ORIOLA

Financial review 2020

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Basis for preparation

The accounting principles are presented in the relevant parts of the notes to the financial statements in order to make the report more user-friendly. The basis for preparation part of the note is highlighted.

Use of estimates and judgement

If the accounting area presented in the note involves estimates and judgement, those estimates and judgements are described separately in the relevant note. The description of the use of estimate and judgement in the note is marked with italic font and highlighted.

Non-financial information

Oriola gives the non-financial information according to the Finnish Accounting Act and using the Nasdaq ESG Reporting Guide as appropriate in the Report of the Board of Directors. The non-financial information and related key performance indicators are presented in chapter 5. Non-financial information of the Report of the Board of Directors.

Report of the Board of Directors

1. Business review

Operating environment

During 2020, the COVID-19 pandemic has rapidly changed Oriola's operating environment, as the restrictions set by authorities extensively impacted the functions of public healthcare and consumer behaviour. The second wave of the pandemic, which started to accelerate towards the end of the reporting period, intensified again these impacts especially in Sweden. The pandemic has weakened the operating conditions of healthcare and the pharmaceutical volumes have declined. In addition, the demand for health and wellbeing products has declined due to the citizens' decreased mobility, and the share of online sales of the market has increased significantly. The continuation of the pandemic increase uncertainty in both the Finnish and the Swedish markets.

The pandemic has increased society's preparedness for securing availability of pharmaceuticals and other healthcare products. The demand for many pandemic-related products that promote health safety, such as face masks and services, has increased. The importance of high-quality pharmaceutical availability compliant with regulations, and particularly expertise in cold chain management, has been highlighted during the pandemic.

In Sweden, a proposed bill has been drawn up to strengthen the security of supply of pharmaceuticals. As a temporary solution, to ensure the availability of pharmaceuticals during the pandemic, some regions have set up the obligatory stock for certain pharmaceuticals together with pharmaceutical wholesalers, like Oriola. In Finland, similar obligatory stock system is already in place.

Ageing population and growth in speciality pharmaceuticals are driving the long-term growth of the pharmaceutical market in both of Oriola's operating countries. In 2020 the pharmaceutical volumes declined due to the pandemic. In January–December 2020, the pharmaceutical wholesale market value grew by 5.1% (7.6%) in Sweden (source:IQVIA) and 2.1% (5.2%) in Finland in local currencies (source: LTK), mainly due to the significant increase in pharmaceutical sales in the first quarter. Parallel imports' share of the Swedish pharmaceutical market was 9.8% (9.2%) (source: Apoteksförening).

Health and wellbeing trends, as well as the growth in e-commerce are increasing the pharmacy business in Sweden. The pharmacy market is experiencing a digital transformation driven by fast growing e-commerce, which accelerated in 2020 due to the pandemic. Online sales accounts already for 18% (12%) of the total pharmacy market in Sweden by the end of December 2020. The pharmacy market in Sweden grew by 4.6% (4.0%) in Swedish krona driven by strong increase in online market (source: Apoteksförening). At the end of December, there were 1,433 (1,426) pharmacies in Sweden.

The pharmacy network in Finland has remained unchanged and the share of online sales is small. There are 819 pharmacy outlets in Finland and 132 service points of pharmacies. Pharmacies are owned by approximately 600 proprietary pharmacists and the two Universities of Helsinki and Kuopio.

Strategic programmes

Oriola has published two group-wide strategic programmes: one focusing on cost savings and operational excellence, and the other one on strengthening and developing customer experience.

The strategic programme 20by20 Excellence focuses on Oriola's efficiency and profitability. The target was to deliver EUR 20 million annualised savings by the end of the year 2020 compared to the 2018 cost level.

The 20by20 Excellence programme continued systematically throughout the year 2020 but slowed down due to the COVID-19 pandemic. By the end of 2020, approximately 75% or approximately EUR 15 million of the savings target was reached. The main savings have realised in logistics operations in Finland, personnel costs, IT costs, changes in loyalty programme, as well as direct and indirect purchasing. As part of the programme, Oriola has closed 9 pharmacies in Sweden during 2019–2020.

The slowdown of the programme due to the pandemic has led to the decision to continue the 20by20 programme in 2021. Cost efficiency is the key target for the company in 2021.

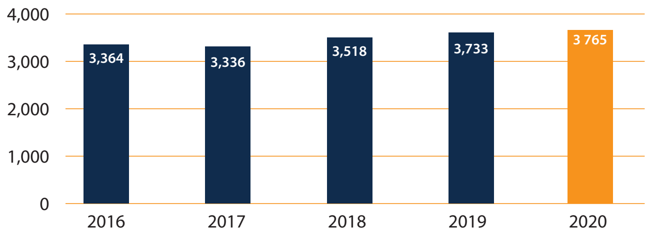
The strategic programme Customer Experience focuses on developing and implementing more customer-oriented processes and tools, organisation and culture. The target for the programme is to strengthen customer trust and satisfaction in Oriola's B2B business. The company's activities are customer-oriented also during the pandemic. Customer communication and collaboration has been lifted as one of the key activities to ensure timely information flow and the influencing opportunities between all stakeholders during the pandemic. . The Net Promoter Score (NPS), measuring customer satisfaction, continued to develop positively, especially in Finland.

The Group's financial performance for January–December 2020

Invoicing and net sales

Invoicing increased by 0.9% (increased 6.1%). On a constant currency basis invoicing increased by 0.1% (increased 8.4%).

Invoicing
EUR million

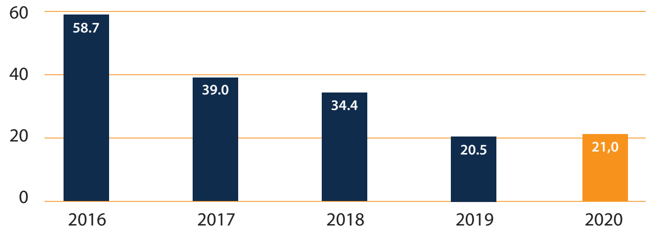


Net sales increased by 4.6% (increased 10.9%) to EUR 1,800.8 (1,721.3) million. On a constant currency basis net sales increased by 3.8% (increased 13.6%), driven by the value growth in the pharmaceutical market, changes in the distribution agreements for pharmaceuticals and increased sales of the health and wellbeing products.

Profitability

Adjusted EBIT increased by 2.6% (decreased 40.6%) to EUR 21.0 (20.5) million. The profit was burdened by changes in customer agreements, decreased volumes in brick-and-mortar as well as operative costs related to the ramp-up phase of the Swedish distribution centre and additional costs caused by the COVID-19 pandemic. Dose dispensing business developed well and had a positive impact on the result. In addition, cost savings improved profitability. In Sweden, Oriola received government compensations for socials costs, sick leaves and short-term lay-offs totalling EUR 1.5 million to cover the negative impacts of the pandemic. The compensations are reported as a reduction of personnel expenses in the consolidated statement of comprehensive income. Adjusting items totalled EUR -0.6 (-5.1) million, and the EBIT was EUR 20.4 (15.3) million. The adjusted EBIT on a constant currency basis was EUR 20.8 million.

Adjusted EBIT[1]
EUR million



[1] The figures in 2016-2018 have been restated due to an error related to previous periods. The restatement had an impact on inventories, deferred tax assets and retained earnings in the consolidated statement of financial position and on material purchases and income taxes in the consolidated statement of comprehensive income. More information on correction of the error is presented in the notes to the Financial statements 2019.

Net financial expenses were EUR 6.0 (5.2) million. Profit for the period was EUR 11.3 (8.0) million. Income taxes for January–December were EUR 3.1 (2.1) million, which corresponds to an effective tax rate of 21.3% (20.8%). Earnings per share were EUR 0.06 (0.04).

For more information on the Group's financial performance, please see the section Financial indicators 2016-2020.

Consumer

Consumer business area offers products and services for health and wellbeing for customers through Kronans Apotek, the third largest pharmacy chain in Sweden.

Key figures EUR million	2020	2019	Change %
Invoicing	798.2	768.1	3.9
Net sales	780.7	750.1	4.1
Adjusted EBIT	14.4	11.7	22.8
EBIT	15.3	5.3	188.4
Adjusted EBIT %	1.8	1.6	
EBIT %	2.0	0.7	
Number of personnel at the end of period	1,621	1,692	

Market environment

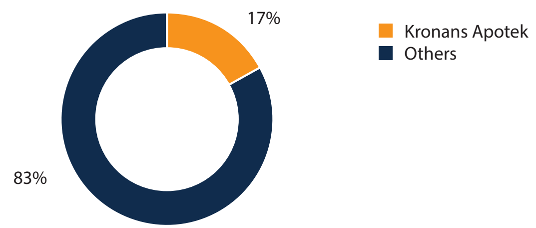
The COVID-19 pandemic has affected the pharmacy business especially through accelerated online sales, but also as health security measures for employees and customers in pharmacies. The pandemic has decreased the mobility of people. Visits to pharmacies have declined and the demand for OTC has weakened, especially in the second half of the year. The pandemic has also opened new business opportunities, for example the antibody testing in pharmacies, and increased demand for protective gear.

The pharmacy market in Sweden grew by 4.6% (4.0%) in Swedish krona (source: Apoteksförening) and the number of pharmacies increased by 6 in 2020.

Online sales in the Swedish pharmacy market continued to grow fast and reached approximately 18% (12%) of the pharmacy market by the end of December 2020.

Oriola's market share in the pharmacy market in Sweden in January–December 2020 was 16.6% (16.9%) (source: Apoteksförening). The relative share of OTC and traded goods from the net sales was 25.0% (25.0%). At the end of 2020, Oriola had 325 (324) pharmacies in Sweden. Oriola established 5 new pharmacies and closed 4 pharmacies during the reporting period.

Swedish pharmacies
Market share



Financial performance

The net sales increased by 4.1% (decreased 0.2%) to EUR 780.7 (750.1) million. On a constant currency basis net sales increased by 3.1% (increased 3.0%). Oriola's online sales grew by 85%, faster than the market (+59%), and it accounts for 6.6% (3.7%) of Oriola's Consumer sales in Sweden.

Adjusted EBIT increased by 22.8% (decreased 28.2%) to EUR 14.4 (11.7) million. Cost savings had a positive impact on profitability. The restricted consumer mobility caused by the COVID-19 pandemic has impacted the demand especially in shopping centres. The negative impact of the pandemic was partly offset by government compensations totalling EUR 1.0 million, received in Sweden. Adjusting items totalled EUR 0.9 (-6.4) million, and EBIT was EUR 15.3 (5.3) million.

Pharma

Pharma business area provides tailored logistics, expert and advisory services for pharmaceutical companies, as well as a wide range of pharmaceutical products for pharmacies, hospital pharmacies and veterinarians.

Key figures EUR million	2020	2019	Change %
Invoicing	2,906.0	2,910.6	-0.2
Net sales	961.2	918.1	4.7
Adjusted EBIT	12.8	17.7	-27.8
EBIT	12.4	17.1	-27.8
Adjusted EBIT %	1.3	1.9	
EBIT %	1.3	1.9	
Number of personnel at the end of period	448	468	

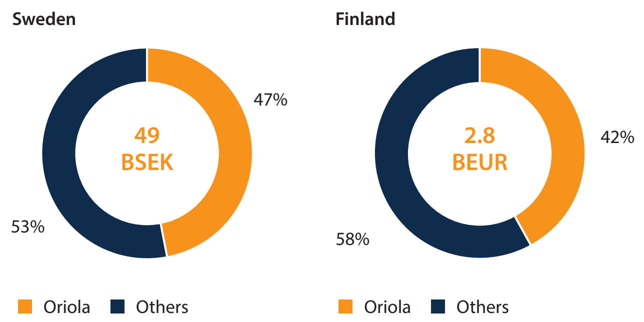
Market environment

The availability of pharmaceuticals in the both operating countries has remained good during the COVID-19 pandemic. Extensive industry co-operation has supported the availability of pharmaceuticals, for example so-called green line for the free movement of pharmaceuticals within the EU was established fast in the spring. During the pandemic, there have been pharmaceutical hoarding, elective healthcare in hospitals have stopped, and obligatory stock of selected pharmaceuticals has been set up in Sweden. The pandemic has also increased the demand for pharmaceutical storage space in both Oriola's operating countries.

The pharmaceutical market value at wholesale prices in Sweden grew by 5.1% (7.6%) in Swedish krona in 2020 (source: IQVIA). According to Oriola's estimate, Oriola's share of the Swedish pharmaceutical wholesale market was approximately 47% (44%).

The Finnish pharmaceutical market value at wholesale prices grew by 2.1% (5.2%) in 2020 (source: LTK). According to Oriola's estimate, Oriola's share of the Finnish pharmaceutical wholesale market was approximately 42% (46%).

Wholesale - market share %



Financial performance

Invoicing decreased by 0.2% (increased 7.9%) to EUR 2,906.0 (2,910.6) million compared to previous year. On a constant currency basis invoicing decreased by 0.8% (increased 10.0%). Net sales increased by 4.7% (increased 22.4%) to EUR 961.2 (918.1) million, and on a constant currency basis, net sales increased by 4.0% (increased 24.8%). This was driven by the sales growth in expensive prescription pharmaceuticals as well as changes in the distribution agreements for pharmaceuticals.

Adjusted EBIT decreased by 27.8% (decreased 16.3%) to EUR 12.8 (17.7) million. Changes in customer agreements as well as operative costs related to the ramp-up phase of the Swedish distribution centre and additional costs caused by the COVID-19 pandemic had a negative impact on Pharma's result. The good development in expert services offered to pharmaceutical companies impacted the result positively during the reporting period. Adjusting items totalled EUR -0.4 (-0.5) million, and EBIT was EUR 12.4 (17.1) million.

Retail

Retail business area offers a wide range of health and wellbeing products to pharmacies, groceries, veterinarians, private and public healthcare operators and retailers, as well as services for pharmacies, including staffing and dose-dispensing services.

Key figures EUR million	2020	2019	Change %
Invoicing	486.7	456.9	6.5
Net sales	484.9	455.5	6.5
Adjusted EBIT	2.0	-0.9	
EBIT	0.9	-1.4	
Adjusted EBIT %	0.4	-0.2	
EBIT %	0.2	-0.3	
Number of personnel at the end of period	583	590	

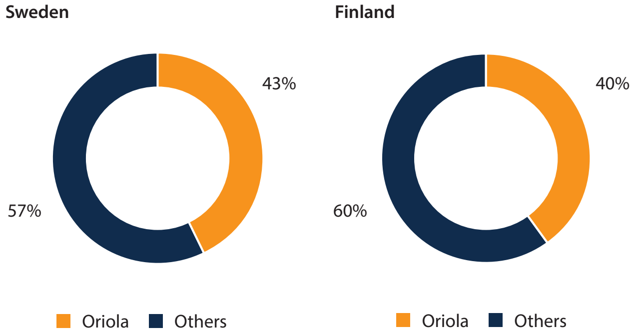
Market environment

In Retail business, Oriola offers a wide range of healthcare products both in traded goods and in OTC pharmaceuticals. Traded goods are sold through pharmacies and grocery stores. The COVID-19-pandemic has increased the demand of pandemic-related health security products such as hand sanitizers and face masks. On the other hand, the decline in pharmacy visits have reduced demand for pharmacy staffing business and wellbeing products. Consumer´s purchasing power has been reflected positively in grocery stores and the importance of grocery stores as a sales channel has increased. In addition, the growing number of pets has created potential for animal product category in both operating countries. In Sweden, the traded goods and OTC pharmaceuticals market grew by 7.7% (6.2%) in 2020.

In dose-dispensing business, Oriola offers pharmaceuticals and dose dispensing for private and public healthcare sectors. The total market size for dose dispensing is approximately 230,000 patients in Sweden and 60,000 patients in Finland. Oriola is the market leader in Sweden serving over 97,000 patients. In Finland, Oriola serves approximately 23,000 patients.

In staffing business in Finland, 272 pharmacies out of 819 pharmacies were using Oriola's services during the year 2020.

Dose dispensing - market share



Financial performance

Net sales increased by 6.5% (increased 6.0%) to EUR 484.9 (455.5) million. On a constant currency basis net sales increased by 5.5% (increased 8.9%), mainly driven by the growth in dose-dispensing sales in Sweden as well as increase in demand for COVID-19 pandemic related products.

Adjusted EBIT increased to EUR 2.0 (-0.9) million, which was mainly due to the positive development of dose-dispensing business. However, in Sweden the result was burdened by the operative costs related to the ramp-up phase of the Swedish distribution centre and additional costs caused by the COVID-19 pandemic. Adjusting items totalled EUR -1.1 (-0.5) million, and EBIT was EUR 0.9 (-1.4) million.

Balance sheet, cash flow and financing

Oriola's total assets at the end of December 2020 were EUR 1,165.6 (1,030.6) million. Equity attributable to the equity holders was EUR 169.6 (157.2) million. The change in fair value of the financial assets measured at fair value through other comprehensive income increased the equity during the reporting period by EUR 8.0 million. The translation differences increased equity by EUR 9.8 million. The equity was decreased by the dividend of EUR 16.3 million distributed to the shareholders in April 2020. Cash and cash equivalents totalled EUR 168.2 (70.8) million. Net cash flow from operating activities in January–December 2020 was EUR 58.3 (84.4) million, of which changes in working capital accounted for EUR 4.0 (26.5) million. Net cash flow from investing activities was EUR -31.4 (-21.8) million. Net cash flow from financing activities was EUR 70.4 (-57.6) million.

At the end of December 2020, interest-bearing debt was EUR 295.3 (190.3) million. During the second quarter of 2020, Oriola Corporation prepared for the instability in the financing markets caused by the COVID-19 pandemic by drawing term-loans totalling EUR 70 million. The non-current interest-bearing liabilities amounted to EUR 127.8 (123.6) million and current interest-bearing liabilities amounted to EUR 167.4 (66.8) million. Non-current interest-bearing liabilities mainly consist of loans from financial institutions totalling EUR 65.9 (57.8) million and non-current lease liabilities totalling EUR 61.9 (65.7) million. Current interest-bearing liabilities mainly consist of commercial paper issues of EUR 78.6 (35.0) million, advance payments from Finnish pharmacies totalling EUR 17.0 (13.2) million, loans from financial institutions totalling EUR 52.0 (0.0) million and current lease liabilities totalling EUR 19.8 (18.6) million. Interest-bearing net debt was EUR 127.1 (119.6) million and gearing 75.0% (76.1%).

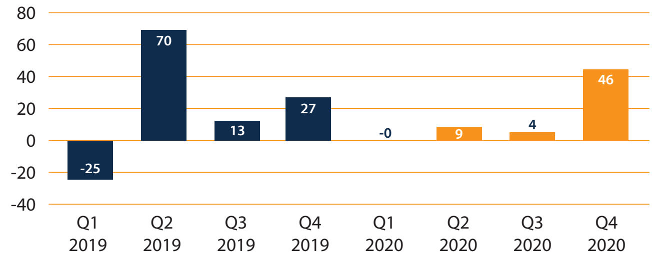
The non-recourse trade receivables sales programmes are in use in Sweden. At the end of December 2020, a total of EUR 179.6 (166.5) million in trade receivables had been sold. The average interest rate on the interest-bearing liabilities excluding lease liabilities was 1.09% (0.97%).

The committed long-term revolving credit facility of EUR 100.0 million and the credit limits totalling EUR 35.0 million were unused at the end of December 2020.

At the end of the reporting period Oriola's equity ratio was 14.8% (15.5%). Return on capital employed was 5.0% (4.1%) and return on equity 6.9% (4.9%).

For more information on the Group's balance sheet and cash flow and related key figures, see the section Financial indicators 2016–2020.

Net cash flow from operating activities
EUR million



Investments and depreciation

Gross investments in January–December 2020 totalled EUR 32.8 (21.8) million and consisted mainly of investments in logistics, information systems, and renewal of pharmacies as well as an additional investment totalling EUR 4.8 million in Doktor.se, a leading Swedish e-health provider, in their latest investment round. The new investment does not have a significant effect on Oriola's ownership, which is currently approximately 14% of Doktor.se.

Depreciation, amortisation and impairment amounted to EUR 41.6 (45.3) million. In 2020, impairment charges totalling EUR 0.6 million were recognised relating to the Swedish Retail business. In 2019, impairment charges totalling EUR 3.5 million were recognised relating to restructurings and the renewal of the Swedish pharmacy online shop.

Personnel

At the end of December 2020, Oriola had 2,730 (2,818) employees, 59% (60%) of whom worked in Consumer, 16% (17%) in Pharma, and 21% (21%) in Retail. The Group administration employed 3% (2%) of the total number of employees. The average number of personnel in January–December 2020 was 2,687 (2,800). Personnel numbers consist of members of staff in active employment calculated as full-time equivalents.

The total amount of wages, salaries and bonuses in 2020 was EUR 126.7 million (EUR 127.5 million in 2019 and EUR 121.4 million in 2018).

For more information about the employee benefits please refer to note 4.4. Employee benefits in the Consolidated Financial Statements.

Oriola Corporation shares

Oriola Corporation's market capitalisation on 31 December 2020 was EUR 349.9 (367.2) million.

	Jan–Dec 2020		Jan–Dec 2019	
Trading of shares	**class A**	**class B**	**class A**	**class B**
Trading volume, million	3.3	48.6	3.8	24.1
Trading volume, EUR million	6.7	92.6	7.7	50.9
Highest price, EUR	2.25	2.27	2.56	2.53
Lowest price, EUR	1.62	1.52	1.86	1.86
Closing quotation, end of period, EUR	1.99	1.90	2.02	2.03

In January–December 2020, the traded volume of Oriola Corporation shares, excluding treasury shares, corresponded to 28.6% (15.3%) of the total number of shares.

At the end of 2020, the company had a total of 181,486,213 (181,486,213) shares, of which 53,748,313 (55,434,273) were class A shares and 127,737,900 (126,051,940) were class B shares. The company held a total of 173,206 (84,903) treasury shares, of which 63,650 (-) were class A shares and 109,556 (84,903) were class B shares. The treasury shares held by the company account for 0.10% (0.05%) of the company's shares and 0.11% (0.01%) of the votes.

Under Article 3 of the Articles of Association, a shareholder may demand conversion of class A-shares into class B shares. During the first quarter of 2020, 306,960 class A shares were converted into class B shares. The conversion was entered into the Trade Register on 3 February 2020. During the second quarter of 2020, 1,379,000 class A shares were converted into class B shares. The conversion was entered into the Trade Register on 11 June 2020. After the conversions there are 53,748,313 class A shares and 127,737,900 class B shares in the company. The total number of shares is 181,486,213 and the total number of votes is 1,202,704,160.
More information on shares and shareholders is given in the section entitled Information on shares.

Flagging announcements

Oriola Corporation received on 15 May 2020 from Heikki Herlin a disclosure under Chapter 9, Section 5 of the Securities Markets Act, according to which the control of Mariatorp Oy has been transferred to Heikki Herlin after the distribution of inheritance of Niklas Herlin.

Mariatorp Oy's (business ID 2690035-7) ownership of Oriola Corporation's share capital is 11.0% and total share of voting rights is 10.9% comprising a total of 20,000,000 shares of which 6,000,000 A shares and 14,000,000 B shares.

Business outlook for 2021

The adjusted EBIT on a constant currency basis levelstays on the same level or increases from the 2020 level.

The COVID-19 pandemic is expected to continue during 2021. Severity and duration of the pandemic remain unclear in Oriola's operating environment. Oriola's business outlook for 2021 is based on external market forecasts, agreements with pharmaceutical companies and pharmacies, and management assessments.

Events after the reporting period

After the reporting period, on 27 January the Shareholders' Nomination Board of Oriola Corporation presented its proposal to the 2021 Annual General Meeting concerning the composition of the Board of Directors. The proposal has been presented under section Governance.

After the reporting period, on 1 February 2021, Oriola announced, that Robert Andersson leaves his position as President and CEO as of 1 February2021 and continues as an adviser to the Board of Directors until 31 July 2021. The recruitment process to find a new CEO has been started. Juko Hakala, currently a member of Oriola's Board of Directors, has been appointed CEO on an interim basis for the period until a new permanent CEO is appointed.

Profit distribution proposal

Oriola Group's parent company is Oriola Corporation, whose distributable funds according to the balance sheet as at 31 December 2020 were EUR 325.6 (335.2) million. Oriola Corporation's result for the financial year 2020 was EUR 6.9 (8.2) million. Earnings per share of the Oriola Group were EUR 0.06 (0.04).

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.03 (0.09) per share is paid for 2020. The Board of Directors further proposes that the remaining non-restricted equity, EUR 320,201,301.18 be retained and carried forward. In addition, it is proposed that the Annual General Meeting would authorise the Board of Directors to decide at its discretion on the payment of dividend up to a maximum of EUR 0.03 per share.

Annual General Meeting 2021

Oriola Corporation's Annual General Meeting will be held on 16 March 2021. The matters specified in article 10 of the Articles of Association and other proposals of the Board of Directors, if any, will be dealt with at the meeting. The notice to convene will be available on the company's website at www.oriola.com on 23 February 2021 at the latest.

2. Risk review

Strategic and financial risks

Oriola has specified the company's risk management model, principles, organisation and process in its Risk management policy. The Group's risk management seeks to identify, measure and manage risks that may have an adverse or beneficial impact on Oriola's operations and achievement of the set goals. The Group also has a Code of Conduct policy and a Treasury policy covering compliance and financial risks. The internal control and risk management systems related to Oriola's financial reporting are aimed at ensuring the reliability of the company's financial statements and financial reporting, as well as the company's compliance with legislation and generally approved operating principles.

Oriola operates in regulated pharmaceutical distribution and retail markets monitored by authorities in both operating countries. The main megatrends impacting Oriola's business environment are ageing of the population, increased spending on health and wellbeing, growth in speciality pharmaceuticals, the digitalisation of the retail trade and services, sustainability as well as possible pandemics.

Oriola has identified the following principal strategic and operational risks that may have an adverse impact on the results: Changes in the pharmaceutical market regulation and related licences, pricing, parallel import and public reimbursement, as well as increased competition through the growing number of companies and pharmacies in e-commerce, the decreasing share of single channel distribution in public healthcare, and the loss of several key pharmaceutical company agreements. In addition, the changes in the resources of public healthcare as well as restrictions set by the authorities on companies' businesses and citizens' mobility caused by the pandemic may have an adverse impact on Oriola's result.

Swedish medicine agency (Läkemedelsverket) and eHealth authority (E-hälsomyndigheten) have suggested new fee for pharmacy and wholesaler licenses as well as for prescription system. If the proposal realises in full and there will not be sufficient compensation for the fees from the Swedish medicine compensation authority (Tandvårds- och läkemedelsförmånsverket, TLV), the annual cost for Oriola will be notable.

In its report, TLV presents a monthly list of generic pharmaceuticals to be introduced in Swedish dose distribution operations as well. The final report will be presented during 2021 and the new legislation is expected to enter into force in 2022 at the earliest. The change would have a negative impact on Oriola's dose distribution margins and operating costs. In Oriola's view, it is possible to control the possible effects.

In Finland, the Ministry of Social Affairs and Health published at the beginning of 2019 a roadmap for overall reform of pharmaceutical matters for the following government terms. In 2020 the Ministry published three main themes to be advanced in the government term 2019–2023. These themes are 1) pharmacological treatment guidelines and finance, 2) pharmacy economy and the pharmaceutical distribution and 3) data management and digital tools development. The pandemic has accelerated the need to find savings from the area of the Ministry of Social Affairs and Health to be able to cover costs caused by the pandemic, on top of the earlier pressure for savings. The government has stated the total cost of pharmaceutical treatment to be as one of the targets. The saving measures are not expected to have a direct impact on Oriola's business.

The overall reform of social and healthcare (Sote), which was not completed by the last government, has moved to parliament. When completed, the reform will affect public and private healthcare providers. The impact of these possible changes on Oriola´s pharmaceutical distribution in Finland or other activities are largely unknown, but according to the company´s estimation, not material.

The pandemic has increased the demand of authorities for both ensuring the availability of the pharmaceuticals as well as managing pharmaceutical availability information. The revised Medicines Act came into force in the summer of 2020 and increased, among other things, the obligation for pharmaceutical companies to report disruptions in the availability of pharmaceuticals. Pharmaceutical wholesalers were also required to report on availability of pharmaceuticals. In addition, the new Medicines Act required pharmacies to maintain a minimum of three weeks of pharmaceutical stocks in proportion to the size of the population in the area. For Oriola, the changes have been minor.

Oriola assesses ESG-related (Environment, Social and Governance) risks as part of the regular risk management process. A more detailed description of ESG risks can be found in section 5 of this report: Non-financial information.

The main financial risks for Oriola involve currency rate, liquidity, interest rate and credit risks. Changes in the value of the Swedish krona have an impact on Oriola's net sales, earnings and consolidated statement of financial position. Changes in cash flow forecasts may cause impairment of goodwill. More information about financial risk management can be found in note 8.3. in the notes to the Consolidated Financial Statements.

Near-term risks and uncertainty factors

Oriola's strategic development projects involve operational risks which may have an effect on the profitability when realised. Oriola has several significant IT system projects ongoing. The company has defined separate risk management plans for all IT projects and aims to ensure the seamless go-lives of the systems through thorough planning. The ramp-up of the expansion and automation of the distribution centre in Sweden was completed in the last quarter of 2020.

The process optimisation and efficiency improvements will continue in this area. The continuation of the pandemic might slow down the progress in these.

During 2020, the COVID-19 pandemic has rapidly changed Oriola's operating environment as the restrictions set by the authorities and consumer caution impacted the consumer behaviour. The measures caused by the pandemic have led to the decrease of healthcare services as well as affected the demand for pharmaceuticals and health and wellbeing products. This has inevitably also had an impact on Oriola's business. As the pandemic continues, Oriola's business environment stays volatile, which may have an impact on Oriola's net sales and profitability. The impacts of the pandemic on the valuation of Oriola's assets are closely monitored. Based on the assessments, COVID-19 pandemic is currently not expected to have such long-term impacts on Oriola's financial performance, that would require adjustments to the carrying amounts of the assets.

Oriola is prepared for the risks caused by the COVID-19 pandemic. In the contingency planning, the company has considered especially securing the health of its personnel, availability of workforce, safety in distribution centres and pharmacies as well as growing need for pharmaceutical stocking. In addition, Oriola is actively discussing with both customers and authorities about quickly changing needs and their management. Oriola has also increased its readiness and competencies related to remote work and meeting customers remotely.

Oriola is from time to time involved in legal actions, claims and other proceedings. It is Oriola's policy to provide for amounts related to the proceedings if liability is probable and such amounts can be estimated with reasonable accuracy. Taking into account all available information to date, the legal actions, claims and other proceedings are not expected to have material impact on the financial position of the Group.

3. Governance

Corporate governance statement 2020

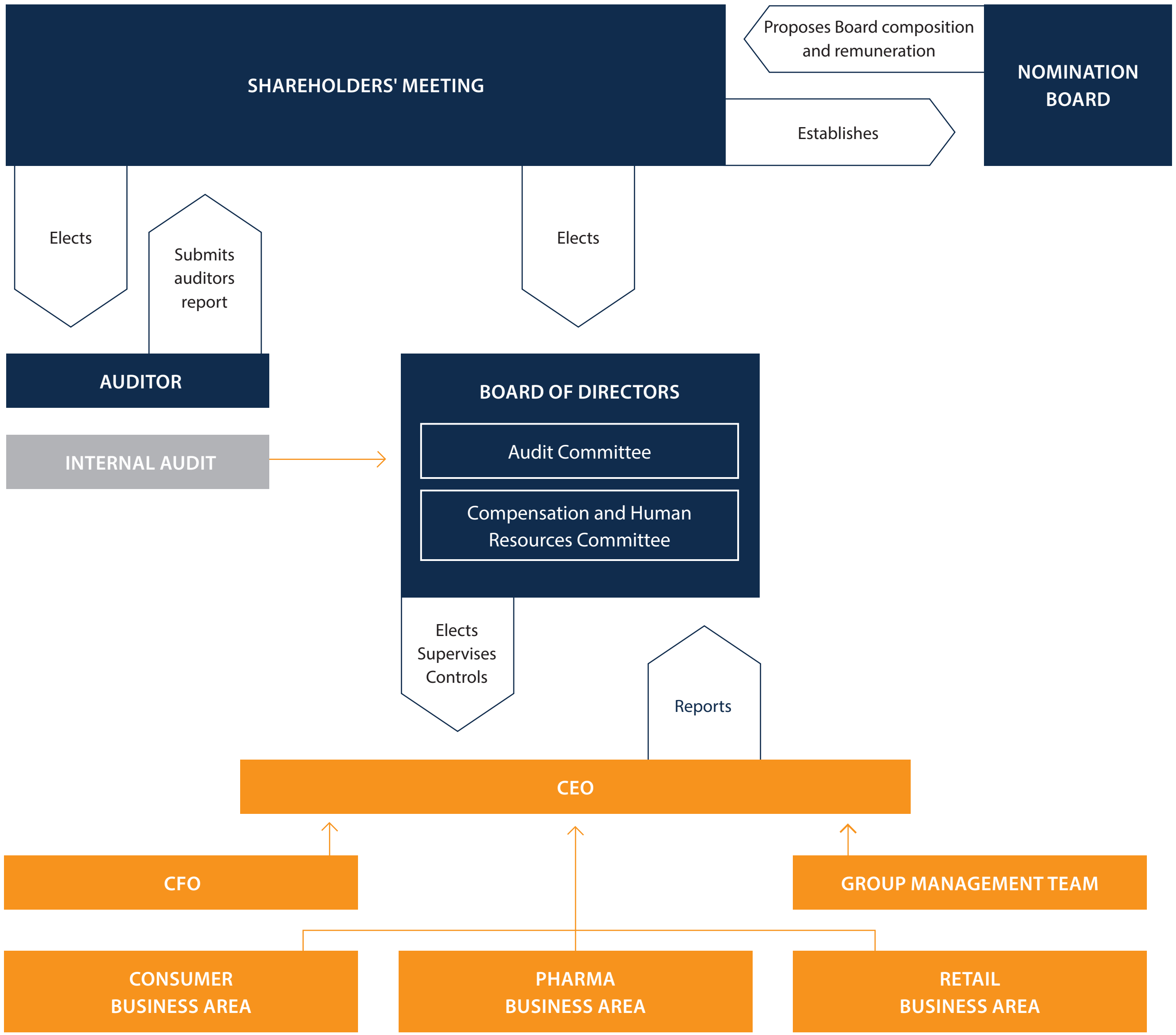
This Corporate governance statement has been prepared in accordance with the Finnish Corporate Governance Code 2020 (the "Corporate Governance Code") and chapter 7, section 7 of the Finnish Securities Markets Act.

Oriola Corporation (hereinafter "Oriola" or "the company") complies with the provisions of its Articles of Association, the Finnish Companies Act, the Finnish Securities Markets Act and other similar legislation. The company also complies with the rules and regulations applying to listed companies issued by Nasdaq Helsinki Ltd (Helsinki Exchange) and the Finnish Financial Supervisory Authority. The company's head office is located in Espoo, Finland.

Oriola applies the Corporate Governance Code in its entirety without any exceptions. The information required by the Corporate Governance Code is also available on the company's website www.oriola.com. An unofficial English translation of the Corporate Governance Code 2020 is in the public domain and available on the Securities Market Association's website at www.cgfinland.fi.

Oriola prepares its consolidated financial statements and interim reports in accordance with the EU-approved IFRS reporting standards, the Securities Markets Act, applicable Financial Supervisory Authority standards and the rules issued by Nasdaq Helsinki Ltd. The Report of the Board of Directors and the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and the guidelines and statements of the Accounting Board. The auditor's report covers the Report of the Board of Directors, the consolidated financial statements and the parent company's financial statements.

Governing structures of Oriola



General meeting of shareholders

The general meeting of shareholders decides on the matters that under the Companies Act and the Articles of Association of Oriola are within its purview. Each shareholder is entitled to attend general meetings. Each class A share carries 20 votes and each class B share 1 vote at General Meetings. According to the Articles of Association, no shareholder may vote using an amount of votes that exceeds 1/20 of the total number of votes carried by the shares of different share classes represented at the general meeting.

The Board of Directors convenes a general meeting of shareholders. The notice of general meeting is published on the company's website or in one daily newspaper in Finland's capital city no earlier than 2 months and no later than 21 days prior to the meeting. Oriola also publishes the notice of general meeting as a stock exchange release. The documents to be submitted to the general meeting and the draft resolutions to the general meeting are available on the company's website. The notice of the general meeting contains the proposed agenda for the meeting.

A shareholder has the right to have matters that under the Companies Act fall within the competence of the general meeting dealt with by the general meeting, if the shareholder so demands in writing to the Board of Directors well in advance of the meeting so that the matter can be included in the notice of general meeting. The demand shall be considered to have arrived in time, when the Board of Directors has been informed about the demand at the latest four weeks in advance of the publication of the notice of the general meeting.

The basis of the company is that the chairman of the Board of Directors, a sufficient number of members of the Board of Directors and its committees, the President and CEO, and the auditor attend the general meeting. A person proposed for the first time as member of the Board of Directors shall be present at the general meeting that decides on his or her election unless there are well-founded reasons for absence.

The shareholders shall according to law and the articles of association exercise their power of decision at the general meeting. The Annual General Meeting is held by the end of May each year. The duties of the Annual General Meeting include:

- adoption of the financial statements;
- use of the profit shown on the balance sheet;
- election of the members of the Board of Directors and the decision on their fees;
- discharging from liability for the members of the Board of Directors and the President and CEO;
- election of the auditor and the decision on compensation, and
- proposals made by the Board of Directors and shareholders to the Annual General Meeting (e.g. amendments to the Articles of Association, repurchase of the company's own shares, share issue, giving special authorisations).

Annual General Meeting 2020

The Annual General Meeting of Oriola, held on 17 March 2020, adopted the financial statements and discharged the members of the Board of Directors and the President and CEO from liability for the financial year ending 31 December 2019. According to the decision of the Annual General Meeting, a dividend of EUR 0.09 per share was paid on the basis of the balance sheet adopted for the financial year ending 31 December 2019.

The Annual General Meeting resolved, in accordance with Chapter 3, Section 14 a, subsection 3 of the Finnish Companies Act, on the forfeiture of the rights to all the shares entered in the joint account as well as the rights attached to such shares. This concerned, under Chapter 3, Section 14 a, subsection 3 of the Finnish Companies Act, the rights to all such Oriola Corporation's shares entered in the joint account that had not been requested to be registered in the book-entry system in accordance with Chapter 6, Section 3 of the Act on the Book-Entry System and Settlement Activities prior to the resolution concerning the matter by the Annual General Meeting. On 24 August 2020, a total of 63,650 class A shares and 59,900 class B shares on the Joint Account became the company's treasury shares. The provisions of the Finnish Companies Act on treasury shares apply to the shares that became the company's treasury shares.

Authorisations

The Annual General Meeting authorised the Board to decide on a share issue against payment in one or more issues, including the right to issue new shares or to assign treasury shares held by the company. The authorisation covers a combined maximum of 5,500,000 class A shares and 12,500,000 class B shares of the company and includes the right to derogate from the shareholders' pre-emptive subscription right. The authorisation is in force for 18 months following the decision of the Annual General Meeting.

The Board was also authorised to decide on a share issue against payment of class B shares in one or more issues including the right to issue new class B shares or assign class B treasury shares held by the company. The authorisation covers a combined maximum of 18,000,000 class B shares of the company including the right to derogate from the shareholders' pre-emptive subscription right. The authorisation is in force for a maximum of 18 months following the decision of the Annual General Meeting.

The Annual General Meeting authorised the Board to decide on a share issue of class B shares without payment to the Company and on a directed share issue of class B shares in order to execute the share-based incentive plan for Oriola Group's executives and the share savings plan for Oriola Group's key personnel. The maximum number of new class B shares to be issued under this authorisation is 250,000, which represents of 0.14 % of all shares in the Company. The authorisation is in force for eighteen (18) months from the decision of the Annual General Meeting.

The Annual General Meeting authorised the Board to decide on repurchasing up to 18,000,000 of the company's own class B shares. Shares may be repurchased also in a proportion other than in which shares are owned by the shareholders. The authorisation is in force for a maximum of 18 months following the decision of the Annual General Meeting.

All decisions of the Annual General Meeting 2020 are available on the company's website www.oriola.com.

Shareholders' Nomination Board

The Shareholders' Nomination Board consists of five members appointed by the shareholders. In addition, the Chairman of the Board of Directors acts as an expert member of the Nomination Board.

The Chairman of the Board of Directors annually arranges a meeting to which the Chairman invites the company's 20 largest shareholders, by votes, registered as shareholders in the company's shareholders' register maintained by Euroclear Finland Ltd by 31 August preceding the Annual General Meeting. The meeting of the 20 largest shareholders, by votes, elects the members of the Shareholders' Nomination Board. One of the members is elected to serve as the Chairman of the Shareholders' Nomination Board.

The term of office of the members of the Shareholders' Nomination Board expires the year following the appointment upon the appointment of the new members of the Shareholders' Nomination Board pursuant to the rules of procedure of the Shareholders' Nomination Board.

The Shareholders' Nomination Board is established to exist and serve until the Annual General Meeting decides otherwise.

The Nomination Board shall prepare a proposal concerning the composition of the Board of Directors for the company's Annual General Meeting. The Nomination Board must submit its proposals to the Board of Directors no later than on the first day of February preceding the Annual General Meeting. The proposals are published as a stock exchange release and included in the invitation to the Annual General Meeting. The Nomination Board shall also present and provide grounds for its proposals to the Annual General Meeting.

The rules of procedure of the Shareholders' Nomination Board are available on the Company's website www.oriola.com.

The largest shareholders of Oriola Corporation elected on 24 September 2020 the following persons as members of the Nomination Board:

Mikael Aro
Annika Ekman
Peter Immonen
Pekka Pajamo
Into Ylppö

Pekka Pajamo was elected Chairman of the Nomination Board. Panu Routila, Chairman of the Board of Directors of Oriola, serves as an expert member of the Nomination Board.

On 27 January 2021, the Shareholders' Nomination Board submitted its proposal to the 2021 Annual General Meeting concerning the composition of the Board of Directors as follows: The number of members of the Board of Directors would be six. The present members of the Board of Directors Juko-Juho Hakala, Anja Korhonen, Eva Nilsson Bågenholm, Harri Pärssinen, Lena Ridström and Panu Routila would be re-elected. Panu Routila would be re-elected as Chairman of the Board of Directors. Current member of the Board of Directors Mariette Kristenson has informed the Nomination Board that she is not available for re-election to the Board of Directors.

The biographical details of the proposed Board members are presented on the company's website.

Board of Directors

The Board of Directors is responsible for the administration of the company and the appropriate organisation of its operations.

The Board of Directors is responsible for managing and supervising the company's operations in accordance with the law, governmental regulations and the articles of association. The Board also ensures that good corporate governance is complied with throughout the Oriola Group.

The members of the Board of Directors are elected by the general meeting of shareholders. The Board of Directors uses the highest decision-making power in the Oriola Group between the general meetings of Shareholders. Pursuant to the articles of association, the Board of Directors consists of no fewer than five and no more than eight members. The term of the members of the Board of Directors expires at the end of the next Annual General Meeting following their election. The chairman of the Board of Directors is elected by the general meeting of shareholders. The vice chairman of the Board is elected by the Board of Directors from among its members.

The Board of Directors convenes in accordance with a timetable agreed in advance and also convenes as required. In addition to making decisions, the Board of Directors also receives during its meetings current information about the operations, finances and risks of the Group. Board meetings are also attended by the President and CEO, the CFO and the General Counsel (who acts as secretary to the Board). Members of the Group Management Team attend Board meetings at the invitation of the Board. Minutes are kept of all meetings.

Main tasks of the Board of Directors

The main tasks to be dealt with by the Board of Directors are listed in the Board's rules of procedure. Accordingly, these are among others:

- approving the company's strategy;
- approving financial targets, budgets, major investments and risk management principles;
- appointment and dismissal of the company's President and CEO;
- consideration and decision of all significant matters concerning the operations of the Group and the business segments; and
- approving the charters of the Audit Committee and the Compensation and Human Resources Committee.

Diversity on the Board

The ultimate goal in electing members to the Board of Directors is to ensure that the Board of Directors as a collegium has a competence profile which supports Oriola's existing and future business. Diversity supports the overall goal that the Board of Directors has an optimal competence profile to support the company's business and is viewed as an integral part and a success factor enabling the achievement of Oriola's strategic goals. Important factors for the diversity of Oriola's Board of Directors are the mutually complementary expertise of the members, their education and experience in different professional areas and industrial sectors, businesses in various stages of development, leadership experience, as well as their personal capacities. The diversity of the Board of Directors is supported by experience in operating environments and industries relevant to the company as well as different cultures and by consideration of the age and gender breakdown of the members.

Oriola's Board of Directors has approved the diversity policy of the Board of Directors in December 2016. According to the diversity policy of the Board of Directors Oriola's objective is to maintain an appropriate balance of representation of both genders on the Board of Directors.

The company has upheld the requirements set for diversity in the composition of the Board of Directors. Oriola's Board of Directors 2020 represents diversity related of nationalities, professional competencies and genders.

Board of Directors 2020–2021

The Annual General Meeting of Oriola held on 17 March 2020 confirmed that the Board of Directors of Oriola shall have seven members and elected the following persons as chairman and members of the Board of Directors:

Name	Year of birth	Education and independence	Attendance at Board Meetings	Attendance at Committee Meetings
Panu Routila (Chairman)	1964	M.Sc. (Economics), independent member of the Board	18/18	Compensation and HR Committee 9/10 and Audit Committee 5/5
Juko-Juho Hakala	1970	M.Sc. (Economics), independent member of the Board	21/21	Compensation and HR Committee 14/14
Anja Korhonen	1953	M.Sc. (Economics), independent member of the Board	21/21	Audit Committee 6/6
Mariette Kristenson	1977	M.Sc. (Economics), independent member of the Board	19/21	Compensation and HR Committee 11/14
Eva Nilsson Bågenholm (Vice Chairman)	1960	Physician, independent member of the Board	21/21	Compensation and HR Committee 14/14
Lena Ridström	1965	M.Sc. (Economics), independent member of the Board	21/21	Audit Committee 6/6
Harri Pärssinen	1963	M.Sc. (Economics), independent member of the Board	21/21	Audit Committee 6/6

In its constitutive meeting held later the same day, the Board of Directors elected Eva Nilsson Bågenholm as its Vice Chairman.

Members of Oriola's Board of Directors 1 January–17 March 2020:

Name	Year of birth	Education and independence	Attendance at Board Meetings	Attendance at Committee Meetings
Anssi Vanjoki (Chairman)	1956	M.Sc. (Economics), independent member of the Board	3/3	-/-

The Board of Directors has evaluated the independence of its members and determined that all members are independent of the company and its major shareholders. The Board has also conducted an assessment of its activities and working practices.

In 2020, the Board of Directors of Oriola convened 21 times, of which 1 was a per capsulam meeting.

Board committees

The Board of Directors has an Audit Committee and a Compensation and Human Resources Committee. The committees' charters are confirmed by the Board. The committees are preparatory bodies that submit proposals to the Board on matters within their purview. Minutes are kept of the committees' meetings. The committees report to the Board at regular intervals. The committees do not have independent decision-making powers. Their task is to submit recommendations to the Board on matters under consideration.

In its constitutive meeting, held after the Annual General Meeting, the Board of Directors appoints, from among its members, the members and chairman of the Audit Committee and the Compensation and Human Resources Committee.

In addition to the Audit Committee and Compensation and Human Resources Committee, the Board of Directors may appoint ad hoc committees for preparing specific matters. Such committees do not have Board-approved charters and the Board does not release information on their term, composition, the number of meetings or the members' attendance rates.

Audit Committee

The task of the Audit Committee is to enhance the control of the company's operations and financial reporting. According to the charter, the following in particular shall be addressed and prepared by the Audit Committee:

- reviewing the consolidated financial statements and interim reports, together with the auditor;
- reviewing together with the auditor any deficiencies in the supervision systems observed in control inspections and any other deficiencies reported by auditors;
- reviewing any deficiencies in the control system observed in internal audit and other observations and recommendations made;
- reviewing the plans of action for the control inspection and internal audit and giving recommendations to company management on focus areas for internal audits; and
- evaluating the appropriateness of the supervision of company administration and risk management and reviewing changes in the principles of company accounting and external reporting prior to their introduction.

In addition, the Audit Committee's duties include preparatory work on the decision of electing the auditor, evaluation of the independence of the auditor, taking into account particularly the effect of the provision of related services on the independence, and carrying out any other tasks assigned to it by the Board. The Audit Committee has at least three members.

As of 17 March 2020, the Chairman of the Audit Committee is Anja Korhonen and the other members are Harri Pärssinen, Lena Ridström and Panu Routila. The members of the Audit Committee are independent of the company and its major shareholders.

Compensation and Human Resources Committee

According to the charter, the Compensation and Human Resources Committee reviews management and personnel remuneration policies and issues related to management appointments and makes proposals on such matters to the Board of Directors. The Committee's responsibilities include:

- Developing and monitoring effective compensation principles that promote achievement of the goals of the company
- Making proposals to the Board on compensation and incentive schemes for management and other key personnel
- Evaluating performance management, succession planning and talent development processes and programmes
- Considering and preparing appointments of top management to be decided by the Board. Supporting and advising the President and CEO in the appointments of the Group Management Team
- Monitoring and evaluating the performance of the President and CEO
- Monitoring and evaluating the performance of the members of the Group Management Team based on the CEO´s proposal.

The Compensation and Human Resources Committee has four members. As of 17 March 2020, the Chairman of the Committee is Eva Nilsson Bågenholm and the other members are Juko-Juho Hakala, Mariette Kristenson and Panu Routila. The members of the Compensation and Human Resources Committee are independent of the company and its major shareholders.

President and CEO and deputy to CEO

The Board of Directors appoints and dismisses the President and CEO of Oriola and decides on the terms of his/her employment. At the end of 2020 the President and CEO of the company is Robert Andersson, M.Sc., MBA, born in 1960. Oriola announced on 1 February, that Robert Andersson leaves his position as President and CEO. For the period until a new permanent CEO is appointed Juko Hakala, a member of Oriola's Board of Directors, M.Sc., born in 1970 serves as the President and CEO.

In accordance with the Companies Act, the President and CEO is responsible for the day to day executive management of the company in accordance with the instructions and orders given by the Board of Directors. In addition, the President and CEO also ensures that accounts of the company comply with Finnish law and that its financial affairs have been arranged in a reliable manner. The terms and conditions of the President and CEO's employment are specified in a written service contract approved by the Board.

The Board of Directors also appoints, as necessary, a deputy to the President and CEO. At the end of the year 2020 the Company does not have an appointed deputy to the President and CEO.

Group Management Team

The Group Management Team consists of the President and CEO of Oriola as Chairman and persons appointed by the Board. At the end of the year 2020, the Group Management Team consisted of ten members, including the President and CEO, to whom the other Group Management Team members report.

The Group Management Team meets regularly to address matters concerning the entire Group. The Group Management Team is not a decision-making body. It assists the President and CEO in the implementation of Group strategy and in operational management and facilitates the group-wide distribution of information concerning the entire Group.

The following persons were members of Oriola's Group Management Team on 31 December 2020:

- Robert Andersson, President and CEO
- Helena Kukkonen, CFO
- Katarina Gabrielson, Vice President, Retail business area
- Anne Kariniemi, Vice President, Operations
- Tuula Lehto, Vice President, Communications and Sustainability
- Charlotta Nyström, CIO
- Fredrik Pamp, Vice President, Pharma business area
- Petter Sandström, General Counsel
- Teija Silver, Vice President, Human Resources
- Anders Torell, Vice President, Consumer business area

Descriptions of internal control procedures and the main features of risk management systems

The risk management systems and internal control procedures related to Oriola's financial reporting aim to ensure a reasonable certainty of the reliability of the company's financial statements and financial reporting, as well as the company's compliance to legislation and generally approved accounting principles.

Financial reporting

The Board of Directors and the President and CEO have the overall responsibility for organising the internal control and risk management systems pertaining to financial reporting. The President and CEO, the members of the Group Management Team and the heads of the business units are responsible for the accounting and administration of the areas within their spheres of responsibility complying with legislation, the Group's operating principles, and the guidelines and instructions issued by Oriola's Board of Directors. The organising and leading of the financial reporting in the Group has been centralised under the subordination of the CFO.

Oriola Group follows the International Financial Reporting Standards (IFRS) approved for application within the European Union. Instructions and accountancy principles for financial reporting are collected in an accounting manual that is updated as soon as standards change, as well as in the financial department's instructions that are followed in all Group companies. Group accounting is responsible for following and keeping up to date with financial statement standards, upholding the principles concerning financial reporting and distributing information about these to the business units.

Measurement and follow-up

The performance of the Group is monitored in the Group Management Team with monthly reports as well as in the monthly operational reviews of the business segments. The financial situation of the Group is also monitored in the meetings of the Board of Directors. The Audit Committee and the Board of Directors examine the interim reports and financial statements before their publication. Monitoring of the monthly reports also ensures the effectiveness of internal supervision. Each business segment must ensure effective supervision of its own operations as part of Group-level internal supervision. The business segments and the Group Finance organisation are responsible for the evaluation of the processes covering financial reporting. The evaluations must contain balances and analyses, which are compared with budgets, assessments and various economic indicators.

Internal control

Internal control forms an essential part of the company's governance and management systems. It covers all of the Group's functions and organisational levels. The purpose of internal control is to ensure a sufficient certainty that the company will be able to carry out its strategy. Internal control is not a separate process but a procedural measure covering all Group-wide operating principles, guidelines and systems.

The purpose of Oriola's internal supervision system is to support the implementation of the Group strategy and to ensure that rules and regulations are observed. The company's internal supervision is based on a Group structure, in which the Group's operations are organised into Business Areas and Group functions. Group functions issue Group-level guidelines laying down the operational framework and the persons responsible for the process. The guidelines cover such areas as accounting, reporting, financing, investments and business principles.

The guidelines aim to ensure that all risks connected to the achievement of the company's objectives can be identified and managed. The control measures cover all Group levels and functions. All new instructions and guidelines are published on the company's internal website and staff members can provide feedback to the management and anonymously report any questionable activities through the company intranet.

Risk management

The Board of Directors of Oriola approves the company's risk management policy in which the risk management operating model, principles, responsibilities and reporting are specified. The Board assess the Company's long-term strategic risks and oversees the effectiveness of the risk management. The Board-appointed Audit Committee regularly reviews and monitors the implementation of the risk management policy in the Group and the risk management process.

Oriola has specified the company's risk management model, principles, organisation and process in the Group Risk Management Policy. The Group Risk Management Policy defines the enterprise risk management system, objectives, roles and responsibilities within Oriola in order to identify and manage risks related to execution of the Company's strategy and operations. The Group Risk Management Policy is the main risk management document within Oriola and must be followed by all Oriola business units, subsidiaries and entities. Additionally, the Group has a Code of Conduct policy, a Treasury policy and an Approval policy covering compliance and financial risks. Oriola's risks are classified as strategic, operational, financial and hazard risks. Risk assessment and management are key elements in the strategic planning, operations and daily decision making in the company.

Risk management and the most significant risks are described on the company's website at www.oriola.com.

Other information to be provided in the CG statement

Internal audit

Oriola uses an outsourced internal audit function for the purpose of fulfilling its internal audit requirements. The outsourced internal audit function is an independent and objective assurance activity reporting directly to the Audit Committee of the Board of Directors. The internal audit assignments are carried out on the basis of an Internal Audit Charter approved by the Board of Directors as well as an Internal Audit Plan annually reviewed and approved by the Audit Committee.

Insider management

Oriola complies with the insider holding guidelines issued by Nasdaq Helsinki Ltd (January 1, 2021) and the Market Abuse Regulation (596/2014, "MAR"). Oriola has issued its insider guidelines ("Guidelines") which are based on applicable EU and Finnish legislation (especially MAR and the Securities Markets Act 746/2012), the insider guidelines of Nasdaq Helsinki Ltd, and the regulations and guidelines of the European Securities Markets Authority and the Finnish Financial Supervisory Authority.

Members of the company's Board of Directors, the President and CEO, the members of the Group Management Team that have operational responsibilities leading a business area of the company as well as the CFO, CIO and Vice President Operations are considered the management of the company ("Management"). Management and their related parties shall notify all transactions with the company's securities or financial instruments made on his or her own account to the company and the Finnish Financial Supervisory Authority without delay and three working days from the execution of the transaction at the latest. The guidelines set trade restrictions prohibiting Management and the persons who participate in the preparation of interim and annual financial statements of Oriola from making transactions with the company's securities or financial instruments related to them during a closed period of no less than 30 days before a financial report of Oriola is made public (closed period).

Oriola is obliged to draw up the insider lists and keep them up-to-date. For the time being, Oriola has determined not to include any persons as permanent insiders. Consequently, all persons with inside information will be included in the event-based insider list for relevant insider projects. Oriola instructs the persons entered in the event-based insider list on their obligations and any possible consequences. In addition, Oriola monitors and supervises the proper management of insider issues.

Related party transactions

Oriola abides by applicable legislation concerning related party transactions. Oriola's related parties are the related parties of a listed company in accordance with the Companies Act and IAS 24. The related parties include Management, their close family members as well as companies in which the individuals mentioned, alone or jointly with others, exercise control. Oriola maintains a list of parties that are related to the company.

Oriola assesses and monitors transactions to be made with related parties to ensure compliance with applicable laws and regulations, including the Corporate Governance Code, e.g. to safeguard that potential conflicts of interest are adequately taken into account in the company's decision making.

Management of the company has confirmed for 2020 that neither they nor their related parties have engaged in business transactions with Oriola during the year in question.

External audit
The company has one auditor, which must be a firm of authorised public accountants. The auditor is elected annually by the Annual General Meeting for a term that expires at the end of the next Annual General Meeting following the election. The task of the auditor is to audit the consolidated financial statements, the financial statements of the parent company, the accounting of the Group and the parent company and the administration of the parent company. The company's auditor submits the auditor's report to the shareholders in connection with the annual financial statements, as required by law, and submits regular reports on its observations to the Board's Audit Committee.

The Board of Directors and the Audit Committee are responsible for monitoring the independence of the auditor. For this reason, the company has implemented a policy covering the provision of non-audit services by the elected auditors.

The Annual General Meeting of Oriola held on 17 March 2020 re-elected KPMG Oy Ab, a firm of authorised public accountants, as the company's auditor, with Kirsi Jantunen, Authorised Public Accountant, KHT, as the principal auditor. The fees for the statutory audit paid to the member firms of KPMG network in 2020 totalled EUR 226,553. In addition, EUR 58,704 was paid for other consultation provided to Group companies.

4. Remuneration

Remuneration and other benefits of the members of the Board of Directors

The Annual General Meeting decides annually on the remuneration payable to members of the Board of Directors for their term of office. The Shareholders' Nomination Board prepares a proposal concerning the composition of the Board of Directors for the company's Annual General Meeting.

On 17 March 2020, the Annual General Meeting confirmed that the fee for the term of office of the Chairman of the Board of Directors is EUR 60,000, the fee for the term of office of the Vice Chairman of the Board of Directors and for the Chairman of the Board's Audit Committee is EUR 36,000 and the fee for the term of office of other members of the Board of Directors is EUR 30,000. The Chairman of the Board of Directors receives an attendance fee of EUR 1,000 per meeting and the other members EUR 500 per meeting. Attendance fees are correspondingly also paid to the chairmen and members of Board and company committees. Travel expenses are compensated in accordance with the travel policy of the company.

In accordance with the decision of the Annual General Meeting, 60% of the annual remuneration was paid in cash and 40% in class B shares. Oriola Corporation class B shares were acquired on the market for the Board members as follows: Panu Routila 11,265 shares, Anja Korhonen 6,759 shares, Mariette Kristenson 5,632 shares, Juko-Juho Hakala 5,632 shares, Eva Nilsson Bågenholm 6,759 shares, Lena Ridström 5,632 shares and Harri Pärssinen 5,632 shares.

Restriction periods are not included in the remuneration paid in Oriola Corporation class B shares. The members of the Board of Directors have not received any share-based rights as remuneration. They are not included in the company's share incentive scheme. The company has not granted any loans to Board members nor given guarantees on their behalf.

The total fees and other benefits of the Board members for 2020 and shareholdings in the company on 31 December 2020 are available in notes 4.4. and 8.4. to the Consolidated Financial Statements and Remuneration report (http://www.oriola.com/investors/corporate-governance/remuneration-statement).

Main principles and decision-making process on the remuneration of the President and CEO and other executives

The salary of the President and CEO and other members of the Group Management Team consists of a fixed base salary, fringe benefits, a short-term performance bonus and a long-term share incentive plan. The remuneration commits management to develop the company and its financial success in the long-term. The development stage and strategy of the company are considered when determining the principles for remuneration.

In accordance with its charter approved by the Board of Directors, the Compensation and Human Resources Committee monitors the effectiveness of the incentive schemes to ensure that the schemes promote the achievement of the company's short-term and long-term goals. According to the charter, the Compensation and Human Resources Committee reviews management and personnel remuneration policies and issues related to management appointments and makes proposals on such matters to the Board of Directors. More information about the Compensation and Human Resources Committee can be found in the Corporate Governance statement.

The Board of Directors reviews and decides annually on the remuneration and benefits of the President and CEO and other members of the Group Management Team, and the underlying criteria thereof.

The Board of Directors decides annually on the earnings criteria and the determination of the performance bonuses based on the proposal of the Compensation and Human Resources Committee.

The company has not granted any loans to the President and CEO or to the members of the Group Management Team, nor given guarantees on their behalf. The company has no share option scheme in place. The President and CEO and the members of the Group Management Team have no supplementary pension scheme, except the Vice President Consumer business area, the Vice President Pharma business area and the Vice President Retail business area, who have a defined contribution pension benefit typically applied in Sweden.

Short-term performance bonuses

The performance bonus is based on the achievement of the company's financial targets and personal targets. The maximum performance bonus in 2020 for the President and CEO was 85% of the annual salary and for the other Group Management Team members 60% of the annual base salary. The Board of Directors decides annually on the earnings criteria and the determination of the performance bonuses based on the proposal of the Compensation and Human Resources Committee.

Share-based incentive programmes

The members of Oriola's Group Management Team are part of the company's long-term share incentive scheme. The scheme unites the objectives of shareholders and key personnel to increase the value of the company, commits the key personnel to the company, and offers key personnel a competitive remuneration system based on ownership of shares in the company.

Executive incentive plan 2019 - 2023

On 14 December 2018 The Board of Directors of Oriola Corporation resolved to establish a new share-based long-term incentive plan 2019–2023 directed to the Group's key personnel. The long-term incentive plan arrangement has three three-year performance periods 2019–2021, 2020–2022 and 2021–2023. The Board of Directors of the Company will resolve on the plan's performance criteria and on the required performance level for each criterion at the beginning of a performance period. Approximately 30 key persons, including the members of the Group Management Team, belong to the target group of the plan. The prerequisite for participation in the plan and for receipt of reward on the basis of the plan is that the key person has enrolled in the key personnel share savings plan and makes the monthly saving from his or her fixed gross monthly salary, in accordance with the rules of the key personnel share savings plan in force during the first year of the three-year performance period. A member of the Group Management Team must hold 50% of the net shares given on the basis of the long-term incentive plans, until his or her shareholding in the Company in total equals the value of his or her gross annual salary. Such number of shares must be held as long as the key person holds a position as a Group Management Team member.

The potential reward from the performance period 2019–2021 will be based on the Group's earnings per share (EPS) and Group's total shareholder return (TSR). The rewards to be paid on the basis of the performance period 2019-2021 correspond to the value of an approximate maximum total of 1,700,000 Oriola Corporation Class B shares including also the proportion to be paid in cash. The potential reward will be paid partly in Oriola Corporation Class B shares and partly in cash in spring 2022 after the end of the performance period. The potential reward from the performance period 2020–2022 will be based on the Group's earnings per share (EPS) and Group's total shareholder return (TSR). The rewards to be paid on the basis of the performance period 2020-2022 correspond to the value of an approximate maximum total of 1,820,000 Oriola Corporation Class B shares including also the proportion to be paid in cash. The potential reward will be paid partly in Oriola Corporation Class B shares and partly in cash in spring 2023 after the end of the performance period. The potential reward from the performance period 2021–2023 will also be based on the Group's earnings per share (EPS) and Group's total shareholder return (TSR). The rewards to be paid on the basis of the performance period 2021-2023 correspond to the value of an approximate maximum total of 2,700,000 Oriola Corporation Class B shares including also the proportion to be paid in cash. The potential reward will be paid partly in Oriola Corporation Class B shares and partly in cash in spring 2024 after the end of the performance period. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to a key person.

One-off incentive plan 2019 - 2020

On 14 December 2018 The Board of Directors of Oriola Corporation resolved to establish a two-year one-off incentive plan 2019-2020 directed to the Group's key personnel to enable the prolonging of the long-term incentive plan performance period to three years and with that change better answer to the requirements of the investors and corporate governance and to be more aligned with the market practice. The one-off long-term incentive plan had a two-year performance period 2019–2020. The Board of Directors of the Company resolved on the plan's performance criteria and on the required performance level for each criterion at the beginning of a performance period. Approximately 30 key persons, including the members of the Group Management Team, belonged to the target group of the plan. The prerequisite for participation in the plan and for receipt of reward on the basis of the plan is that a key person has enrolled in the key personnel share savings plan and makes the monthly saving from his or her fixed gross monthly salary, in accordance with the rules of the key personnel share savings plan in force.

The potential reward from the performance period 2019-2020 was based on the Group's earnings per share (EPS) and separately defined two-year strategic projects. The performance criteria for the plan was not met, and thus there will be no payment based on the plan.

Share savings plans

Oriola Corporation has had a key personnel share savings plan in force since 2013. The Board of Directors of Oriola Corporation always decides on the launch of a new savings period in the plan separately. According to the rules of the share savings plan in force, the maximum monthly saving is 8.3% and the minimum is 2% of each participant's fixed monthly gross salary. The accumulated savings will be used for purchasing Oriola Corporation class B shares for the participants at the market price quarterly. In return, each participant will receive two free class B matching shares for every three acquired savings shares if the participant holds the acquired shares from the savings period until the end of the designated holding period and if his or her employment with a company has not been terminated on bad leaver terms. The matching shares are paid partly in Oriola's class B shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to a key person.

Approximately 40 key employees participated in the share savings plan for the savings period 1 January – 31 December 2017. The matching shares transferred to eligible participants in May 2019 corresponded to the value of 40,398 Oriola Class B shares, including the proportion paid in cash.

Approximately 50 key employees participated in the Oriola Corporation key personnel share savings plan for the savings period 1 January – 31 December 2018. The matching shares transferred to eligible participants in February 2020 corresponded to the value of 78,295 Oriola Class B shares, including the proportion paid in cash.

Approximately 55 key employees participated in the share savings plan for the savings period 1 January – 31 December 2019. The holding period ended on the publication date of the Oriola's Financial Statements Release 1 January – 31 December 2020. The matching shares will be transferred to eligible participants in 2021.

Approximately 59 key employees participated in the share savings plan for the savings period 1 January – 31 December 2020. The holding period will end on the publication date of the Oriola's Financial Statements Release 1 January – 31 December 2021. The matching shares will be transferred to eligible participants in 2022.

Approximately 60 key employees will participate in the share savings plan for the savings period 1 January – 31 December 2021. The holding period will end on the publication date of the Oriola's Financial Statements Release 1 January – 31 December 2022. The matching shares will be transferred to eligible participants in 2023.

Financial benefits of the President and CEO in 2020

The salary and other remuneration, including fringe benefits, paid in 2020 to the President and CEO Robert Andersson, amounted to a total of EUR 776,954 as follows:

Fixed base salary of EUR 624,080;
Fringe benefits of EUR 25,601;
Performance bonus of EUR 104,009; and
Share-based payments of EUR 23,265.

Financial benefits of other Group Management Team members 2020

The salaries and other remuneration, including fringe benefits, paid in 2020 to the members of the Group Management Team totalled EUR 1,779,699 as follows:

Fixed base salaries totalling EUR 1,442,023;
Fringe benefits totalling EUR 114,665;
Performance bonuses totalling EUR 175,292; and
Share-based payments totalling EUR 47,719.

The members of the Group Management Team are included in the company's share-based incentive scheme. Shareholdings of the members of the Group Management Team in the company are available in note 8.4. to the Consolidated Financial Statements and in the Remuneration report on the company web site.

5. Non-financial information

Oriola´s sustainability work is based on a stakeholder materiality assessment conducted in 2018 to ensure that the company´s sustainability programme focuses on material topics. Oriola's sustainability programme has three themes: society, people and planet.

Oriola´s sustainability strategy was completed in 2019 and at the same time the company´s long-term sustainability goals were defined: improving people´s health, best-in-class employee engagement and carbon neutrality by 2030. The achievement of these goals is guided by the KPIs defined for the strategy period:

1) Society: Improving people´s health
  • Development of new health-promoting services
  • High-quality pharmaceutical deliveries
  • Number of sustainable products within our own brands
2) People: Best-in-class employee engagement
  • Employee engagement
  • Employee turnover
3) Planet: Carbon neutrality by 2030
  • Renewable energy
  • Recycling rate

The sustainability information for 2020 will be reported in two parts. This non-financial information included in the Board of Directors' report covers sustainability key themes according to the Finnish Accounting Act. Later in the second quarter of 2021, key sustainability data and time series will be reported in compliance with the GRI (Global Reporting Initiative) core level. The environmental data published in this non-financial information and in the GRI report has been assured by a third party (limited assurance).

Oriola is committed to UN´s Sustainable Development Goals as well as Global Compact´s principles for responsible business. Oriola reports on risk management and management practices related to climate change in CDP's climate change programme. In 2020, Oriola received recognition for its environmental work by achieving CDP´s best leadership level with score A-.

Business model

Oriola operates in the health and wellbeing market in Sweden and in Finland. Oriola serves the customers in three business areas: Consumer, Pharma and Retail. In addition, Group-level Operations function serves all business areas and includes logistics operations, operational sourcing and dose manufacturing. Oriola employs approximately 4,300 people in Finland and Sweden.

Oriola serves the health and wellbeing market with a modern and customer-focused assortment and services, and connects all actors within the field, from pharmaceutical companies to pharmacies and consumers. Oriola promotes wellbeing by ensuring that pharmaceuticals as well as health and wellbeing products are delivered in a safe and customer-friendly manner. Oriola's wide range of services help pharmaceutical companies, pharmacies and other operators in the healthcare sector to succeed and promotes a healthier life for people. Oriola does not have product manufacturing of its own.

In 2020, health and wellbeing became a global topic with the COVID-19 pandemic. Oriola's key task is to secure pharmaceutical logistics in the company's operating countries, and to ensure the availability of pharmaceuticals and advice in its own pharmacy chain in Sweden. The company contributes to ensuring the obligatory stock of critical pharmaceuticals in Finland. Also, in Sweden, after the outbreak of the pandemic, an obligatory stock of critical pharmaceuticals was set up in cooperation with the authorities. Oriola brings protective equipment such as face masks, protective gloves and hand disinfectants to the market. Oriola also offers citizens health promoting services in its pharmacies. During the pandemic, the company has supported healthcare´s carrying capacity for example with COVID-19 antibody testing.

Quality management and compliance with pharmaceutical sector regulations are the foundation for the company´s operations. Oriola's business is regulated by numerous international and national pharmaceutical sector laws and regulations. The pandemic has increased stakeholder dialogue in the healthcare industry to ensure patient safety and pharmaceutical availability. In addition, the preparation and implementation of regulatory projects related to pharmaceutical availability has accelerated. This has been the case, for example, with information sharing, regulations on the storage of pharmaceuticals in pharmacies or, in Sweden, with pharmacies in sparsely populated areas.

Oriola creates value for different stakeholders, from suppliers to consumers and owners. More detailed value creation framework with inputs, outputs and impacts is described in Oriola's value creation model available on the company´s website.

Purpose, values and Code of Conduct

Oriola´s purpose "Health for life" steers the company´s activities and provides it with a meaning. According to its vision, Oriola promotes a healthier tomorrow. Oriola's values: "we are open", "we take responsibility", "we work together" and "we take initiative", reflect on all Oriola's business operations.

The Oriola Group Code of Conduct guides management and personnel. The Code of Conduct presents Oriola´s way of working, which is based on law and good corporate governance, openness, fairness and confidentiality. The Code of Conduct contains the company's commitment to fighting bribery and corruption, compliance with all competition laws, and engaging in collaboration and dialogue with stakeholders. Oriola promotes equality. For example, the recruitment of new employees is based on their expertise and skills, regardless of cultural background, age, gender or religion. The company also requires all employees to commit to confidentiality obligations and avoiding conflicts of interest. Oriola has a confidential whistleblowing channel for reporting actions that are suspected to be in violation of the Code of Conduct. The company's Board of Directors monitors compliance with the Code of Conduct. The training has been completed by over 3 500 employees from the end of the year 2017. Training is part of onboarding process for all employees.

ESG risk management

Oriola assesses ESG risks (environment, social and governance) as part of the regular risk management process. Oriola has identified the following most significant ESG risks: information security, and transition risks related to climate change, such as changes in fossil fuel pricing, environmental regulation becoming stricter, as well as consumers' increasing demands for ethical, transparent and environmentally sustainable products and services.

Oriola responds to these challenges and sees business opportunities in systematic development of environmental work. Oriola follows the development of environmental legislation. Commitment to reducing CO2 emissions is a selection criterion for Oriola's transport partners. Oriola evaluates product sustainability in its assortment decisions and develops its own products to meet the increasing demands of consumers. In addition, Oriola develops consumer-oriented health services in its pharmacies in Sweden.

In Finland, Oriola has developed Real World Evidence research, which combines health data from national registers with patient experience information. Information is collected from patients on a research platform developed by the company, based on a fair data economy. The research platform has been developed as part of The Finnish Innovation Fund Sitra's IHAN® project on Fair Data Economy, which creates new services and solutions by utilising personal information with the permission of the users.

Environmental responsibility

Oriola´s environmental work is based on the ISO 14 001 framework for environmental management, which, as part of Oriola's common management system, creates consistent ways of working for the entire company. In Sweden, Oriola Sweden AB and Svensk Dos AB are functions that have been certified according to the environmental management standard. Oriola´s Environmental Policy outlines the commitment to reduce the environmental impacts of the company's operations and steers decision-making.

One of Oriola´s long-term sustainability goal is to become a carbon-neutral company by 2030. Carbon neutrality means reducing the company's carbon emissions to zero. Oriola´s carbon footprint consists of three emission groups: direct emissions, which include for example, own fuel use and refrigerant leaks, emissions from purchased energy, and other emissions in the supply chain. The carbon footprint has been calculated in accordance with the Greenhouse Gas Protocol accounting principles and covers the entire company.

Environmental responsibility: targets and results

Oriola´s intermediate targets for environmental responsibility are, that by 2022 all energy used in the company's properties is renewable and at least 85% of all non-pharmaceutical waste is recycled.

In 2020, the company took a significant leap in renewable energy utilisation, as the Mankkaa property in Finland switched to the use of renewable district heating. With the change, 92% of the energy used by the Oriola comes from renewable sources (77%/2019). The transition to district heating also had a significant impact on the company's total CO2 emissions.

Oriola's operations aim at reducing waste, using materials effectively and ensuring that the recycling rate is as high as possible. Oriola delivers products from its distribution centres to recipients mainly in reusable transport boxes. This way, the company contributes to minimising the amount of packaging waste in the logistics chain of the products it distributes.

Most of the waste generated in Oriola's operations comes from the packaging materials of the goods arriving at its warehouses and distribution centres. Enhancing waste recycling is one of the key initiatives of Oriola's environmental work. Possibilities to sort waste have been systematically increased in the recent years, and in 2020, the company started for example collecting plastic packaging in Finnish office premises and recycling the wooden pallets at the Swedish central warehouse. As a result, Oriola's recycling rate increased from 71% to 74%.

Transport is Oriola's largest source of indirect emissions, as suppliers are responsible for the entire transport network. Close cooperation with transport partners makes it possible to reduce emissions by optimising routes, using capacity efficiently and expanding the use of alternative fuels, among other things. The emissions can also be impacted at distribution centres, for example, by improving the filling rate of transport boxes, which reduces the number of boxes delivered to customers. The company monitors transport emissions by requiring transport partners to report the emissions on regular basis. Transport emissions account for nearly 30% of Oriola's total CO2 emissions.

Social responsibility

Ensuring pharmaceutical safety and the availability of pharmaceuticals is the highest priority in Oriola's operations and the company´s most societally significant task. Pharmaceuticals must be delivered safely and on-time irrespective of external conditions. Oriola's operations are designed to ensure that pharmaceuticals with marketing authorisation are continuously available and that they are handled in a manner compliant with the pharmaceutical sector's regulatory requirements. Oriola's pharmacy chain Kronans Apotek in Sweden, as well as the company´s comprehensive patient support services and dose-dispensing services promote safe usage of pharmaceuticals.

Oriola´s long-term sustainability goal is to improve people´s health. To achieve this goal, the company has set the intermediate targets of developing new health-promoting services, ensuring high-quality pharmaceutical deliveries in its operating countries, and extending the range of sustainable products to cover 20% of the private label assortment in Sweden by 2022.

In 2020, advancing this goal became a special priority due to the COVID-19 pandemic. The pandemic that hit the company's operating countries in March has created an unprecedented need for health security. Oriola has been able to bring services to the market, especially through its own Kronans Apotek pharmacy chain, that have helped citizens in these challenging times. For example, COVID-19 antibody testing was initiated in the second quarter of the year, and by the end of the year more than 70,000 citizens had been tested.

During the pandemic, the seamless availability of pharmaceuticals and their high-quality transport have become a central matter to the society. Oriola delivers pharmaceuticals within 24 hours of ordering to all pharmacies and hospital pharmacies, as well as other health-care units in Sweden and Finland. Citizens' pharmaceutical hoarding experienced in March 2020 initiated a close cooperation across the industry, that continued throughout the year, including cooperation with authorities to ensure access to pharmaceuticals in all circumstances. Pharmaceutical deliveries have been managed to secure in this challenging year in both operating countries. Oriola is developing a standard quality measure for pharmaceutical deliveries.

The sustainability criteria for Oriola's private label pharmacy products were defined during 2020, and 18% of the range is sustainably classified, for example, products that have received the Nordic Swan Ecolabel or another well-known eco-label.

Personnel responsibility
Oriola employs approximately 4,300 pharmaceutical professionals in numerous positions in pharmacies, logistics centres and various expert roles. Employees are the company's most important asset: their expertise and know-how are a prerequisite for an excellent customer experience, responsible business and for meeting the strict quality requirements of the pharmaceutical industry. Investing in personnel development and wellbeing also build Oriola's competitiveness in a rapidly changing market. We want to offer our employees the most diverse career paths in the industry and an equal and fair workplace.

In 2020, the COVID-19 pandemic affected Oriola's personnel in many ways. Since March, office personnel have largely been working remotely, while the pharmacy and production staff have continued their work protected by new comprehensive health safety guidelines, to meet customer needs. Oriola has introduced protective equipment as well as practices that minimise staff encounters. In addition, extensive mass testing for COVID-19 infections has been conducted, especially in Swedish production sites. Oriola's precautionary measures and work have always been guided by the company's objective to ensure patient safety without compromising the health safety of its personnel.

Oriola´s long-term sustainability goals is best-in-class employee engagement. The company has set the intermediate targets for an employee engagement index of at least 80 and employee turnover of maximum 12% by 2022. In 2020, the employee engagement index was 78 (77 in 2019) and employee turnover 10.2% (9.2 in 2019).

As part of strategy work, the company has defined Oriola's strategic capabilities, which guide the development of employees. Leading change is one of the key areas for development, as the business environment, culture and ways of working are undergoing a strong change - which has been further accelerated by the pandemic. The quality of management and staff satisfaction are measured as part of an employee engagement survey twice a year. The employee engagement survey serves as a leadership tool, and the planning of activities to increase employee engagement and wellbeing is based on its results.

All of Oriola´s employees are subject to annual development discussions, which set personal goals to guide the work and on the other hand, map out each person's own development goals and measures.

Governance
Oriola operates on a regulated market. The company's quality management is based on laws and regulatory requirements applicable in the pharmaceutical sector, as well as Oriola's common management system, which provides a framework for common operating and governance practices. Pharmaceutical distribution and wholesale are regulated by Good Distribution Practice (GDP) of the European Medicines Agency (EMA). In Finland, compliance with the GDP is monitored by the Finnish Medicines Agency FIMEA and in Sweden by the Medical Product Agency (MPA). GDP defines the common rules for handling pharmaceuticals. Where applicable, Oriola's operations are also guided by Good Manufacturing Practices (GMP) and other regulation concerning products that come under regulatory control, such as food and cosmetics regulation.

Tax footprint
Oriola supports a transparent company culture and publishes its tax footprint, which consists of income taxes and other taxes, as well as corresponding charges related to business operations. Oriola pays taxes to each country in which it operates in accordance with local legislation. Oriola does not have subsidiaries in countries seen as tax havens. Oriola´s tax footprint can be found on the company's website www.oriola.com.

Supply chain management
The company's procurement policy defines responsible procurement principles, that are ethical, meet quality criteria and respect supplier cooperation. Procurement principles, as well as supplier selection and approval processes are important to Oriola, and they assess the business partners' way of operating to meet the requirements set by Oriola, in particular to ensure patient safety. Oriola considers its suppliers' active environmental work as important, and the sustainability criteria will be emphasised increasingly as the company further develops its supplier assessment.

Oriola promotes adherence with ethical principles among its business partners and suppliers by requiring suppliers and other business partners to commit to Oriola Business Partner Code of Conduct. Business Partner Code of Conduct covers principles related to fighting bribery, corruption and discrimination, respecting labour and human rights, and promotion of occupational safety and health.

In 2020, Oriola continued the alignment of procurement practices and the implementation of Business Partner Code of Conduct with direct and indirect product suppliers. The company has conducted a geographical risk assessment of direct non-pharmaceutical products and suppliers. The main part of Oriola's direct non-pharmaceutical product purchases come from Europe. By the end of 2020, 232 out of 360 identified direct product suppliers have been benchmarked against Oriola's supplier practices included in the Oriola Business Partner Code of Conduct (223/385 by the end of 2019).

Espoo, 18 February 2021
Oriola Corporation

Board of Directors

Information on shares

Shares and shareholders

Shareholders by type of owner, 31 December 2020

	Shareholders			% of shareholders			% of shares		
	A shares	B shares	Total	A shares	B shares	Total	A shares	B shares	Total
Individuals	12,566	26,911	35,033	97.0	95.9	96.1	45.1	38.1	40.1
Corporations and partnerships	242	742	920	1.9	2.6	2.5	27.2	24.8	25.5
Banks and insurance companies	15	42	46	0.1	0.2	0.1	3.1	7.9	6.5
Public entities	6	14	17	0.0	0.1	0.0	14.8	6.8	9.2
Non-profit institutions	66	228	267	0.5	0.8	0.7	4.7	2.2	2.9
Foreign shareholders	64	128	164	0.5	0.5	0.4	0.3	0.6	0.5
Total	**12,959**	**28,065**	**36,447**	**100.0**	**100.0**	**100.0**	**95.1**	**80.3**	**84.7**
Nominee registrations							4.9	19.7	15.3

Shareholders by number of shares held, 31 December 2020

	Shareholders			% of shareholders		
Number of shares	A shares	B shares	Total	A shares	B shares	Total
1–100	2,636	3,615	5,379	20.3	12.9	14.8
101–1,000	6,597	14,867	18,900	50.9	53.0	51.9
1,001–10,000	3,345	8,755	10,913	25.8	31.2	29.9
10,001–100,000	340	758	1,152	2.6	2.7	3.2
over 100,001	41	70	103	0.3	0.2	0.3
Total	**12,959**	**28,065**	**36,447**	**100.0**	**100.0**	**100.0**
Of which nominee registered	9	11	11			

	Shares			% of shares		
Number of shares	A shares	B shares	Total	A shares	B shares	Total
1-100	131,189	198,604	329,793	0.2	0.2	0.2
101-1,000	2,828,035	6,781,064	9,609,099	5.3	5.3	5.3
1,001-10,000	9,411,566	24,928,186	34,339,752	17.5	19.5	18.9
10,001-100,000	8,691,155	17,802,590	26,493,745	16.2	13.9	14.6
over 100,001	32,686,368	78,027,456	110,713,824	60.8	61.1	61.0
Total	**53,748,313**	**127,737,900**	**181,486,213**	**100.0**	**100.0**	**100.0**
Of which nominee registered	2,633,514	25,125,336	27,758,850	4.9	19.7	15.3
Total number of shares	**53,748,313**	**127,737,900**	**181,486,213**	**100.0**	**100.0**	**100.0**

Share-related key figures

			2020	2019	2018	2017	2016
Earnings per share[2]		EUR	0.06	0.04	0.06	0.14	0.23
Earnings per share, continuing operations[2]		EUR	0.06	0.04	0.06	0.14	0.23
Equity per share[2]		EUR	0.94	0.87	0.98	1.08	1.13
Total dividends		EUR million	5.4[1]	16.3	16.3	16.3	25.4
Dividend per share		EUR	0.03[1]	0.09	0.09	0.09	0.14
Payout ratio[2]		%	48.2[1]	203.5	151.7	63.9	60.5
Dividend yield	A	%	1.51[1]	4.46	4.57	3.00	3.29
Dividend yield	B	%	1.58[1]	4.44	4.55	3.21	3.25
P/E ratio, continuing operations[2]	A		31.97	45.67	33.20	21.58	18.83
P/E ratio, continuing operations[2]	B		30.55	45.78	33.37	20.14	19.10
Share price on 31 Dec	A	EUR	1.99	2.02	1.97	3.00	4.25
Share price on 31 Dec	B	EUR	1.90	2.03	1.98	2.80	4.31
Average share price	A	EUR	2.01	2.10	2.82	3.79	4.16
Average share price	B	EUR	1.93	2.11	2.72	3.66	4.20
Lowest share price	A	EUR	1.62	1.86	1.92	2.96	3.70
Lowest share price	B	EUR	1.52	1.86	1.94	2.77	3.65
Highest share price	A	EUR	2.25	2.56	3.38	4.53	4.50
Highest share price	B	EUR	2.27	2.53	3.17	4.43	4.65
Market capitalisation		EUR million	349.9	367.2	358.8	519.2	778.9
Trading volume							
A shares		pc	3,320,057	3,758,001	3,067,789	2,703,394	1,893,721
% of average number of A shares		%	6.1	6.8	5.5	4.9	3.4
B shares		pc	48,554,934	24,054,806	40,993,419	41,746,627	22,488,841
% of average number of B shares		%	38.2	19.1	32.5	33.2	17.9
% of average number of all shares		%	28.6	15.3	24.3	24.5	13.4
Number of shares 31 Dec	A	pcs	53,748,313	55,434,273	55,434,273	55,434,273	55,484,648
Number of shares 31 Dec	B	pcs	127,737,900	126,051,940	126,051,940	126,051,940	126,001,565
Total number of shares 31 Dec		**pcs**	**181,486,213**	**181,486,213**	**181,486,213**	**181,486,213**	**181,486,213**
Total number of A shares, annual average		pcs	54,390,973	55,434,273	55,434,273	55,434,825	55,484,648
Total number of B shares, annual average		pcs	127,095,240	126,051,940	126,051,940	126,051,388	126,001,565
Total number of shares, annual average		**pcs**	**181,486,213**	**181,486,213**	**181,486,213**	**181,486,213**	**181,486,213**

[1] Proposal by the Board of Directors. In addition, it is proposed that the Annual General Meeting would authorise the Board of Directors to decide at its discretion on the payment of dividend up to a maximum of EUR 5.4 million, EUR 0.03 per share.

[2] The figures in 2016-2018 have been restated due to an error related to previous periods. The restatement had an impact on inventories, deferred tax assets and retained earnings in the consolidated statement of financial position and on material purchases and income taxes in the consolidated statement of comprehensive income. More information on correction of the error is presented in the notes to the Financial statements 2019.

Calculation of share related key figures

Earnings per share (EPS), EUR $= \dfrac{\text{Profit attributable to shareholders of the parent company}}{\text{Average number of shares during the period excluding treasury shares}}$

Equity per share, EUR $= \dfrac{\text{Equity attributable to shareholders of the parent company}}{\text{Number of shares at the end of the period}}$

Dividend per share, EUR $= \dfrac{\text{Dividends paid for the financial period}}{\text{Number of shares at the end of the period}}$

Payout ratio, % $= \dfrac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$

Effective dividend yield, % $= \dfrac{\text{Dividend per share}}{\text{Closing price on the last trading day of the financial period}} \times 100$

Price/Earnings ratio (P/E) $= \dfrac{\text{Closing price on the last trading day of the financial period}}{\text{Earnings per share}}$

Average price of share, EUR $= \dfrac{\text{Trading volume, EUR}}{\text{Average number of shares traded during the financial period}}$

Market capitalisation, EUR = Number of shares at the end of the financial period x closing price on the last trading day of the financial period

Largest shareholders, 31 December 2020

By number of shares held	A shares	B shares	Total shares	% of total shares	Votes	% of total votes
1. Mariatorp Oy	6,000,000	14,000,000	20,000,000	**11.02**	134,000,000	**11.14**
2. Wipunen Varainhallinta Oy	2,600,000	6,250,000	8,850,000	**4.88**	58,250,000	**4.84**
3. Varma Mutual Pension Insurance Company	4,320,600	3,273,000	7,593,600	**4.18**	89,685,000	**7.46**
4. Ilmarinen Mutual Pension Insurance Company	3,606,414	2,299,018	5,905,432	**3.25**	74,427,298	**6.19**
5. Mandatum Life Insurance Company Limited	973,500	3,810,523	4,784,023	**2.64**	23,280,523	**1.94**
6. Fennia Life Insurance Company Limited	214,000	2,372,385	2,586,385	**1.43**	6,652,385	**0.55**
7. Medical Investment Trust Oy	181,000	1,889,540	2,070,540	**1.14**	5,509,540	**0.46**
8. The Land and Water Technology Foundation	2,041,832	0	2,041,832	**1.13**	40,836,640	**3.40**
9. The Social Insurance Institution of Finland, KELA	0	1,991,481	1,991,481	**1.10**	1,991,481	**0.17**
10. Tukinvest Oy	1,983,526	0	1,983,526	**1.09**	39,670,520	**3.30**
11. Ylppö Jukka	1,496,562	286,992	1,783,554	**0.98**	30,218,232	**2.51**
12. Säästöpankki Kotimaa	619,649	876,939	1,496,588	**0.82**	13,269,919	**1.10**
13. Kaleva Mutual Insurance Company	277,942	1,200,000	1,477,942	**0.81**	6,758,840	**0.56**
14. Säästöpankki Pienyhtiöt	162,253	1,100,000	1,262,253	**0.70**	4,345,060	**0.36**
15. Ylppö Into	693,522	240,200	933,722	**0.51**	14,110,640	**1.17**
16. Laakkonen Mikko	196,320	689,080	885,400	**0.49**	4,615,480	**0.38**
17. Ehrnrooth Helene	0	804,333	804,333	**0.44**	804,333	**0.07**
18. Drumbo Oy	0	800,000	800,000	**0.44**	800,000	**0.07**
19. Paloniemi Jari	0	800,000	800,000	**0.44**	800,000	**0.07**
20. The State Pension Fund	0	800,000	800,000	**0.44**	800,000	**0.07**
Total	25,367,120	43,483,491	68,850,611	**37.94**	550,825,891	**45.80**
Nominee registred	2,633,514	25,125,336	27,758,850	**15.30**	77,795,616	**6.47**
Oriola Corporation	63,650	109,556	173,206	**0.10**	1,382,556	**0.11**
Other	25,684,029	59,019,517	84,703,546	**46.67**	572,700,097	**47.62**
All shareholders total	**53,748,313**	**127,737,900**	**181,486,213**	**100.00**	**1,202,704,160**	**100.00**

Financial indicators and performance measures

Financial indicators 2016-2020

Consolidated income statement[1]		2020	2019[5]	2018 restated[4]	2017 restated[4]	2016 restated[4]
Net sales	EUR million	1,800.8	1,721.3	1,552.2	1,527.7	1,588.6
Adjusted EBIT	EUR million	21.0	20.5	34.4	39.0	58.7
% of net sales	%	1.2	1.2	2.2	2.6	3.7
EBIT	EUR million	20.4	15.3	19.5	36.9	56.5
% of net sales	%	1.1	0.9	1.3	2.4	3.6
Financial income and expenses	EUR million	-6.0	-5.2	-3.0	-3.9	-4.7
% of net sales	%	-0.3	-0.3	-0.2	-0.3	-0.3
Profit before taxes	EUR million	14.3	10.1	16.6	32.9	51.8
% of net sales	%	0.8	0.6	1.1	2.2	3.3
Profit for the period	EUR million	11.3	8.0	10.8	25.2	40.9
% of net sales	%	0.6	0.5	0.7	1.7	2.6

Consolidated balance sheet	EUR million	2020	2019[5]	2018 restated[4]	2017 restated[4]	2016 restated[4]
Non-current assets		537.3	509.9	440.0	446.6	437.4
Goodwill		278.7	270.5	274.3	282.7	286.8
Current assets		628.3	520.7	484.2	474.2	487.1
Inventories		250.1	234.2	209.6	205.7	198.3
Equity attributable to the parent company shareholders		169.6	157.2	177.9	196.1	204.3
Liabilities total		996.0	873.4	746.2	724.7	720.3
Interest-bearing liabilities		295.3	190.3	129.4	127.2	133.1
Non-interest-bearing liabilities		700.8	683.1	616.8	597.5	587.2
Total assets		1,165.6	1,030.6	924.2	920.8	924.5

Key figures		2020	2019[5]	2018 restated[4]	2017 restated[4]	2016 restated[4]
Equity ratio	%	14.8	15.5	19.5	21.7	22.6
Equity per share	EUR	0.94	0.87	0.98	1.08	1.13
Return on capital employed (ROCE)[2]	%	5.0	4.1	6.2	11.4	17.5
Return on equity[2]	%	6.9	4.9	5.8	12.8	21.0
Net interest-bearing debt	EUR million	127.1	119.6	63.6	110.2	72.3
Gearing	%	75.0	76.1	35.8	56.2	35.4
Earnings per share from continuing operations	EUR	0.06	0.04	0.06	0.14	0.23
Earnings per share incl. discontinued operations	EUR	0.06	0.04	0.06	0.14	0.23
Average number of shares[3]	pcs	181,388,782	181,394,589	181,360,503	181,328,408	181,389,391
Average number of personnel from continuing operations, full time equivalents	pers.	2,687	2,800	2,699	2,686	2,425
Gross capital expenditure incl. discontinued operations	EUR million	32.8	21.8	39.6	46.2	88.8

[1] Continuing operations.

[2] The comparative figures 2016-2017 include discontinued operations.

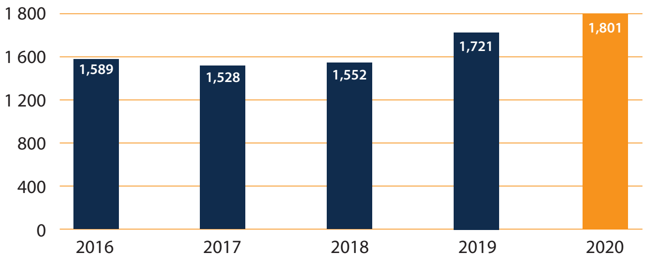
[3] Company-owned treasury shares are not included.

[4] The figures in 2016-2018 have been restated due to an error related to previous periods. The restatement had an impact on inventories, deferred tax assets and retained earnings in the consolidated statement of financial position and on material purchases and income taxes in the consolidated statement of comprehensive income. More information on correction of the error is presented in the notes to the Financial statements 2019.

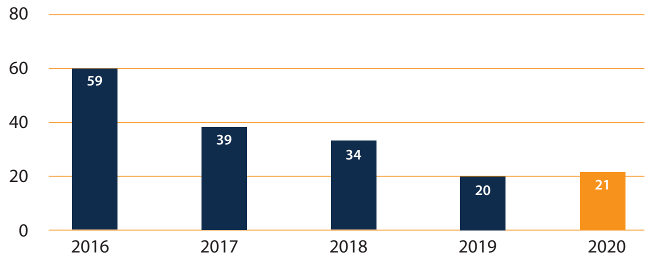
[5] The Group applied IFRS 16 Leases with the date of initial application of 1 January 2019. The standard has a significant impact on the Group's non-current assets, interest-bearing liabilities and key figures.

Refer to section Alternative performance measures, for definitions of key figures.

Net sales
EUR million



Adjusted EBIT[1]
EUR million



[1] The figures in 2016-2018 have been restated due to an error related to previous periods. The restatement had an impact on inventories, deferred tax assets and retained earnings in the consolidated statement of financial position and on material purchases and income taxes in the consolidated statement of comprehensive income. More information on correction of the error is presented in the notes to the Financial statements 2019.

Alternative performance measures

In order to reflect the underlying business performance and to enhance comparability between financial periods Oriola discloses certain performance measures of historical performance, financial position and cash flows, as permitted in "Alternative performance measures" guidance issued by the European Securities and Markets Authority (ESMA). These measures should not be considered as a substitute for measures of performance in accordance with the IFRS. These alternative performance measures are described in the following tables:

Reconciliation of alternative performance measures to IFRS

Invoicing

EUR million	2020	2019
Net sales	1,800.8	1,721.3
+ Acquisition cost of consignment stock	1,945.9	1,993.2
+ Cash discounts	18.1	18.6
+ Exchange rate differences on sales	0.1	0.0
Invoicing	**3,764.9**	**3,733.1**

Adjusted EBIT

EUR million	2020	2019
EBIT	20.4	15.3
- Adjusting items included in EBIT	0.6	5.1
Adjusted EBIT	**21.0**	**20.5**

Alternative performance measures on a constant currency basis

EUR million	2020	2019
Invoicing	3,764.9	3,733.1
Translation difference	-26.3	82.0
Invoicing calculated on a constant currency basis	3,738.6	3,815.1
Net sales	1,800.8	1,721.3
Translation difference	-13.7	42.1
Net sales calculated on a constant currency basis	1,787.1	1,763.4
Adjusted EBIT	21.0	20.5
Translation difference	-0.2	0.4
Adjusted EBIT calculated on a constant currency basis	20.8	20.9

Calculation of alternative performance measures

Alternative performance measure		Definitions		Reason for use of the alternative performance measure
Invoicing	=	Net sales + acquisition cost of consignment stock + cash discounts + exchange rate differences on sales		Invoicing describes the volume of the business.
EBIT	=	Net sales less material purchases and exchange differences on sales and purchases, less employee benefit expenses and other operating expenses, less depreciation, amortisation and impairment plus other operating income plus share of results in joint venture		EBIT shows result generated by the business.
Adjusted EBIT	=	EBIT excluding adjusting items		Oriola discloses adjusted EBIT in order to reflect the underlying business performance and to enhance comparability between financial periods.
Adjusting items		Adjusting items include gains or losses from the sale or discontinuation of business operations or assets, gains or losses from restructuring business operations, and impairment losses of goodwill and other non-current assets, or other income or expenses arising from rare events, and changes in estimates regarding the realisation of contingent consideration arising from business acquisitions. Adjusting items are specified in note 4.1. Segment reporting.		
Invoicing calculated on a constant currency basis		Invoicing calculated with the average exchange rate of the corresponding period of the comparative year.		Invoicing, net sales, and adjusted EBIT on a constant currency basis describe the development of the business without changes due to fluctuating foreign exchange rates and thus enhance the comparability between financial periods.
Net sales calculated on a constant currency basis		Net sales calculated with the average exchange rate of the corresponding period of the comparative year.		
Adjusted EBIT calculated on a constant currency basis		Adjusted EBIT calculated with the average exchange rate of the corresponding period of the comparative year.		
Net debt	=	Interest-bearing liabilities – cash and cash equivalents		Net debt is an indicator to measure the total external debt financing of the company.
Investments	=	Capitalised investments in property, plant and equipment and in intangible assets including goodwill arising from business combinations, as well as investments in associates and joint ventures.		Investments provide additional information of the cash flow need of the business operations. Investments by business area are presented in note 4.1. Segment reporting.
Return on capital employed (ROCE), % =	=	EBIT / Total assets – Non-interest-bearing liabilities (average between the beginning and the end of the year)	x 100	Return on capital employed measures how efficiently the Group generates profits from its capital employed.
Return on equity (ROE), %	=	Profit for the period / Equity total (average between the beginning and the end of the year)	x 100	Return on equity measures the Group's profitability by showing how much profit is generated with the funds invested to the Group by the shareholders.
Gearing, %	=	Net debt / Equity total	x 100	Gearing provides information of the Group's financial risk level and the level on the Group's indebtedness.
Equity ratio, %	=	Equity total / Total assets – Advances received	x 100	Equity ratio provides information on the Group's financial risk level and the level of the Group's capital used in operations.

Financial Statements 2020

Consolidated statement of comprehensive income (IFRS)

EUR million	Note	2020	2019
Net sales	**4.2.**	**1,800.8**	**1,721.3**
Other operating income	4.2.	9.5	11.1
Materials and supplies	4.3.	-1,438.7	-1,364.5
Employee benefit expenses	4.4.	-172.3	-173.4
Other operating expenses	4.3.	-137.2	-133.9
Depreciation, amortisation and impairments	6.1./6.2.	-41.6	-45.3
EBIT		**20.4**	**15.3**
Financial income and expenses	8.1.	-6.0	-5.2
Profit before taxes		**14.3**	**10.1**
Income taxes	9.1.	-3.1	-2.1
Profit for the period		**11.3**	**8.0**
Other comprehensive income			
Items which may be reclassified subsequently to profit or loss:			
Translation differences recognised in comprehensive income during the reporting period		9.8	-4.4
Translation differences reclassified to profit and loss during the reporting period		-	0.0
Cash flow hedge	8.3.	-0.2	0.2
Income tax relating to other comprehensive income	9.1.	0.0	-0.0
		9.6	**-4.2**
Items which will not be reclassified to profit or loss:			
Financial assets recognised at fair value through other comprehensive income	8.2.	8.0	-
Actuarial gains/losses on defined benefit plans	4.4.	-0.4	-2.8
Income tax relating to other comprehensive income	9.1.	0.0	0.6
		7.6	**-2.2**
Total comprehensive income for the period		**28.6**	**1.6**
Profit attributable to			
Parent company shareholders		11.3	8.0
Total comprehensive income attributable to			
Parent company shareholders		28.6	1.6
Earnings per share attributable to parent company shareholders, EUR:			
Basic	8.5.	0.06	0.04
Diluted	8.5.	0.06	0.04

Consolidated statement of financial position (IFRS)

EUR million	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Property. plant and equipment	6.1.	162.2	158.3
Goodwill	6.2.	278.7	270.5
Other intangible assets	6.2.	69.8	66.9
Other non-current assets	6.3.	22.3	9.7
Deferred tax assets	9.2.	4.4	4.5
Non-current assets total		**537.3**	**509.9**
Current assets			
Inventories	5.2.	250.1	234.2
Trade receivables	5.1.	188.6	187.4
Income tax receivables	5.1.	3.4	6.1
Other receivables	5.1.	18.1	22.2
Cash and cash equivalents	8.2.	168.2	70.8
Current assets total		**628.3**	**520.7**
ASSETS TOTAL		**1,165.6**	**1,030.6**

EUR million	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity			
Share capital		36.2	36.2
Fair value reserve		7.7	-0.1
Contingency fund		19.4	19.4
Invested unrestricted equity reserve		74.8	74.8
Other reserves		0.1	0.1
Translation differences		-23.1	-32.9
Retained earnings		54.5	59.7
Equity attributable to the parent company shareholders	8.4.	**169.6**	**157.2**
Non-current liabilities			
Deferred tax liabilities	9.2.	13.9	14.3
Pension obligations	4.4.	18.9	17.1
Interest-bearing liabilities	8.2.	127.8	123.6
Other non-current liabilities	5.3.	0.9	0.7
Non-current liabilities total		**161.6**	**155.7**
Current liabilities			
Trade payables	5.3.	620.3	606.7
Provisions	5.4.	0.8	2.8
Interest-bearing liabilities	8.2.	167.4	66.8
Income tax payables	5.3.	-	1.0
Other current liabilities	5.3.	45.9	40.4
Current liabilities total		**834.5**	**717.7**
EQUITY AND LIABILITIES TOTAL		**1,165.6**	**1,030.6**

Consolidated statement of cash flows (IFRS)

EUR million	Note	2020	2019
Net cash flow from operating activities			
Profit for the period		11.3	8.0
Adjustments			
Depreciation and amortisation	6.1./6.2.	41.2	41.8
Impairment	6.1./6.2.	0.5	3.5
Financial income and expenses	8.1.	6.0	5.2
Income taxes	9.1.	3.1	2.1
Change in pension asset and pension obligation		0.7	0.7
Other adjustments		-2.0	1.0
		60.7	62.3
Change in working capital			
Change in current receivables increase (-)/ decrease (+)		9.1	-15.1
Change in inventories increase (-)/ decrease (+)		-8.6	-27.2
Change in non-interest-bearing current liabilities increase (+)/ decrease (-)		3.6	68.7
		4.0	26.5
Interest paid and other financial expenses		-3.1	-3.7
Interest received and other financial income		0.4	0.6
Income taxes paid		-3.6	-1.2
Net cash flow from operating activities		**58.3**	**84.4**
Net cash flow from investing activities			
Investments in property, plant and equipment and intangible assets	6.1./6.2.	-27.1	-21.2
Proceeds from sales of property, plant and equipment and intangible assets	6.1./6.2.	0.3	0.1
Investments in joint ventures	6.3.	-	-0.7
Investments in other shares and shareholdings	6.3.	-4.8	-0.0
Proceeds from other shares and shareholdings	6.3.	0.2	-
Net cash flow from investing activities		**-31.4**	**-21.8**

EUR million	Note	2020	2019
Net cash flow from financing activities			
Proceeds from long-term loans		30.0	27.5
Repayments of long-term loans		-1.1	-28.2
Proceeds from short-term loans		40.0	-
Repayments of short-term loans		-10.0	-
Change in other current financing [1]		47.4	-21.2
Amortisations of lease liabilities		-19.6	-19.3
Purchasing of own shares		-0.1	-0.1
Dividends paid		-16.3	-16.3
Net cash flow from financing activities		**70.4**	**-57.6**
Net change in cash and cash equivalents		97.3	5.0
Cash and cash equivalents at the beginning of the period		70.8	65.8
Translation differences		0.1	-0.0
Net change in cash and cash equivalents		97.3	5.0
Cash and cash equivalents at the end of the period	8.2.	**168.2**	**70.8**

[1] Includes cash flows from commercial papers.

Consolidated statement of changes in equity (IFRS)

EUR million	Note	Share capital	Funds	Translation differences	Retained earnings	Equity total
Equity 1 January 2019		**36.2**	**94.0**	**-28.6**	**76.3**	**177.9**
Adjustment of adoption of IFRS 16[1]		-	-	-	-6.3	**-6.3**
Restated equity 1 January 2019		**36.2**	**94.0**	**-28.6**	**70.0**	**171.6**
Comprehensive income for the period						
Net profit for the period		-	-	-	8.0	**8.0**
Other comprehensive income:						
Cash flow hedge	8.3.	-	0.2	-	-	**0.2**
Actuarial gains and losses	4.4.	-	-	-	-2.8	**-2.8**
Income tax relating to other comprehensive income	9.1.	-	-0.0	-	0.6	**0.6**
Translation difference		-	-	-4.4	-	**-4.4**
Translation difference reclassified to profit and loss		-	-	0.0	-	**0.0**
Comprehensive income for the period, total		**-**	**0.1**	**-4.4**	**5.8**	**1.6**
Transactions with owners						
Dividend distribution	8.5.	-	-	-	-16.3	**-16.3**
Share-based incentive	4.4.	-	-	-	0.4	**0.4**
Purchase of own shares		-	-	-	-0.1	**-0.1**
Transactions with owners, total		**-**	**-**	**-**	**-16.1**	**-16.1**
Equity 31 December 2019		**36.2**	**94.2**	**-32.9**	**59.7**	**157.2**
Comprehensive income for the period						
Net profit for the period		-	-	-	11.3	**11.3**
Other comprehensive income:						
Financial assets recognised at fair value through other comprehensive income	8.2.	-	8.0	-	-	**8.0**
Cash flow hedge	8.3.	-	-0.2	-	-	**-0.2**
Actuarial gains and losses	4.4.	-	-	-	-0.4	**-0.4**
Income tax relating to other comprehensive income	9.1.	-	0.0	-	0.0	**0.1**
Translation difference		-	-	9.8	-	**9.8**
Comprehensive income for the period, total		**-**	**7.8**	**9.8**	**10.9**	**28.6**
Transactions with owners						
Dividend distribution	8.5.	-	-	-	-16.3	**-16.3**
Share-based incentive	4.4.	-	-	-	0.2	**0.2**
Purchase of own shares		-	-	-	-0.1	**-0.1**
Transactions with owners, total		**-**	**-**	**-**	**-16.2**	**-16.2**
Equity 31 December 2020		**36.2**	**102.0**	**-23.1**	**54.5**	**169.6**

[1] Net of tax

Notes to the consolidated financial statements

1. Basic information on the company

Oriola Corporation is a Finnish public limited company, domiciled in Espoo, Finland. Oriola and its subsidiaries together form the consolidated Oriola Group. The consolidated financial statements were approved for publication by the Board of Directors of Oriola Corporation on 18 February 2021. In accordance with Finland's Limited Liability Companies Act, the shareholders have the right to approve or reject the financial statements at the General Meeting held after their publication. The General Meeting may also decide to make amendments to the financial statements. The company's business ID is 1999215-0. Copies of the consolidated financial statements of the Oriola Group are available from the head office of Oriola Corporation at the following address: Orionintie 5, FI-02200 Espoo, Finland (investor.relations@oriola.com).

2. Basis of presentation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) including the IAS and IFRS standards as well as the SIC and IFRIC interpretations valid as at 31 December 2020. The International Financial Reporting Standards refer to standards and interpretations that have been approved for application in the EU in the Finnish Accounting Act and the provisions issued pursuant to it according to the procedures provided for in EU regulation (EC) No. 1606/2002.

The consolidated financial statements are presented for the 12-month period 1 January – 31 December 2020. The financial statements are presented in EUR million and they have been prepared under the historical cost convention, except for financial assets recognised at fair value through profit or loss, financial assets recognised at fair value through other comprehensive income, derivatives and share-based payments. The Group has applied the standards and interpretations published by the International Accounting Standards Board (IASB) that are mandatory as of 1 January 2020. These standards did not have a significant impact on the Group in the current reporting period and they are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

During 2020, the COVID-19 pandemic has rapidly changed Oriola's operating environment as the restrictions set by the authorities and consumer caution impacted the consumer behaviour. The measures caused by the pandemic have led to the decrease of healthcare services as well as affected the demand for pharmaceuticals and health and wellbeing products. This has inevitably also had an impact on Oriola's business.

In Sweden, Oriola has received government compensations for socials costs, sick leaves and short-term lay-offs totalling EUR 1.5 million to cover the negative impacts of the pandemic. The compensations are reported as a reduction of personnel expenses in the consolidated statement of comprehensive income.

The impacts of the pandemic on the valuation of Oriola's assets have been closely monitored during the reporting period. Based on the assessments, COVID-19 pandemic is currently not expected to have such long-term impacts on Oriola's financial performance, that would require adjustments to the carrying amounts of the assets.

During the second quarter of 2020, Oriola Corporation prepared for the instability in the financing markets caused by the COVID-19 pandemic by drawing term-loans totalling EUR 70 million. At the end of the reporting period, the financial covenants included in the agreements with the financial institutions were fulfilled.

3. Use of estimates and judgement

The preparation of consolidated financial statements in accordance with IFRS requires the application of judgement by management in making estimates and assumptions. Such estimates and assumptions have an impact on the assets and liabilities reported as at the end of the reporting period, and on the presentation of contingent assets and liabilities in the notes to the consolidated financial statements as well as on the income and expenses reported for the financial year. The estimates are based on the management's best knowledge about the facts and as such actual results may differ from the estimates and assumptions used. Estimates have been used in determining the amount of items reported in the consolidated financial statements, such as possible impairment of goodwill and other assets, determination of pension assets and pension obligations related to defined benefit pension plans, economic lives of tangible and intangible assets, lease liabilities, provisions and income taxes. The application of accounting principles also requires judgement.

Key estimates and judgement which are material to the reported results and financial position are presented in the following notes:

Item	Uncertainty	Note
Defined benefits	Discount factor	4.4.
Provisions	Recognition / Estimate	5.4.
Impairment testing	Projection parameters / Estimate	6.2.
Other non-current assets	Valuation / Estimate	6.3.
Lease liabilities	Lease term / Estimate	7.1.
Deferred tax assets	Recognition / Estimate	9.2.

4. Operating result

4.1. Segment reporting

Oriola's operating and reporting segments consist of business areas and are reported as in internal reporting provided to the Chief Executive Officer, the chief operating decision maker responsible for allocating resources and assessing performance of the business areas.

The assets and liabilities of reporting segments include items directly attributable to a segment and items which can be allocated to segments. Group items include financial items as well as items related to corporate functions.

Intra-segment pricing is determined on an arm's length basis.

Oriola's business areas and operating and reporting segments are Consumer, Pharma and Retail.

Consumer business area offers products and services for health and wellbeing for customers through Kronans Apotek, the third largest pharmacy chain in Sweden.

Pharma business area provides tailored logistics, expert and advisory services for pharmaceutical companies, as well as a wide range of pharmaceutical products for pharmacies, hospital pharmacies and veterinarians.

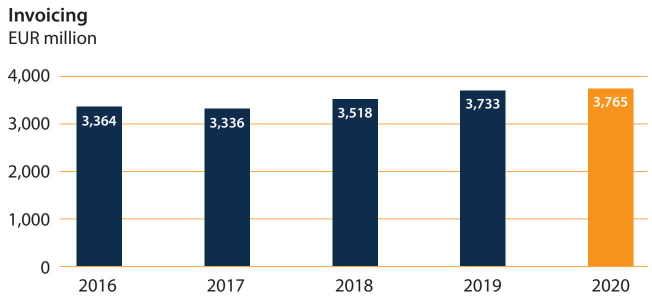
Retail business area offers a wide range of health and wellbeing products to pharmacies, groceries, veterinarians, private and public healthcare operators and retailers, as well as services for pharmacies, including staffing and dose dispensing services.

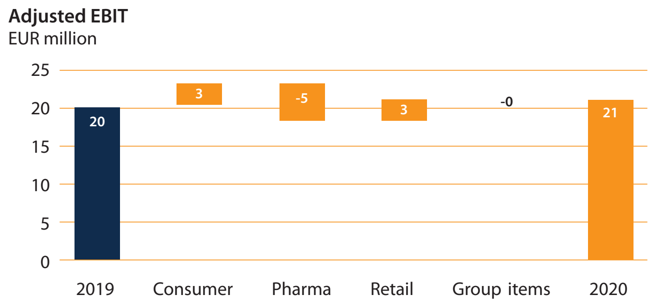
The geographical areas of Oriola are Finland, Sweden and other countries. Net sales are divided by the countries in which the customers are located. Assets and investments are divided according to the country in which they are located.

In order to reflect the underlying business performance and to enhance comparability between financial periods Oriola discloses Adjusted EBIT as permitted in ESMA (European Securities and Markets Authority) guidelines on Alternative Performance Measures. These measures should not be considered as a substitute for measures of performance in accordance with the IFRS. The reporting segments' EBIT is reported excluding adjusting items. In addition, Oriola uses "Invoicing" as the measure to describe the business volume.

Adjusted EBIT excludes gains or losses from the sale or discontinuation of business operations or assets, gains or losses from restructuring business operations, and impairment losses of goodwill and other non-current assets, or other income or expenses arising from rare events and changes in estimates regarding the realisation of contingent consideration arising from business acquisitions.

Oriola's agreements with pharmaceutical companies are either wholesale agreements where Oriola buys the products into own stock or agreements where Oriola delivers the products from consignment stock. Oriola reports invoicing of both type of agreements as it describes the volume of the business.





Reporting segments

EUR million 2020	Note	Consumer	Pharma	Retail	Group items	Total
External invoicing		798.1	2,662.8	304.0	-	**3,764.9**
Internal invoicing		0.1	243.2	182.7	-426.0	**-**
Invoicing		798.2	2,906.0	486.7	-426.0	**3,764.9**
Sales to external customers		780.6	718.0	302.2	-	**1,800.8**
Sales to other segments		0.1	243.2	182.7	-426.0	**-**
Net sales	4.2.	780.7	961.2	484.9	-426.0	**1,800.8**
EBIT		15.3	12.4	0.9	-8.2	**20.4**
Adjusted EBIT		14.4	12.8	2.0	-8.2	**21.0**
Assets		442.3	374.1	132.5	216.7	**1,165.6**
Liabilities		123.4	586.6	67.0	219.1	**996.0**
Investments	6.1./6.2.	13.0	9.1	4.9	5.9	**32.8**
Depreciation, amortisation and impairments	6.1./6.2.	26.7	8.4	6.5	0.1	**41.6**
Average number of personnel, full time equivalents		1,596	451	562	77	**2,687**

2019	Note	Consumer	Pharma	Retail	Group items	Total
External invoicing		767.9	2,680.5	284.8	-	**3,733.1**
Internal invoicing		0.2	230.2	172.1	-402.5	**-**
Invoicing		768.1	2,910.6	456.9	-402.5	**3,733.1**
Sales to external customers		750.0	687.9	283.4	-	**1,721.3**
Sales to other segments		0.2	230.2	172.1	-402.5	**-**
Net sales	4.2.	750.1	918.1	455.5	-402.5	**1,721.3**
EBIT		5.3	17.1	-1.4	-5.7	**15.3**
Adjusted EBIT		11.7	17.7	-0.9	-8.1	**20.5**
Assets		426.3	356.5	138.5	109.2	**1,030.6**
Liabilities		119.1	594.4	47.7	112.1	**873.4**
Investments	6.1./6.2.	9.2	6.1	5.8	0.7	**21.8**
Depreciation, amortisation and impairments	6.1./6.2.	31.3	8.2	5.7	0.1	**45.3**
Average number of personnel, full time equivalents		1,674	486	570	70	**2,800**

Refer to section Alternative performance measures for definitions of key figures and reconciliation to measures presented in the consolidated income statement and balance sheet prepared in accordance with IFRS.

Adjusting items

Adjusting items included in EBIT

EUR million	2020	2019
Restructuring costs	0.8	-5.1
Costs and impairment charges relating to Hehku	0.1	2.4
Costs and impairment charges relating to onerous contract	-1.2	-
Impairment of other intangible assets	-	-2.5
Other	-0.4	-
Total	**-0.6**	**-5.1**

Adjusting items in 2020 consist of changes in restructuring provisions, restructuring costs related to the changes in the Group Management Team, costs relating to an onerous contract in Retail business area, an adjustment to current liabilities related to the Swedish Consumer business as well as proceeds related to Hehku. Adjusting items in 2019 consist of restructuring costs including impairment charges totalling EUR 1.0 million, impairment charges on intangible assets related to the Consumer business in Sweden as well as a provision release relating to Hehku.

Geographical information

EUR million 2020	Sweden	Finland	Other countries	Total
Sales to external customers	1,275.6	404.7	120.5	**1,800.8**
Assets	784.6	381.1	-	**1,165.7**
Investments	21.9	10.9	-	**32.8**
Average number of personnel, full time equivalents	2,084	603	-	**2,687**

2019	Sweden	Finland	Other countries	Total
Sales to external customers	1,218.8	407.9	94.6	**1,721.3**
Assets	760.5	270.1	-	**1,030.6**
Investments	18.1	3.8	-	**21.8**
Average number of personnel, full time equivalents	2,097	701	1	**2,800**

4.2. Net sales and other operating income

The Group's net sales include income from the sale of goods, distribution fees and the sale of services adjusted with indirect taxes, discounts and currency translation differences resulting from sales in foreign currencies. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Oriola's agreements with pharmaceutical companies are either wholesale agreements where Oriola buys the products into own stock or agreements where Oriola delivers the products from consignment stock. Oriola reports invoicing of both type of agreements as it describes the volume of the business. The definition of invoicing is described in section Alternative performance measures. Invoicing by business area is presented in note 4.1. Segment reporting.

The Group's revenues derive from the following revenue streams: Wholesale, retail sale, sale of logistics services, dose dispensing, staffing and sale of other services. In the following section the principal activities of the different revenue streams are described as well as the nature of performance obligations.

Wholesale: The Group sells pharmaceutical products and traded goods to pharmacies, veterinarians, hospitals and other retailers. The performance obligation is sale of goods, which is based on sales order. The transaction price is the price of goods. Revenue is recognised when the Group transfers control of goods to customer at the amount which the Group expects to be entitled, i.e. the price of goods sold less any possible discounts.

Retail sale: The Group has retail pharmacies that sell pharmaceuticals and healthcare products to private customers. The performance obligation is sale of goods. The performance obligation is satisfied, when the products are sold to customers in pharmacies. The Group has a customer loyalty bonus discount programme related to the non-prescription retail sale in Sweden. In the customer loyalty programme the customers earn customer loyalty points based on their purchases of non-prescription products. The points are converted to digital vouchers, which the customers can use to pay for their purchases. The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide digital vouchers to the customer is a separate performance obligation. The points expire in one year from purchase if not converted to digital vouchers. The digital vouchers expire in two months, if not used before that. The net sales are adjusted with customer loyalty points earned by the customers. A contract liability is recognised for the points customers in the customer loyalty programme have earned based on their purchases and for the outstanding digital vouchers. The contract liability is recognised until the points are redeemed or expire.

Services: The Group offers a variety of services to the customers. These services can be divided to the following revenue streams: Sale of logistics services, dose dispensing, staffing and sale of other services.

- **Sales of logistics services:** The Group has contracts based on consignment inventory with pharmaceutical companies. In such contracts the Group acts as an agent between the pharmaceutical company and the end-customer and the performance obligation is sale of logistics and transportation services to pharmaceutical companies. The revenue is recognised on a net basis as a fee or commission.
- **Dose dispensing:** The Group offers dose dispensing services to pharmacies in Sweden and Finland and county councils in Sweden. The performance obligation is sale of dose dispensed goods. The transaction price includes the price of goods sold and the price of dose dispensing. The revenue is recognised when the control of the dose dispensed goods is transferred to the customer.
- **Staffing:** The Group offers staffing services to pharmacies and pharmaceutical companies. The performance obligation is the delivery of the staffing services. The transaction price is the hourly based price according to work performed. The revenue is recognised over the period during which the service is performed.
- **Sale of other services:** The Group sells logistics, web and other value-added services to pharmaceutical companies, retailers and hospitals. The performance obligation is sales of services, which is based on a contract for delivering services to the customer. The revenue is recognised over the period during which the service is performed at the amount totalling the price of service performed less any possible discounts.

Net sales by currency

	2020		2019	
Million	**SEK**	**EUR**	**SEK**	**EUR**
Sweden	14,549.8	1,387.7	13,821.1	1,305.2
Finland		413.1		416.1
Total		**1,800.8**		**1,721.3**

Disaggregation of revenue

In the following table, the Group's external revenue is disaggregated by the Group's major revenue streams and reconciled with the Group's reportable segments.

EUR million

2020	Consumer	Pharma	Retail	Total
Wholesale	-	658.0	166.3	**824.3**
Retail sale	780.6	-	-	**780.6**
Services	-	60.0	135.9	**195.9**
Total	**780.6**	**718.0**	**302.2**	**1,800.8**

2019	Consumer	Pharma	Retail	Total
Wholesale	-	623.8	166.6	**790.4**
Retail sale	750.0	-	-	**750.0**
Services	-	64.2	116.7	**180.9**
Total	**750.0**	**687.9**	**283.4**	**1,721.3**

Contract balances

The Group has recognised the following liabilities related to contracts with customers:

EUR million	31 Dec 2020	31 Dec 2019
Contract liabilities (included in other current liabilities)		
- Customer loyalty programme	2.0	2.3
- Advances received related to other services	0.0	0.1
Total	**2.1**	**2.4**

The amount of EUR 2.4 million recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2020.

No revenue was recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods.

No information is provided about remaining performance obligations at the end of the reporting period that have an original expected duration of one year or less.

Other operating income

EUR million	2020	2019
Gains on sales of tangible and intangible assets	0.1	0.0
Rental income	0.2	0.2
Service charges	0.1	0.3
Marketing contribution	8.4	9.2
Other operating income	0.7	1.3
Total	**9.5**	**11.1**

4.3. Operating expenses

Operating expenses include material purchases, employee benefit expenses and other operating expenses as presented on the face of the statement of comprehensive income. Employee benefit expenses are specified in note 4.4. Employee benefits.

Materials and supplies

Materials and supplies include materials, procurement and other costs related to manufacturing and procurement.

Materials and supplies

EUR million	2020	2019
Purchases during the period	1,447.1	1,386.7
Change in inventories	-8.6	-22.3
Products for own use	-0.1	-0.2
Foreign exchange differences	0.4	0.2
Total	**1,438.7**	**1,364.5**

Materials and supplies by currency

	2020	
Million	**SEK**	**EUR**
Sweden	11,508.1	1,097.6
Finland		341.1
Total		**1,438.7**

	2019	
Million	**SEK**	**EUR**
Sweden	10,921.6	1,031.4
Finland		333.1
Total		**1,364.5**

Other operating expenses

EUR million	2020	2019
Freights and other variable costs	39.3	34.6
Marketing	12.4	13.5
Information management	19.7	19.3
Premises	10.1	12.0
External services	32.6	31.3
Other operating expenses	23.1	23.2
Total	**137.2**	**133.9**

Other operating expenses in 2019 include restructuring costs totalling EUR 2.3 million as well as a provision release totalling EUR 2.4 million relating to Hehku.

Audit fees

EUR million	2020	2019
To member firms of KPMG network		
Audit related services	0.2	0.2
Tax and other non-audit services	0.1	0.0
Total	**0.3**	**0.2**

The member firms of KPMG network have provided non-audit services to entities of Oriola Group in total EUR 58.7 (17.7) thousand during the financial year 2020.

4.4. Employee benefits

The Group's employee benefits include wages, salaries and bonuses paid to employees, pension benefits, other long-term employee benefits and share-based payments.

Pension benefits: The Group's pension arrangements are in compliance with each country's local regulations and practices. The pension arrangements of the Group companies comprise both defined contribution plans and defined benefit plans. The payments to the defined contribution plans are recognised as expenses in the statement of comprehensive income in the period in which they incur. Under a defined benefit pension plan, the Group's obligation is not limited to the payments made under the plan but also includes the actuarial and investment risks related to the pension plan in question.

The pension expenses related to defined benefits have been calculated using the projected unit credit method. Pension expenses are recognised as expenses by distributing them over the estimated period of service of the personnel concerned. The amount of the pension obligation is the present value of the estimated future pensions payable.

Other long-term employee benefits consist of a long-service benefit scheme operated by the Group. The long-service benefit scheme is presented as other non-current liabilities in the statement of financial position.

Share-based payments: Share incentive plans are measured at fair value at the grant date, and are recognised as expenses within the vesting period. The fair value of the share is the share price on the date at which the target group has agreed to the conditions of the plan reduced by the estimated dividends. The fair value of the cash part is measured at each balance sheet date until the end of the vesting period based on the share price at the end of the reporting period. Both the equity-settled component and the unpaid cash-settled part are credited to retained earnings.

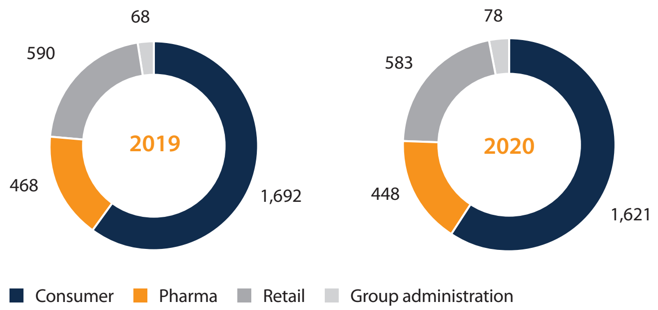
Government grants received to compensate costs are recognised in the statement of comprehensive income as reduction of expenses in the reporting period, for which the compensation is received.

Employee benefit expenses

EUR million	2020	2019
Wages, salaries and bonuses	126.7	127.5
Share-based payments	0.3	0.4
Pension costs		
Defined contribution plans	11.4	12.3
Defined benefit plans	0.7	0.7
Other personnel expenses	33.1	32.5
Total	**172.3**	**173.4**

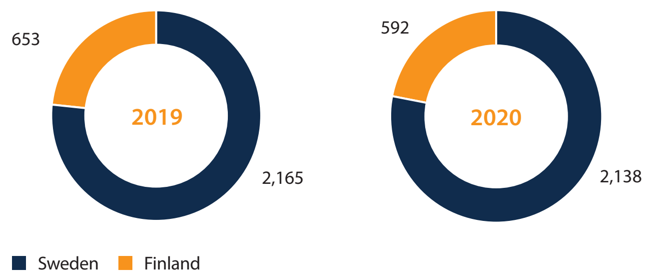
In 2020, Oriola has received in Sweden government compensations for socials costs, sick leaves and short-term lay-offs totalling EUR 1.5 million to cover the negative impacts of the COVID-19 pandemic. The compensations are reported as a reduction of personnel expenses in the consolidated statement of comprehensive income.

Employees by business area[1]



[1] At year-end, full time equivalents

Employees by country[1]



[1] At year-end, full time equivalents

Post-employment benefits

The Oriola Group has defined benefit pension plans in Finland and Sweden.

In Finland, the defined benefits plans consist of a voluntary insurance plan, which is a final average pay pension plan concerning additional pensions. The benefits are insured with OP Life Assurance.

In Sweden, some of the office employees are covered by the defined benefit plan ITP 2 and others by the defined contribution plan ITP 1. The employees have a defined contribution plan according to local legislation. In ITP 2, the company can recognise the old age pension liabilities in its statement of financial position or, alternatively, pay the pension expenses to the pension insurance company Alecta. Oriola Sweden AB has recognised its ITP 2 old age pension liabilities in full in its statement of financial position. Oriola Sweden AB's old age pension benefits other than ITP 2 are insured with Alecta. All Kronans Droghandel Apotek AB's pension benefits are based on defined contribution and insured with Alecta.

Employer contributions to post-employment benefit plans are expected to be EUR 0.4 million during 2021 financial year. The weighted average duration of the defined benefit obligation is 22.1 years.

All plan assets of the Group relate to the Finnish voluntary insurance plan and are held by the insurance company. They are part of the insurance company's investment assets and are considered to be unquoted.

Net defined benefit liability in the statement of financial position is defined as follows:

EUR million	2020	2019
Present value of funded obligations	21.3	19.5
Fair value of plan assets	-2.3	-2.4
Deficit/surplus	18.9	17.1
Net liability(+) / assets (-) in the statement of financial position	18.9	17.1

Change in defined benefit obligation and plan assets:

EUR million	Present value of funded obligation	Fair value of plan assets	Total
1 Jan 2019	**16.2**	**-2.3**	**13.9**
Current service cost	0.7	-	**0.7**
Interest cost or income	0.3	-0.0	**0.3**
	17.3	-2.3	**14.9**
Remeasurements			
Actuarial gains (-) and losses (+) arising from changes in financial assumptions	3.2	-0.3	**3.0**
Experience profits (-) or losses (+)	-0.2	-	**-0.2**
	20.3	-2.6	**17.7**
Differences in foreign exchange rates	-0.2	-	**-0.2**
Contributions			
Plan participants	-	-0.0	**-0.0**
Expenses arising from the plans			
Benefits paid	-0.5	0.2	**-0.3**
31 Dec 2019	**19.5**	**-2.4**	**17.1**
Current service cost	0.8	-	**0.8**
Interest cost or income	0.2	-0.0	**0.2**
	20.6	-2.4	**18.1**
Remeasurements			
Actuarial gains (-) and losses (+) arising from changes in financial assumptions	1.3	-0.1	**1.2**
Experience profits (-) or losses (+)	-0.8	-	**-0.8**
	21.0	-2.5	**18.5**
Differences in foreign exchange rates	0.7	-	**0.7**
Contributions			
Plan participants	-	-0.0	**-0.0**
Expenses arising from the plans			
Benefits paid	-0.5	0.2	**-0.3**
31 Dec 2020	**21.3**	**-2.3**	**18.9**

Significant actuarial assumptions 31 Dec:	2020	2019
Discount rate (%)	0.20-0.95	0.40-1.45
Salary increases (%)	1.20-3.25	1.40-3.45

Mortality assumptions are made on the basis of actuarial guidelines and they are founded on statistics published in each region and on experience.

Sensitivity of the defined benefit obligation to changes in the most significant assumptions:

Assumption	Change in assumption as percentage point	Effect of change in assumption %
Decrease in discount rate	-0.5	increase by 12.2
Increase in discount rate	+0.5	reduce by 10.5
Increase in salaries	+0.5	increase by 4.4
Increase in benefits	+0.5	increase by 11.8

The table presents a sensitivity analysis for the most significant actuarial assumptions, showing the effect of any change in actuarial assumptions on the defined benefit pension obligation.

The effects of the above sensitivity analysis have been calculated so that when the effect of the change in the assumption is calculated all other assumptions are expected to remain unchanged. This is unlikely to happen and in some assumptions changes may correlate with each other. The sensitivity of the defined benefit obligation has been calculated using the same method as in the calculation of the pension obligation to be entered in the statement of financial position (the current value of the defined benefit obligation at the end of the reporting period using the projected unit credit method).

The most significant risks arising from defined benefit pension plans:

Life expectancy: Most of the plan obligations are connected with generating life-long benefits for employees and for this reason a higher life expectancy will mean more obligations under the plan.

Inflation risk: Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities.

Changes in bond yields: A decrease in bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' assets.

Use of estimates: *The discounted value of the pension obligation is based on several actuarial assumptions. Changes in the assumptions have an impact on the carrying amount of the pension obligation. Discount rate used is one of the assumptions used. The interest rate used is determined at the date of measurement by reference to the maturity of corporate bonds issued by financially sound companies that is similar to that of the pension obligation. Other key assumptions impacting pension liabilities are based on the circumstances valid at the time.*

Share-based payments

Executive incentive plan 2019 - 2023

On 14 December 2018 The Board of Directors of Oriola Corporation resolved to establish a new share-based long-term incentive plan 2019–2023 directed to the Group's key personnel. The long-term incentive plan arrangement has three three-year performance periods 2019–2021, 2020–2022 and 2021–2023. The Board of Directors of the Company will resolve on the plan's performance criteria and on the required performance level for each criterion at the beginning of a performance period. Approximately 30 key persons, including the members of the Group Management Team, belong to the target group of the plan. The prerequisite for participation in the plan and for receipt of reward on the basis of the plan is that the key person has enrolled in the key personnel share savings plan and makes the monthly saving from his or her fixed gross monthly salary, in accordance with the rules of the key personnel share savings plan in force during the first year of the three-year performance period. A member of the Group Management Team must hold 50% of the net shares given on the basis of the long-term incentive plans, until his or her shareholding in the Company in total equals the value of his or her gross annual salary. Such number of shares must be held as long as the key person holds a position as a Group Management Team member.

The potential reward from the performance period 2019–2021 will be based on the Group's earnings per share (EPS) and Group's total shareholder return (TSR). The rewards to be paid on the basis of the performance period 2019-2021 correspond to the value of an approximate maximum total of 1,700,000 Oriola Corporation Class B shares including also the proportion to be paid in cash. The potential reward will be paid partly in Oriola Corporation Class B shares and partly in cash in spring 2022 after the end of the performance period. The potential reward from the performance period 2020–2022 will be based on the Group's earnings per share (EPS) and Group's total shareholder return (TSR). The rewards to be paid on the basis of the performance period 2020-2022 correspond to the value of an approximate maximum total of 1,820,000 Oriola Corporation Class B shares including also the proportion to be paid in cash. The potential reward will be paid partly in Oriola Corporation Class B shares and partly in cash in spring 2023 after the end of the performance period. The potential reward from the performance period 2021–2023 will also be based on the Group's earnings per share (EPS) and Group's total shareholder return (TSR). The rewards to be paid on the basis of the performance period 2021-2023 correspond to the value of an approximate maximum total of 2,700,000 Oriola Corporation Class B shares including also the proportion to be paid in cash. The potential reward will be paid partly in Oriola Corporation Class B shares and partly in cash in spring 2024 after the end of the performance period. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to a key person.

Expenses recognised for the incentive plan were EUR 0.2 (0.0) million in 2020.

One-off incentive plan 2019 - 2020

On 14 December 2018 The Board of Directors of Oriola Corporation resolved to establish a two-year one-off incentive plan 2019-2020 directed to the Group's key personnel to enable the prolonging of the long-term incentive plan performance period to three years and with that change better answer to the requirements of the investors and corporate governance and to be more aligned with the market practice. The one-off long-term incentive plan had a two-year performance period 2019–2020. The Board of Directors of the Company resolved on the plan's performance criteria and on the required performance level for each criterion at the beginning of a performance period. Approximately 30 key persons, including the members of the Group Management Team, belonged to the target group of the plan. The prerequisite for participation in the plan and for receipt of reward on the basis of the plan was that a key person has enrolled in the key personnel share savings plan and makes the monthly saving from his or her fixed gross monthly salary, in accordance with the rules of the key personnel share savings plan in force.

The potential reward from the performance period 2019-2020 was based on the Group's earnings per share (EPS) and separately defined two-year strategic projects. The performance criteria for the plan was not met, and thus there will be no payment based on the plan.

Expenses recognised for the incentive plan were EUR -0.1 (0.1) million in 2020.

Share savings plan

Oriola Corporation has had since 2013 a key personnel share savings plan in force. The Board of Directors of Oriola Corporation always decides on the launch of a new savings period in the plan separately. According to the rules of the share savings plan in force, the maximum monthly saving is 8.3% and the minimum is 2% of each participant's fixed monthly gross salary. The accumulated savings will be used for purchasing Oriola Corporation class B shares for the participants at the market price quarterly. In return, each participant will receive two free class B matching shares for every three acquired savings shares if the participant holds the acquired shares from the savings period until the end of the designated holding period and if his or her employment with a company has not been terminated on bad leaver terms. The matching shares are paid partly in Oriola's class B shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to a key person.

Approximately 40 key employees participated in the share savings plan for the savings period 1 January – 31 December 2017. The matching shares transferred to eligible participants in May 2019 corresponded to the value of 40,398 Oriola Class B shares, including the proportion paid in cash.

Approximately 50 key employees participated in the Oriola Corporation key personnel share savings plan for the savings period 1 January – 31 December 2018. The matching shares transferred to eligible participants in February 2020 corresponded to the value of 78,295 Oriola Class B shares, including the proportion paid in cash.

Approximately 55 key employees participated in the share savings plan for the savings period 1 January – 31 December 2019. The holding period ended on the publication date of the Oriola's Financial Statements Release 1 January – 31 December 2020. The matching shares will be transferred to eligible participants in 2021.

Approximately 59 key employees participated in the share savings plan for the savings period 1 January – 31 December 2020. The holding period will end on the publication date of the Oriola's Financial Statements Release 1 January – 31 December 2021. The matching shares will be transferred to eligible participants in 2022.

Approximately 60 key employees will participate in the share savings plan for the savings period 1 January – 31 December 2021. The holding period will end on the publication date of the Oriola's Financial Statements Release 1 January – 31 December 2022. The matching shares will be transferred to eligible participants in 2023.

The expenses recognised for the share savings plans were EUR 0.2 (0.2) million in 2020.

Key management benefits

Employee benefits to President and CEO

EUR thousand	2020	2019
Robert Andersson		
Basic salary	649.7	646.5
Bonuses	127.3	44.4
Pension expenses (statutory)	117.2	125.1
Total	**894.1**	**815.9**

Employee benefits to other members of the Group Management Team

EUR thousand	2020	2019
Basic salary	1,556.7	1,543.2
Bonuses	223.0	98.2
Termination expenses [1]	86.2	-
Pension expenses (statutory)	281.0	301.9
Pension expenses (voluntary)	57.3	57.6
Total	**2,204.3**	**2,000.9**

[1] Termination expenses include the severance pay equal to 6 months' salary.

The total benefits of the President and CEO of the Group and the Group Management Team include a supplementary health insurance. The President and CEO of the Group and the Group Management Team participate in statutory pension schemes. Three Group Management Team members participate in a voluntary defined contribution plan.

Salaries and benefits of the members of the Board of Directors

EUR thousand	2020	2019
Panu Routila, Chairman[1]	85.0	-
Eva Nilsson Bågenholm, Vice Chairman	60.0	48.0
Juko-Juho Hakala	47.0	38.5
Anja Korhonen	52.0	48.0
Mariette Kristenson	44.5	37.0
Harri Pärssinen[2]	43.0	37.5
Lena Ridström	43.0	39.0
Anssi Vanjoki, Chairman[3]	2.0	72.0
Staffan Simberg[4]	-	1.5
Total	**376.5**	**321.5**

[1] from 17 March 2020
[2] from 19 March 2019
[3] until 17 March 2020
[4] until 19 March 2019

Of the Board of Directors' annual fee, 60% is paid in cash and 40% in the Company's class B shares. For the apportionment paid in shares, an expense of EUR 0.1 (0.1) million was recognised in 2020.

5. Working capital

5.1 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are initially recognised when they are originated and subsequently carried at their anticipated realisable value, which is the original invoice amount less than estimated valuation allowance for the impairment of these receivables. A valuation allowance for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The Group applies the simplified approach to providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. Trade receivables are measured at amortised cost. The part of the trade receivables, which is held for sale, is classified to measurement category fair value through profit and loss.

EUR million	2020	2019
Trade receivables	188.6	187.4
Income tax receivables	3.4	6.1
Prepaid expenses and accrued income	2.0	2.2
VAT receivables	12.7	16.2
Rental prepayments	0.1	0.4
Prepayments	1.8	1.9
Other receivables	1.4	1.6
Total	**210.0**	**215.7**

As a part of managing liquidity risk Oriola has open-ended frame agreements in Sweden that allows the company to sell trade receivables relating to Swedish retail and wholesale businesses to the financial institutions on non-recourse basis. Sold non-recourse trade receivables were EUR 179.6 (166.5) million on the balance sheet date. No significant changes are anticipated in the scope of the agreements to sell trade receivables in 2021.

The credit risk in Finland is reduced by interest-bearing advance payments from pharmacies. These interest-bearing advance payments are presented as current interest-bearing liabilities in the statement of financial position. On the balance sheet date, the amount of prepayments was EUR 17.0 (13.2) million. Additional information on the interest-bearing advance payments can be found in note 8.2. Financial assets and liabilities.

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in note 8.3. Financial risk management.

Ageing and impairment of trade receivables at the closing date

	2020		2019	
EUR million	Gross	Impairment	Gross	Impairment
Not past due	181.6	-0.0	162.8	-0.0
Past due 1 - 30 days	6.8	-0.0	19.1	-0.0
Past due 31 - 180 days	0.4	-0.0	5.2	-0.2
Past due more than 180 days	-0.1	0.0	0.7	-0.3
Total	**188.7**	**-0.1**	**187.9**	**-0.5**

The book value of trade and other receivables corresponds to the maximum amount of credit risk relating to them at the balance sheet date.

5.2. Inventories

Inventories are presented in the consolidated statement of financial position at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated necessary direct costs of sale. The cost of inventories is determined on the basis of FIFO principle. If the net realisable value is lower than cost, a valuation allowance is recognised for inventory obsolescence.

EUR million	2020	2019
Raw materials and consumables	0.1	0.1
Work in progress	0.7	0.5
Finished goods	249.4	233.6
Total	**250.1**	**234.2**

The inventories as at 31 December 2020 included pharmaceuticals and health related products. In 2020, a write-off from inventories totalling EUR 0.1 million was recognised related to an onerous contract in Retail business area. The write-off is included in adjusting items of the reporting period.

Use of estimates: *The Group assesses the value of inventories regularly for any indication of obsolescence. A corresponding write-off from inventories is recognised when needed. This assessment requires the management to use judgement when estimating the sales prices of products and inventory turnover. Changes in these estimates may cause impairment of inventories in future reporting periods.*

5.3. Trade payables and other liabilities

EUR million	2020	2019
Trade payables	620.3	606.7
Income tax payables	-	1.0
Accrued liabilities	36.7	31.9
Derivatives designated as hedges	-	0.2
Derivatives measured at fair value through profit and loss	0.1	-
VAT liabilities	5.6	6.0
Other current liabilities	3.6	2.3
Total	**666.3**	**648.1**

Material items included in accrued liabilities

EUR million	2020	2019
Accrued wages, salaries and social security payments	24.3	23.0
Other accrued liabilities	12.4	8.9
Total	**36.7**	**31.9**

Other non-current liabilities

EUR million	2020	2019
Derivatives	0.4	0.2
Other non-current liabilities[1]	0.5	0.5
Total	**0.9**	**0.7**

[1] Other non-current liabilities include long-service benefit liability.

5.4. Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or contractual obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A restructuring provision is recognised when the Group has a detailed, formal restructuring plan, has started the implementation of the plan or has informed those affected by the plan. No provision related to costs for continuing operations is recognised.

EUR million 2020	Restructuring provisions	Other provisions	Total
Carrying amount 1 Jan 2020	2.8	-	**2.8**
Increases	0.5	0.5	**1.0**
Used	-1.8	-0.0	**-1.9**
Reversed	-1.2	-	**-1.2**
Foreign exchange rate differences	0.1	-	**0.1**
Carrying amount 31 Dec 2020	**0.3**	**0.5**	**0.8**
2019			
Carrying amount 1 Jan 2019	0.1	3.1	**3.3**
Increases	4.5	-	**4.5**
Used	-1.5	-0.7	**-2.2**
Reversed	-0.5	-2.4	**-2.9**
Foreign exchange rate differences	0.1	-	**0.1**
Carrying amount 31 Dec 2019	**2.8**	**-**	**2.8**

At the end of 2020 the Group's provisions in the consolidated statement of financial position totalled EUR 0.8 (2.8) million.

Restructuring provisions in 2020 are related to co-operation negotiations in 2019 aiming to improve operational efficiency and continue re-organising operations in Finland and in Sweden as well as to changes in the Group Management Team. Restructuring provisions in 2019 are related to co-operation negotiations aiming to improve operational efficiency and continue re-organising operations in Finland and in Sweden.

Other provisions in 2020 are related to an onerous contract in Retail business area. Other provisions in 2019 consisted of liabilities relating to Hehku.

Use of estimates: *Provisions for present obligations require management to assess the best estimate of the expenditure needed to settle the present obligation at the end of the reporting period. The actual amount and timing of the expenditure might differ from the estimates made.*

6. Tangible and intangible assets and other non-current assets

6.1. Property, plant and equipment

Tangible assets are initially recognised at historical cost and they are subsequently measured at historical cost less depreciation and impairment losses. The assets are depreciated over their estimated useful life using the straight-line method. The useful life of assets is reviewed at least annually, and it is adjusted if necessary. The estimated useful lives are as follows:

- Buildings 20–50 years
- Machinery and equipment 5–10 years
- Other tangible assets 3–10 years

Land areas are not subject to depreciation. Repair and maintenance costs are recognised as expenses for the period. Improvement investments are capitalised providing they are expected to generate future economic benefits. Gains and losses resulting from the disposal of tangible assets are recognised as other operating income or expense in the statement of comprehensive income.

Property, plant and equipment

EUR million 2020	Land and water	Buildings and constructions	Machinery and equipment	Right-of-use assets[1]	Other tangible assets[2]	Advance payments and construction in progress[3]	Total
Historical cost 1 Jan 2020	1.9	58.0	95.2	222.0	36.3	2.3	**415.7**
Increases	-	0.0	2.2	14.9	3.8	9.7	**30.6**
Decreases	-	-	-1.9	-0.2	-	-0.0	**-2.1**
Reclassifications	-	0.4	2.6	-	0.5	-3.5	**-0.1**
Foreign exchange rate differences	0.0	0.8	3.2	8.8	1.5	0.1	**14.3**
Historical cost 31 Dec 2020	**1.9**	**59.2**	**101.3**	**245.5**	**42.1**	**8.5**	**458.4**
Accumulated depreciation 1 Jan 2020	-	-37.4	-60.2	-139.3	-20.4	-	**-257.4**
Accumulated depreciation related to decreases and reclassifications	-	-	1.6	0.2	0.1	-	**1.9**
Depreciation for the financial year	-	-1.8	-6.7	-18.8	-3.7	-	**-31.0**
Impairments	-	-	-	-	0.1	-	**0.1**
Foreign exchange rate differences	-	-0.3	-2.2	-6.2	-1.0	-	**-9.8**
Accumulated depreciation 31 Dec 2020	**-**	**-39.6**	**-67.6**	**-164.2**	**-24.9**	**-**	**-296.3**
Carrying amount 1 Jan 2020	1.9	20.6	35.0	82.7	15.9	2.3	**158.3**
Carrying amount 31 Dec 2020	**1.9**	**19.6**	**33.7**	**81.2**	**17.2**	**8.5**	**162.2**
2019							
Historical cost 1 Jan 2019	1.9	49.7	85.4	-	33.7	21.0	**191.8**
Adjustment of adoption of IFRS 16 1 Jan 2019	-	-	-8.5	222.9	-	-	**214.4**
Increases	-	0.0	4.0	6.4	2.5	6.8	**19.8**
Decreases	-	-	-0.5	-3.3	-0.1	-0.0	**-3.9**
Reclassifications	-	8.5	15.9	-	0.7	-25.2	**-0.2**
Foreign exchange rate differences	-0.0	-0.2	-1.1	-3.9	-0.6	-0.4	**-6.2**
Historical cost 31 Dec 2019	**1.9**	**58.0**	**95.2**	**222.0**	**36.3**	**2.3**	**415.7**
Accumulated depreciation 1 Jan 2019	-	-35.5	-62.9	-	-16.2	-	**-114.6**
Adjustment of adoption of IFRS 16 1 Jan 2019	-	-	7.5	-125.5	-	-	**-118.0**
Accumulated depreciation related to decreases and reclassifications	-	-	0.5	2.9	0.1	-	**3.4**
Depreciation for the financial year	-	-2.0	-6.1	-18.7	-3.5	-	**-30.3**
Impairments	-	-	-	-	-1.0	-	**-1.0**
Foreign exchange rate differences	-	0.1	0.7	2.0	0.2	-	**3.1**
Accumulated depreciation 31 Dec 2019	**-**	**-37.4**	**-60.2**	**-139.3**	**-20.4**	**-**	**-257.4**
Carrying amount 1 Jan 2019	1.9	14.2	21.6	97.3	17.5	21.0	**173.6**
Carrying amount 31 Dec 2019	**1.9**	**20.6**	**35.0**	**82.7**	**15.9**	**2.3**	**158.3**

[1] For more details about the right-of-use assets please refer to section 7. Leases.
[2] The most significant share of other tangible assets is made up by refurbishment expenditures for rented premises.
[3] The most significant part of advance payments and construction in progress is related to renewal of warehouse premises.

6.2. Goodwill and other intangible assets

Goodwill: Goodwill arising from business combinations is recognised as the amount by which the aggregate of the fair value of the consideration transferred, the acquisition date fair value of any previously held interest and any non-controlling interest exceeds the fair value of the net assets acquired.

Goodwill is not amortised but is tested for impairment at least annually according to the business structure in force at the time of impairment testing. For impairment testing, goodwill is allocated to cash-generating units. Goodwill is measured at cost less accumulated impairment losses. Impairment losses are recognised in the statement of comprehensive income.

Other intangible assets: Other intangible assets are initially recognised at historical cost and they are subsequently measured at historical cost less depreciation and impairment losses. Other intangible assets include sales licences, trademarks, patents, software licences and product and marketing rights. Assets with finite useful life are depreciated over their useful life, using the straight-line method. Research and development costs are normally expensed as other operating expenses for the reporting period in which they are incurred. Expenditures on development is capitalised only when it relates to new products or services that are technically and commercially feasible. The majority of the Group's development expenditure does not meet the criteria for capitalisation and are recognised as expenses as incurred. The estimated useful lives of other intangible assets are as follows:

- Intangible rights
  - Patents and trademarks 10 years
  - Software 5–10 years
- Other intangible assets 3–10 years

Goodwill and other intangible assets

EUR million 2020	Goodwill	Intangible rights	Other intangible assets[1]	Advance payments and construction in progress[2]	Total
Historical cost 1 Jan 2020	270.5	103.8	29.9	9.8	**414.0**
Increases	-	1.4	0.3	10.6	**12.3**
Decreases	-	-0.4	-	-	**-0.4**
Reclassifications	-	0.9	2.2	-3.1	**0.1**
Foreign exchange rate differences	8.2	3.9	-	0.1	**12.2**
Historical cost 31 Dec 2020	**278.7**	**109.6**	**32.5**	**17.4**	**438.2**
Accumulated amortisation 1 Jan 2020	-	-67.0	-9.5	-	**-76.6**
Accumulated amortisation related to decreases and reclassifications	-	0.4	-	-	**0.4**
Amortisation for the financial year	-	-7.3	-2.9	-	**-10.1**
Impairments	-	-0.6	-	-	**-0.6**
Foreign exchange rate differences	-	-2.8	-	-	**-2.8**
Accumulated amortisation 31 Dec 2020	**-**	**-77.2**	**-12.4**	**-**	**-89.7**
Carrying amount 1 Jan 2020	270.5	36.7	20.4	9.8	**337.5**
Carrying amount 31 Dec 2020	**278.7**	**32.3**	**20.1**	**17.4**	**348.5**
2019					
Historical cost 1 Jan 2019	274.3	101.4	27.8	9.3	**412.7**
Increases	-	1.9	0.6	4.2	**6.7**
Decreases	-	-0.1	-	-	**-0.1**
Reclassifications	-	2.3	1.5	-3.6	**0.2**
Foreign exchange rate differences	-3.7	-1.7	-	-0.0	**-5.5**
Historical cost 31 Dec 2019	**270.5**	**103.8**	**29.9**	**9.8**	**414.0**
Accumulated amortisation 1 Jan 2019	-	-57.0	-6.4	-	**-63.4**
Accumulated amortisation related to decreases and reclassifications	-	0.5	-0.5	-	**0.0**
Amortisation for the financial year	-	-8.8	-2.7	-	**-11.5**
Impairments	-	-2.5	-	-	**-2.5**
Foreign exchange rate differences	-	0.8	-	-	**0.8**
Accumulated amortisation 31 Dec 2019	**-**	**-67.0**	**-9.5**	**-**	**-76.6**
Carrying amount 1 Jan 2019	274.3	44.3	21.5	9.3	**349.4**
Carrying amount 31 Dec 2019	270.5	36.7	20.4	9.8	**337.5**

[1] Other intangible assets include significant expenses for installation and specialist work related to the implementation of computer software.
[2] Advance payments and construction in progress include mainly costs related to software.

Impairments

Impairment of tangible and intangible assets: The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. The recoverable amount is the higher of the net sales price or value in use, which is the present value of the expected future cash flows expected to be derived from the asset.

The impairment loss is recognised in the statement of comprehensive income if the carrying amount of the asset exceeds the recoverable amount. An impairment loss is reversed if there is a change in the circumstances and the recoverable amount exceeds the carrying amount. The reversal of impairment loss cannot exceed the asset's carrying amount without any impairment loss.

Allocation and impairment testing of goodwill: The goodwill impairment test is conducted at least annually or more frequently if there is any indication that goodwill may be impaired. Impairment testing is conducted according to the business structure in force at the time of impairment testing. Impairment is recognised in the statement of comprehensive income under Depreciation, amortisation and impairments. Goodwill impairment losses are not reversed.

The recoverable amount of the cash-generating units in impairment testing was based on value-in-use calculations. Value-in-use has been determined based on discounted cash flows (DCF-model). The cash flow forecasts are based on three-year strategic plans approved by the management, which are consistent with the current business structure. The most important assumptions in the strategic plans are estimates of overall long-term growth in the market and the market position as well as the profitability of the Group businesses. The foreign exchange rates used in converting the calculations into euros are those prevailing at the time of testing.

The main parameters used in the impairment testing are net sales growth percentage, EBIT percentage, terminal growth percentage and discount rate.

The three-year net sales forecasts are based on the management's assessment of the net sales growth, market development forecasts available from external information sources and sales growth based on the Group's actions.

The terminal growth rate used in the calculations is based on the management's assessments of the long-term growth in cash flows. In estimating the terminal growth rate, both country-specific and business sector growth forecasts available from external information sources as well as the characteristic features of each operating segment and cash generating unit are considered. Terminal growth rate for both the Finnish and Swedish cash generating units was 2.0% from the year 2023. The discount rate used in the calculation is based on the Group's weighted average cost of capital, taking into account the industry and country specific risks in each of the Group's operating segment. The most important component in defining the discount rate is the long-term risk-free interest rate in the operating country. The risk-free interest rate used for the Finnish cash generating units is 0.2% (0.2%). The risk-free interest rate of the Swedish cash generating units is 0.4% (0.2%). When defining the discount rates, Oriola has acquired the necessary information from an external information source.

Result of goodwill impairment testing

The impairment testing result shows that the "value in use" in the tested cash generating units exceeds the book value of the tested assets, and thus no impairment of goodwill was recognised in 2020.

Projection parameters applied

2020	Consumer	Pharma	Retail
Post-tax discount rate %	6.1	6.1	6.1
Pre-tax discount rate %	7.0	7.2	7.3
EBIT %[1]	2.4	3.8	4.5
Terminal growth	2.0	2.0	2.0
Net sales growth[2]	1.9	4.9	0.7

2019	Consumer	Pharma	Retail
Post-tax discount rate %	6.7	6.9	6.8
Pre-tax discount rate %	7.9	8.2	8.3
EBIT %[1]	2.3	3.1	4.7
Terminal growth %	2.0	2.0	2.0
Net sales growth %[2]	4.2	3.3	7.5

[1] Average EBIT percentage over a three-year period
[2] CAGR (compound annual growth rate) over a three-year-period

Goodwill, carrying amount of assets and value in use

2020	Consumer	Pharma	Retail
Goodwill	214.6	33.0	31.1
Carrying amount of assets	320.6	34.0	45.2
Value in use	434.2	476.7	98.0

2019	Consumer	Pharma	Retail
Goodwill	206.5	33.0	31.0
Carrying amount of assets	329.7	34.1	43.3
Value in use	401.0	380.5	81.0

A percentage point change in projection parameters that causes the recoverable amount equal to book value[1]

2020	Consumer	Pharma	Retail
Discount rate change %	1.7	n/a	6.0
EBIT percentage change %	-0.7	-3.9	-2.1
Terminal growth change %	-2.0	n/a	-7.6
Net sales growth change %	-2.9	-33.7	-7.5

2019	Consumer	Pharma	Retail
Discount rate change %	1.1	n/a	7.5
EBIT percentage change %	-0.5	-3.5	-1.6
Terminal growth change %	-1.3	n/a	-16.3
Net sales growth change %	-2.0	-38.4	-4.8

[1] A greater percentage point change in the parameter would result in a partial impairment of goodwill, providing other key assumptions remain unchanged

Use of estimates: *The Group's assets with an indefinite useful life are subject to annual impairment testing and any indication of impairment of assets is assessed using information from external sources on market development as well as information from internal sources on business performance and estimates. When analysing these sources and information and making conclusions, estimates are used. The recoverable values used in impairment testing are discounted future cash flows that can be obtained through usage and possible sale of the assets. If the carrying amount of the asset exceeds either its recoverable amount or fair value, the difference is recognised as an impairment charge. The preparation of such calculations requires the use of estimates. During 2020, the management has followed closely the impacts of the COVID-19 pandemic on the Group's business performance and estimates. At the moment the pandemic is not expected to have significant long-term impacts on Oriola's business performance.*

6.3. Other non-current assets

EUR million 2020	Joint ventures	Other shares and shareholdings	Other non-current assets	Total
Carrying amount 1 Jan 2020	-	9.4	0.3	**9.7**
Increases	-	4.8	-	**4.8**
Decreases	-	-0.0	-0.2	**-0.2**
Changes in fair value	-	8.0	-	**8.0**
Foreign exchange rate differences	-	0.0	0.0	**0.0**
Carrying amount 31 Dec 2020	**-**	**22.2**	**0.1**	**22.3**
2019				
Carrying amount 1 Jan 2019	-	9.4	0.3	**9.7**
Increases	0.7	0.0	-	**0.7**
Impairment	-0.7	-	-	**-0.7**
Foreign exchange rate differences	-	-0.0	-0.0	**-0.0**
Carrying amount 31 Dec 2019	**-**	**9.4**	**0.3**	**9.7**

Joint ventures

The business of Hehku Kauppa Oy, a joint venture established by Oriola Corporation and Kesko Corporation in 2017, was closed down in 2018, and in 2019 Oriola sold its share in Hehku to Kesko Corporation. The impact related to Hehku is reported as adjusting items to EBIT. The accounting principles for joint ventures are presented in section 10. Group Structure.

Other shares and shareholdings

In 2018 Oriola Corporation invested EUR 9.4 million in the Swedish online medical centre Doktor.se. In the second quarter of 2020, Oriola made an additional investment totalling EUR 4.8 million in Doktor.se. Oriola's ownership at the end of the reporting period was approximately 14% of the total number of shares in Doktor.se. Doktor.se offers personal digital healthcare services to its customers. Doktor.se has a comprehensive organisation with specialist nurses, doctors and psychologists.

Oriola's share of the voting rights in Doktor.se is approximately 14%. Management has analysed possible indicators of significant influence. Based on the analysis the management is of the view that Oriola does not have such control over the company on its own, that it would result in significant influence, even though Oriola has a right to appoint two members to the Board of Directors of Doktor.se. As a result, the investment is accounted for as a financial asset. Oriola classifies the shares of Doktor.se as the investment in Doktor.se is seen as strategic investment, which supports Oriola's business operations. The shares are presented in the consolidated statement of financial position as part of other non-current assets. Possible changes in fair value of the investment are recognised in other comprehensive income and they shall not subsequently be transferred to profit and loss. Possible dividends are recognised as dividend income in the profit and loss.

In the second quarter of 2020, an increase of EUR 8.0 million was recognised to the value of the investment. The increase was based on realised transactions and the present value of discounted cash flows.

Use of estimates: *The management has to evaluate at each balance sheet date whether there have been any changes to the fair value of the shares measured at fair value through other comprehensive income. The applied valuation method for the shares in Doktor.se is based on realised transactions and the present value of discounted cash flows. The valuation model requires management judgement concerning the estimate of the cash flows and interest rates at the end date of each reporting period.*

7. Leases

Leases: The Group leases various assets, which are divided into following asset classes:

- Real estate
- IT equipment
- Vehicles
- Other machinery and equipment

The Group's real estate leases include leases of pharmacies, office premises and warehouse premises. Also leases for parking space as well as machinery and equipment of buildings is included the real estate class. The Group has a significant portfolio of lease contracts for pharmacy premises in Sweden. The usual duration of the leases is 3 years, and the contracts are regularly renewed for the next lease period. For most of the contracts the lease payments are adjusted every year based on the change of the consumer price index.

The Group leases of vehicles consist of company cars, which are used as part of employee benefits and forklifts, which are used in warehouses. The lease period for the company cars is usually 3 years and for forklifts 3-5 years.

The Group leases IT equipment such as servers, printers and laptops. The lease period for IT equipment is usually 3-5 years.

Leases of other machinery and equipment include waste presses in the warehouses and dose dispensing equipment, containers, furniture and other machinery and equipment such as franking machines and coffee machines.

At inception of a contract it is assessed whether a contract contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to assess whether a contract conveys the right to control the use of an identified asset, it is assessed whether:

- The contract involves the use of an identified asset
- Oriola has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use
- Oriola has the right to direct the use of the asset.

The right-of-use asset is initially measured at cost, which comprises:

- The initial amount of lease liability
- Any lease payments made at or before the commencement date
- Any initial direct costs incurred by Oriola
- An estimate of costs to be incurred by Oriola in dismantling and removing the underlying assets or restoring the site on which the assets are located

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments included in the measurement of the lease liability include the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or the rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee
- The exercise price of a purchase option that Oriola is reasonably certain to exercise
- Penalties for early termination of a lease if the termination is taken into account in determining lease period.

The lease payments included in the measurement of lease liability exclude variable elements which are dependent on external factors such as e.g. sales volume in pharmacies. Variable payments not included in the initial measurement of the lease liability are recognised as an expense over the lease term.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. At Oriola, the incremental borrowing rates are defined for the lease terms of 1, 3, 5 and 10 years. The components of the incremental borrowing rate are:

- Risk free rate which reflect the different jurisdictions and currencies: SEK and EUR swap rates for 1 to 3 years and Government bonds for Finland and Sweden for 5 to 10 years
- Oriola's internal credit rating for the parent company as a company specific margin. As all the Group's treasury functions are centralized to the parent company and all funding for the Group is managed centrally by the parent company resulting in the parent providing a guarantee of the lease payments to the lessor, the pricing of the lease is more significantly influenced by the credit standing of the parent than that of the subsidiary.
- The incremental borrowing rates are reviewed monthly

The lease term comprises of:

- Non-cancellable period of lease contract
- Periods covered by an option to extend the lease if Oriola is reasonably certain to exercise that option

- Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The exemption for short term leases is applied to real-estate leases and the exemption for low-value assets is applied to leases of IT equipment and other machinery and equipment. For short term leases of real-estate leases that have a lease term of 12 months or less and for low-value leases of IT equipment and other machinery equipment the right-of-use asset and lease liability is not recognised. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term. An asset is considered to be a low-value asset, if the value of the asset when it is new is less than EUR 5,000 or SEK 50,000.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and less any accumulated impairment losses and adjusted for any remeasurements of the lease liability. Depreciation is calculated using the straight-line method from the commencement date to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, if there is a change in Oriola's estimate of the amount expected to be payable under a residual value guarantee, or if Oriola changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in the profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use assets are presented in property, plant and equipment and the lease liabilities in interest-bearing liabilities in the statement of financial position. The lease liabilities with the maturity of more than 12 months are presented in the non-current interest-bearing liabilities and the lease liabilities with the maturity of 12 months or less are presented in the current interest-bearing liabilities.

The depreciations of right-of-use assets are presented in depreciation, amortisation and impairments in the statement of comprehensive income. The interest expense on the lease liability is presented within the financial expenses. The lease payments of low-value assets and short-term leases are included in other operating expenses in the statement of comprehensive income.

In the statement of cash flows the cash payments for the principal portion of the lease liability are presented within financing activities. The cash payments for the interest portion of the lease liability as well as short term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liabilities are presented within operating activities.

Use of estimates: *In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). In Sweden the leasing contracts for pharmacy premises are usually automatically renewed for the next lease period if not terminated by Oriola. For such contracts Oriola has to use management judgement in determining, whether it will renew the contracts or terminate them. For those pharmacies, which are in attractive locations, which are or are expected to be profitable and which support the Groups strategy, Oriola considers it is reasonably certain to exercise the renewal option.*

7.1. Leases in the statement of financial position

The Group has recognised following amounts in the statement of financial position relating to leases:

Right-of-use assets

EUR million	2020	2019
Real estate	79.6	80.9
IT equipment	0.3	0.7
Vehicles	1.3	1.1
Other machinery and equipment	0.0	0.0
Total	**81.2**	**82.7**

Lease liabilities

EUR million	2020	2019
Current	19.8	18.6
Non-current	61.9	65.7
Total	**81.7**	**84.3**

Additions to the right-of-use assets during year 2020 were EUR 14.9 (6.4) million.

7.2. Leases in the statement of comprehensive income

The Group has recognised following amounts in the statement of comprehensive income relating to leases:

EUR million	2020	2019
Depreciation charge of right-of-use assets		
Real estate	-17.8	-17.6
IT equipment	-0.4	-0.6
Vehicles	-0.7	-0.5
Other machinery and equipment	-0.0	-0.0
Total depreciation	-18.8	-18.7
Interest expense (included in financial expenses)	-1.7	-2.0
Expense relating to short-term leases (included in other operating expenses)	-0.1	-0.3
Expense relating to leases of low-value assets (included in other operating expenses)	-0.4	-0.3
Gains from changes in leases (included in other operating income)	0.1	0.2

The total cash outflow for leases in 2020 was EUR 21.7 (21.9) million.

8. Capital structure

8.1. Financial income and expenses

Interest income and expenses: Interest income and expenses are recognised on a time-proportion basis using the effective interest method.

The average interest rate on the interest-bearing liabilities excluding lease liabilities was 1.09% (0.97%) in 2020.

Financial income and expenses

EUR million	2020	2019
Financial income		
Interest income on financial assets measured at amortised cost	0.4	0.1
Interest income on financial assets and liabilities recognised at fair value	0.0	-
Foreign exchange rate gains from financial assets and liabilities recognised at fair value, net	0.1	-
Foreign exchange rate gains on financial assets and liabilities measured at amortised cost, net	-	0.0
Other financial income	0.0	0.0
Total	**0.5**	**0.1**
Financial expenses		
Interest expenses on financial assets and liabilities recognised at fair value	-	0.0
Interest expenses on interest rate swaps	0.2	0.3
Interest expenses on financial liabilities at amortised cost	2.5	1.3
Interest expenses on leases	1.7	2.0
Foreign exchange rate losses on financial assets and liabilities recognised at fair value, net	-	0.1
Foreign exchange rate losses on financial assets and liabilities measured at amortised cost, net	0.0	-
Other financial expenses	2.1	1.5
Total	**6.5**	**5.3**
Financial income and expenses, total	**-6.0**	**-5.2**

8.2. Financial assets and liabilities

Classification and measurement: Financial assets and liabilities are recognised at the fair value at the settlement date except derivatives, which are recognised at the trade date in the statement of financial position. The Group's financial assets and liabilities include cash and cash equivalents, loans and other financial receivables, trade receivables, trade payables, loans and derivatives.

Financial assets and liabilities are classified into the following measurement categories:

- Fair value through profit and loss
- Fair value through other comprehensive income
- Amortised cost

The classification of financial assets into different measurement categories depends on the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The classification of financial liabilities into different measurement categories depends on the purpose for which the financial liabilities were initially acquired. The measurement category for financial assets and liabilities is determined at the acquisition date. Financial assets are derecognised when the Group loses the rights to receive the contractual cash flows on the financial asset or it transfers substantially all the risks and rewards of ownership outside the Group. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets measured at fair value through profit and loss: Money market investments, trade receivables held for sale and derivatives which are not designated as hedges are measured at fair value through profit and loss. Assets within this category are short-term assets with a maturity of less than 12 months and are measured at fair value using the market price on the balance sheet date.

Both realised and unrealised gains and losses arising from the changes in fair value are recognised in the consolidated statement of comprehensive income for the financial period during which they incurred.

Financial assets measured at amortised cost: Cash and cash equivalents consist of cash in hand and cash at the bank accounts. Items classified as cash and cash equivalents have a maturity of less than 3 months from the acquisition date. The used credit limits are included in current interest-bearing liabilities.

Loans and other receivables are measured at amortised cost. Receivables are classified as current financial assets unless their maturity date is more than 12 months from the balance sheet date. Trade and other receivables are included in this category except for trade receivables held for sale, which are measured at fair value through profit and loss. Trade receivables are recognised at their original book value. A valuation allowance for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability of the debtor's bankruptcy, failure to pay and significant delay of payments are considered to be justified reasons for the impairment of trade receivables. The Group applies the simplified approach to providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. Impairments are recognised as an expense in the consolidated statement of comprehensive income. Sold non-recourse trade receivables' credit risk and contractual rights are transferred from the Group on the selling date and related expenses are recognised as financial expenses. Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in note 8.3. Financial risk management.

Financial assets measured at fair value through other comprehensive income: In 2018 and 2020, Oriola Corporation invested a total of EUR 14.2 million in the Swedish online medical centre Doktor.se. The investment is accounted for as a financial asset. Oriola classifies the shares of Doktor.se as fair value through other comprehensive income. The investment in Doktor.se is seen as strategic investment, which supports Oriola's business operations. The purchase price of the shares is recognised in the consolidated statement of financial position in other non-current assets. Possible changes in fair value of the investment are recognised in other comprehensive income and they shall not subsequently be transferred to profit and loss. The applied valuation method for the shares in Doktor.se is based on realised transactions and the present value of discounted cash flows. Possible dividends are recognised as dividend income in the profit and loss. More information on the investment in Doktor.se can be found in note 6.3. Other non-current assets.

Financial liabilities measured at amortised cost: Financial liabilities measured at amortised cost are recognised in the consolidated statement of financial position at the net value received on the date of acquisition. Transaction costs are included in the original carrying amount of financial liabilities. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses are recognised in the statement of comprehensive income using the effective interest method. Financial liabilities that expire within 12 months from the balance sheet date, including bank overdrafts in use, are recognised within current interest-bearing liabilities, and those expiring in a period exceeding 12 months, are recognised within non-current interest-bearing liabilities.

Financial liabilities measured at fair value through profit and loss: The Group's financial liabilities measured at fair value through profit and loss include derivatives which are not designated as hedges. More information on measurement of derivatives can be found from note 8.3. Financial risk management.

Financial assets and liabilities by category

		2020			2019		
EUR million	**Note**	**Fair value**	**Book value**	**Hierarchy**	**Fair value**	**Book value**	**Hierarchy**
Derivatives designated as hedges	8.3.	-	-	Level 2	0.0	0.0	Level 2
Financial assets recognised at fair value through profit and loss							
Derivatives measured at fair value through profit and loss	8.3.	0.1	0.1	Level 2	0.0	0.0	Level 2
Other investments measured at fair value through OCI	6.3.	22.2	22.2	Level 3	9.4	9.4	Level 3
Trade receivables for sale	5.1.	15.1	15.1	Level 2	15.6	15.6	Level 2
Loans and other receivables							
Cash equivalents		168.2	168.2	Level 2	70.8	70.8	Level 2
Trade receivables and other receivables	5.1.	176.9	176.9	Level 2	175.5	175.5	Level 2
Financial assets, total		**382.4**	**382.4**		**271.4**	**271.4**	
Derivatives designated as hedges	8.3.	0.4	0.4	Level 2	0.2	0.2	Level 2
Financial liabilities recognised at fair value through profit and loss							
Derivatives measured at fair value through profit and loss	8.3.	0.1	0.1	Level 2	0.1	0.1	Level 2
Financial liabilities measured at amortised cost							
Non-current interest-bearing liabilities		127.8	127.8	Level 2	123.6	123.6	Level 2
Current interest-bearing liabilities		167.4	167.4	Level 2	66.8	66.8	Level 2
Trade payables and other current liabilities	5.3.	660.6	660.6	Level 2	640.8	640.8	Level 2
Financial liabilities, total		**956.3**	**956.3**		**831.4**	**831.4**	

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Reconciliation of financial assets recognised at fair value according to the level 3

EUR million	2020	2019
Carrying amount 1 Jan	**9.4**	**9.4**
Acquisition of shares	4.8	-
Change in fair value	8.0	-
Carrying amount 31 Dec	**22.2**	**9.4**

Financial assets recognised at fair value through other comprehensive income (level 3) include Oriola's holding in the Swedish online medical centre Doktor.se. In the second quarter of 2020, an increase of EUR 8.0 million was recognised to the value of the shares. More information on the investment in Doktor.se and its valuation can be found in note 6.3. Other non-current assets.

Cash and cash equivalents

EUR million	2020	2019
Cash and cash equivalents	168.2	70.8
Total	**168.2**	**70.8**

Interest-bearing liabilities

Non-current

EUR million	2020	2019
Loans from financial institutions	65.9	57.8
Lease liabilities	61.9	65.7
Total	**127.8**	**123.6**

Current

EUR million	2020	2019
Loans from financial institutions	52.0	0.0
Issued commercial papers	78.6	35.0
Advances received from pharmacies	17.0	13.2
Lease liabilities	19.8	18.6
Total	**167.4**	**66.8**

Maturity of non-current interest-bearing liabilities

EUR million	2020	2019
1–5 years	116.7	111.5
More than five years	11.1	12.0
Total	**127.8**	**123.6**

Interest-bearing liabilities by currency

EUR million	2020	2019
EUR	186.3	80.5
SEK	108.9	109.9
Total	**295.3**	**190.3**

Net debt

EUR million	2020	2019
Loans from financial institutions	65.9	57.8
Lease liabilities	61.9	65.7
Non-current interest-bearing liabilities	**127.8**	**123.6**
Loans from financial institutions	52.0	0.0
Issued commercial papers	78.6	35.0
Advances received from pharmacies	17.0	13.2
Lease liabilities	19.8	18.6
Current interest-bearing liabilities	**167.4**	**66.8**
Interest-bearing liabilities, total	**295.3**	**190.3**
Cash and cash equivalents	**168.2**	**70.8**
Net debt	**127.1**	**119.6**

Change in net debt

EUR million

2020	Loans from financial institutions	Commercial papers	Advances from pharmacies	Lease liabilities	Cash and cash equivalents	Total
Carrying value, at 1 January 2020	-57.8	-35.0	-13.2	-84.3	70.8	**-119.6**
Change in net debt, cash:						
Proceeds from non-current loans	-30.0	-	-	-	-	**-30.0**
Repayments of non-current loans	1.1	-	-	-	-	**1.1**
Proceeds from current loans	-40.0	-	-	-	-	**-40.0**
Repayments of current loans	10.0	-	-	-	-	**10.0**
Repayments of lease liabilities	-	-	-	19.6	-	**19.6**
Change in other current liabilities	-	-43.6	-274.8	-	-	**-318.4**
Change in cash and cash equivalents	-	-	-	-	97.3	**97.3**
Cash flows, total	**-58.9**	**-43.6**	**-274.8**	**19.6**	**97.3**	**-260.5**
Change in net debt, non-cash:						
Change in lease liabilities	-	-	-	-13.8	-	**-13.8**
Settled against trade receivables	-	-	271.0	-	-	**271.0**
Foreign exchange adjustments	-1.1	-	-	-3.1	0.1	**-4.2**
Non-cash movements, total	**-1.1**	**-**	**271.0**	**-17.0**	**0.1**	**253.0**
Carrying value, at 31 December 2020	**-117.9**	**-78.6**	**-17.0**	**-81.7**	**168.2**	**-127.1**

2019	Loans from financial institutions	Commercial papers	Advances from pharmacies	Finance lease liabilities	Cash and cash equivalents	Total
Carrying value, at 1 January 2019	-59.0	-57.0	-12.4	-1.0	65.8	**-63.6**
Change in net debt, cash:						
Proceeds from non-current loans	-27.5	-	-	-	-	**-27.5**
Repayments of non-current loans	28.2	-	-	-	-	**28.2**
Repayments of lease liabilities	-	-	-	19.3	-	**19.3**
Change in current liabilities	-	22.0	-335.7	-	-	**-313.7**
Change in cash and cash equivalents	-	-	-	-	5.0	**5.0**
Cash flows total	**0.7**	**22.0**	**-335.7**	**19.3**	**5.0**	**-288.8**
Change in net debt, non-cash:						
Change due to application of IFRS 16	-	-	-	-99.7	-	**-99.7**
Change in lease liabilities	-	-	-	-4.7	-	**-4.7**
Settled against trade receivables	-	-	334.9	-	-	**334.9**
Foreign exchange adjustments	0.5	-	-	1.8	-0.0	**2.3**
Non-cash movements, total	**0.5**	**-**	**334.9**	**-102.6**	**-0.0**	**232.8**
Carrying value, at 31 December 2019	**-57.8**	**-35.0**	**-13.2**	**-84.3**	**70.8**	**-119.6**

8.3. Financial risk management

The financial risks relating to the business operations of the Oriola Group are managed in accordance with the treasury policy approved by the Board of Directors. Oriola's centralised Group Treasury is responsible for implementing, monitoring and reporting of the treasury policy.

Oriola's Group Treasury's main objectives are to maintain solid long-term financial position and secure daily liquidity of the Group and to efficiently manage currency and interest rate risks.

The objective of financial risk management is to hedge against unfavourable changes in the financial markets and to minimise the impact of foreign exchange, interest rate, refinancing and liquidity risks on the Group's cash reserves, profits and shareholders' equity. Approved hedging instruments are set in the treasury policy.

Currency risk: The most important country-specific operating currencies for the Oriola Group are the euro (EUR) and the Swedish krona (SEK). A substantial proportion of procurements and sales are conducted in the reporting currency of the subsidiaries, which considerably reduces the currency risk. In accordance with its treasury policy, Oriola's internal loans and deposits are denominated in the local currency of each subsidiary.

Transaction risk: Transaction risks arise from commercial and finance-related transactions and payments made by the business units, which are denominated in a currency other than the unit's reporting currency. Due to the nature of business operations, Oriola's transaction risks are minor. In accordance with its treasury policy, Oriola's internal loans and deposits are denominated in the local currency of each subsidiary, mainly in Swedish krona. In addition, Oriola Corporation had an EUR 28.9 (27.8) million Swedish krona denominated external loan on the balance sheet date. In accordance of the treasury policy, transaction risk arising from the items in the statement of financial position recognised in the statement of comprehensive income is aimed to be fully hedged with derivatives. On the balance sheet date Swedish krona denominated open transaction position was EUR 0.0 (0.3) million.

Translation risk: Oriola's most significant translation risk concerns items in Swedish krona. Translation risks arise from capital investments and goodwill in foreign subsidiaries. On the balance sheet date Oriola had not hedged the equity-related translation risks. On the balance sheet date Swedish krona denominated translation risk position was EUR 256.1 (227.5) million. Translation risk sensitivity: A 10% weakening/strengthening of Swedish krona would have an impact of EUR -/+23.3 (-/+20.7) million in the Group's equity.

Liquidity risk: The objective of liquidity risk management is to maintain adequate liquid assets and revolving credit facilities so that Oriola is able to meet all of its financial obligations. The Group's liquidity management is based on 12-month cash flow forecasts and 4-week rolling cash flow forecasts drawn up on a weekly basis. Oriola has diversified its refinancing risk among several different counterparties and various financing sources.

Oriola has a revolving credit facility of EUR 100 million, which will mature during the second quarter of 2022, and short-term uncommitted credit account limits of EUR 35.0 (14.8) million. Facilities were unused on the balance sheet date. In addition, Oriola has a EUR 200 (200) million uncommitted commercial paper programme of which EUR 78.6 (35.0) million had been issued on the balance sheet date. During the second quarter of 2020, Oriola Corporation prepared for the instability in the financing markets caused by the COVID-19 pandemic by drawing term-loans totalling EUR 70 million. Maturity distribution of financial liabilities is presented on page 54. Oriola's cash and cash equivalents at the end of 2020 totalled EUR 168.2 (70.8) million.

Oriola's financial agreements include financial covenants that are maximum net debt to EBITDA -ratio of 3.0 and maximum net debt to equity ratio of 100%. Regarding the standard IFRS 16 Leases, the Group has agreed with financial institutions on applying the financial reporting standards in force at the end of 2018 to all of the current long-term agreements. At the end of the reporting period the financial covenants were fulfilled.

Oriola's net working capital was EUR -181.6 (-185.1) million on the balance sheet date. Oriola's net working capital was negative on the balance sheet date owing to the terms of payment defined in principal and customer agreements and to the non-recourse factoring programmes used in the retail and wholesale businesses in Sweden. The Group's principal and customer agreements are based on established, long-term agreements, and no significant changes are anticipated in them during 2021.

Oriola has open-ended frame agreements in Sweden that allow the company to sell trade receivables relating to Swedish retail and wholesale businesses to the financial institutions on a non-recourse basis. Sales of trade receivables were EUR 179.6 (166.5) million in total on the balance sheet date. No significant changes are anticipated in the scope of the agreements to sell trade receivables in 2021.

Interest rate risk: Interest rate risk arise from changes in interest payments of floating rate loans due to changes in market interest rates and market value changes of financial instruments (price risk). The objective of the interest rate risk management is to minimise the impact of interest rate fluctuations on the statement of comprehensive income. The interest rate risk is evaluated using sensitivity analysis and interest rate duration.

On the balance sheet date, Oriola's interest rate risk consisted of EUR 168.2 (70.8) million in cash assets, EUR 295.3 (190.3) million in interest-bearing liabilities, and EUR 179.6 (166.5) million from sales of non-recourse trade receivables in Sweden. The interest-bearing liabilities at the end of 2020 include lease liabilities totalling EUR 81.7 (84.3) million. On the balance sheet date, a total of EUR 71.7 (49.8) million of the interest rate risk was hedged. The average interest rate on interest-bearing liabilities excluding lease liabilities and including the sale of receivables on a non-recourse basis and interest rate hedges, was 1.09% (0.97%), and the interest rate duration was 8 (8) months. One of the interest rate hedges will mature during the third quarter of 2021, the other ones are long-term contracts. Oriola applies hedge accounting for part of interest rate swaps hedging cash flows relating to selling of non-recourse trade receivables.

Based on the gross debt on the balance sheet date and assuming that the trade receivables sales programmes will continue as normal in Sweden, the effect of a one percentage point increase in market interest rates on the Group's annual earnings after taxes would be EUR -1.2 (-0.8) million (including derivatives) and on equity EUR 1.3 (1.1) million (including derivatives).

Credit and counterparty risks: A credit risk arises from the possibility of a counterparty failing to meet its contractual payment obligations or financial institutions failing to meet their obligations relating to deposits and derivatives trading. Oriola's treasury policy provides the framework for credit-, investment- and counterparty risk management.

Credit limits are determined for investments and derivative agreement counterparties on the basis of creditworthiness and solidity and are monitored and updated on a regular basis.

Business areas are responsible for the credit risk management arising from commercial receivables. The Finnish and Swedish wholesale business is based on well-established customer relationships and contractual terms generally observed within the industry, which significantly reduces the credit risk associated with trade receivables. Due to the nature of the operations there are no significant credit risks associated with the Swedish retail business. The credit risk related to the wholesale business in Finland is reduced by interest-bearing advance payments from pharmacies. These interest-bearing advance payments are presented as current interest-bearing liabilities in the statement of financial position. In the wholesale and retail business in Sweden, the credit risk is reduced by the sale of non-recourse receivables to financial institutions and by the usage of credit loss insurances.

The Group applies the simplified approach to providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. The Group uses a provision matrix for loss allowance provision. The matrix is based on historical observed default rates and incorporates forward looking information. On that basis, the loss allowance for trade receivables as at 31 December 2020 was determined as follows:

Expected credit losses

Expected credit losses matrix 31 Dec 2020	Current	1–30 days past due	31–180 days past due	>180 days past due	Total
Expected loss rate	0.01	0.13	0.45	3.03	
Carrying amount 31 Dec 2020, EUR million	181.6	6.8	0.3	-0.1	**188.6**
Expected credit losses 31 Dec 2020, EUR million	0.0	0.0	0.0	0.0	**0.0**

Expected credit losses matrix 31 Dec 2019	Current	1–30 days past due	31–180 days past due	>180 days past due	Total
Expected loss rate	0.01	0.11	0.64	10.93	
Carrying amount 31 Dec 2019, EUR million	162.8	19.1	5.1	0.5	**187.5**
Expected credit losses 31 Dec 2019, EUR million	0.0	0.0	0.0	0.1	**0.1**

Credit losses recognised in the statement of comprehensive income for the financial year totalled EUR -0.1 (0.4) million. The ageing of trade receivables is presented in more detail in note 5.1. Trade and other receivables.

Capital management: Oriola's aim is to have an efficient capital structure that allows the company to manage its ongoing obligations and enables cost-effective operations under all circumstances. The return on capital employed (ROCE) and the gearing ratio are the measurements for monitoring capital structure.

Oriola's long-term financial targets are based on growth, profitability and key figures related to the statement of financial position. The Group's long-term targets are to grow at the rate of the market, annual EPS growth over 5% (without adjusting items), return on capital employed of over 20% and adjusted gearing ratio lower than 70%. Non-recourse trade receivables are added to the net debt for adjusted gearing. In addition, Oriola's aim is to pay out an increasing annual dividend of at least 50% of its earnings per share. The targets have been calculated excluding the impact of application of IFRS 16.

For a definition of key figures, please see the section Alternative performance measures.

Maturity distribution of financial liabilities

31 Dec 2020

EUR million	2021	2022	2023	2024>	Total
Interest-bearing					
Loans from financial institutions and commercial paper loans	130.6	2.0	32.0	31.9	**196.5**
Lease liabilities	19.8	17.1	14.6	30.2	**81.7**
Advance payments received	17.0	-	-	-	**17.0**
Non-interest-bearing					
Trade payables and other current liabilities	660.6	-	-	-	**660.6**
Liabilities from interest rate swaps	0.1	0.2	-	0.2	**0.4**
Receivables from foreign currency derivatives	-12.8	-	-	-	**-12.8**
Payables on foreign currency derivatives	12.8	-	-	-	**12.8**
Total	**828.0**	**19.3**	**46.6**	**62.3**	**956.3**

31 Dec 2019

EUR million	2020	2021	2022	2023>	Total
Interest-bearing					
Loans from financial institutions and commercial paper loans	35.0	-	-	57.8	**92.8**
Lease liabilities	18.6	17.8	15.2	32.8	**84.3**
Advance payments received	13.2	-	-	-	**13.2**
Non-interest-bearing					
Trade payables and other current liabilities	640.8	-	-	-	**640.8**
Receivables from interest rate swaps	-	-	-	-0.0	**-0.0**
Liabilities from interest rate swaps	0.0	0.1	0.2	-	**0.3**
Receivables from foreign currency derivatives	-71.9	-	-	-	**-71.9**
Payables on foreign currency derivatives	72.1	-	-	-	**72.1**
Total	**707.7**	**17.9**	**15.4**	**90.5**	**831.5**

Derivatives and hedge accounting

Recognition and measurement: Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured to their fair value at the end of each reporting month. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument. Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

Oriola has the following derivative instruments:

- Instruments held for trading: Foreign currency forward and swap contracts, interest rate swaps
- Cash flow hedges: Interest rate swaps

The change in fair value of derivatives held for trading is recognised either as other income or expense or as financial income or expense depending on the underlying item being hedged.

Hedge accounting: Oriola applies hedge accounting for part of the interest rate swaps hedging cash flows relating to selling of non-recourse trade receivables. The fluctuating interest rate has been converted into fixed rate using interest rate swaps. When initiating hedge accounting, the relationship between the hedged item and the hedging instrument is documented along with the objectives of the Group's risk management. The effective portion of the changes in the fair value of interest rate swaps that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the reserves in equity. The ineffective portion, if any, is recognised immediately in the statement of comprehensive income within the financial items.

The fair value of currency forward and swap contracts is determined by measuring them at fair value using market rates on the balance sheet date.

Derivatives

EUR million 2020	Positive fair value	Negative fair value	Nominal value
Derivatives recognised as cash flow hedges			
Interest rate swaps, in hedge accounting	-	0.4	51.8
Interest rate swaps, not in hedge accounting	-	0.1	20.0
Derivatives measured at fair value through profit and loss			
Foreign currency forward and swap contracts	0.1	0.1	12.8

2019			
Derivatives recognised as cash flow hedges			
Interest rate swaps, in hedge accounting	0.0	0.2	30.6
Interest rate swaps, not in hedge accounting	-	0.1	19.1
Derivatives measured at fair value through profit and loss			
Foreign currency forward and swap contracts	0.1	0.2	71.9

Derivatives that are open on the balance sheet date fall due in the 12-month period except part of the interest rate swaps recognised as cash flow hedges. Interest rate risk relating to cash flow from selling of trade receivables has been hedged with interest rate swaps. The fair value of interest rate derivatives is defined by cash flows due to contracts. Part of these interest rate swaps are designated as cash flow hedges and their changes in fair value related to the effective portion of the hedge are recognised in other comprehensive income and the potential ineffective part is recognised within the financial items in the statement of comprehensive income.

Fair values of the derivatives have been recognised in the statement of financial position in gross amount as the derivatives contracts are related to credit events and cannot be netted in financial statements. The Group has not given nor received collateral to/from derivatives counterparties.

Oriola has derivative positions with several banks and related transactions are effected under master derivative agreements. Master derivative agreements allow settlement on a net basis of all outstanding items within the scope of the agreements for example in the event of bankruptcy. On the balance sheet date, the remaining counterparty risk after net settlement, as allowed in the master derivative agreements, was EUR 0.1 (0.1) for Oriola and EUR 0.5 (0.4) million for the counterparties.

The nominal amount of foreign currency derivatives is the euro equivalent of the contracts' currency denominated amount on the balance sheet date.

8.4. Equity, shares and authorisations

Share capital: Oriola Corporation's share capital on 31 December 2020 stood at EUR 147,899,766.14. All issued shares have been paid up in full. There were no changes in share capital in 2020.

Fair value reserve: The fair value reserve includes the change in fair value of financial assets measured at fair value through other comprehensive income as well as the effective portion of the change in fair value of derivative financial instruments that are designated as and qualify for cash flow hedges. At the balance sheet date, the change in fair value of financial assets measured at fair value through other comprehensive income recognised in the fair value reserve totalled EUR 8.0 million. The change in fair value of derivative financial instruments recognised in the reserve totalled EUR -0.2 million (net of tax).

Contingency fund: The contingency fund is included in the unrestricted equity of the company. The contingency fund has been formed in 2006 when Oriola Corporation was entered into the Trade Register There were no changes in the contingency fund in 2020, and the fund stood at EUR 19.4 million on 31 December 2020.

Other funds

Invested unrestricted equity reserve: Oriola Corporation executed a directed share issue against payment in June 2009, issuing 9,350,000 new class B shares. The net proceeds received from the share issue amounted to EUR 20.7 million. The proceeds from the share issue were credited to the reserve of invested unrestricted equity. In accordance with the decision of the Annual General Meeting of 6 April 2011, the company distributed on 19 April 2011 EUR 0.13 per share from the reserve of invested unrestricted equity as repayment of equity, totalling EUR 19.7 million.

Oriola Corporation completed a rights offering in the first quarter of 2015. The subscription period of the offering ended on 3 March 2015. In the offering 9,429,742 new A shares and 20,798,643 new B shares were subscribed and Oriola Corporation raised gross proceeds of EUR 75.6 million through the offering. Oriola Corporation recognised gross proceeds and the transaction costs less taxes, totalling EUR 73.7 million, in the invested unrestricted equity fund. There were no changes in the invested unrestricted equity reserve in 2020, and the fund stood at EUR 74.8 million on 31 December 2020.

Translation differences: Translation differences include translation differences arisen from the subsidiaries' equity translation during the consolidation, change of the fair values of the net investment in the foreign subsidiary, and foreign exchange rate differences arisen from the conversion of the foreign subsidiaries' income statements using the average exchange rate of the reporting period and the conversion of their balance sheets using the exchange rate quoted on the balance sheet date.

Shares: Of the total number of shares in the company, a maximum of 500,000,000 shall be class A shares and a maximum of 1,000,000,000 class B shares. At the end of 2020, the company had a total of 181,486,213 shares, of which 53,748,313 were class A shares and 127,737,900 were class B shares. The shares do not have a nominal value.

At General Meetings, each class A share carries 20 votes and each class B share one vote. No shareholder may vote using a number of votes that exceeds 1/20 of the total number of votes carried by the shares of different share classes represented at the General Meeting. Both share classes give the shareholder the same rights to the company's assets and dividend distribution. Under Article 3 of the Articles of Association, a shareholder may demand conversion of class A shares into class B shares.

Oriola Corporation's class A and B shares are quoted on the main list of the Nasdaq OMX Helsinki exchange. The company's field of business on the stock exchange on 31 December 2019 was Health Care Distributors and the company was classified under Health Care. The ticker symbol for the class A shares is OKDAV and for the class B shares OKDBV.

The Annual General Meeting, held on 17 March 2020, resolved on the forfeiture of the rights to all the shares entered in the joint account as well as the rights attached to such shares. This concerned the rights to all such Oriola Corporation's shares entered in the joint account that had not been requested to be registered in the book-entry system prior to the resolution concerning the matter by the Annual General Meeting. On 24 August 2020, a total of 63,650 class A shares and 59,900 class B shares on the Joint Account became the company's treasury shares.

Treasury shares: Treasury shares acquired by the company and the related costs are presented as a deduction of equity. Gain or loss on surrender of treasury shares are recognised in equity net of tax.

The company holds a total of 173,206 treasury shares, of which 63,650 are class A shares and 109,556 are class B shares. The treasury shares held by the company account for 0.10% of the company's shares and 0.11% of the votes.

Share trading and prices: In 2020, the traded volume of Oriola Corporation shares, excluding treasury shares, corresponded to 28.6% of the total number of shares. The traded volume of class A shares amounted to 6.1% of the average stock, and that of class B shares, excluding treasury shares, to 38.2% of the average stock.

The average share price of Oriola Corporation's class A shares was EUR 2.01 and of its class B shares EUR 1.93. The market value of all Oriola Corporation shares at 31 December 2020 was EUR 349.9 (367.2) million, of which the market value of class A shares was EUR 107.0 million and of class B shares EUR 243.0 million.

Shareholders: On 31 December 2020 Oriola Corporation had a total of 36,447 registered shareholders. There were 27,758,850 nominee-registered shares on 31 December 2020, corresponding to 15.3% of all shares and 6.5% of all votes.

Share conversions: Under Article 3 of the Articles of Association, a shareholder may demand conversion of class A shares into class B shares. During the first quarter of 2020, 306,960 A-shares were converted into B-shares. The conversion was entered into the Trade Register on 3 February 2020. During the second quarter of 2020, 1,379,000 A-shares were converted into B-shares. The conversion was entered into the Trade Register on 11 June 2020

Management shareholdings: On 31 December 2020, the members of the company's Board of Directors and the President and CEO, the members of the Group Management Team and the companies controlled by them had a total of 472,411 shares, corresponding to 0.26% of the total number of shares in the company and 0.04% of the votes.

Management shareholdings

	2020 B shares	2019 B shares
Board of Directors		
Panu Routila, Chairman (from 17 March 2020)	11,265	-
Eva Nilsson Bågenholm, Vice Chairman	26,299	19,540
Juko-Juho Hakala	26,633	21,001
Anja Korhonen	32,923	26,164
Mariette Kristenson	19,595	13,963
Harri Pärssinen	11,447	5,815
Lena Ridström	19,595	13,963
Anssi Vanjoki, Chairman (until 17 March 2020)	-	47,145
President and CEO		
Robert Andersson	88,638	55,121
Group Management team		
Katarina Gabrielson	41,158	32,814
Anne Kariniemi	15,518	10,134
Helena Kukkonen	19,508	9,868
Tuula Lehto	10,280	4,697
Charlotta Nyström	15,292	7,353
Fredrik Pamp (from 17 February 2020)	15,465	-
Petter Sandström	19,053	14,384
Teija Silver	75,098	67,291
Anders Torell	24,644	13,459
Thomas Gawell (until 17 February 2020)	-	55,301

Authorisations: The Annual General Meeting of Oriola Corporation held on 17 March 2020 authorised the Board to decide on a share issue against payment in one or more issues, including the right to issue new shares or to assign treasury shares held by the company. The authorisation covers a combined maximum of 5,500,000 class A shares and 12,500,000 class B shares of the company and includes the right to derogate from the shareholders' pre-emptive subscription right. The authorisation is in force for 18 months following the decision of the Annual General Meeting.

The Board was also authorised to decide on a share issue against payment of class B shares in one or more issues including the right to issue new class B shares or assign class B treasury shares held by the company. The authorisation covers a combined maximum of 18,000,000 class B shares of the company including the right to derogate from the shareholders' pre-emptive subscription right. The authorisation is in force for a maximum of 18 months following the decision of the Annual General Meeting.

The Annual General Meeting authorised the Board to decide on a share issue of class B shares without payment to the Company and on a directed share issue of class B shares in order to execute the share-based incentive plan for Oriola Group's executives and the share savings plan for Oriola Group's key personnel. The maximum number of new class B shares to be issued under this authorisation is 250,000, which represents of 0.14 % of all shares in the Company. The authorisation is in force for eighteen (18) months from the decision of the Annual General Meeting.

The Annual General Meeting authorised the Board to decide on repurchasing up to 18,000,000 of the company's own class B shares. Shares may be repurchased also in a proportion other than in which shares are owned by the shareholders. The authorisation is in force for a maximum of 18 months following the decision of the Annual General Meeting.

All decisions of the Annual General Meeting 2020 are available on the company's website www.oriola.com.

Share capital

Share capital		A shares	B shares	Total
Number of shares 1 Jan 2020	pcs	55,434,273	126,051,940	**181,486,213**
Conversion of A shares to B shares	pcs	-1,685,960	1,685,960	**0**
Number of shares 31 Dec 2020	pcs	**53,748,313**	**127,737,900**	**181,486,213**
Treasury shares 31 Dec 2020	pcs	63,650	109,556	**173,206**
Votes 31 Dec 2020	pcs	1,074,966,260	127,737,900	**1,202,704,160**
Share capital per share class 31 Dec 2020	EUR million	43.8	104.1	**147.9**
Percentage from the total shares	%	29.6	70.4	**100.0**
Percentage from the total votes	%	89.4	10.6	**100.0**
Number of shares 1 Jan 2019	pcs	55,434,273	126,051,940	181,486,213
Number of shares 31 Dec 2019	pcs	**55,434,273**	**126,051,940**	181,486,213
Treasury shares 31 Dec 2019	pcs	-	84,903	**84,903**
Votes 31 Dec 2019	pcs	1,108,685,460	126,051,940	**1,234,737,400**
Share capital per share class 31 Dec 2019	EUR million	45.2	102.7	**147.9**
Percentage from the total shares	%	30.5	69.5	**100.0**
Percentage from the total votes	%	89.8	10.2	**100.0**

EUR million	2020	2019
Parent company share capital 31 Dec	147.9	147.9
Elimination of the revaluation of subsidiary shares in the consolidated financial statements	-111.7	-111.7
Consolidated share capital 31 Dec	**36.2**	**36.2**

8.5. Earnings per share, dividend and other equity distribution

Earnings per share: Basic earnings per share is calculated by dividing the net result attributable to owners of the parent company by the weighted share issue adjusted average number of shares outstanding during the period, excluding shares acquired by the Group and held as treasury shares. When calculating diluted earnings per share, the weighted share-issue adjusted average number of shares outstanding during the period is adjusted by the effect of all dilutive potential shares.

Dividend and other equity distribution: Dividends or other equity distribution includes dividends and other equity distribution approved by the Annual General Meeting. Dividends and other equity distribution proposed by the Board of Directors are not recognised in the financial statements until they have been approved by the shareholders at the Annual General Meeting. Dividend and other equity distribution for shareholders is recognised as a liability in the consolidated statement of financial position for the period during which the dividend is approved by the Annual General Meeting.

Dividend policy and distribution proposal: Oriola Corporation will seek to pay out annually as dividends a minimum 50% of the Group's earnings per share. The Company's strategy and financial position shall be taken into consideration when determining the annual dividend payout ratio. The dividend paid for 2019 was EUR 16.3 million (EUR 0.09 per share) and for 2018 EUR 16.3 million (EUR 0.09 per share). The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 5.4 million, EUR 0.03 per share is paid for 2020. In addition, it is proposed that the Annual General Meeting would authorise the Board of Directors to decide at its discretion on the payment of dividend up to a maximum of EUR 5.4 million, EUR 0.03 per share.

Earnings per share

Profit for the period

EUR million	2020	2019
Profit attributable to equity owners of the parent	11.3	8.0

Average number of outstanding shares

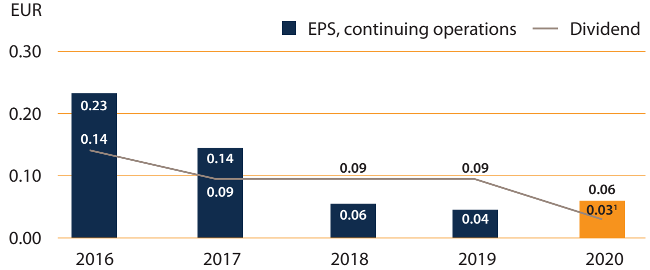
pcs		
Basic	181,388,782	181,394,589
Diluted	181,463,779	181,486,213

Earnings per share

EUR		
Basic	0.06	0.04
Diluted	0.06	0.04

EPS[2] and dividend

EUR



[1] Proposal by the Board of Directors. In addition, it is proposed that the Annual General Meeting would authorise the Board of Directors to decide at its discretion on the payment of dividend up to a maximum of EUR 0.03 per share.

[2] The figures in 2016-2018 have been restated due to an error related to previous periods. The restatement had an impact on inventories, deferred tax assets and retained earnings in the consolidated statement of financial position and on material purchases and income taxes in the consolidated statement of comprehensive income. More information on correction of the error is presented in the notes to the Financial statements 2019.

9. Income taxes

9.1. Taxes recognised in the comprehensive income for the period

Tax expense in the consolidated statement of comprehensive income consists of income taxes based on the taxable profit for the financial year, prior period adjustments, and changes in deferred tax assets and liabilities. Income tax for the taxable profit for the period is calculated based on the effective income tax rate for each tax jurisdiction. Taxes are recognised in profit and loss, except when they relate to items recognised directly in equity or in other comprehensive income, when the taxes are also recognised in equity or in other comprehensive income respectively.

Income taxes

EUR million	2020	2019
Taxes for current year	3.6	1.8
Taxes for previous years	-0.0	-0.0
Deferred taxes	-0.5	0.4
Total	**3.1**	**2.1**

Taxes related to other comprehensive income

EUR million

2020	Before taxes	Tax effect	After taxes
Cash flow hedge	-0.2	-0.0	-0.2
Financial assets recognised at fair value through other comprehensive income	8.0	-	8.0
Actuarial gains and losses	-0.4	-0.0	-0.4
Translation differences	9.8	-	9.8
Total	**17.2**	**-0.1**	**17.3**

2019			
Cash flow hedge	0.2	0.0	0.1
Actuarial gains and losses	-2.8	-0.6	-2.2
Translation differences	-4.4	-	-4.4
Total	**-7.0**	**-0.6**	**-6.4**

Tax rate reconciliation

EUR million	2020	2019
Profit before taxes	14.3	10.1
Corporate income taxes calculated at Finnish tax rate	2.9	2.0
Effect of different tax rates of foreign subsidiaries	0.1	0.0
Non-deductible expenses and tax-exempt income	0.2	-0.0
Adjustments recognised for taxes of previous years	-0.0	-0.0
Changes in tax rates	-0.1	0.1
Other items	0.0	0.0
Income taxes in the income statement	**3.1**	**2.1**
Effective tax rate	21.3%	20.8%

Taxes entered with a positive value are recognised as expenses and taxes entered with a negative value are recognised as income.

The Finnish tax rate used to calculate taxes was 20.0% in the 2020 and 2019 financial statements. In Sweden the corporate tax rate will decrease from 21.4% to 20.6% in 2021. The Group has remeasured the deferred tax assets and deferred tax liabilities accordingly.

9.2. Deferred tax assets and liabilities

Deferred tax is calculated on temporary differences between the carrying amounts and the taxable values of assets and liabilities and for tax loss carry-forwards to the extent that it is probable that these can be utilised against future taxable profits. The Group's deferred tax assets recognised on carry forward losses are attributable to Sweden. In Sweden the carry forward losses do not expire. The largest temporary differences are caused by the depreciation of property, plant and equipment, the defined pension benefit plans and by unused losses in taxation. The deferred taxes are determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Deferred tax assets and liabilities

2020	1 Jan	Adjustments to opening balance charged to equity[1]	Items recognised in income statement	Items recognised in other comprehensive income	Translation differences	31 Dec
Deferred tax assets						
Confirmed tax losses	0.2	-	-0.0	-	0.0	**0.2**
Inventories	0.2	-	0.0	-	0.0	**0.3**
Pension liabilities	2.2	-	0.0	0.0	0.1	**2.4**
Acquisitions	0.0	-	-0.0	-	0.0	**0.0**
Employee benefits	0.2	-	0.0	-	-	**0.2**
Lease agreements	1.5	-	-0.3	-	0.1	**1.3**
Other temporary differences	0.2	-	-0.1	-	0.0	**0.0**
Deferred tax assets, total	**4.5**	**-**	**-0.3**	**0.0**	**0.2**	**4.4**
Deferred tax liabilities						
Depreciation difference and other untaxed reserves	9.2	-	-0.3	-	0.3	**9.2**
Acquisitions	5.0	-	-0.7	-	0.2	**4.5**
Other temporary differences	0.1	-	0.1	-	-	**0.1**
Deferred tax liabilities, total	**14.3**	**-**	**-0.9**	**-**	**0.5**	**13.9**

2019	1 Jan	Adjustments to opening balance charged to equity[1]	Items recognised in income statement	Items recognised in other comprehensive income	Translation differences	31 Dec
Deferred tax assets						
Confirmed tax losses	0.3	-	-0.1	-	-0.0	**0.2**
Inventories	1.2	-	-1.0	-	-0.0	**0.2**
Pension liabilities	1.6	-	0.1	0.6	-0.0	**2.2**
Acquisitions	0.0	-	-0.0	-	-0.0	**0.0**
Employee benefits	0.2	-	0.0	-	-	**0.2**
Lease agreements	-	1.7	-0.2	-	-0.0	**1.5**
Other temporary differences	0.4	-	-0.3	-	-0.0	**0.2**
Deferred tax assets, total	**3.7**	**1.7**	**-1.4**	**0.6**	**-0.1**	**4.5**
Deferred tax liabilities						
Depreciation difference and other untaxed reserves	9.6	-	-0.2	-	-0.1	**9.2**
Acquisitions	6.0	-	-0.9	-	-0.1	**5.0**
Other temporary differences	0.1	-	0.0	-	-	**0.1**
Deferred tax liabilities, total	**15.6**	**-**	**-1.1**	**-**	**-0.2**	**14.3**

[1] Adjustment due to adoption of IFRS 16

Use of estimates: *Management estimates are required in determining the amount of recognised deferred tax assets and liabilities. The appropriateness for recognising deferred tax assets is assessed in connection with the preparation of consolidated financial statements. For this purpose, the Group estimates the probability of subsidiaries generating recoverable taxable income against which unused tax losses and unused tax compensations can be utilised. Actual results may differ from the factors used in the estimates, which may lead to the recognition of tax expenses.*

10. Group structure

Consolidation principles: The consolidated financial statements include Oriola Corporation and those directly or indirectly owned subsidiaries over which Oriola Corporation exercises control. Control is presumed to exist when the Group through participation in an investee becomes exposed to its variable returns or is entitled to its variable returns and is able to have an influence on the returns through exercising power over the investee. Subsidiaries are consolidated from the date the Group has gained control and divested companies are consolidated until the date control is lost.

The acquisition method is used in the accounting for the elimination of internal ownership. All intra-group transactions, as well as intra-group receivables, payables, dividends and unrealised internal margins, are eliminated. The Group's profit for the period is attributed to the equity holders of the parent and non-controlling interests. Identifiable assets acquired and assumed liabilities of an acquired entity are measured at their fair value as of the acquisition date. Any contingent consideration is measured at fair value at the date of acquisition and classified under other interest-bearing liabilities. Changes in the contingent consideration and acquisition-related expenses are recognised as an expense in the statement of comprehensive income.

Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. As at the date when control is lost, any investment retained in the former subsidiary is recognised at fair value and the difference is recorded through the statement of comprehensive income.

Joint ventures are joint arrangements where the Group has joint control with other parties and the parties have rights to the arrangement's net assets. Interests in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost after which the Group's share of the post-acquisition retained profits and losses is included as part of investments in joint ventures in the consolidated statement of financial position. Under the equity method the share of profits and losses of joint ventures is presented separately in the statement of comprehensive income.

Foreign currency denominated items: The consolidated financial statements have been presented in euros, which is the functional and presentation currency of the Group's parent company. The items included in the financial statements of the subsidiaries are valued in the currency, which best describes the financial operating conditions of each subsidiary "functional currency".

Transactions in foreign currencies are translated into functional currency/euro at the rates of exchange prevailing at the dates of transactions. Monetary items have been translated into euros using the rates of exchange as at the balance sheet date and non-monetary items using the rates of exchange at the dates of transactions, excluding items measured at fair value, which have been translated using the rates of exchange on the date of valuation. Gains and losses arising from the translation are recognised in the profit or loss. Foreign exchange gains and losses from operations are included within the corresponding items above EBIT. Foreign exchange gains and losses from loans denominated in a foreign currency are included within financial income and expenses.

The income statements of foreign group companies outside the eurozone are translated into euros using the weighted average rate of exchange of the financial year and the statements of financial position using the rates of exchange as at the balance sheet date. Differences resulting from the translation of the result for the period at a different rate in the statement of comprehensive income and in the statement of financial position are recognised as a separate item within the consolidated statement of comprehensive income. Translation differences arising from the acquisition cost elimination of foreign subsidiaries and from the translation of equity items accrued after the acquisition date are recognised in other comprehensive income. When a subsidiary is sold in full or in part, related translation differences are included in the calculation of gain or loss for the sale and recognised in the profit or loss for the period. The parent company's receivables from foreign subsidiaries are considered as part of the net investment if there is no plan for the repayment and repayment cannot be reasonably anticipated in the future. Exchange differences arising from such receivables are recognised in the consolidated financial statements in translation differences within equity.

10.1. Subsidiaries

Subsidiaries	Domicile	Group Ownership %	Group Share of votes %	Parent company Ownership %	Parent company Share of votes %
Parent company Oriola Corporation	**Finland**				
Oriola Finland Oy	Finland	100	100	100	100
Oriola Sweden AB	Sweden	100	100	100	100
Kronans Droghandel Apotek AB	Sweden	100	100	100	100
Svensk dos AB	Sweden	100	100	100	100
Pharmaservice Oy	Finland	100	100	100	100
Oriola Sweden AB	Sweden	100	100	100	100
ICTHS Health Support AB	Sweden	100	100		

Changes in group structure: There were no changes in group structure in 2020.

10.2. Related party transactions

Related parties in the Oriola Group are deemed to comprise the members of the Board of Directors and the President and CEO of Oriola Corporation, the other members of the Group Management Team of the Oriola Group (key management), the immediate family of the aforementioned persons and companies controlled by the aforementioned persons, the Group's subsidiaries and joint ventures. The information on remuneration of key management is presented in note 4.4. Employee benefits.

The Group has transactions between the group companies in the ordinary course of business. The Group has no significant business transactions with other related parties.

11. Unrecognised items

11.1. Commitments and contingent liabilities

EUR million	2020	2019
Commitments for own liabilities		
Guarantees on behalf of subsidiaries	7.3	7.0
Mortgages on company assets	2.1	2.0
Other guarantees and liabilities	9.9	1.1
Total	**19.3**	**10.1**

The most significant guarantees on behalf of subsidiaries are bank guarantees against Swedish wholesale company's trade payables. In addition, Oriola Corporation has granted parent company guarantees of EUR 0.3 (0.4) million against other subsidiaries' trade payables.

11.2. Future lease payments

Committed future minimum lease payments:

EUR million	2020	2019
Within one year	0.6	0.5
One to five years	0.5	0.4
Total	**1.1**	**0.8**

Future payments consist of minimum leasing commitments related to low-value assets and short-term leases, to which the Group elected to apply recognition exemptions permitted by IFRS 16. For details about leases please refer to section 7. Leases. The leasing expenses related to short-term leases and leases of low-value assets are presented in note 7.2. Leases in the statement of comprehensive income.

11.3. Litigation

Oriola is from time to time involved in legal actions, claims and other proceedings. It is Oriola's policy to provide for amounts related to the proceedings if liability is probable and such amounts can be estimated with reasonable accuracy. Taking into account all available information to date, the legal actions, claims and other proceedings are not expected to have material impact on the financial position of the Group.

11.4. Events after the balance sheet date

On 27 January 2021 the Shareholders' Nomination Board of Oriola Corporation presented its proposal to the 2021 Annual General Meeting concerning the composition of the Board of Directors as follows:

- The number of members of the Board of Directors would be six.
- The present members of the Board of Directors Juko-Juho Hakala, Anja Korhonen, Eva Nilsson Bågenholm, Harri Pärssinen, Lena Ridström and Panu Routila would be re-elected
- Panu Routila would be re-elected Chairman of the Board of Directors.

Current member of the Board of Directors Mariette Kristenson has informed the Nomination Board that she is not available for re-election to the Board of Directors.

On 1 February 2021, Oriola announced, that Robert Andersson leaves his position as President and CEO as of 1 February 2021 and continues as an adviser to the Board of Directors until 31 July 2021. The recruitment process to find a new CEO has been started. Juko Hakala, currently a member of Oriola's Board of Directors, has been appointed CEO on an interim basis for the period until a new permanent CEO is appointed.

12. Other notes

12.1. Application of new and amended IFRS standards and IFRIC interpretations

Certain new or revised standards and interpretations have been published by the International Accounting Standards Board (IASB) that are not mandatory for 31 December 2020 reporting periods and have not yet been applied by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

The Group will apply each new standard and interpretation from the effective date. If the effective date is other than the first day of a financial year, the Group will apply the standard or interpretation from the beginning of the following financial year.

Parent company financial statements

Parent company income statement (FAS)

EUR thousand	Note	2020	2019
Other operating income	2	17,244.5	16,241.3
Personnel expenses	3	-7,964.4	-7,257.3
Depreciation, amortisation and impairment charges	4	-2,885.1	-2,552.9
Other operating expenses	5	-14,973.3	-12,499.4
Operating result		**-8,578.3**	**-6,068.3**
Financial income and expenses	6	2,075.8	1,236.1
Result before appropriations and taxes		**-6,502.5**	**-4,832.2**
Appropriations	7	14,320.3	14,480.3
Income taxes	8	-901.8	-1,418.3
Result for the period		**6,915.9**	**8,229.8**

Parent company balance sheet (FAS)

EUR thousand	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	9		
Intangible rights		539.5	648.7
Other intangible assets		19,640.8	19,827.4
Advance payments and construction in progress		9,182.4	6,894.8
		29,362.8	27,371.0
Property, plant and equipment	10		
Land and water areas		77.4	77.4
Machinery and equipment		67.9	125.2
Other tangible assets		7.5	7.5
		152.8	210.1
Investments	11		
Holdings in group companies		651,786.6	653,830.3
Other shares		14,186.3	9,418.5
Receivables from group companies		28,900.9	95,244.5
		694,873.7	758,493.3
Non-current assets, total		724,389.3	786,074.3
Current assets			
Receivables	12		
Short-term receivables			
Receivables from group companies		14,746.2	15,873.3
Other receivables		410.0	501.0
Accrued receivables		1,176.8	847.1
		16,333.0	17,221.4
Cash and cash equivalents		165,758.4	68,213.9
Current assets, total		182,091.4	85,435.3
Assets total		**906,480.7**	**871,509.6**

EUR thousand	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity	13		
Share capital		147,899.8	147,899.8
Other funds		19,418.7	19,418.7
Invested unrestricted equity reserve		76,957.5	76,957.5
Retained earnings		222,348.5	230,545.6
Result for the financial year		6,915.9	8,229.8
		473,540.5	483,051.4
Appropriations	14	1,595.6	1,288.2
Provisions	15	-	5.0
Liabilities	16		
Long-term liabilities			
Borrowings		65,900.9	57,759.7
Liabilities to group companies		-	63,252.6
Accrued liabilities		395.6	213.8
		66,296.5	121,226.1
Short-term liabilities			
Borrowings		52,000.0	-
Trade payables		1,274.7	1,858.1
Liabilities to group companies		228,726.5	224,542.5
Other liabilities		80,765.1	37,016.5
Accrued liabilities		2,281.7	2,521.7
		365,048.1	265,938.9
Liabilities total		431,344.6	387,165.0
Equity and liabilities total		**906,480.7**	**871,509.6**

Parent company cash flow statement (FAS)

EUR thousand	2020	2019
Cash flow from operating activities		
Result before appropriations and taxes	-6,502.5	-4,832.2
Adjustments		
Depreciation, amortisation and impairment charges	2,885.1	2,552.9
Unrealised foreign exchange gains and losses	2,694.1	2,224.7
Other non-cash items	-40.7	-3,090.3
Financial income and expenses	-4,769.9	-3,460.7
	-5,733.9	-6,605.7
Change in working capital		
Change in current non-interest-bearing receivables	-1,433.1	-1,750.2
Change in non-interest-bearing current liabilities	-1,662.8	1,079.6
	-8,829.8	-7,276.4
Paid and received other financial expenses and income	1,795.0	3,577.7
Interest received	2,995.7	2,782.9
Interest paid	-2,881.1	-2,179.9
Income taxes paid	-2,205.6	-1,170.3
Cash flow from operating activities	**-9,125.8**	**-4,266.0**
Cash flow from investing activities		
Investments in tangible and intangible assets	-4,555.1	-1,589.1
Proceeds from sale of tangible and intangible assets	48.1	-
Investments to holdings and shares	-14,518.2	-725.0
Change in loan receivables	66,343.6	1,783.3
Dividends received	15,000.0	-
Cash flow from investing activities	**62,318.4**	**-530.8**
Cash flow from financing activities		
Purchase of own shares	-100.8	-100.8
Repayments of long-term loans	-64,429.3	-27,535.1
Proceeds from long-term loans	30,000.0	27,535.1
Proceeds from short-term loans	40,000.0	-
Repayments of short-term loans	-10,000.0	-
Change in other current financing	50,698.0	23,011.4
Group contributions received	14,500.0	2,850.0
Dividends paid	-16,316.0	-16,238.2
Cash flow from financing activities	**44,351.8**	**9,522.4**

EUR thousand	2020	2019
Change in cash and cash equivalents	**97,544.5**	**4,725.6**
Cash and cash equivalents at the beginning of period	68,213.9	63,488.3
Net change in cash and cash equivalents	97,544.5	4,725.6
Cash and cash equivalents at the end of period	**165,758.4**	**68,213.9**

Notes to the parent company financial statements (FAS)

1. Accounting principles

Oriola Corporation is the parent company of the Oriola Group, domiciled in Espoo, Finland. Oriola Corporation provides administrative services to group companies. These administrative services are centralised to the parent company. Copies of the consolidated financial statements of the Oriola Group are available at the head office of Oriola Corporation, Orionintie 5, FI-02200 Espoo, Finland (investor.relations@oriola.com).

Oriola Corporation´s financial statements are prepared in euros and according to Generally Accepted Accounting Principles in Finland (Finnish GAAP) and according to corporate legislation. The financial statements are presented in thousand euros.

When appropriate, the financial statements of Oriola Corporation comply with the Group's accounting principles based on IFRS. Below are described those accounting principles in which the financial statements of Oriola Corporation differ from the accounting principles of the consolidated financial statements. The accounting principles for the consolidated financial statements are presented in the notes to the consolidated financial statements.

Financial assets and liabilities: Financial items classified as loans and receivables or other financial liabilities are carried at amortised cost.

The change in the fair value of the effective portion of interest rate derivative agreements under hedge accounting made to hedge cash flows is directly recognised against the fair value reserve included in equity. Derivatives acquired to hedge balance sheet items like bank accounts, loans and receivables denominated in foreign currencies and derivatives made to hedge cash flows that are not under hedge accounting are recorded in exchange gains and losses in the financial items.

Share-based payments: The accounting treatment of Oriola Corporations share-based incentive plans is described in the accounting principles for the consolidated financial statements. The share incentive plans of Oriola Corporation are a combination of shares and a cash payment. The granted amount of the incentive plans, settled in shares, is measured at share price of the grant date less expected dividends. The cash-settled part of the plans is measured at fair value, which is the share price at the end of the reporting period. The expenses arising from the incentive plans are recognised in the income statement over the vesting period. In the financial statements of the parent company the component settled in shares as well as the cash-settled part are recognised as accrued liability until paid out. When paid out the share settled part is credited to the equity.

Pension arrangements: The Statutory pension coverage of Oriola Corporation is provided by Ilmarinen Mutual Pension Insurance Company. Supplementary pension coverage is provided by OP Life Assurance Company Ltd. Pension-related payments are recognised as pension expenses on an accrual basis. No other pension liabilities arising from pension arrangements are recognised in the balance sheet except for pension-related accruals.

Leases: The lease agreements of Oriola Corporation consist mainly of information and communication technology equipment. Lease payments are expensed over the rental period and they are included in other operating expenses. Assets leased and related liabilities are not recognised in the parent company's balance sheet.

Subsidiary shares: The carrying amounts of subsidiary shares are assessed as part of the Group's impairment testing, where cash flow forecasts based on value-in-use calculations are prepared for the Group's cash-generating units. In the impairment testing of subsidiary shares, the cash flows are further allocated to subsidiaries' recoverable amounts. The impairment loss is recognised, if the carrying amount of the subsidiary shares and the amount of net loan receivables from the subsidiary exceed the recoverable amount of the corresponding assets.

2. Other operating income

EUR thousand	2020	2019
Rental income	-	11.0
Other service charges	17,130.2	16,094.1
Other operating income	114.3	136.2
Total	**17,244.5**	**16,241.3**

3. Personnel

EUR thousand	2020	2019
Personnel costs		
Salaries and fees	6,711.4	6,069.7
Pension costs	986.3	983.2
Other personnel costs	266.6	204.5
Total	**7,964.4**	**7,257.3**
Average number of personnel	73	64
Salaries and bonuses to the Management		
CEO and Members of the Board of Directors	1,130.2	1,012.4

Remuneration and pension costs for the CEO and the members of the Board of Directors are disclosed in the consolidated financial statement in note 4.4. Employee benefits.

4. Depreciation, amortisation and impairment charges

EUR thousand	2020	2019
Depreciation	2,885.1	2,552.9
Total	**2,885.1**	**2,552.9**

Criteria applied for the straight-line depreciation is disclosed in notes 6.1. and 6.2. to the consolidated financial statement. Depreciation by asset class is presented in notes 9-10.

5. Other operating expenses

EUR thousand	2020	2019
Postage, telephone and banking expenses	192.9	204.3
IT expenses	10,344.3	9,454.5
Travelling and car expenses	131.2	384.1
Administrative consultancy services	2,655.2	2,255.6
Other operating expenses	1,649.8	200.8
Total	**14,973.3**	**12,499.4**

Other operating costs are mainly costs related to the ownership.

Audit costs included in other operating costs	2020	2019
Audit fees	45.6	40.0
Other fees	17.4	7.4
Total	**62.9**	**47.4**

6. Financial income and expenses

EUR thousand	2020	2019
Income from group companies		
Dividend income from group companies	15,000.0	-
Other interest and financial income		
Interest income from group companies	2,944.5	2,753.3
Interest income from other companies	51.2	29.6
Other financial income	4,791.1	9,887.5
Interest and other financial expenses		
Interest expenses to group companies	-858.2	-942.6
Interest expenses to other companies	-2,368.5	-1,232.2
Other financial expenses	-5,690.2	-8,534.5
Impairment on investments		
Impairment on investments in non-current assets	-11,794.1	-725.0
Total	**2,075.8**	**1,236.1**
Financial income and expenses include:		
Interest income	2,995.7	2,782.9
Interest expenses	-3,226.7	-2,174.9
Exchange rate gains/losses	107.9	-163.7

7. Appropriations

EUR thousand	2020	2019
Change in depreciation difference	-307.4	-19.7
Group contribution received	14,627.7	14,500.0
Total	**14,320.3**	**14,480.3**

8. Income taxes

EUR thousand	2020	2019
Income taxes for the financial period	901.8	1,427.8
Income taxes for previous financial periods	-	-9.5
Total	**901.8**	**1,418.3**

9. Intangible assets

EUR thousand 2020	Intangible rights	Other intangible assets	Advance payments and construction in progress	Total
Historical cost 1 Jan	966.1	24,217.8	6,894.8	**32,078.8**
Increases	-	342.9	4,499.2	**4,842.1**
Reclassifications	-	2,211.7	-2,211.7	**-**
Historical cost 31 Dec	**966.1**	**26,772.4**	**9,182.4**	**36,920.9**
Accumulated amortisation 1 Jan	317.4	4,390.4	-	**4,707.8**
Amortisation for the financial year	109.2	2,741.1	-	**2,850.3**
Accumulated amortisation 31 Dec	**426.6**	**7,131.5**	**-**	**7,558.1**
Carrying amount 31 Dec	**539.5**	**19,640.9**	**9,182.4**	**29,362.8**
2019				
Historical cost 1 Jan	711.4	23,043.6	6,611.0	**30,366.0**
Increases	9.8	626.7	1,200.2	**1,836.6**
Decreases	-123.8	-	-	**-123.8**
Reclassifications	368.8	547.6	-916.4	**-**
Historical cost 31 Dec	**966.1**	**24,217.8**	**6,894.8**	**32,078.8**
Accumulated amortisation 1 Jan	220.8	1,975.8	-	**2,196.6**
Amortisation for the financial year	96.6	2,414.6	-	**2,511.2**
Accumulated amortisation 31 Dec	**317.4**	**4,390.4**	**-**	**4,707.8**
Carrying amount 31 Dec	**648.8**	**19,827.4**	**6,894.8**	**27,371.0**

10. Property, plant and equipment

EUR thousand 2020	Land and water areas	Machinery and equipment	Other tangible assets	Total
Historical cost 1 Jan	77.4	265.4	7.5	**350.3**
Decreases	-	-105.1	-	**-105.1**
Historical cost 31 Dec	**77.4**	**160.3**	**7.5**	**245.2**
Accumulated depreciation 1 Jan	-	140.3	-	**140.3**
Accumulated depreciation related to decreases	-	-82.6	-	**-82.6**
Depreciation for the financial year	-	34.8	-	**34.8**
Accumulated depreciation 31 Dec	**-**	**92.5**	**-**	**92.5**
Carrying amount 31 Dec	**77.4**	**67.9**	**7.5**	**152.8**
2019				
Historical cost 1 Jan	77.4	265.4	7.5	**350.3**
Historical cost 31 Dec	**77.4**	**265.4**	**7.5**	**350.3**
Accumulated depreciation 1 Jan	-	98.5	-	**98.5**
Depreciation for the financial year	-	41.8	-	**41.8**
Accumulated depreciation 31 Dec	**-**	**140.3**	**-**	**140.3**
Carrying amount 31 Dec	**77.4**	**125.2**	**7.5**	**210.1**

11. Investments

EUR thousand 2020	Holdings in group companies	Holdings in participating interest companies	Other shares	Receivables from group companies	Total
Historical cost 1 Jan	656,195.8	-	9,418.5	95,244.5	**760,858.8**
Increases	9,750.4	-	4,767.8	153,543.7	**168,061.9**
Decreases	-	-	-	-219,887.3	**-219,887.3**
Historical cost 31 Dec	**665,946.2**	**-**	**14,186.3**	**28,900.9**	**709,033.4**
Accumulated impairments 1.1.	-2,365.6	-	-	-	**-2,365.6**
Impairments	-11,794.1	-	-	-	**-11,794.1**
Impairment 31 Dec	**-14,159.7**	**-**	**-**	**-**	**-14,159.7**
Carrying amount 31 Dec	**651,786.6**	**-**	**14,186.3**	**28,900.9**	**694,873.8**
2019					
Historical cost 1 Jan	656,195.8	10,841.3	9,418.5	97,027.7	**773,483.3**
Increases	9,207.2	725.0	-	143,309.9	**153,267.1**
Decreases	-9,207.2	-11,591.3	-	-145,093.1	**-165,891.6**
Historical cost 31 Dec	**656,195.8**	**-**	**9,418.5**	**95,244.5**	**760,858.8**
Accumulated impairments 1.1.	-2,365.6	-10,841.3	-	-	**-13,206.9**
Impairments	-	-725.0	-	-	**-725.0**
Reversed impairments	-	11,591.3	-	-	**11,591.3**
Accumulated depreciation 31 Dec	**-2,365.6**	**-**	**-**	**-**	**-2,365.6**
Carrying amount 31 Dec	**653,830.3**	**-**	**9,418.5**	**95,244.5**	**758,493.3**

12. Receivables

EUR thousand	2020	2019
Receivables from group companies		
Short-term receivables		
Trade receivables	118.5	314.4
Other receivables	-	1,058.9
Accrued income and prepaid expenses	14,627.7	14,500.0
Total	**14,746.2**	**15,873.3**
Items included in accrued receivables		
Arrangement fees relating to loans	222.3	282.4
Income tax receivables	529.0	-
Exchange rate profit on hedges	-	44.5
Compensations not received	13.8	16.4
Group contribution	14,627.7	14,500.0
Other accrued receivables	411.9	503.8
Total	**15,804.5**	**15,347.1**

13. Equity

EUR thousand	2020	2019
Share capital 1 Jan	147,899.8	147,899.8
Share capital 31 Dec	**147,899.8**	**147,899.8**
Restricted equity	**147,899.8**	**147,899.8**
Contingency fund 1 Jan	19,418.7	19,418.7
Contingency fund 31 Dec	**19,418.7**	**19,418.7**
Invested unrestricted equity reserve 1 Jan	76,957.5	76,957.5
Invested unrestricted equity reserve 31 Dec	**76,957.5**	**76,957.5**
Profit/ loss from previous years 1 Jan	238,775.4	246,970.9
Dividend paid	-16,326.1	-16,324.4
Share-based compensation	-173.6	-138.6
Purchase of own shares [1)]	-100.8	-100.8
Delivery of own shares	173.6	138.6
Profit/loss from previous years 31 Dec	**222,348.5**	**230,545.6**
Result for the period	6,915.9	8,229.8
Non-restricted equity	325,640.7	335,151.7
Total	**473,540.5**	**483,051.4**

[1] Shares purchased for the share based incentive programme.

Distributable funds 31 Dec	2020	2019
Contingency fund	19,418.7	19,418.7
Invested unrestricted equity reserve	76,957.5	76,957.5
Profit/ loss from previous years	222,348.5	230,545.6
Net profit for the period	6,915.9	8,229.8
Distributable funds 31 Dec	**325,640.7**	**335,151.7**

14. Appropriations

EUR thousand	2020	2019
Cumulative accelerated depreciation difference	1,595.6	1,288.2
Total	**1,595.6**	**1288.2**

15. Provisions

EUR thousand	2020	2019
Other provisions	-	5.0
Total	**-**	**5.0**

Other provisions recognised in 2019 relate to reorganisation of business functions.

16. Liabilities

EUR thousand	2020	2019
Liabilities to group companies		
Long-term liabilities		
Other liabilities	-	63,252.6
Short term liabilities		
Trade payables	4.0	13.8
Other liabilities	228,722.5	224,528.7
Total	**228,726.5**	**287,795.1**
Items included in accrued liabilities		
Long-term accrued liabilities		
Change of fair value for interest rate swap	395.6	213.8
Short-term accrued liabilities		
Items related to personnel	1,861.9	1,659.3
Interest	366.6	21.0
Other accrued liabilities	3.0	841.5
Change of fair value for interest rate swap	50.2	-
Total	**2,677.4**	**2,735.5**

17. Guarantees, liability engagements and other liabilities

EUR thousand	2020	2019
Guarantees and other liabilities		
Guarantees for group companies	342.7	379.8
Other liabilities and engagements	9,000.0	-
Total	**9,342.7**	**379.8**
Rental liabilities on real estate		
Maturity within one year	33.0	33.0
Total	**33.0**	**33.0**
Rental liabilities on machinery and fixtures		
Maturity within one year	331.6	308.0
Maturity within 1–5 years	234.9	307.5
Total	**566.5**	**615.5**

18. Derivatives and financial risk management

EUR thousand	2020	2019
Book values of derivative instruments		
Interest rate swap agreements	71,753.9	49,776.0
Foreign currency forward and swap contracts	-	62,698.6
Total	**71,753.9**	**112,474.6**
Fair values of derivative instruments		
Interest rate swap agreements	-445.9	-213.8
Foreign currency forward and swap contracts	-	-22.2
Total	**-445.9**	**-236.0**

Oriola Corporation has interest rate swap agreements hedging the Oriola Group's cash flows as well as foreign currency forward and swap contracts with various counterparties. These derivatives are managed in accordance with the treasury policy approved by the Oriola Corporation Board of Directors. While the Oriola Group's interest rate risks from Oriola Sweden AB's selling of trade receivables are hedged with derivative agreements on a group level, the hedging presents an interest rate risk to Oriola Corporation.

More information on the Oriola Group's financial risk management and derivatives are presented in note 8.3. Financial Risk Management in the notes to the consolidated Financial Statements.

19. Ownership in other companies

The Parent company's ownership in other companies is presented in the note 10.1. Subsidiaries, in the notes to the Consolidated Financial Statements.

The Board of Directors' proposal for the profit distribution and Auditor's Note

Proposal for the profit distribution

According to the parent company's balance sheet as at 31 December 2019, the total distributable funds are:

Other funds, EUR	19,418,729.58
Invested unrestricted equity reserve, EUR	76,957,531.72
Retained earnings, EUR	222,348,484.42
Profit for the period, EUR	6,915,945.67
Total distributable funds, EUR	325,640,691.39

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.03 per share will be distributed to 181,313,007 shares, EUR 5,439,390.21 for year 2020 and EUR 320,201,301.18 will be retained in equity.

In addition, it is proposed that the Annual General Meeting would authorise the Board of Directors to decide at its discretion on the payment of dividend up to a maximum of EUR 0.03 per share. The authorisation would be valid until the beginning of the next Annual General Meeting of the Company. Unless the Board of Directors decides otherwise for a justified reason, the authorisation will be used to pay dividend in one instalment during the period of validity of the authorisation. The dividend to be distributed to 181,131,007 shares would total up to a maximum of EUR 5,439,390.21.

There have been no material changes in the financial position of the company after the end of the financial year.

Signatures for the financial statements and the report of the Board of Directors

Espoo 18 February 2021

Panu Routila
Chairman

Eva Nilsson Bågenholm
Vice Chairman

Juko-Juho Hakala
President and CEO

Anja Korhonen

Mariette Kristenson

Harri Pärssinen

Lena Ridström

Auditor's Note

The Auditor's report has been issued today.
Helsinki, 18 February 2021
KPMG Oy Ab

Kirsi Jantunen
Authorised Public Accountant

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

Auditor's Report

To the Annual General Meeting of Oriola Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Oriola Corporation (business identity code 1999215-0) for the year ended December 31, 2020. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

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

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 4.3 to the consolidated financial statements.

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

Materiality

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

Key Audit Matters

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

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

The key audit matter	How the matter was addressed in the audit
Valuation of goodwill (refer to accounting principles for the consolidated financial statements and note 6.2)	
At December 31, 2020, the total carrying value of goodwill amounted to EUR 279 million, representing 24% of the consolidated total assets. Goodwill is tested for impairment when indicators of impairment exist, or at least annually. Goodwill impairment testing is conducted by comparing the carrying value with the recoverable amount. Management estimates the recoverable amount using a discounted cash flow model. Determining the key assumptions used in the impairment tests requires management judgement and estimates especially relating to long term growth, profitability and discount rates. Valuation of goodwill is considered a key audit matter due to the significant carrying values and high level of management judgement involved.	We obtained an understanding of management's impairment assessment process and assessed the impairment tests prepared by the Company. Our detailed audit work with the involvement of KPMG valuation specialists included testing the integrity of the calculations and the technical model. We challenged the assumptions used by management in respect of forecasted growth rates and profitability as well as the appropriateness of the discount rates used. We also validated the assumptions used in relation to market and industry information. We also evaluated the cash flows used by comparing them to the group's strategic plans and budget, external sources and the understanding we gained from our audit. Furthermore, we considered the appropriateness of the group's disclosures in respect of goodwill and impairment testing.
Revenue recognition (refer to accounting principles for the consolidated financial statements and notes 4.2)	
Revenue is mainly generated through the sale of goods and services. The revenue earned is recognized when the control is transferred to the customer in accordance with the terms of delivery or agreement. In the Pharma segment there are two types of agreements with the pharmaceutical companies in which Oriola acts either as a principal or an agent. For agreements in which Oriola acts as a principal the legal title, control and payment liability has been transferred to Oriola and the revenue is recognized on gross basis. For consignment agreements where Oriola acts as an agent, only the distribution fee is recognized as revenue. Analysis of the agreements and the related revenue recognition method requires management judgement, considering the various contractual terms. Due to the large volumes of transactions and management judgement involved revenue recognition has been identified as an area of focus in the audit.	We obtained an understanding of the revenue recognition processes and evaluated the design and tested the controls over revenue recognition. With special focus on identifying unusual sales transactions we also performed substantive procedures such as testing samples of sales agreements and year-end transactions to ensure appropriate application of revenue recognition criteria. For revenue in the Pharma segment, we examined sales contracts to ensure that revenue was recognized in accordance with the terms of the contract and the group's accounting policy. Audit procedures were performed over revenue recognition at the group level and at each of the reporting components that were in scope for the group audit. In addition, we have assessed the appropriateness of accounting policy and disclosure information related to revenue recognition in the financial statements.
Valuation of Inventories (refer to accounting principles for the consolidated financial statements and note 5.2)	
The carrying value of inventories amounted to EUR 250 million at the end of the financial year. Inventory management, stocktaking routines and pricing of inventories are key factors in the valuation of inventories. In the Pharma segment Oriola has different types of contracts with pharmaceutical companies which are either accounted for as own inventory or consignment stock. In addition, the valuation of inventories requires management estimates in respect of obsolescence assessment. Due to management judgement and the significant carrying amount involved, valuation of inventories is determined a key audit matter that our audit is focused on.	We evaluated the appropriateness of the accounting policies by reference to IFRS standards, as well as the functionality of the key IT systems of inventory management. We tested the controls over inventory management, accuracy of inventory amounts and valuation of inventories. We performed substantive audit procedures in relation to pricing of inventory and provision for obsolete inventory. We reviewed a sample of contracts to ensure that inventory is accounted appropriately in line with the terms of the contract and the group's accounting policy. We also attended physical inventory counting at selected locations to assess the appropriateness of stocktaking routines.
Holdings in group companies in the parent company's financial statements (refer to notes 1 and 11 to the parent company's financial statements)	
After recognizing an impairment amounting to EUR 12 million the parent company has investments in subsidiaries amounting to 652 million euro at December 31, 2020. The recoverable amounts for holdings in group companies is tested as part of group impairment testing based on the discounted cash flow model. Due to the high level of judgment incorporated in respect of the future cash flows and the significant carrying amounts involved, this is considered one of the key areas that our audit is focused on.	Our audit procedures with the involvement of KPMG valuation specialists included testing the integrity of the calculations and the technical model. We challenged the assumptions used by management in respect of forecasted growth rates and profitability as well as the appropriateness of the discount rates used. We also validated the assumptions used in relation to market and industry information. We evaluated the cash flows used by comparing them to the group's budgeting process, external sources and the understanding we gained from our audit.

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on March 19, 2018, and our appointment represents a total period of uninterrupted engagement of 3 years.

Other Information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor’s report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor’s report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, February 18, 2021

KPMG OY AB

Kirsi Jantunen
Authorized Public Accountant, KHT

This document is an English translation of the Finnish Independent Auditor's Reasonable Assurance report. Only the Finnish version of the report is legally binding.

Independent Auditor's Reasonable Assurance Report on Oriola Corporation's ESEF Financial Statements

To the Board of Directors of Oriola Corporation

We have undertaken a reasonable assurance engagement on the iXBRL marking up of the consolidated financial statements for the year ended December 31,2020, included in the Oriola Corporation's digital files 549300UWB1AIR85BM957-2020-12-31-eng.zip prepared in accordance with the requirements of Article 4 of EU Delegated Regulation 2018/815 (ESEF RTS).

The Responsibility of the Board of Directors and Managing Director

The Board of Directors and Managing Director are responsible for preparing the report of the Board of Directors and financial statements (ESEF financial statements) that comply with the requirements of ESEF RTS. This responsibility includes:

- preparation of ESEF financial statements in XHTML format in accordance with Article 3 of the ESEF RTS;
- marking up the consolidated financial statements included in the ESEF financial statements with iXBRL tags in accordance with Article 4 of the ESEF RTS; and
- ensuring consistency between ESEF financial statements and audited financial statements.

The Board of Directors and the Managing Director are also responsible for such internal control as they deem necessary to prepare the ESEF financial statements in accordance with the requirements of the ESEF RTS.

Auditor's Independence and Quality Control

We are independent of the company in accordance with the ethical requirements applicable in Finland, which apply to the engagement we have performed, and we have fulfilled our other ethical obligations in accordance with these requirements.

The auditor applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibility

In accordance with the Engagement Letter our responsibility is to express an opinion on whether the marking up of the consolidated financial statements included in the ESEF financial statements comply in all material respects with the Article 4 of the ESEF RTS. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000.

The engagement involves procedures to obtain evidence whether;

- the consolidated financial statements included in the ESEF financial statements are, in all material respects, marked up with iXBRL tags in accordance with Article 4 of the ESEF RTS; and
- the ESEF financial statements and the audited financial statements are consistent with each other.

The nature, timing and the extent of procedures selected depend on practitioner's judgement. This includes the assessment of the risks of material departures from the requirements set out in the ESEF RTS, whether due to fraud or error.

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

Opinion

In our opinion, the consolidated financial statements included in the ESEF financial statements of Oriola Corporation identified as 549300UWB1AIR85BM957-2020-12-31-eng.zip for the year ended December 31, 2020 are marked up, in all material respects, in compliance with the ESEF Regulatory Technical Standard.

Our audit opinion relating to the consolidated financial statements of Oriola Corporation for the year ended December 31, 2020 is set out in our Auditor's Report dated February 18, 2021. In this report, we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements.

Helsinki February 22, 2021

KPMG OY AB

Kirsi Jantunen
Authorized Public Accountant, KHT

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