading volume, EUR million				102.5	73.5	+39.4%
Shares traded				2,547,090	2,149,046	+18.5%
% of the total number of shares				7.3%	5.9%	
<b>B share</b>						
Number of shares at the end of the period, including treasury shares				106,011,485	104,922,365	+1.0%
% of total share stock				75.1%	74.3%	
Treasury shares				671,082	765,399	-12.3%
Number of shares at the end of the period, excluding treasury shares				105,340,403	104,156,966	+1.1%
Effective dividend yield according to proposal, %				4.0%	3.6%	
Price/earnings ratio (P/E)				24.06	28.86	
Number of votes excluding treasury shares				105,340,403	104,156,966	+1.1%
% of total votes				13.0%	12.5%	
Total number of shareholders				56,487	52,193	+8.2%
Closing quotation at the end of previous financial year, EUR				41.27	30.28	+36.3%
Lowest quotation of review period, EUR				30.02	28.19	+6.5%
Average quotation of review period, EUR				40.69	33.48	+21.5%
Highest quotation of review period, EUR				48.80	42.52	+14.8%
Closing quotation at the end of review period, EUR				37.53	41.27	-9.1%
Trading volume, EUR million				4,213.9	2,846.5	+48.0%
Shares traded				103,556,863	85,303,946	+21.4%
% of the total number of shares				97.7%	81.3%	
<b>A and B share total</b>						
Number of shares at the end of the period				141,134,278	141,257,828	
Average number of shares during the period excluding treasury shares				140,506,969	140,571,373	
Total number of votes conferred by the shares				807,796,263	830,866,226	-2.8%
Total number of shareholders				72,003	66,595	+8.1%
Trading volume, EUR million				4,316.4	2,920.0	+47.8%
Shares traded				106,103,953	87,452,992	+21.3%
Total shares traded, % of total shares				75.2%	61.9%	
Market capitalisation at the end of the period excluding treasury shares, EUR million				5,267.0	5,786.5	-9.0%

## REPORTING

Orion has a single business area or operating segment that forms the basis of reporting. Orion's net sales are itemised 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.

## 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.

New amendments to existing IAS and IFRS standards adopted from 1 January 2020 have not affected the consolidated financial statements.

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

## OTHERS

The information published in this release is based on Orion's audited financial statements for 2020. Orion Corporation's financial statement release has been prepared in accordance with the accounting policies set out in International Accounting Standard 34 on Interim Financial Reporting. Orion has applied the same accounting principles in the preparation of the Financial Statement Release as in the Financial Statements for 2020.

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



## CALCULATION OF THE KEY FIGURES

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

Publisher:

**Orion Corporation**

<http://www.orion.fi/en>

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Orion is a globally operating Finnish pharmaceutical company - a builder of well-being. Orion develops, manufactures and markets human and veterinary pharmaceuticals and active pharmaceutical ingredients. The company is continuously developing new drugs and treatment methods. The core therapy areas of Orion's pharmaceutical R&D are neurological disorders, oncology and respiratory diseases for which Orion develops inhaled pulmonary medication. Orion's net sales in 2020 amounted to EUR 1,078 million and the company had about 3,300 employees at the end of the year. Orion's A and B shares are listed on Nasdaq Helsinki.