Financial Statement documents 2022

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

Contents

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

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

Orion in brief

Orion is a globally operating Finnish pharmaceutical company – a builder of well-being. Orion develops, manufactures and markets human and veterinary pharmaceuticals and active pharmaceutical ingredients. The company is continuously developing new drugs and treatment methods. The core therapy areas of Orion's pharmaceutical R&D are oncology and pain. Orion's A and B shares are listed on Nasdaq Helsinki.

Net sales in 2022 (2021)
1,341 MEUR (1,041)

Operating profit margin
33% (23%)

Operating profit
440 MEUR (243)

Shareholders (on 31 December 2022)
79,423 (80,792)

R&D investments
136 MEUR (118)

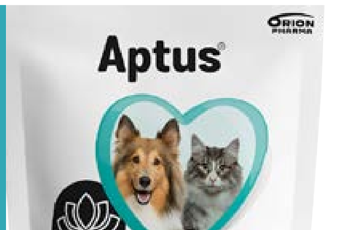
Personnel (on 31 December 2022)
3,527 (3,355)

6 production sites in Finland, 1 in France, 1 in Belgium

Production sites include packaging and warehouse operations in Salo, Finland and in Arendonk, Belgium

Business areas in the end of 2022

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

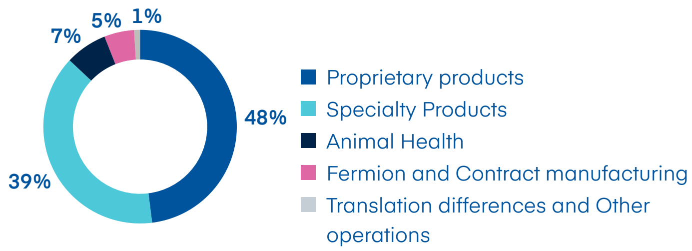


ANIMAL HEALTH
Medicine and well-being products for animals

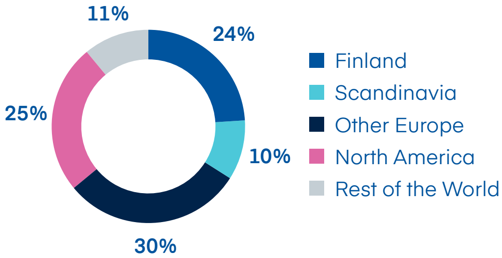
SPECIALTY PRODUCTS
Generic prescription drugs (incl. biosimilars) and self-care products

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

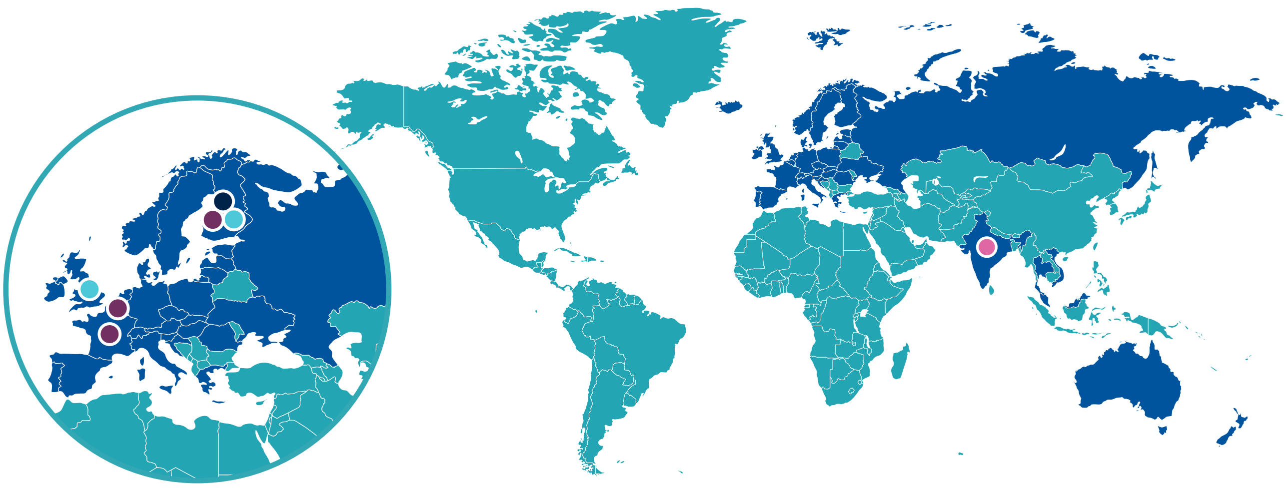
Net sales by business



Net sales by market area



Orion's products are available in over one hundred countries



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

* Production sites include packaging and warehouse operations in Salo, Finland and in Arendonk, Belgium.

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

Customer complaints (pharmaceuticals)	GxP* audits by Orion	Greenhouse gas emissions (scope 1 & 2)	Energy savings	Injury rate LTIF 1	ABC* training, no. of participants
60	**281**	**18,044**	**858**	**3.7**	**1,800**
Ppm (65)	(256)	tCO_2e (18,095)	MWh (7,349)	(4.8)	(532)

* Good practises

* ABC = anti-corruption and anti-bribery training

Report by the Board of Directors of Orion Corporation for the financial year 2022

Group's key figures

Key figures relating to financial performance

	2020	2021	2022
Net sales, EUR million	1,078.1	1,041.0	1,340.6
EBITDA, EUR million	336.5	289.1	487.1
% of net sales	31.2%	27.8%	36.3%
Operating profit, EUR million	280.1	243.3	439.6
% of net sales	26.0%	23.4%	32.8%
Profit before taxes, EUR million	278.3	242.3	440.3
% of net sales	25.8%	23.3%	32.8%
Profit for the period, EUR million	219.9	193.8	349.5
% of net sales	20.4%	18.6%	26.1%
Research and development expenses, EUR million	123.2	117.7	135.8
% of net sales	11.4%	11.3%	10.1%
Capital expenditure, excluding acquired in business combinations, EUR million	48.5	85.4	109.6
% of net sales	4.5%	8.2%	8.2%
Acquired in business combination, net of cash, EUR million			82.0
Interest-bearing net liabilities, EUR million	-185.8	-108.3	-118.7
Basic earnings per share, EUR	1.56	1.38	2.49
Cash flow from operating activities per share, EUR	2.13	1.53	3.09
Equity ratio, %	66.7%	68.1%	60.9%
Gearing, %	-25.4%	-14.5%	-13.1%
Return on capital employed (before taxes)	34.8%	28.8%	45.1%
Return on equity (after taxes), %	29.1%	26.2%	42.2%
Average personnel during the period	3,337	3,364	3,472

Events during the period

17 Feb 2022	Detailed results of Phase III ARASENS study were published.
17 Feb 2022	Orion's collaboration partner Bayer upgraded estimate on Nubeqa®'s peak sales potential.
9 Mar 2022	Orion's collaboration partner Bayer announced submissions of applications in the U.S and EU for additional indication of darolutamide.
11 Mar 2022	Orion's collaboration partner Bayer announced submission of application for additional indication of darolutamide in Japan.
23 Mar 2022	Orion Corporation's Annual General Meeting was held in Helsinki.
24 Mar 2022	Orion announced that the Company is planning to refocus its R&D.
20 Apr 2022	Liisa Hurme was appointed President and CEO of Orion Corporation as of 1 November 2022.
22 Apr 2022	Orion's collaboration partner Bayer submitted application for additional indication of darolutamide in China.
3 May 2022	U.S. FDA accepted supplemental new drug application (sNDA) and granted priority review for additional indication of darolutamide.
6 May 2022	Orion entered into exclusive agreement with Jemincare for novel non-opioid drug candidate for the treatment of pain.
9 May 2022	Orion announced that in the future the Company's research and development of new proprietary drugs will focus on oncology and pain.
15 Jun 2022	Orion announced that it is acquiring animal health company VMD (Inovet).
13 Jul 2022	Orion and MSD announced a global development and commercialisation agreement for ODM-208.
13 Jul 2022	Orion upgraded full-year outlook for 2022.
20 Sep 2022	Juhani Kankaanpää was appointed as Senior Vice President, Global Operations, and member of the Executive Management Board of Orion Group as of 1 November 2022.
17 Oct 2022	Orion announced changes in Orion Group Executive Management Board and new organisational structure as of 1 January 2023.

Events after the period

27 Jan 2023	Positive CHMP opinion for darolutamide in combination with docetaxel for the treatment of metastatic hormone-sensitive prostate cancer.

Impacts of the war in Ukraine on Orion

Financial risks for Orion caused by the war in Ukraine relate to net sales, receivables and inventories in Russia and Ukraine. Orion's operations in Russia and Ukraine are sales operations and the Company does not have any proprietary fixed assets in these countries. The number of employees in Russia declined significantly during the year 2022. Due to patient safety and ethical reasons, Orion has delivered certain critical medicines in limited volumes to Russia and continued to supply medicines to customers from local warehouses in the country. However, the situation currently makes it very difficult to estimate the future development of the business. To Ukraine Orion has exported commercial deliveries of medicines and donated medicines through charity organisations. The company will continue efforts to deliver medicines to Ukraine also going forward.

In 2022, Orion's sales in Russia and in Ukraine accounted for around 3% and less than 1% respectively of the Group's total product sales. In January–December 2022, the combined sales in these countries were on par with the previous year mainly due to strong sales before the war in January and February 2022 and the development of the rate of the Russian rouble. In March–December 2022 the total net sales in these countries were clearly lower than in the comparative period.

The Russian rouble fluctuated strongly over the year. During the period of January–December 2022, the impact of the Russian rouble rate on operating profit was about EUR 10 million positive. At the end of December 2022, Orion's trade receivables in Russia amounted to EUR 3 million and the value of inventories was EUR 5 million. The future development of the Russian rouble exchange rate and its impact is currently difficult to estimate.

Orion does not procure energy, raw materials, or other utilities from Russia. The availability of natural gas and raw materials from Russia and Ukraine could cause potential risks to Orion's suppliers. Together with its partners, Orion works to analyse and minimise possible risks.

Financial review

Net sales

Orion Group's net sales in 2022 totalled EUR 1,341 (1,041) million, an increase of 29%. The increase is mainly due to the EUR 228 million upfront payment related to the ODM-208 agreement received in July, but product sales also developed positively. Also, VMD's net sales is now included in Orion Group's net sales from the acquisition date onwards. Exchange rate fluctuations had an EUR 18 million positive impact on net sales during the period mainly due to the Russian rouble. Net sales of Orion's top ten pharmaceuticals amounted to EUR 513 (476) million. They accounted for 38% (46%) of total net sales.

Operating profit

The Orion Group's operating profit was up by 81% at EUR 440 (243) million. The increase is due to the ODM-208 agreement-related EUR 228 million upfront payment. EBITDA was up by 69% at EUR 487 (289) million. Operating profit excluding the ODM-208 agreement related upfront payment and costs of EUR 20 million was slightly lower than in the comparative period mainly due to clearly increased operating expenses.

Gross profit from sales in local currencies increased by EUR 55 million from the comparative period. Price, cost and product portfolio changes had a negative impact of EUR 68 million on gross profit of which roughly EUR 20 million are due to cost increase and the rest due to price decreases in some key products and changes in the overall portfolio. Currency rate changes had a positive impact of EUR 14 million, of which EUR 12 million was due to Russian rouble. The effect of exchange rates varied greatly within the year. During the first and fourth quarters the effect was negative, while during the second and third quarters it was positive. With the combined impact of these items, the gross profit from product and service sales was EUR 1 million higher than in the comparative period.

Milestone payments accounted for EUR 234 (3) million and royalties for EUR 48 (24) million of net sales and operating profit. Other operating income and expenses accounted for EUR 6 (6) million of operating profit.

Operating expenses increased by EUR 58 million. A significant part of the cost increase, approximately EUR 20 million, relate to the execution of the ODM-208 agreement. These expenses include, among others, non-recurring advisory fees and provisions for certain variable incentive systems.

Operating expenses

The Group's sales and marketing expenses were up by 10% and totalled EUR 210 (191) million. Sales and marketing costs increased because of a clear increase in promotional activities since COVID-19 and because the costs now also include VMD's sales and marketing costs, which were absent in the reference period. Research and development expenses increased by 15% and totalled EUR 136 (118) million. Orion started late in the year several pre-clinical projects which contributed to the increase of the R&D costs. Also, the timing of certain clinical stage costs increased R&D expenses during the last quarter of the year. R&D costs accounted for 10% (11%) of the Group's net sales. Administrative expenses were EUR 69 (48) million. They increased by 44% mainly due to the costs related to the execution of the ODM-208 agreement.

Group's profit

Profit for the period was EUR 350 (194) million. Basic earnings per share were EUR 2.49 (1.38). Equity per share was EUR 6.48 (5.32).

The return on capital employed before taxes (ROCE) was 45% (29%) and the return on equity after taxes (ROE) 42% (26%).

Financial position

The Group's gearing was -13% (-14%) and the equity ratio 61% (68%).

The Group's total liabilities as at 31 December 2022 were EUR 596 (366) million. At the end of the period, interest-bearing liabilities amounted to EUR 214 (108) million. Of the total interest-bearing liabilities EUR 197 (105) million were long-term liabilities.

The Group had EUR 333 (217) million of cash and cash equivalents at the end of the reporting period.

The remeasurement of the pension plans has increased the equity by EUR 37 million during the period.

Cash flow

The cash flow from operating activities was EUR 434 (216) million. Cash flow increased mainly due to the ODM-208 related upfront payment of USD 290 million, of which EUR 228 million is part of profit before taxes in cash flow. EUR 60 million of the upfront payment, reserved to balance sheet to cover Orion's share of ODM-208 development cost to be accrued in the future, is shown as adjustment in the cash flow from operating activities.

The cash flow from investing activities was EUR -154 (-80) million. The increase is mainly due to the VMD acquisition.

The cash flow from financing activities was EUR -160 (-215) million. The difference is mainly due to changes in borrowing. In January-December 2022, net borrowing was EUR 73 million higher than in the comparative period. In September–November 2022 the company acquired its own shares with EUR 18 million.

Capital expenditure

The Group's capital expenditure without the acquisition of VMD totalled EUR 110 (85) million. This comprised EUR 59 (52) million on property, plant and equipment and EUR 51 (33) million on intangible assets. Capital expenditure on intangible assets includes an EUR 20 million upfront payment for exclusive licence to commercialise Amneal's generic products in Europe, Australia and New Zealand and an EUR 15 million upfront payment for Jemincare's NaV 1.8 blocker (ODM-111).

At the end of the reporting period, capital expenditure to the acquisition of VMD totalled EUR 94 million including the purchase price, net of cash of EUR 82 million and deferred payments of EUR 11 million. In addition, after the acquisition Orion repaid EUR 7 million of shareholder loans taken from former VMD shareholders.

Change in reporting from 1 January 2023

Orion's new organisational structure entered into force on 1 January 2023, as a result of which, starting with the interim report 1-3/2023, Orion will report its net sales by business division in accordance with the new organisational structure. The business divisions are Innovative Medicines, Branded Products, Generics and Consumer Health, Animal Health, and Fermion. Financial reporting for 2022 will still follow the old structure.

Key business targets and key performance indicators in 2022

TARGET	KPI's in 2022	Status on 31 Dec 2022
Increasing the sales of the current product portfolio	Significant increase in sales of Nubeqa® booked by Orion	On target
	Easyhaler® product portfolio sales increase by more than 5%	On target
Building up long-term growth	In-licensing of new products	Partly on target
	Portfolio enhancement through product acquisitions and M&A	On target
	Partner for ODM-208 development and commercialisation	On target
	Launch of Phase III clinical trial on ODM-208	Target not reached*
	At least one new project proceeds to clinical development	On target
	Solidifying the R&D portfolio with new collaboration agreements	On target

* Based on the decision to recruit additional patients to the ongoing Phase II study on ODM-208, this target was not attainable in 2022.

Business review

Review of the Finnish human pharmaceuticals market

Finland is an important market for Orion, generating about a quarter of the Group's net sales. According to Pharmarket statistics (1–12/2022), the total sales of Orion's human pharmaceuticals in January-December 2022, including both medicinal and non-medicinal products, grew by 4% from the previous year.

A significant product group for Orion in Finland are reference-priced prescription drugs in the pharmacy channel. The sales of Orion's reference-priced prescription drugs increased by 12% while the total market fell by 3% from the comparative period. The significant increase in Orion's reference-priced prescription medicines in the statistics is explained by the strong volume growth and the statistical method that only takes into account products that are reference-priced prescription medicines at the time of compilation of the statistics. The average price of reference-priced drugs in the market declined by approximately 10% from the comparative period (Source: Pharmarket). The impact of constant price competition on Orion has been significant due to the Company's broad product range and significant market share in Finland.

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

Sales of human pharmaceuticals in Finland (medicinal and non-medicinal products):

EUR million	1–12/22	1–12/21	Change %
Total sales of human pharmaceuticals (hospital and pharmacy channel)			
Market	3,081	2,985	+3%
Orion	335	321	+4%
Prescription drugs total (pharmacy channel)			
Market	1,761	1,696	+4%
Orion	189	184	+3%
Reference priced prescription drugs (pharmacy channel)*			
Market	458	472	-3%
Orion	111	99	+12%
Self-care products (pharmacy channel)			
Market	433	404	+7%
Orion	112	103	+9%

* The reference-priced prescription drugs group metric counts in products that were reference-priced prescription drugs at the time the statistics were compiled. For this reason, sales and market share figures in the comparative period may deviate from previously published data.
Source: Pharmarket sales statistics 1-12/2022

Orion's market share in the sales of human pharmaceuticals in Finland (medicinal and non-medicinal products):

Orion's market share, %	1–12/22	1–12/21
Human pharmaceuticals in total (hospital and pharmacy channel)	11%	11%
Prescription drugs total (pharmacy channel)	11%	11%
Reference priced prescription drugs (pharmacy channel)*	24%	21%
Self-care products (pharmacy channel)	26%	26%

* The reference-priced prescription drugs group metric counts in products that were reference-priced prescription drugs at the time the statistics were compiled. For this reason, sales and market share figures in the comparative period may deviate from previously published data.
Source: Pharmarket sales statistics 1-12/2022

Orion's sales network

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

Proprietary Products

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

Net sales of the unit in January–December 2022 were up by 66% and totalled EUR 644 (388) million. The increase is mainly due to the EUR 228 million upfront payment but product sales also developed well.

Net sales by product

EUR million	1–12/22	1–12/21	Change %
Easyhaler® product portfolio	130	117	+11%
Stalevo®, Comtess® and Comtan®	100	95	+5%
Nubeqa®*	88	39	+122%
Simdax®	43	57	-25%
Dexdor®	18	37	-51%
Other**	265	42	+525%
Total	644	388	+66%

* Includes product sales to Bayer and royalties booked by Orion.

** Includes service sales, milestone payments and products such as Enanton®, Precedex® and pharmaceuticals sold for use in clinical trials. In January–December 2022, net sales of darolutamide sold for use in clinical trials were EUR 2 (12) million.

Orion's sales of Nubeqa® (darolutamide) in January-December 2022 totalled EUR 88 (39) million, of which royalties amounted to EUR 40 (13) million and product sales, i.e. deliveries to Bayer to EUR 47 (26) million. Nubeqa® is approved in more than 70 markets around the world for the treatment of non-metastatic castration-resistant prostate cancer. In August 2022, the U.S. Food and Drug Administration (FDA) approved additional indication of darolutamide in combination with docetaxel for the treatment of metastatic hormone-sensitive prostate cancer (mHSPC). Filings in other regions are underway or planned by Bayer.

Bayer holds global commercial rights to darolutamide, and Orion is entitled to receive annually tiered royalties on global darolutamide sales. The average annual royalty rate is initially approximately 20% including product sales to Bayer. At first, the average annual royalty rate will be slightly lower, and as the annual global sales increase, the average annual royalty rate will increase. If the annual global darolutamide sales were EUR 3 billion, Orion's average annual royalty rate would be slightly above 25%. Orion manufactures the product for global markets and co-promotes the product in Europe with Bayer. Orion incurs front-end costs due to the structure of Nubeqa® sales recorded by the company. Manufacturing costs are recognised at the time of delivery of the products, but royalty income is only recognised when the product is sold on the market and Orion receives royalties from Bayer. This timing difference has a material impact on the profitability of the Nubeqa® sales recorded by Orion, especially in the early stages of the product life cycle, when the relative share of product sales in the total sales recorded by Orion is high. In addition to royalties, Orion is entitled to receive progressive one-off milestone payments from Bayer that may total EUR 280 million, depending on the future sales development of Nubeqa.

Orion's Easyhaler® is a dry-powder inhaler developed in-house, for which Orion has developed Easyhaler®-adapted dry powder formulations of several well-known generic active pharmaceutical ingredients (salbutamol, beclometasone, budesonide, formoterol, salmeterol and fluticasone). Total net sales of the Easyhaler® product portfolio for the treatment of asthma and chronic obstructive pulmonary disease increased by 11% and amounted to EUR 130 (117) million in January–December 2022. In the comparative period, the market for dry-powder pulmonary drugs and the demand for Easyhaler® products suffered from the reduced rate of doctors' appointments due to the COVID-19 pandemic. The growth was driven by the sales of the budesonide-formoterol combined formulation which increased by 11% to EUR 83 (74) million. The sales of other

Easyhaler® products (beclometasone, budesonide, formoterol, salbutamol and salmeterol-fluticasone combined formulation) increased by 10% to EUR 47 (43) million.

Orion's drugs for the treatment of Parkinson's disease are Stalevo® (active pharmaceutical ingredients carbidopa, levodopa and entacapone) and Comtess®/Comtan® (entacapone). Their total net sales in January–December 2022 increased by 5% and amounted to EUR 100 (95) million. Orion markets its own Parkinson's drugs in Europe and in some countries in the Asia-Pacific area. Elsewhere, the products are sold by partners. The most important single market for Orion's Parkinson's drugs is currently Japan, where Orion has a distribution agreement with Novartis. Significant mandatory price reductions took effect in Japan at the beginning of 2022. However, due to increased deliveries to other partners, the overall sales of Parkinson's franchise increased slightly.

Net sales of Orion's Dexdor® intensive care sedative (dexmedetomidine), a product sold in Europe, were at EUR 18 (37) million, down by 51%. The expected decline in sales was due to generic competition and a strong comparative period owing to demand caused by the COVID-19 pandemic.

Simdax® (levosimendan), a drug for treatment of acute decompensated heart failure is sold in some 60 countries worldwide. Net sales of the product in January-December 2022 were down by 25% at EUR 43 (57) million. Sales declined from the comparative period mainly due to falling prices in some markets, but direct generic competition has also started to have an impact.

Specialty Products

Net sales of the Specialty Products unit, comprising generic (off-patent) prescription drugs (including biosimilars) and self-care products, increased by 4% in January-December 2022 and amounted to EUR 521 (503) million. Growth was driven by self-care products, but sales of prescription medicines also developed well. There have been more respiratory tract infections than in previous years, which partly explains the growth. Prices of reference-priced prescription drugs have continued to decline especially in Finland, but Orion has been able to compensate for the impact of decreasing prices through increased sales volumes. Owing to the COVID-19 pandemic and related restrictions implemented in various countries, the prevalence of seasonal illnesses, such as common respiratory tract infections, was lower than normal in the comparative period. This led to a decline in non-critical medical appointments and therefore in the number of prescriptions issued. Generic prescription drugs accounted for 74% (75%) and self-care products for 26% (25%) of Specialty Products' net sales.

Breakdown of Specialty Products' net sales by product group 1–12/2022:

EUR million	1–12/2022	1–12/2021	Change %	Share of unit's net sales 1–12/22	Share of unit's net sales 1–12/21
Generic prescription drugs	384	380	+1%	74%	75%
Self-care products	137	123	+11%	26%	25%
Total	521	503	+4%		

The Specialty Products unit's most important market areas are Finland, Scandinavia and Eastern Europe. The unit's sales in Finland in January–December 2022 amounted to EUR 289 (278) million. The increase of 4% came mostly from self-care products. The general decline in the prices of reference-priced generic drugs due to price competition continued but Orion was able to compensate for this impact with strong volume development.

In Scandinavia, Specialty Products' sales totalled EUR 76 (76) million. In Eastern Europe, sales amounted to EUR 80 (81) million. Net sales were at previous year's level mainly due to a strong sales development in Russia and Ukraine before the war broke out in Ukraine and the development of the rate of the Russian rouble. In March-December 2022 the total sales in these territories declined clearly. Specialty Products' sales in regions other than Finland, Scandinavia and Eastern Europe stood at EUR 76 (67) million.

In January 2022, Orion announced that Orion and CuraTeQ Biologics have expanded their biosimilar distribution agreement to the Baltic countries. The original marketing and distribution agreement signed in 2020 covered the Nordics, Austria, Hungary and Slovenia. Under the agreement, Orion will have the right to sell and market CuraTeQ's biosimilars in these territories. All the products under the agreement are still in development or regulatory phases and the launches in Orion territories are estimated to take place in 2023–2026 depending on the success of the development and regulatory approvals. In January 2023, Orion announced it has signed a long-term license agreement with Amneal Pharmaceuticals, Inc. to commercialise Amneal's generic products in most parts of Europe as well as in Australia and New Zealand. The initial portfolio will include a mix of generic products commercially available in the U.S. today, as well as selected pipeline products currently under development. Initial products will be registered throughout Europe, Australia and New Zealand starting in 2023, with launches expected over the coming years.

Animal Health

In the Nordic countries, Belgium, France, some Eastern European markets and Vietnam, Orion sells veterinary drugs itself, while the Company operates through partners in other markets. In addition, Orion markets and sells veterinary drugs manufactured by several other companies.

In June 2022, Orion acquired Belgian animal health company V.M.D. NV ("VMD"). Through this acquisition, Orion's Animal Health unit expanded its product portfolio and got a foothold in the livestock market, expanded its own geographical presence to Western Europe and expanded export markets, and gained a production unit that specialises in the manufacturing of veterinary medicines. The integration of the acquired company to Orion's Animal Health unit is underway.

Net sales of the Animal Health unit in January–December 2022 were up by 35% and amounted to EUR 99 (73) million. Sales include the turnover of the animal health company VMD (Inovet), acquired in June, which explains the increase from the comparative period. Sales of animal sedative products accounted for 37% (53%), or EUR 36 (39) million, of the unit's total net sales. The animal sedative product family comprises Orion's animal sedatives Dexdomitor® (dexmedetomidine), Domitor® (medetomidine) and Domosedan® (detomidine), and antagonist Antisedan® (atipamezole), which reverses the effects of the sedatives.

Fermion and Contract Manufacturing

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

Net sales of Fermion and Contract Manufacturing, excluding deliveries for Orion's own use, totalled EUR 69 (75) million. In recent years, order cycles in the trade in pharmaceutical raw materials have become increasingly shorter. This has led to clearly greater fluctuation in business volumes than before, both within each annual period and between different years. Demand for Fermion products has been good and production capacity has been nearly fully utilised. The decline in external net sales is partly explained by the fact that more production capacity has been allocated to the manufacturing of Orion's active pharmaceutical ingredients.

Research and development

The Group's R&D expenses in January–December 2022 totalled EUR 136 (118) million, up by 15%. They accounted for 10% (11%) of the Group's net sales. R&D expenses also include expenses related to the development of the current portfolio. The core therapy areas of Orion's pharmaceutical research are oncology and pain. Orion also develops veterinary drugs and selected generic drugs.

During 2022, Orion decided to focus on oncology and pain in the research and development of new proprietary products. By concentrating resources, the company believes that it can best develop new treatments for patients' needs and gain the most effective return for its R&D efforts. Ongoing clinical development projects will continue as normal, with the exception of Easyhaler® indacaterol glycopyrronium and Easyhaler® tiotropium development programs, which were terminated during 2022. The development of new generic pharmaceuticals and the R&D of veterinary drugs will continue unchanged. The refocusing of research and product development of new proprietary products will not affect the current portfolio of products that are on sale.

Key clinical development projects

Project	Indication	PHASE			Registration
Darolutamide ARASENS[1]	Prostate cancer (mHSPC)	I	II	III	Registration
Darolutamide ARANOTE[1]	Prostate cancer (mHSPC)	I	II	III	
ODM-208 (CYP11A1 inhibitor)[2]	Prostate cancer (mCRPC)	I	II		
ODM-105 (tasipimidine)	Psychiatric disorders	I			
ODM-111 (NaV 1.8 blocker)	Pain	I			

[1] In collaboration with Bayer
[2] In collaboration with MSD

= Phase completed = Phase ongoing = Status changed

Detailed results from Orion's and Bayer's Phase III ARASENS trial investigating the use of the oral androgen receptor inhibitor (ARi) darolutamide in metastatic hormone-sensitive prostate cancer (mHSPC) were published in February 2022 in the New England Journal of Medicine and at the 2022 ASCO GU Cancers Symposium. In the ARASENS trial, darolutamide in combination with docetaxel and androgen deprivation therapy (ADT) significantly increased overall survival (OS) compared to placebo, docetaxel and ADT. The overall incidence of reported adverse events was similar between treatment arms. Consistent benefits were also seen across secondary endpoints. In August, the U.S. Food and Drug Administration (FDA) approved additional indication of darolutamide in combination with docetaxel for the treatment of metastatic hormone-sensitive prostate cancer (mHSPC). Bayer has submitted applications for additional indication of darolutamide also in the EU, Japan and China, among others. In January 2023, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) recommended darolutamide plus ADT in combination with docetaxel for marketing authorisation in the European Union (EU) for the treatment of patients with metastatic hormone-sensitive prostate cancer (mHSPC). The final decision from the European Commission on the marketing authorisation is expected in the coming months.

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

Orion has an ongoing Phase II CYPIDES clinical trial on the ODM-208 molecule, a novel selective hormone synthesis inhibitor (CYP11A1 inhibitor), for the treatment of patients with metastatic castration-resistant prostate cancer (mCRPC). Based on the decision to recruit additional patients to this study, further data from this trial is expected in 2023. Finally, the study is expected to be completed in the second half of 2024. In July, Orion and MSD announced a global development and commercialisation agreement for ODM-208 and other drugs targeting cytochrome P450 11A1 (CYP11A1), an enzyme important in steroid production. Under the terms of the agreement, Orion and MSD will co-develop and co-commercialise ODM-208. MSD paid Orion an upfront payment of USD 290 million. Of this upfront payment, Orion recognised EUR 228 million as income at the time of signing and EUR 60 million is reserved to cover Orion's share of ODM-208 development cost to be accrued in the future. Orion will be responsible for the manufacture of clinical and commercial supply of ODM-208.

In addition, the contract provides both parties with an option to convert the initial co-development and co-commercialisation agreement into a global exclusive license to MSD. If the option is exercised, MSD would assume full responsibility for all accrued and future development and commercialisation expenses associated with the programme. Orion would be eligible to receive milestone payments associated with progress in the development and commercialisation of ODM-208 as well as tiered double-digit royalties on sales if the product is approved. The total amount potentially accrued from multiple regulatory and sales milestone events represents a substantial opportunity for Orion.

Orion has completed Phase I clinical trial on ODM-105 molecule (tasipimidine) that is based on its alpha 2 research, investigating the tolerability and safety of the drug candidate in healthy volunteers. Based on the accumulated data, Orion is preparing to start a Phase II clinical trial to investigate the efficacy and safety of ODM-105 in psychiatric disorders.

Orion has an ongoing Phase I clinical trial with ODM-111, a NaV 1.8 channel blocker. The study will investigate the tolerability and safety of the drug candidate in healthy volunteers. In May, Orion entered into an agreement with Chinese Jemincare, through which Orion received exclusive global development and commercialisation rights, excluding mainland China, Hong Kong, Macau and Taiwan, for the molecule. Orion also received ownership to certain key patent applications relating to the compound within its own territory.

Orion has the right to develop and commercialise the asset in its territory. Orion will be fully responsible for its own development and commercialisation costs. In addition, Orion will manufacture the products, including the active pharmaceutical ingredient, for its markets.

Under the terms of the agreement, Jemincare gets a EUR 15 million upfront payment, in addition to which Jemincare is upon achievement of certain development, commercialisation and sales targets entitled to receive milestone payments, which may be significant. In addition, Jemincare is eligible to receive tiered royalty of 8% to 15% on future sales in Orion territory.

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

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

Orion has several projects in the early research phase, investigating cancer and pain. Additionally, Orion has projects underway to develop new veterinary drugs and selected generic drugs. In December 2022, Orion and Alligator Bioscience agreed to start a second joint research project under a collaboration agreement signed in 2021. The research collaboration is focused on the discovery of novel bispecific antibodies directed towards immuno-oncology targets selected by Orion.

Personnel

The average number of employees in the Orion Group in January–December 2022 was 3,472 (3,364). At the end of December 2022, the Group had a total of 3,527 (3,355) employees, of whom 2,648 (2,617) worked in Finland and 879 (738) outside Finland. The increase in personnel is mainly due to VMD employees being included in the Orion Group.

Salaries and other personnel expenses in January–December 2022 totalled EUR 264 (231) million.

Changes in Executive Management

On 20 April 2022, Orion Corporation's Board of Directors appointed Liisa Hurme as President and CEO of Orion Corporation as of 1 November 2022, until which her predecessor Timo Lappalainen held the position.

On 20 September 2022, Juhani Kankaanpää was appointed as Senior Vice President, Global Operations, and member of the Executive Management Board of Orion Group as of 1 November 2022.

On 17 October 2022, Orion announced the new organisational structure and the following changes to the Executive Management Board as of 1 January 2023. Satu Ahomäki was appointed Senior Vice President (SVP) of Generics and Consumer Health business division, Virve Laitinen was appointed SVP of Corporate Strategy and Program Management corporate level function, Niclas Lindstedt was appointed SVP of Animal Health business division, Hao Pan was appointed SVP of Branded Products business division and Outi Vaarala was appointed SVP of Innovative Medicines business division. Vaarala will also continue in her role as SVP of Research & Development.

Significant legal proceedings

Companies belonging to the Orion Group are parties to various legal disputes, which are not, however, considered to be significant legal proceedings for the Group.

Shares and shareholders

On 31 December 2022 Orion had a total of 141,134,278 (141,134,278) shares, of which 34,186,494 (34,813,206) were A shares and 106,947,784 (106,321,072) B shares. The Group's share capital is EUR 92,238,541.46 (92,238,541.46). At the end of December 2022, Orion held 932,771 (571,314) B shares as treasury shares. On 31 December 2022, the aggregate number of votes conferred by the A and B shares was 789,744,893 (802,013,878) excluding treasury shares.

At the end of December 2022, Orion had 79,423 (80,792) registered shareholders.

Voting rights conferred by shares

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

Conversion of shares

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. A total of 626,712 A shares were converted into B shares in January–December 2022.

Trading in Orion's shares

Orion's A shares and B shares are quoted on Nasdaq Helsinki in the Large Cap group under the Healthcare sector heading under the trading codes ORNAV and ORNBV. Trading in both of the Company's share classes commenced on 3 July 2006, and information on trading in the Company's shares has been available since that date. On 31 December 2022, the market capitalisation of the Company's shares, excluding treasury shares, was EUR 7,179 million.

In 2022, a total of 1,684,646 of Orion's A shares and 79,342,616 B shares were traded on Nasdaq Helsinki. The total value of the shares traded was EUR 3,414 million. During the year, 4.9% of the A shares and 74.2% of the B shares were traded. The average turnover in Orion's shares was 57.4%.

The price of Orion's A shares increased by 41.6% and the price of its B shares by 40.3% in 2021. On 31 December 2022 the closing quotation was EUR 51.10 for the A shares and EUR 51.24 for the B shares. The highest quotation for Orion's A shares was EUR 54.00 and the lowest quotation was EUR 33.90. The highest quotation for the B shares in 2022 was EUR 54.18 and the lowest quotation was EUR 33.75.

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

Authorisations of the Board of Directors

On 23 March 2022, the Annual General Meeting of Orion Corporation authorised the Board of Directors to decide on a share issue by issuing new shares. The Board of Directors shall be entitled to decide on the issuance of no more than 14,000,000 new Class B shares. The share issue authorisation shall be valid until the next Annual General Meeting of the Company.

The Annual General Meeting authorised the Board of Directors also to decide on the acquisition of the Company's own shares and to decide on a share issue by conveying own shares. The Board of Directors shall be entitled to decide on the acquisition of no more than 500,000 class B shares of the Company and to decide on the conveyance of no more than 1,000,000 own Class

B shares held by the Company. The authorisation to acquire own shares shall be valid for 18 months and the authorisation to convey own shares shall be valid for five years from the decision of the Annual General Meeting.

The terms of the authorisations are reported in more detail in a stock exchange release on 23 March 2022.

The Board of Directors of Orion Corporation decided on 25 August 2022 on a share acquisition based on the authorisation by the Annual General Meeting on 23 March 2022. Between 1 September and 19 September and 26 October and 4 November, Orion acquired a total of 400,000 class B shares. After the acquisition, the Board of Directors is still authorised to decide on the acquisition of no more than 100,000 class B shares.

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

Share-based incentive plans

The Group has two currently operating share-based incentive plans for key persons of the Group: Orion Group's Long-Term Incentive Plan 2019, announced in a stock exchange release published on 6 February 2019, and Orion Group's Long-Term Incentive Plan 2022, announced in a stock exchange release published on 10 February 2022.

Share ownership

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

At the end of December 2022, Orion had a total of 79,423 (80,792) registered shareholders, of whom 96% (96%) were private individuals. They held 38% (40%) of the entire share stock and had 61% (61%) of the total votes. There were 56 (56) million nominee-registered and foreign-owned shares, which was 40% (40%) of all shares, and they conferred entitlement to 10% (10%) of the total votes.

At the end of December 2022, Orion held 932,771 (571,314) B shares as treasury shares, which is 0.7% (0.4%) of the Company's total share stock and 0.12% (0.07%) of the total votes.

Flagging notifications

In January–December 2022 Orion Corporation received altogether 9 notifications pursuant to Chapter 9, Section 5 of the Securities Market Act. According to the notifications, the total number of Orion shares owned directly, indirectly and/or through financial instruments by BlackRock, Inc. and its funds either increased above five (5) per cent or decreased below five (5) per cent of Orion Corporation's total shares.

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

Management's shareholdings

At the end of 2022, the members of the Board of Directors owned a total of 674,973 of the Company's shares, of which 613,063 were A shares and 61,910 B shares. At the end of 2022, the President and CEO owned 20,020 of the Company's shares, which were all B shares. The members of the Group's Executive Management Board (excluding the President and CEO) owned a total of 164,286 of the Company's shares, which were all B shares. Thus, the Company's executive management held 0.61% of all of the Company's shares and 1.58% of the total votes. These shareholdings include holdings by controlled corporations.

Orion's dividend distribution policy

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

Proposal by the Board of Directors: dividend EUR 1.60 per share

The parent company's distributable funds are EUR 590,316,773.93, or EUR 4.21 per share. This includes EUR 348,926,255.92, or EUR 2.49 per share, of profit for the financial year. These per share amounts are calculated excluding treasury shares held by the Company. The Board of Directors proposes payment of a dividend of EUR 1.60 (1.50) per share from the parent company's distributable funds.

No dividend shall be paid on treasury shares held by the Company on the dividend distribution record date. On the day when the profit distribution was proposed, the number of shares conferring entitlement to receive dividend totalled 140,201,507, on which the total dividend payment would be EUR 224,322,411.20. The Group's payout ratio for the financial year 2022 would be 64.3% (108.8%). The dividend payment date would be 31 March 2023, and shareholders registered in the Company's shareholder register on 24 March 2023 would be entitled to the dividend payment.

The Board of Directors further proposes that EUR 350,000 (350,000) be donated to medical research and other purposes of public interest in accordance with a separate decision by the Board and that EUR 365,644,362.73 remain in equity.

Corporate Governance

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

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

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

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

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

The Board of Directors of the parent company comprises at least five (5) and at most eight (8) members elected by a General Meeting of Shareholders. The term of the members of the Board of Directors ends at the end of the Annual General Meeting of Shareholders following the election. The General Meeting of Shareholders elects the Chair of the Board of Directors, and the Board of Directors elects the Vice Chair of the Board of Directors, both for the same term as the other members.

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

Notice period of the service agreement of President and CEO is 6 months, both for the company and for the President and CEO. The company has the right to immediately discharge the President and CEO from her duties. In certain situations, if the President and CEO has breached the service agreement, the company has also the right to terminate the service agreement with immediate effect. With the exception of such agreement breach situations, if the company has terminated the service agreement, the President and CEO shall be entitled to a severance pay equalling to her base salary for 18 months. The prerequisite for the severance pay is also that the company and the President and CEO enter into a separate agreement. If the President and CEO terminates the service agreement, no severance pay is paid.

Orion publishes its Corporate Governance Statement and remuneration report for 2022 separately from the Report by the Board of Directors on the Company's website at www.orion.fi/en.

Annual General Meeting on 23 March 2022

The Annual General Meeting of Orion Corporation was held on 23 March 2022 under special arrangements at Event Venue Eliel in Helsinki. In order to limit the spread of the Covid-19 pandemic, the Annual General Meeting was held without shareholders' or their proxy representatives' presence at the meeting venue. In addition to matters in accordance with Section 10 of the Articles of Association and Chapter 5, Section 3 of the Limited Liability Companies Act, the meeting dealt with the Company's remuneration report and proposals concerning authorisation of the Board of Directors to decide on a share issue by issuing new shares, to decide to acquire the Company's shares and to decide on a share issue by conveying own shares.

Distribution of a dividend of EUR 1.50 per share was approved for 2021, in accordance with the Board's proposal.

The decisions taken by the Annual General Meeting and the organising meeting of the Board of Directors were reported in stock exchange releases on 23 March 2022.

Annual General Meeting on 22 March 2023

Orion Corporation's Annual General Meeting is planned to be held on Wednesday 22 March 2023 commencing at 14:00 EET.

Significant risks and uncertainties

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

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

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

Risks are divided into the following main categories:

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

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

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

Non-financial reporting

Orion is a globally operating Finnish pharmaceutical company. Orion develops, manufactures and markets human and veterinary pharmaceuticals and active pharmaceutical ingredients. The company operates in the global pharmaceuticals market as part of a global supply chain. Orion procures final products and pharmaceutical ingredients from others, while others also purchase them from Orion. Group production facilities are located in Finland, France and Belgium. Pharmaceutical research centres are located in Finland and the United Kingdom. Orion had a total of 3,527 employees at the end of 2022, of them 2,648 in Finland and 879 outside Finland.

Orion is committed to continuously improving its performance in sustainability. In managing matters related to the environment, occupational health and safety and human resources, and ensuring its operations are ethical, the Company strives to achieve the high objectives it has set for the above. Based on a materiality assessment the Company has identified material themes and indicators for its corporate responsibility. They are prioritised in the development of operations, and the Company also regularly reports on the indicators. The key themes of Orion's Sustainability Agenda are ensuring patient safety and reliable supply of medications, and responsibility for the environment, its employees, business ethics and transparency. In 2022, the Company has advanced its Sustainability Agenda, while focusing on improving corporate responsibility management and further developing sustainability dialogue with stakeholders. A separate Sustainability Report for 2022 will be published in April 2023. A third-party limited assurance has been conducted to the non-financial reporting key figures and selected figures in the Sustainability Report.

In June 2022, Orion acquired animal health company V.M.D. NV ("VMD"). Orion is in the process of integrating the new VMD business units to Orion's sustainability policies and risk management practices. This integration continues during 2023 and once completed, Orion will include the new business units to its sustainability reporting indicators and results. The new business units have been partially included to the 2022 reporting indicators and this is described indicator-by-indicator basis and the new units are referred to as VMD units.

Environment, social matters and personnel

Policies

Orion's environmental, health and safety (EHS) policy defines the Group-level commitment on how Orion manages environmental matters and promotes the well-being of its workforce. The environmental management system, for managing and developing environmental matters, is built upon the principles set out in the ISO 14001 environmental standard. In the development of energy efficiency Orion applies the principles of the ETJ+ energy management system framework and practices consistent with the ISO 50001 standard. In management of occupational health and safety, Orion applies the ISO 45001 standard. The Company complies with valid legislation and with other regulations and requirements applicable to its operations. Orion manufactures human and animal pharmaceuticals and active pharmaceutical ingredients in an environmentally sustainable way, ensuring efficient use of materials and energy and appropriate wastewater management. Orion's human resources policy defines the principles adopted in the Orion Group concerning human resources management and attending to human resources matters. Compliance with legislation, collective agreements, occupational health and safety regulations, and other obligations shall be ensured in attending to human resources matters. In its operations, the Company complies with the principles of non-discrimination, equality and fairness. The aim of the Group's values, management principles, ethical guidelines and policies is to ensure that the Company operates in a socially responsible manner concerning its personnel and working conditions. The human resources policy defines what well-being at work means in Orion, and the responsibilities for developing the workforce and promoting the working and functional capabilities of its employees.

Risks and risk management

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

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

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

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

Indicators and results

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

Climate and energy consumption

Orion has a climate target of carbon neutrality in its own operations by 2030, and the work towards that target is progressing well. In 2022, Orion decided to expand on that target and commit to align its business - including its full value chain - with limiting global warming to 1.5°C. To that end, Orion has committed to setting science-based emission reduction targets for all its emission scopes to reach alignment with 1.5°C by 2030.

The Company systematically reduces its greenhouse gas emissions and engages in energy conservation through Orion's energy efficiency programme. In 2022, the Company successfully initiated a heat pump plant project in Espoo, and plant will start to produce heat in 2023. The plant utilizes waste heat from the production processes of Orion and energy from outdoor air, producing zero emission heat for the district network of Orion Espoo.

Orion is committed also to the joint Energy Efficiency Programme for the members of the Confederation of Finnish Industries (EK) for the years 2017–2025. The Energy Efficiency Programme target to improve energy efficiency by 7,5% was reached in 2021. Having reached the target, Orion decided to set its own, higher target of 15% improvement in the Company's energy efficiency by the end of the year 2025. Of this target, Orion has reached 60%. In 2022, the Company achieved energy savings by investing in LED lighting in Espoo and Turku and by decreasing the temperature of the supply air in production facilities in Oulu, among other things.

The greenhouse gas emission reductions in own operations (scopes 1-2) are mainly achieved through Orion's energy efficiency programme measures, including energy transformation projects, such as electrification of processes, in addition to which renewable and carbon free energy sources are utilised. By the end of 2022 Orion has reduced the greenhouse gas emissions in its own operations (scopes 1-2) by 60% compared with 2016.[1] In 2022, the Company further developed the calculations of greenhouse gas emissions from its value chain (scope 3) and started to define a roadmap to reduce value chain greenhouse gas emissions.

[1] Greenhouse gas emission reduction excludes data from VMD's operations.

	2022	2021
Total energy consumption, energy savings and greenhouse gas emissions[2]		
Total absolute energy consumption (MWh)[3]	154,832	156,707
Energy savings achieved by saving measures and efficiency improvements (MWh)[4]	858	7,349
Energy Efficiency Programme targets achieved[5]	121%	114%
Greenhouse gas emissions, scope 1 (tCO_2e)	5,110	4,403
Greenhouse gas emissions, scope 2, market-based (tCO_2e)[6]	12,934	13,692

[2] VMD production plants in France and Belgium are included to the figures as of July 2022.
[3] Orion Group's properties that do not contribute significantly to the total and have no production operations, such as rented offices, are excluded from reporting.
[4] Energy savings are estimates calculated in compliance with the guidelines of the Energy Authority.
[5] Joint Energy Efficiency Programme 2017–2025 target for the members of the Confederation of the Finnish Industries (EK). The energy savings target for 2025 is 7.5% of the energy consumption in 2016.
[6] 2021 figures restated due to refinement of the calculation of the emission factor.

Conservation of biodiversity and ecosystems

Orion recognises the importance of halting biodiversity loss and commits to working towards no biodiversity loss caused by our business or our value chain. In 2022, Orion started the initial mapping of its biodiversity impacts throughout its value chain. The work continues in 2023.

EU taxonomy: disclosure on environmentally sustainable activities

Orion has been actively following the development of the EU's classification system for environmentally sustainable activities, the EU Taxonomy, and its related disclosure obligations. The Company has conducted assessment of its Taxonomy-eligible economic activities for climate change mitigation and climate change adaptation targets. Orion's eligibility was assessed by mapping all of Orion's economic activities against the EU NACE codes, and comparing those to the Taxonomy-eligible activities set out by the EU. The scope of activities included in the assessment matches Orion Group's financial reporting and adheres to the principles of materiality. Based on the assessment, the Taxonomy-eligible proportion of the Company's turnover, capital expenditure and operating expenditure are 0% for each. Consequently, the Taxonomy-aligned proportion of the Company's turnover, capital expenditure and operating expenditure are 0% for each.

Information on Taxonomy-aligned activities are presented in the tables below. Turnover includes the Company's net sales. More information is available in Financial statement note 2.1 Revenue from contracts with customers. Capital expenditure consists of additions to property, plant and equipment, intangible assets, right-of-use assets and the additions in business combination excluding goodwill. More information is available in Financial statement note 3.1 Property, plant and equipment and intangible assets and 3.2 Leased assets. Operating expenditure consists of costs related to research and development, maintenance materials, leases of low-value assets and short-term leases. More information is available in Financial statement note 2.3 Operating expenses and 3.2 Leased assets.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

Economic activities	Codes	Absolute turnover EUR million	Proportion of turnover %	Substantial contribution criteria: Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	DNSH criteria ('Does Not Significantly Harm'): Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion of turnover, year 2022 Percent	Taxonomy-aligned proportion of turnover, year 2021 Percent	Category (enabling activity) E	Category (transitional activity) T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%														0%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																				
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		0	0%																	
Total (A.1 + A.2)		0	0%														0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		1,341	100%																	
Total (A+B)		1,341	100%																	

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities	Codes	Absolute CapEx EUR million	Proportion of CapEx %	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion of CapEx, year 2022 Percent	Taxonomy-aligned proportion of CapEx, year 2021 Percent	Category (enabling activity) E	Category (transitional activity) T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%														0%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																				
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		0	0%																	
Total (A.1 + A.2)		0	0%														0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		142	100%																	
Total (A+B)		142	100%																	

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities	Codes	Absolute OpEx EUR million	Proportion of OpEx %	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion of OpEx, year 2022 Percent	Taxonomy-aligned proportion of OpEx, year 2021 Percent	Category (enabling activity) E	Category (transitional activity) T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%														0%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																				
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		0	0%																	
Total (A.1 + A.2)		0	0%														0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		174	100%																	
Total (A+B)		174	100%																	

Orion will conduct eligibility and alignment assessment for the four non-climate environmental objectives during 2023. These objectives are the sustainable use and protection of water and marine resources; transition to a circular economy; pollution prevention and control; and protection and restoration of biodiversity and ecosystems. The Company will report the Taxonomy-aligned economic activities of these objectives as a part of the non-financial reporting 2023

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

By taking care of occupational health and well-being at work, Orion aims to ensure that Orion employees are fit for work and healthy at work, and not exposed to occupational diseases. Achievement of this is shown by the occupational well-being indicators of lost time incident frequency and absence due to illness rate. In 2022, the Company conducted initiatives to promote safety culture, including strengthening the use of current tools and implementing a new tool to facilitate learning from incidents. During the year, Orion defined strategic themes for its long-term safety development. The Company's aim is to achieve zero lost time incidents. Unfortunately, the lost time incident frequency target for 2022, LTIF 1 ≤ 3.0, was not achieved. The Company will launch Orion Safety Value Creation program during 2023 to achieve the Company's long-term safety objectives.

	2022	2021
Occupational well-being of personnel: Workplace injuries and sick leave of the personnel		
Lost time incident frequency, LTIF 1[1]	3.7	4.8
Absence due to illness (hours of absence due to illness as percentage of total theoretical working hours)[2]	4.1%	3.1%

[1] Indicates the workplace injury rate as injuries causing an absence of at least one day per million total actual working hours. 2022 reporting includes Orion Group employees globally. VMD employees of production sites in France and Belgium are included as of July 2022. 2021 reporting includes Orion Group employees in Finland.

[2] Hours of absence due to illness as percentage of total theoretical working hours of Company personnel. Reporting covers the Orion Group's employees in Finland.

Respect for human rights and prevention of corruption and bribery

Policies

Orion's Code of Conduct defines the Group's ethical practices and commitment to complying with laws, ethically approved practices and respect for human rights. Orion expects all its personnel to comply with the Code of Conduct and practices resulting from it. The Code of Conduct is available in 15 languages. Correspondingly, the ethical guidelines of the Third Party Code of Conduct applying to Orion's suppliers define the minimum requirements to which Orion expect its partners to be committed. In addition to regulatory requirements, they include key principles for business operations concerning sustainability and ethics.

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

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

Risks and risk management

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

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

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

Indicators and results

In 2022, Orion rolled out the Code of Conduct for the new VMD employees and published an additional language version of the policy and related e-learning to ensure accessibility to all new employees. The majority of Group employees completed the mandatory Code of Conduct e-learning in 2020, when the training was published. The Company ensures that the training is completed by all new employees.

In 2022, Orion continued to apply its human rights due diligence practices with risk-based approach. Orion was not made aware of any human rights violations in its own operations through the whistleblowing channel in 2022. The Company takes all such notifications seriously and handles them quickly and impartially.

Anti-corruption and bribery training is mandatory for certain personnel groups. Orion ensures that the training is completed by all new employees for whom it is mandatory. We provide regular training and in 2022, the Company carried out a comprehensive retraining for the targeted personnel groups.

	2022	2021
Respect for human rights and prevention of corruption and bribery		
Code of Conduct training, number of participants[1, 2]	682	653
Anti-corruption and anti-bribery training, number of participants[1]	1,800	532

[1] Participants in training: all individuals who completed the training in the course of the year, including those in part-time, temporary and past employment.
[2] VMD employees are included to training participants as of 2022.

Product quality and safety

Policies

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

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

The quality of Orion's products is ensured by rigorous management of the entire supply chain irrespective of the location of raw materials and product manufacture. The Company audits manufacturing sites regularly to assess the adequacy of the quality system and that all GMP (Good Manufacturing Practice) standards are followed. Orion analyses raw material and product batches to ensure that quality requirements set in advance for the product are met, undertakes process controls and checks that activities have been appropriately documented. In compliance with EU standards and the Finnish Medicines Act, the defined QP (Qualified Person) in the quality assurance organisation decides when a product batch is released for sale. QP is responsible for ensuring that each individual batch has been manufactured and checked in compliance with laws in force and in accordance with the requirements of the marketing authorisation and with GMP. The stability of the product is monitored during the shelf life and any customer complaints are monitored throughout the entire product life. Immediate action is taken if any deficiency in product quality is detected.

Risks and risk management

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

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

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

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

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

Orion's broad product range and wide supplier network may cause risks to the delivery reliability. Authorities and key customers in different countries undertake regular and detailed inspections and audits of Orion's manufacturing sites. Should some inspection or audit outcome lead to significant corrective actions, it may at least temporarily have effects that decrease delivery reliability and increase costs. This risk is, however, mitigated by continuous improvement and regular audit program by Orion. Orion's product range also contains products manufactured by other pharmaceutical companies and products that Orion manufactures on its own but for which other companies deliver active pharmaceutical or other ingredients. Possible problems related to the delivery reliability or quality of the products of those manufacturers may cause a risk to Orion's delivery reliability.

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

Indicators and results

The Company carries out annual audits at the facilities and operations of suppliers and partners to ensure compliance with Good Practices (GxP) specified for the pharmaceutical industry.

COVID-19 pandemic continued to impact audit programs with restrictions in certain geographical areas. Some of the audits to our suppliers and partners in 2022 were conducted remotely. Similarly, some of the audits of Orion's operations were conducted remotely.

	2022	2021
Product quality and safety		
Number of GxP inspections/audits of Orion's operations, total[1]	63	43
Inspections by authorities	12	11
Audits by collaboration partners	51	32
Non-compliances from authority inspections	0	0
Number of GxP audits undertaken by Orion[1]	281	256
Rejections	1	3
Number of customer complaints about the Pharmaceuticals business (ppm[2])	60	65

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

Strategy

Orion's Board of Directors has confirmed the Company's strategy for 2023–2027.

Operating environment

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

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

Mission

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

Preconditions for strategic success

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

- **Quality and safety.** High quality and safety of operations and products and regulatory compliance are preconditions for a company's existence in the pharmaceutical industry.
- **Competitive and dynamic product portfolio.** Orion invests in product development and commercialisation and product life cycle management. Success requires that we constantly develop new products and discontinue unsuccessful ones.

- **Strong corporate culture of working together.** Our working together is based on work that is valuable and important for the customer. Orion wants to be an excellent workplace and a responsible and attractive employer that continuously develops the well-being of its personnel at work and their expertise.
- **Building strong partnerships.** Orion's operations are based on utilising global partnerships and networks. Finding the right partners and managing partnerships with skill give the company a competitive edge.
- **Productivity and flexibility.** Attaining competitiveness and the desired level of profitability requires constant productivity improvements in all business operations. Flexibility to respond rapidly to changes in the operating environment is also required. Due to its size, Orion can be more agile than larger companies and gain a competitive advantage from this.

Strategic targets

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

- **Growing more rapidly than the growth in the market.** The key objective in the coming years is to persistently strive for growing faster than the markets. The objective is to increase net sales to EUR 1.5 billion by the end of 2025. Growth enables the Company to develop and to take manageable risks. The target of growing faster than the markets should be achieved by the Company as a whole and in the geographic and product areas in which Orion operates.
  Orion's solid balance sheet supports the Company's chances to grow and achieve its financial goals. Orion is currently working on numerous projects that target growth. The Company continues to invest in its own research and development activities, for example by investing in new clinical trials, and actively evaluates in-licensing opportunities of products in the late stage of development. At the same time, the solid balance sheet strengthens Orion's equity position and ability to continue achieving its dividend distribution objective.
  The single most important growth project in the next few years is the commercialisation of the Nubeqa® prostate cancer drug in partnership with Bayer. Other than this, growth in the near future will be sought especially from the Easyhaler® product portfolio and possibly through product acquisitions.
- **Providing patients with new innovative and cost-effective drugs and treatments.** Developing and strengthening the product development pipeline both in early research stages and clinical development phase projects. Besides Orion's own product development, we strive to strengthen our product development pipeline by in-licencing development projects.
- **Working together to benefit the customer.** Our objective is to continuously develop our own understanding of customer needs and of the progress made in therapy areas. We recognise new opportunities by relying on our scientific competence and customer knowledge.
- **Continuous improvement of performance in sustainability.** Patient safety is the most vital aspect of Orion's corporate responsibility, and managing the environmental responsibilities is an important part of the Company's sustainability. Orion is committed to making its own operations carbon neutral by 2030. In addition, Orion aims to continuously develop the well-being of its personnel, including occupational safety and well-being at work.
- **Strong development of profitability**

Financial objectives

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

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

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

Outlook for 2023

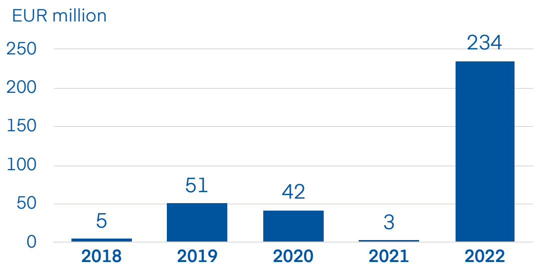
Orion estimates that net sales in 2023 will be slightly higher than in 2022 without the EUR 228 million impact from the ODM-208 upfront payment (net sales in 2022 without the impact of the ODM-208 upfront payment were EUR 1,113 million).

Operating profit is estimated to be slightly higher or higher than in 2022 without the EUR 208 million net impact from the ODM-208 upfront payment (operating profit in 2022 without the net impact of the ODM-208 upfront payment was EUR 232 million).

Basis for outlook in more detail

Collaboration agreements with other pharmaceutical companies are an important component of Orion's business model. Agreements often include payments recorded in net sales and operating profit that vary greatly from year to year. Forecasting the timing and amount of these payments is difficult. In some cases, they are conditional on terms such as R&D outcomes which are not known until studies have been completed, the progress of R&D projects or the attainment of specified sales levels. On the other hand, neither the outcome nor the schedule of contract negotiations is generally known before the final signing of the agreement. In 2022, Orion received an upfront payment of USD 290 million related to the ODM-208 contract, of which EUR 228 million was recognised in revenue and operating profit. The contract-related expenses amounted to approximately EUR 20 million, resulting in a net impact on operating profit of EUR 208 million.

Milestone payments received by Orion in 2018–2022



Orion is eligible to receive milestone payments from Bayer based on sales of the Nubeqa® product upon meeting certain global annual sales thresholds for the first time. The outlook for 2023 includes one such milestone payment of EUR 30 million. The outlook does not include any other material milestone payments.

The outlook assumes that Orion's own production will be able to operate normally throughout the year. Risks to the continuity of production are discussed under 'Near-term risks and uncertainties'.

The outlook does not include income, expenses or other impacts related to any future material product or company acquisition or divestment.

Net sales

The outlook anticipates that the net sales of Nubeqa® booked by Orion will clearly increase in 2023. Orion's estimate is based on forecasts received from its partner Bayer. The net sales of the Animal Health business division is also expected to increase clearly due to the acquisition of the animal health company VMD in summer 2022. Milestone payments are expected to increase clearly excluding the impact of the ODM-208 upfront payment. In addition, the Easyhaler® product portfolio is expected to act as one growth driver.

Aggregate net sales of other products are expected to decline from 2022, driven in particular by generic competition from Simdax®, dexdor®, Precedex® and Parkinson's drugs Stalevo®, Comtess® and Comtan®. Also, the sales of Orion's own generic dexmedetomidine and entcapone products are expected to decline due to competition. The expected decline in sales of other generic medicines is mainly explained by lower prices in Orion's main markets. In addition, the outlook assumes that Orion's turnover in Russia will be substantially lower than in 2022. In 2022, changes in exchange rates and especially in the Russian rouble rate increased net sales. Fermion has been operating at very near full capacity over the past few years. The share of manufacturing of the active pharmaceutical ingredients of Orion's own proprietary drugs is estimated to increase, and consequently Fermion's external net sales reported by Orion are estimated to slightly decline in 2023.

Operating profit

Manufacturing costs are expected to increase faster than sales, mainly due to cost inflation, resulting in a lower relative gross margin on product sales than in 2022. Cost inflation is reflected not only in raw material and energy prices, but also in salary costs, among others. The outlook takes into account higher salary increases than in previous years.

Operating expenses are expected to increase slightly from 2022 reported costs (i.e. including ODM-208 agreement related costs). The increase in R&D expenses will be influenced by the number and timing of projects in the clinical research phase. In addition, there is a plan to increase investment in early-stage research, and hence in building the company's future growth. Sales and marketing expenses will be driven by, among other things, the costs of the acquired veterinary pharmaceutical company Inovet, the planned launch of ganaxolone in Europe and costs related to Nubeqa, including the royalty payable to Endo Pharmaceuticals. Salary increases also push up operating expenses.

The operating profit from growing products, above all the royalty from Nubeqa®, is estimated to grow faster than costs. Also, milestone payments are expected to increase clearly excluding the impact of the ODM-208 upfront payment. Due to the factors mentioned above, operating profit for 2023 is estimated to be slightly higher or higher than in 2022, excluding the net impact of the EUR 208 million ODM-208 upfront payment.

Capital expenditure

The Group's total capital expenditure in 2023 is expected to be clearly lower than in 2022, when capital expenditure was EUR 109 million. Investments in 2022 included EUR 20 million upfront payment for exclusive licence to commercialise Amneal's generic products in Europe, Australia and New Zealand and EUR 15 million upfront payment for Jemincare's NaV 1.8 blocker (ODM-111). In 2023, the grand total of investments will be still further increased by the revamping of Orion's Enterprise Resource Planning (ERP) system and renovation of the company's head office in Espoo, both scheduled for 2021-23. The outlook of capital expenditure does not include any investments related to any future material product or company acquisition.

Near-term risks and uncertainties

The outlook is based on the assumption that Orion's own production can continue to operate normally. The sales of Orion-manufactured products depend on the ability of production and the entire supply chain to operate at the planned level. This involves numerous risks that may cause even material production disruptions. Such risks include the infection of employees, the availability of supplies, equipment and spare parts, deteriorating availability of products, energy, starting materials and intermediate products as well as logistics chain disruptions. Current risks to supply and logistics chains include the effects of the COVID-19 pandemic and the war in Ukraine. Any other unforeseen changes in the operating environment could cause disruptions to Orion's production or other operations. Such risks may include natural disasters, significant geopolitical changes, epidemics and pandemics.

In the current labour market situation, strikes and other industrial actions are also risks that may affect Orion's production and other operations directly or indirectly.

Sales of individual products and also Orion's sales in individual markets may vary, for example depending on the extent to which the ever-tougher price and other competition prevailing in pharmaceutical markets in recent years will specifically focus on Orion's products. Changes in pharmaceutical regulation in individual markets or more broadly, for example at EU level, may affect the sales and profitability of Orion's products.

Product deliveries to key partners are based on timetables that are jointly agreed in advance. Nevertheless, they can change, for example as a consequence of decisions concerning adjustments of stock levels. In addition, changes in market prices and exchange rates affect the value of deliveries. Due to Russia's invasion of Ukraine, the visibility of business in these countries is currently very low. Furthermore, it is uncertain whether all the receivables in Russia can be collected. However, this is not considered to be a significant risk for the Group. Orion has insured its receivables, but only in part. So far, Orion has been able to recover its receivables in Russia normally.

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

Orion's broad product range may cause risks to the delivery reliability and make it challenging to maintain the high quality standard required in production. The impacts of the COVID-19 pandemic, the war in Ukraine and other challenges in the global supply and logistics chains of pharmaceuticals have increased the already elevated risk of supply disruptions. Moreover, the disruptions, production volume changes and logistical challenges experienced in other industries may also have unexpected and sudden ramifications that can manifest as shortages of necessary raw materials, supplies and equipment in the chemical and pharmaceutical industries and as increases in prices. The rise of raw material prices and other supply chain costs deteriorates the profitability of Orion's products, since in the pharmaceuticals industry it is very difficult to pass on cost increases to the prices of own products, especially prescription medicines, particularly in Europe. Cost inflation will have a negative impact on Orion's profitability in 2023. Due to the inventory turnover rate, the impact of price increases on the cost of goods sold was still limited in 2022 and will be more pronounced in 2023. A continuation of high inflation levels poses a risk to Orion's profitability.

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

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

Collaboration arrangements are an important component of Orion's business model. Possible collaboration and licensing agreements related to these arrangements also often include payments to be recorded in net sales that may materially affect Orion's financial results. In 2014–2022 the annual payments varied from EUR 3 million to EUR 234 million. The payments may be subject to conditions relating to the progress of research projects or sales or to new contracts to be signed, and whether these conditions or contracts materialise and what their timing is will always entail uncertainties.

Group’s key figures

Key figures relating to financial performance

	2018	2019	2020	2021	2022
Net sales, EUR million	977.5	1,051.0	1,078.1	1,041.0	1,340.6
EBITDA, EUR million	293.9	308.9	336.5	289.1	487.1
% of net sales	30.1%	29.4%	31.2%	27.8%	36.3%
Operating profit, EUR million	252.8	252.8	280.1	243.3	439.6
% of net sales	25.9%	24.1%	26.0%	23.4%	32.8%
Profit for the period, EUR million	197.3	200.4	219.9	193.8	349.5
% of net sales	20.2%	19.1%	20.4%	18.6%	26.1%
Research and development expenses, EUR million	104.0	119.3	123.2	117.7	135.8
% of net sales	10.6%	11.3%	11.4%	11.3%	10.1%
Capital expenditure, excluding acquired in business combinations, EUR million	64.8	42.6	48.5	85.4	109.6
% of net sales	6.6%	4.0%	4.5%	8.2%	8.2%
Acquired in business combination, net of cash, EUR million					82.0
Depreciation, amortisation and impairment, EUR million	41.1	56.1	56.5	45.8	47.5
Personnel expenses, EUR million	200.7	217.1	227.0	231.0	263.9
Equity total, EUR million	773.1	779.4	731.3	747.9	908.1
Interest-bearing net liabilities, EUR million	-132.1	-139.1	-185.8	-108.3	-118.7
Assets total, EUR million	1,146.7	1,035.7	1,115.6	1,114.0	1,503.6
Cash flow from operating activities, EUR million	230.9	270.8	299.1	215.7	434.4
Equity ratio, %	68.8%	76.7%	66.7%	68.1%	60.9%
Gearing, %	-17.1%	-17.8%	-25.4%	-14.5%	-13.1%
Return on capital employed (before taxes), %	44.3%	29.9%	34.8%	28.8%	45.1%
Return on equity (after taxes), %	45.5%	25.8%	29.1%	26.2%	42.2%
Personnel at the end of the period	3,154	3,265	3,311	3,355	3,527
Average personnel during the period	3,179	3,251	3,337	3,364	3,472

Performance per share

	2018	2019	2020	2021	2022
Basic earnings per share, EUR	2.35	1.43	1.56	1.38	2.49
Diluted earnings per share, EUR	2.35	1.43	1.56	1.38	2.49
Cash flow from operating activities per share, EUR	1.64	1.93	2.13	1.53	3.09
Equity per share, EUR	5.50	5.55	5.21	5.32	6.48
Dividend per share, EUR[1]	1.50	1.50	1.50	1.50	1.60
Total dividend, EUR million[1]	211.0	210.7	210.7	210.8	224.3
Payout ratio, %[1]	63.8%	105.2%	95.9%	108.8%	64.3%
A share					
Number of shares at the end of the period	37,120,346	36,335,463	35,122,793	34,813,206	34,186,494
% of total share stock	26.3%	25.7%	24.9%	24.7%	24.2%
Effective dividend yield, %[1]	5.0%	3.7%	4.0%	4.2%	3.1%
Price/earnings ratio (P/E)	12.89	28.64	23.97	26.16	20.52
Number of votes excluding treasury shares	742,406,920	726,709,260	702,455,860	696,264,120	683,729,880
% of total votes	87.8%	87.5%	87.0%	86.8%	86.6%
Total number of shareholders	20,368	19,990	22,015	23,252	23,232
Closing quotation at the end of previous financial year, EUR	32.07	30.30	40.95	37.40	36.10
Lowest quotation of review period, EUR	24.75	28.20	29.60	33.45	33.90
Average quotation of review period, EUR	29.63	34.26	40.26	36.33	41.38
Highest quotation of review period, EUR	35.70	42.00	48.45	41.05	54.00
Closing quotation at the end of review period, EUR	30.30	40.95	37.40	36.10	51.10
Trading volume, EUR million	63.2	73.5	102.5	58.9	69.9
Shares traded	2,131,981	2,149,046	2,547,090	1,620,990	1,684,646
% of the total number of shares	5.7%	5.9%	7.3%	4.7%	4.9%

[1] The Board of Directors' proposal for 2022 to the Annual General Meeting.

	2018	2019	2020	2021	2022
B share					
Number of shares at the end of the period, including treasury shares	104,137,482	104,922,365	106,011,485	106,321,072	106,947,784
% of total share stock	73.7%	74.3%	75.1%	75.3%	75.8%
Treasury shares	562,440	765,399	671,082	571,314	932,771
Number of shares at the end of the period, excluding treasury shares	103,575,042	104,156,966	105,340,403	105,749,758	106,015,013
Effective dividend yield, %[1]	4.5%	3.6%	4.0%	4.1%	3.1%
Price/earnings ratio (P/E)	12.89	26.86	24.06	26.46	20.58
Number of votes excluding treasury shares	103,575,042	104,156,966	105,340,403	105,749,758	106,015,013
% of total votes	12.2%	12.5%	13.0%	13.2%	13.4%
Diluted number of shares, average	103,556,473	103,745,206	104,892,709	105,565,593	106,065,089
% of total share stock	73.3%	73.4%	74.3%	74.8%	75.2%
Total number of shareholders	58,903	52,913	56,487	64,385	63,016
Closing quotation at the end of previous financial year, EUR	31.08	30.28	41.27	37.53	36.52
Lowest quotation of review period, EUR	22.57	28.19	30.02	32.51	33.75
Average quotation of review period, EUR	27.90	33.48	40.69	35.86	42.16
Highest quotation of review period, EUR	33.50	42.52	48.80	39.42	54.18
Closing quotation at the end of review period, EUR	30.28	41.27	37.53	36.52	51.24
Trading volume, EUR million	3,389.3	2,846.5	4,213.9	3,027.7	3,344.4
Shares traded	121,458,874	85,303,946	103,556,863	84,437,433	79,342,616
% of the total number of shares	116.6%	81.3%	97.7%	79.4%	74.2%
A and B share total					
Number of shares at the end of the period	141,257,828	141,257,828	141,134,278	141,134,278	141,134,278
Average number of shares during the period excluding treasury shares	140,676,819	140,571,373	140,506,969	140,546,563	140,501,281
Total number of votes conferred by the shares	845,981,962	830,866,226	807,796,263	802,013,878	789,744,893
Diluted number of shares, average	140,676,819	140,571,373	140,506,969	140,563,896	140,589,736
Total number of shareholders	72,802	66,595	72,003	80,792	79,423
Trading volume, EUR million	3,452.5	2,920.0	4,316.4	3,086.6	3,414.4
Shares traded	123,590,855	87,452,992	106,103,953	86,058,423	81,027,262
Total shares traded, % of total shares	87.5%	61.9%	75.2%	61.0%	57.4%
Market capitalisation at the end of the period excluding treasury shares, EUR million	4,261.0	5,786.5	5,267.0	5,118.7	7,179.1

[1] The Board of Directors' proposal for 2022 to the Annual General Meeting.

Largest shareholders by number of shares[1]

31 Dec 2022	A shares	B shares	Total shares	% of total shares	Total votes	% of total votes
1. Ilmarinen Mutual Pension Insurance Company	1,847,000	1,444,629	3,291,629	2.33%	38,384,629	4.85%
2. Erkki Etola and companies	2,500,000	325,000	2,825,000	2.00%	50,325,000	6.36%
Etola Erkki	200,000				4,000,000	0.51%
Etola Oy	2,300,000				46,000,000	5.82%
Etola Group Oy		325,000			325,000	0.04%
3. Varma Mutual Pension Insurance Company		2,720,405	2,720,405	1.93%	2,720,405	0.34%
4. Land and Water Technology Foundation and companies	2,083,360		2,083,360	1.48%	41,667,200	5.27%
Land and Water Technology Foundation	1,034,860				20,697,200	2.62%
Tukinvest Oy	1,048,500				20,970,000	2.65%
5. Elo Mutual Pension Insurance Company	292,800	1,585,000	1,877,800	1.33%	7,441,000	0.94%
6. Ylppö Jukka	1,247,136	147,729	1,394,865	0.99%	25,090,449	3.17%
7. The Social Security Institution of Finland, Kela		1,218,368	1,218,368	0.86%	1,218,368	0.15%
8. Into Ylppö and commanding votes	785,492	242,848	1,028,340	0.73%	15,952,688	2.02%
Ylppö Into	577,936	240,200			11,798,920	1.49%
Ylppö Eeva	110,778	1,324			2,216,884	0.28%
Ylppö Aurora	96,778	1,324			1,936,884	0.24%
9. The State Pension Fund		1,000,000	1,000,000	0.71%	1,000,000	0.13%
10. Orion Corporation[2]		932,771	932,771	0.66%	932,771	0.12%
10 largest total	**8,755,788**	**9,616,750**	**18,372,538**	**13.02%**	**184,732,510**	**23.36%**
Total	**34,186,494**	**106,947,784**	**141,134,278**	**100.00%**	**790,677,664**	**100.00%**

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

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

Largest shareholders by number of votes[1]

31 Dec 2022	A shares	B shares	Total shares	% of total shares	Total votes	% of total votes
1. Erkki Etola and companies	2,500,000	325,000	2,825,000	2.00%	50,325,000	6.36%
Etola Erkki	200,000				4,000,000	0.51%
Etola Oy	2,300,000				46,000,000	5.82%
Etola Group Oy		325,000			325,000	0.04%
2. Land and Water Technology Foundation and companies	2,083,360		2,083,360	1.48%	41,667,200	5.27%
Land and Water Technology Foundation	1,034,860				20,697,200	2.62%
Tukinvest Oy	1,048,500				20,970,000	2.65%
3. Ilmarinen Mutual Pension Insurance Company	1,847,000	1,444,629	3,291,629	2.33%	38,384,629	4.85%
4. Ylppö Jukka	1,247,136	147,729	1,394,865	0.99%	25,090,449	3.17%
5. Into Ylppö and commanding votes	785,492	242,848	1,028,340	0.73%	15,952,688	2.02%
Ylppö Into	577,936	240,200			11,798,920	1.49%
Ylppö Eeva	110,778	1,324			2,216,884	0.28%
Ylppö Aurora	96,778	1,324			1,936,884	0.24%
6. Aho Group Oy and commanding votes	730,599	9,794	740,393	0.52%	14,621,774	1.85%
Aava Terveyspalvelut Oy	358,230	4			7,164,604	0.91%
Juhani Aho Foundation for Medical Research	107,800				2,156,000	0.27%
Aho Kari Jussi	75,763	1,365			1,516,625	0.19%
Lappalainen Annakaija	58,034	5,500			1,166,180	0.15%
Aho Ville Jussi	50,496	425			1,010,345	0.13%
Porkkala Miia	41,683				833,660	0.11%
Aho Antti Jussi	38,593	2,500			774,360	0.10%
7. Orion Pension Fund[2]	544,208	178,702	722,910	0.51%	11,062,862	1.40%
8. Eija Ronkainen and companies	535,500	39,615	575,115	0.41%	10,749,615	1.36%
EVK-Capital Oy	535,500	16,671			10,726,671	1.36%
Eija Ronkainen		22,944			22,944	0.00%
9. Saastamoinen Foundation	504,996		504,996	0.36%	10,099,920	1.28%
10. Oy Ingman Finance Ab	445,000		445,000	0.32%	8,900,000	1.13%
10 largest total	**11,223,291**	**2,388,317**	**13,611,608**	**9.64%**	**226,854,137**	**28.69%**
Total	**34,186,494**	**106,947,784**	**141,134,278**	**100.00%**	**790,677,664**	**100.00%**

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

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

Ownership base by type of shareholder

31 Dec 2022	Owners	%	A shares	%	B shares	%	Total shares	%	Total votes	%
Non-financial companies	2,001	2.52	4,768,834	13.95	3,308,033	3.09	8,076,867	5.72	98,684,713	12.48
Financial and insurance institutions	80	0.10	574,254	1.68	3,528,596	3.30	4,102,850	2.91	15,013,676	1.90
Public sector entities	41	0.05	2,143,654	6.27	8,374,608	7.83	10,518,262	7.45	51,247,688	6.48
Households	76,193	95.93	22,536,298	65.92	31,438,616	29.40	53,974,914	38.24	482,164,576	60.98
Non-profit organisations	755	0.95	3,068,583	8.98	4,071,953	3.81	7,140,536	5.06	65,443,613	8.28
Nominee-registered and foreign shareholders	352	0.44	1,094,871	3.20	55,293,207	51.70	56,388,078	39.95	77,190,627	9.76
Number of treasury shares	1	0.00	0	0.00	932,771	0.87	932,771	0.66	932,771	0.12
Total	**79,423**	**100.00**	**34,186,494**	**100.00**	**106,947,784**	**100.00**	**141,134,278**	**100.00**	**790,677,664**	**100.00**

Ownership base by number of shares

31 Dec 2022	Owners	%	A shares	%	B shares	%	Total shares	%	Total votes	%
1–100	39,145	49.29	418,486	1.22	1,273,608	1.19	1,575,913	1.12	8,418,155	1.06
101–1,000	30,991	39.02	3,112,571	9.10	9,892,822	9.25	11,641,316	8.25	58,113,910	7.35
1,001–10,000	8,497	10.70	8,257,133	24.15	16,266,024	15.21	23,367,768	16.56	168,193,957	21.27
10,001–100,000	716	0.90	7,498,665	21.93	9,191,071	8.59	18,079,116	12.81	172,302,743	21.79
100,001–1,000,000	61	0.08	7,422,143	21.71	7,592,102	7.10	14,972,704	10.61	148,417,513	18.77
1,000,001–	12	0.02	7,477,496	21.87	61,799,386	57.78	70,564,690	50.00	234,298,615	29.63
Total	**79,422**	**100.00**	**34,186,494**	**100.00**	**106,015,013**	**99.13**	**140,201,507**	**99.34**	**789,744,893**	**99.88**
of which nominee-registered	11	0.01	870,208	2.55	55,079,491	51.95	55,949,699	39.91	72,483,651	9.18
Number of treasury shares	1	0.00	0	0.00	932,771	0.87	932,771	0.66	932,771	0.12
Total	**79,423**	**100.00**	**34,186,494**	**100.00**	**106,947,784**	**100.00**	**141,134,278**	**100.00**	**790,677,664**	**100.00**

Shareholdings in Orion Corporation of the Members elected to the Board of Directors on 23 March 2022

31 Dec 2022	A shares	Change from 1 Jan	B shares	Change from 1 Jan	A and B total	% of total shares	% of total votes
Mikael Silvennoinen, Chairman	0	0	8,797	970	8,797	0.01	0.00
Hilpi Rautelin, Vice Chairman	1,800	0	4,161	593	5,961	0.00	0.01
Kari Jussi Aho	75,763	0	1,365	485	77,128	0.05	0.19
Maziar Mike Doustdar[1]	0	0	485	485	485	0.00	0.00
Ari Lehtoranta	0	0	3,161	593	3,161	0.00	0.00
Veli-Matti Mattila	0	0	3,841	485	3,841	0.00	0.00
Eija Ronkainen	535,500	0	39,615	485	575,115	0.41	1.36
Karen Lykke Sørensen[1]	0	0	485	485	485	0.00	0.00
Board of Directors total	**613,063**	**0**	**61,910**	**4,581**	**674,973**	**0.48**	**1.56**

[1] For Maziar Mike Doustdar and Karen Lykke Sørensen, the changes have been observed as of 23 March 2022, when they started as Board members.

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

Shareholdings in Orion Corporation of the Members of the Executive Management Board

31 Dec 2022	A shares	Change from 1 Jan	B shares	Change from 1 Jan	A and B total	% of total shares	% of total votes
Liisa Hurme, President and CEO	0	0	20,020	2,548	20,020	0.01	0.00
Satu Ahomäki	0	0	38,849	548	38,849	0.03	0.00
Olli Huotari	0	0	68,431	2,039	68,431	0.05	0.01
Juhani Kankaanpää[1]	0	0	3,012		3,012	0.00	0.00
Jari Karlson	0	0	37,271	2,039	37,271	0.03	0.00
Virve Laitinen	0	0	16,723	-1,961	16,723	0.01	0.00
Outi Vaarala	0	0	0	0	0	0.00	0.00
Executive Management Board total	**0**	**0**	**184,306**	**5,213**	**184,306**	**0.13**	**0.02**

[1] Juhani Kankaanpää, the changes have been observed as of 1 November 2022, when he started as member of the Executive Management Board.

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

Basic information on Orion's shares

31 Dec 2022	A share	B share	Total
Trading code on Nasdaq Helsinki	ORNAV	ORNBV	
Listing day	1 Jul 2006	1 Jul 2006	
ISIN code	FI0009014369	FI0009014377	
ICB code	4500	4500	
Reuters code	ORNAV.HE	ORNBV.HE	
Bloomberg code	ORNAV.FH	ORNBV.FH	
Share capital, EUR million	22.3	69.9	92.2
Counter book value per share, EUR	0.65	0.65	
Minimum number of shares			1
Maximum number of A and B shares, and maximum number of all shares	500,000,000	1,000,000,000	1,000,000,000
Votes per share	20	1	

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

Calculation of the key figures

EBITDA = Operating profit + Depreciation + Amortisation + Impairment losses

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

Return on capital employed (ROCE), % $= \dfrac{\text{Profit before taxes + interest and other finance expenses}}{\text{Total assets - Non-interest-bearing liabilities (average during the period)}} \times 100$

Return on equity (ROE), % $= \dfrac{\text{Profit for the period}}{\text{Total equity (average during the period)}} \times 100$

Equity ratio, % $= \dfrac{\text{Equity}}{\text{Total assets - Advances received}} \times 100$

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

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

Cash flow from operating actitivies per share, EUR $= \dfrac{\text{Cash flow from operating activities}}{\text{Average number of shares during the period, excluding treasury shares}}$

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

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

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

Effective dividend yield, % $= \dfrac{\text{Dividend per share}}{\text{Closing quotation of the period}} \times 100$

Price/earnings ratio (P/E) $= \dfrac{\text{Closing quotation of the period}}{\text{Earnings per share}}$

Average share price, EUR $= \dfrac{\text{Total EUR value of shares traded}}{\text{Average number of traded shares during the period}}$

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

Consolidated financial statements (IFRS)

Consolidated income statement

EUR million	Note	2022	2021
Net sales	2.1	1,340.6	1,041.0
Cost of goods sold		-491.7	-447.5
Gross profit		848.9	593.5
Other operating income and expenses	2.4	5.7	6.4
Selling and marketing expenses	2.2, 2.3, 4.1	-210.3	-191.0
Research and development expenses	2.2, 2.3, 4.1	-135.8	-117.7
Administrative expenses	2.2, 2.3, 4.1	-68.8	-47.9
Operating profit		439.6	243.3
Finance income and expenses	2.5	0.7	-1.0
Profit before taxes		440.3	242.3
Income tax expense	5.1	-90.8	-48.5
Profit for the period		349.5	193.8
PROFIT ATTRIBUTABLE TO			
Owners of the parent company		349.5	193.8
Basic earnings per share, EUR[1]	2.6	2.49	1.38
Diluted earnings per share, EUR[1]	2.6	2.49	1.38

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

Consolidated statement of comprehensive income

EUR million	Note	2022	2021
Profit for the period		349.5	193.8
Cumulative translation adjustments	6.3	-2.9	1.6
Items that may be reclassified subsequently to profit and loss		-2.9	1.6
Remeasurement of pension plans, net of tax	4.2, 5.1	37.0	29.0
Items that will not be reclassified to profit and loss		37.0	29.0
Other comprehensive income net of tax		34.2	30.6
Comprehensive income for the period		383.7	224.4
COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent company		383.7	224.4

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

Consolidated statement of financial position

Assets

EUR million, 31 Dec	Note	2022	2021
Property, plant and equipment	3.1, 3.2	373.3	332.6
Goodwill	3.1, 3.4	87.2	13.5
Intangible rights	3.1	100.0	53.0
Other intangible assets	3.1	3.8	2.5
Investment in associate	3.5	0.1	0.1
Other investments	6.6	0.2	0.2
Pension assets	4.2	56.2	15.0
Deferred tax assets	5.2	3.1	6.6
Other non-current receivables	3.7	1.0	0.3
Non-current assets total		624.9	423.7
Inventories	3.6	315.6	265.2
Trade receivables	3.7	180.7	174.8
Current tax receivables	3.7	4.9	3.3
Other receivables	3.7	44.8	30.2
Cash and cash equivalents	6.5	332.6	216.7
Current assets total		878.7	690.3
Assets total		1,503.6	1,114.0

Equity and liabilities

EUR million, 31 Dec	Note	2022	2021
Share capital		92.2	92.2
Other reserves		3.3	3.3
Cumulative translation adjustments		-10.8	-8.4
Retained earnings		823.3	660.7
Equity attributable to owners of the parent company		908.1	747.9
Equity total	6.3	908.1	747.9
Deferred tax liabilities	5.2	42.2	34.0
Pension liabilities	4.2	3.0	4.9
Non-current provisions	3.8	0.6	0.4
Interest-bearing non-current liabilities	6.4	196.8	104.7
Other non-current liabilities	3.9	77.7	13.0
Non-current liabilities total		320.2	156.9
Current provisions	3.8	0.1	0.0
Interest-bearing current liabilities	6.4	17.2	3.8
Trade payables	3.9	114.4	89.6
Current tax liabilities	3.9	1.4	6.8
Other current liabilities	3.9	142.4	109.0
Current liabilities total		275.4	209.2
Liabilities total		595.5	366.1
Equity and liabilities total		1,503.6	1,114.0

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

Consolidated statement of changes in equity

		Equity attributable to owners of the parent company							
EUR million	Note	Share capital	Other reserves	Cumulative translation adjustments	Remeasurement of pension plans	Treasury shares	Retained earnings	Retained earnings total	Equity total
Equity at 1 January 2021		92.2	3.4	-7.9	-28.9	-21.5	694.1	643.6	731.3
Profit for the period							193.8	193.8	193.8
Other comprehensive income									
Cumulative translation adjustments	6.3			-0.5			2.1	2.1	1.6
Remeasurement of pension plans	4.2				29.0			29.0	29.0
Transactions with owners									
Dividends paid	6.3						-211.2	-211.2	-211.2
Share-based incentive plans	4.1					3.4	0.1	3.5	3.5
Other adjustments			-0.1				0.0	0.0	-0.1
Equity at 31 December 2021		92.2	3.3	-8.4	0.0	-18.2	678.9	660.7	747.9
Equity at 1 January 2022		92.2	3.3	-8.4	0.0	-18.2	678.9	660.7	747.9
Profit for the period							349.5	349.5	349.5
Other comprehensive income									
Cumulative translation adjustments	6.3			-2.4			-0.5	-0.5	-2.9
Remeasurement of pension plans	4.2				37.0			37.0	37.0
Transactions with owners									
Dividends paid	6.3						-211.2	-211.2	-211.2
Repurchase of treasury shares						-17.9		-17.9	-17.9
Share-based incentive plans	4.1					1.3	4.3	5.7	5.7
Other adjustments			-0.0				0.0	0.0	0.0
Equity at 31 December 2022		92.2	3.3	-10.8	37.1	-34.8	821.1	823.3	908.1

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

Consolidated statement of cash flows

EUR million	Note	2022	2021
Profit before taxes		440.3	242.3
Finance income and expenses	2.5	-0.7	1.0
Depreciation, amortisation and impairment	2.2	47.5	45.8
Gains/losses on sales or disposals of property, plant and equipment and intangible assets	2.4	-0.1	-3.9
Unrealised foreign exchange gains and losses		0.4	-0.4
Change in pension asset and pension obligation	4.2	2.7	6.2
Change in provisions	3.8	0.2	0.1
Other adjustments		63.6	1.4
Total adjustments to profit before taxes		113.6	50.2
Change in trade and other receivables		11.0	-21.7
Change in inventories		-4.1	-6.9
Change in trade and other payables		-31.9	-7.7
Total change in working capital		-25.0	-36.3
Interest and other financial expenses paid		-5.0	-2.1
Interest and other financial income received		6.0	1.2
Dividends received		0.0	0.0
Income taxes paid	5.1	-95.6	-39.6
Total net cash flow from operating activities		434.4	215.7
Investments in property, plant and equipment	3.1	-56.5	-47.0
Investments in intangible assets	3.1	-16.6	-38.0
Acquired in business combination, net of cash	3.4	-82.0	
Sales of property, plant and equipment and other investments	3.1, 6.6	0.9	4.7
Total net cash flow from investing activities		-154.3	-80.2
Changes in current loans including leasing liabilities	6.4	-11.4	-3.6
Proceeds of non-current loans	6.4	100.8	
Repayment of non-current loans	6.4	-20.0	
Repurchase of treasury shares	6.3	-17.9	
Dividends paid and other distribution of profits	6.3	-211.2	-211.2
Total net cash flow from financing activities		-159.8	-214.8
Net change in cash and cash equivalents		120.4	-79.3
Cash and cash equivalents at 1 January	6.5	216.7	294.4
Foreign exchange differences		-4.4	1.6
Cash and cash equivalents at 31 December	6.5	332.6	216.7

Reconciliation of cash and cash equivalents in statement of financial position

EUR million	2022	2021
Cash and cash equivalents in statement of financial position at the end of the period	332.6	216.7
Money market investments at the end of the period		
Cash and cash equivalents in the statement of cash flows	332.6	216.7

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

Notes to financial statements

1 Basis of presentation of the consolidated financial statements

General information

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

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

At its meeting on 9 February 2023, the Company's Board of Directors has approved the publication of these consolidated financial statements. Under the Finnish Limited Liability Companies Act, shareholders have the option to accept or reject the financial statements at the Annual General Meeting, which is held after the publication of the financial statements. In addition, the AGM may amend the financial statements. The financial statement documents can be viewed at the website www.orion.fi/en, and copies of the financial statements are available from Orion Corporation's headquarter, Orionintie 1, FI-02200 Espoo.

Accounting policies

The Consolidated Financial Statements of the Orion Group have been prepared in accordance with International Financial Reporting Standards (IFRS) applying the IAS and IFRS standards as well as IFRIC interpretations effective at 31 December 2022. International Financial Reporting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedure stipulated in the EU's regulation (EC) No. 1606/2002 and embodied in the Finnish Accounting Act and provisions issued under it. The notes to the consolidated financial statements have also been prepared in accordance with the requirements in Finnish accounting legislation and Community law that complement the IFRS regulations.

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

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

Consolidation principles

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

Subsidiaries

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

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

Associates, joint ventures and joint operations

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

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

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

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

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

Critical accounting estimates and assumptions, and main related uncertainties

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

- 2.1 Revenue from contracts with customers
- 3.1 Property, plant and equipment and intangible assets
- 3.4 Business combination
- 3.8 Provisions
- 4.1 Employee benefits
- 4.2 Pension assets and pension liabilities
- 5.2 Deferred tax assets and liabilities

Judgement is also exercised in applying the accounting policies.

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

New IFRS standards, amendments and IFRIC interpretations applied in financial year 2022

New standards or amendments to standards, effective from January 1, 2022, has had no material impact to Orion Corporations' financial statement.

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

New standards, amendments or interpretation that are effective on or after January 1, 2023 are not expected to have a material effect on Orion Corporations' consolidated financial statements.

2 Business performance

2.1 Revenue from contracts with customers

Accounting policies

Revenue recognition principles

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

Product sales	Consolidated net sales include revenue from sales of goods adjusted for indirect taxes and currency translation differences on sales in foreign currencies. A delivery to a customer of one batch of product constitutes one distinct performance obligation for which the revenue will be recognised in accordance with the delivery terms when the control is transferred from the Group to the customer. The selling price may include variable consideration, such as various discounts or incentives, among other things. The consideration is recognised as net sales that the Group expects to be entitled to taking into account the effects of discounts and incentives. The Group has consignment stock arrangements in place with distributors and logistics partners operating in various countries. In these cases the Group owns the products held in the distributor's and logistics partners' consignment stock until they are delivered to the customer, at which point the Group recognises their sale in net sales. In Finland, the arrangement between Orion and Oriola explains a significant part of the Group's total consignment stock arrangements. Net sales consisting of product sales also comprises royalties, which the Group recognises as revenue based on agreements signed with cooperation partners. The Group has sold the sales rights of certain products to cooperation partners and is entitled to royalties determined by the sales of these products achieved by the partners. The Group recognises the royalties as revenue once the partner has later sold the products to its own customers and the right to royalties has been established.
Revenue from sales rights to products	The Group enters into agreements in which it transfers the sales rights to a product already in the markets to an external party outside the Group and agrees to manufacture the product for that external party. For transferring sales rights and manufacturing products, depending on the agreement the Group may receive milestone payments, revenue from manufacture and sales of the products and royalty income. Typically milestone payments are fixed payments made at the time of signing of an agreement with no restitution obligation and payments related to the commercialisation of a product. The Group itself has generally been manufacturing the product before the sale of sales rights to the product, so the Group would have know-how related to manufacture that would otherwise not be easily attained by the customer. Two separate performance obligations are constituted at the time of sale of sales rights to products, which are 1) the transferred sales right and 2) manufacture of products and royalty payments received from them. Some of the considerations are variable due to conditionality of milestone payments and value adjustments related to the sales price of the products. The Group may receive under the agreement milestone payments related to commercialisation. They are considered as distinct performance obligations if they are satisfied by a certain volume of sales achieved by the customer. The accrued sales revenue entails value for the customer, so a performance obligation subject to sales volume is considered satisfied when the target for sales has been achieved. Performance obligations related to commercialisation are treated as performance obligations satisfied at a single point of time, because estimating future sales volume entails uncertainty factors.

Revenue from clinical phase research and development work undertaken with collaboration partners	Fixed milestone payments on signing an agreement are considered as distinct performance obligations that are satisfied on signing of the agreement. Clinical phase trials may be conducted through many service providers, and the collaboration partner can then utilise in its own business operations the research results conveyed on signing. Research and development work performed during the agreement period is considered a separate performance obligation and milestone payments for this phase are processed as variable considerations because they are conditional on reaching specific phases or research results. Even though Orion satisfies the performance obligations over time, revenue is only recognised on confirmation of the final research results because a reliable evaluation of research results in advance would entail uncertainty factors. The agreements may also include a decision on arranging manufacture of finished product if it can be commercialised. For each agreement, considerations related to commercialisation are evaluated on the basis of whether the milestone payments and sales of finished products together constitute a performance obligation or whether the milestone payments can be identified as performance obligations distinct from sales of the finished product. Likewise, on the basis of each agreement, it is evaluated whether the performance obligation related to milestone payments will be satisfied at a single point of time or over a period of time. Royalty payments are recognised as revenue when the partner has sold products subject to royalties.

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

The Group itemises net sales as follows:

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

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

Segment reporting

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

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

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

Net sales by revenue flows

EUR million	2022	2021
Sale of goods	1,059.3	1,013.9
Royalty income	47.7	24.3
Total sale of goods	1,106.9	1,038.2
Milestone payments	233.7	2.8
Total	1,340.6	1,041.0

In 2022 EUR 0.6 (2021: 0.6) million of the sales revenue from clinical phase R&D falls under Milestone payments and EUR 2.3 (2021: 11.7) million under Sale of goods. Sales revenue from clinical phase R&D are reported under Sale of goods once the product is commercially available.

EUR 3.3 (2021: 2.1) million has been entered as income from performance obligations transferred to customers over time and they are included in the Milestone payments. The Group recognised EUR 14.4 (2021: 5.0) million of sales revenue to Sale of goods and Royalty income from performance obligations satisfied during previous financial periods.

Net sales break-down

EUR million	2022	2021
Proprietary Products	644.3	388.1
Specialty Products	520.9	503.2
Animal Health	98.9	73.1
Fermion and Contract Manufacturing	68.7	74.9
Translation differences and Other operations	7.8	1.6
Total	1,340.6	1,041.0

Assets and liabilities based on contract

	2022		2021	
EUR million	**Asset**	**Liability**	**Asset**	**Liability**
1 January	11.0	25.1	6.0	23.5
Revenue recognised during the financial period that was included in liabilities based on contract at the start of the period		-3.3		-2.1
Increase of considerations received less revenue recognised during the financial year				
Actual billing during the financial year	-11.0		-5.8	
Increase of assets and liabilities based on contract due to new business operations	25.0	61.5	10.7	3.7
31 December	25.0	83.3	11.0	25.1

Assets based on contract consist mainly of products and services transferred to customers, but which are not yet invoiced. Liabilities based on contract comprise mainly of advance payments received, and include EUR 60 million relating to Orion and MSD development and commercialisation agreement.

Transaction price allocated to remaining performance obligations

The total transaction price allocated to contracts that were partly or entirely unsatisfied at the end of the financial year 2022 and were related to the revenue flows Revenue from sales rights to products and Revenue from clinical phase R&D collaboration with collaboration partners was EUR 10.7 (2021: 14.0) million. The Group expects to recognise EUR 5.8 million as revenue for this transaction price allocated to unsatisfied contracts during the financial years 2023 to 2025 (2021: EUR 6.2 million during the financial years 2022 to 2024). The remaining EUR 5.0 million is expected to be recognised as revenue starting from the beginning of the financial year 2026 (2021: EUR 7.8 million starting from the beginning of the financial year 2025). The Group applies the practical expedient under IFRS 15 of not reporting the transaction price allocated to remaining performance obligations for contracts that are in effect for less than 12 months.

Significant judgements related to recognition of revenue

The Group's significant judgements is related to recognition of revenue concern the contract with MSD (tradename of Merck & Co., Inc Rahway NJ USA), acting through its subsidiary, Merck Sharp & Dohme LLC (later referred to as "MSD").

In year 2022 Orion and MSD entered into a multi-year global development and commercialisation agreement for Orion's investigational candidate ODM-208 and other drugs targeting cytochrome P450 11A1 (CYP11A1), an enzyme important in steroid production. ODM-208 is an oral, non-steroidal inhibitor of CYP11A1 currently being evaluated in a Phase 2 clinical trial for the treatment of patients with metastatic castration-resistant prostate cancer (mCRPC).

Under the terms of the agreement, Orion and MSD will co-develop and co-commercialise ODM-208. MSD made an upfront payment to Orion of USD 290 million. Of this upfront payment, Orion recognised approximately EUR 228 million as income at the time of signing and approximately EUR 60 million was reserved to cover Orion's share of ODM-208 development cost to be accrued in the future. The management's estimates of development costs are based on previous experience with the development costs of similar drugs. Orion will be responsible for the manufacture of clinical and commercial supply of ODM-208.

In addition, the contract provides both parties with an option to convert the initial co-development and co-commercialisation agreement into a global exclusive license to MSD. If the option is exercised, MSD would assume full responsibility for all accrued and future development and commercialisation expenses associated with the programme. Orion would be eligible to receive milestone payments associated with progress in the development and commercialisation of ODM-208 as well as tiered double-digit royalties on sales if the product is approved. The total amount potentially accrued from multiple regulatory and sales milestone events represents a substantial opportunity for Orion.

Other information related to recognition of revenue

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

Information on assets based on customer contracts and expected credit losses are given in note 3.7 Trade and other receivables.

Information on liabilities based on customer contracts are given in note 3.9 Trade payables and other liabilities.

Information on Phase III clinical trials related to darolutamide (ARAMIS, ARASENS and ARANOTE) are given in note 3.3 Joint arrangements.

Data relating to geographical regions

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

	Finland		Scandinavia		Other Europe		North America		Other countries		Group total	
EUR million	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Sales to external customers	326.4	315.7	138.9	141.3	398.5	353.5	334.7	89.7	142.1	140.7	1,340.6	1,041.0
Assets	1,202.2	940.3	45.1	38.6	235.6	121.6	0.0	0.0	17.7	13.5	1,503.6	1,114.0
Capital expenditure	103.1	82.1	0.7	0.5	5.4	2.1			0.5	0.7	109.6	85.4

Top ten best-selling pharmaceutical products

EUR million	2022	2021
Easyhaler product portfolio (asthma, COPD)	129.7	117.2
Stalevo, Comtess and Comtan (Parkinson's disease)	100.4	95.2
Nubeqa (prostate cancer)	87.6	39.4
Simdax (acute decompensated heart failure)	42.9	56.8
Dexdomitor, Domitor, Domosedan and Antisedan (animal sedatives)	36.3	38.8
Divina series (menopausal symptoms)	27.6	23.1
Burana (inflammatory pain)	26.7	23.7
Solomet (inflammatory diseases, among others)	23.2	22.4
Biosimilars (rheumatoid arthritis, inflammatory bowel diseases)	20.4	22.0
Dexdor (intensive care sedative)	18.2	36.9
Total	513.1	475.6

2.2 Depreciation, amortisation and impairments

Accounting policies

Property, plant and equipment are depreciated over their useful life using the straight-line method. Land and water are not depreciated. Depreciation begins when the asset is available for use and it ceases at the moment when the asset is classified as held for sale, or is included in the disposal group.

The residual value and useful life of property, plant and equipment are reviewed when necessary, but at least at every year end for the financial statements, and adjusted to correspond to probable changes in the expectations of economic benefits.

The Group's most commonly applied estimated useful lives are presented in notes 3.1 Property, plant and equipment and intangible assets and 3.2 Leased assets.

Depreciation, amortisation and impairment by function

EUR million	2022	2021
Cost of goods sold	28.1	27.0
Selling and marketing	7.8	7.8
Research and development	4.7	3.7
Administration	7.0	7.2
Total	47.5	45.8

Depreciation, amortisation and impairment by asset class

EUR million	2022	2021
Buildings and constructions	15.0	13.9
Machinery and equipment	25.6	24.2
Other tangible assets	0.3	0.3
Property, plant and equipment, total	40.8	38.3
Intangible rights	5.7	6.0
Other intangible assets	1.0	1.4
Intangible assets, total	6.7	7.4

During the period, an impairment of EUR 0.4 (2021: 0.6) million was recognised in selling and marketing expenses on intangible rights.

2.3 Operating expenses

Accounting policies

Group's function-based consolidated income statement comprises selling and marketing expenses related to the distribution of products, field sales, marketing, advertising and other promotional activities, including the related wages and salaries. Research and development expenses comprise wages and salaries on research and development personnel, materials, procurement of external services and other costs related to research and development function. Research and development expenses also include expenses for research and development projects that are classified as joint operations. The portion of the expenses that corresponds to the Group's contractual share of a project is recognised as an expense.

Further information on recognition of research and development expenses in Group's consolidated financial statements are given in note 3.1 Property, plant and equipment and intangible assets.

Costs by function

EUR million	2022	2021
Selling and marketing expenses	210.3	191.0
Research and development expenses	135.8	117.7
Administrative expenses	68.8	47.9
Total	415.0	356.6

2.4 Other operating income and expenses

Accounting policies

Other operating income and expenses comprise income and expenses that do not directly relate to the operating activities. Other operating income includes items such as gains on sales of property, plant and equipment, intangible assets and other investments and rental income. Respectively, other operating expenses includes for example losses on sales of property, plant and equipment, intangible assets and other investments, and modification and termination expenses of lease agreements.

Additional information on foreign exchange gains and losses is presented in note 6.2 Financial risk management.

EUR million	2022	2021
Gains on sales of property, plant and equipment, intangible assets and other investments	0.4	4.0
Rental income	2.1	2.1
Foreign exchange gains and losses	0.8	-0.4
Other operating income	2.7	0.9
Other operating expenses	-0.4	-0.1
Total	5.7	6.4

2.5 Finance income and expenses

Accounting policies

Borrowing costs

Finance income and expenses comprise foreign exchange gains and losses, interest income and expenses and other financial income and expenses.

Borrowing costs are recognised in the consolidated statement of income as an expense in the period in which they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that requires a substantial period of time to be made ready are capitalised as a part of the cost of that asset. Orion Group did not recognise any borrowing costs to tangible assets in 2022 or 2021.

Finance income and expenses

EUR million	2022	2021
Dividend income on other investments	0.0	0.0
Interest income	1.0	0.1
Foreign exchange gains and losses, net	1.5	0.1
Other finance income	0.0	0.0
Finance income, total	2.5	0.3
Interest expenses	1.5	1.0
Other finance expenses	0.3	0.3
Finance expenses, total	1.8	1.3
Finance income and expenses, total	0.7	-1.0

Foreign exchange gains (+) and losses (-) included in finance income and expenses

EUR million	2022	2021
Foreign exchange rate gains	5.1	1.1
Foreign exchange rate losses	-3.6	-0.9
Net	1.5	0.1

Foreign exchange gains (+) and losses (-) above the operating profit

EUR million	2022	2021
In net sales	7.3	2.1
In cost of goods sold	-0.1	-0.3
In other income and expenses	0.8	-0.4
In functions' expenses	-0.7	-0.3

2.6 Earnings and dividend per share

Accounting policies

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

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

Basic earnings per share

	2022	2021
Profit for the period attributable to owners of the parent company, EUR million	349.5	193.8
Weighted average number of shares during the period (1,000 shares)	140,501	140,547
Basic earnings per share, EUR	2.49	1.38

Diluted earnings per share

	2022	2021
Profit for the period attributable to owners of the parent company, EUR million	349.5	193.8
Weighted average number of diluted shares during the period (1,000 shares)	140,590	140,564
Diluted earnings per share, EUR	2.49	1.38

Dividend per share

	2022	2021
Dividend paid during the period, EUR million	210.9	210.8
Number of shares (1,000 shares)	140,563	140,463
Dividend per share paid during the period, EUR	1.50	1.50

The Group held 932,771 treasury shares at 31 December 2022.

For the financial year 2022 a dividend of EUR 1.60 per share, in total EUR 224.3 million is proposed to the Annual General Meeting, planned to be held on 22 March 2023. These financial statements do not reflect the proposed dividend.

3 Invested capital

3.1 Property, plant and equipment and intangible assets

Property, plant and equipment

Accounting policies

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

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

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

	Land and water		Buildings and constructions		Machinery and equipment		Other property, plant and equipment[1]		Advance payments and construction in progress		Total	
EUR million	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Acquisition cost at 1 January	5.6	5.8	394.8	386.3	415.1	415.9	5.9	5.3	31.5	23.1	852.9	836.4
Additions			5.1	9.3	14.7	15.6	0.0	0.2	37.0	23.4	56.8	48.5
Acquired in business combination	1.5		10.0		1.1				12.7		25.4	
Disposals		-0.2	-4.7	-5.4	-17.3	-26.3	-0.0	-0.3		-0.0	-22.0	-32.2
Reclassifications	-0.6		9.7	4.7	9.7	9.8	0.0	0.6	-20.1	-14.9	-1.3	0.1
Translation differences					-0.0	0.1	-0.0	0.0			-0.1	0.1
Acquisition cost at 31 December	6.6	5.6	414.9	394.8	423.2	415.1	5.9	5.9	61.1	31.5	911.8	852.9
Accumulated depreciation and impairment at 1 January	0.2	0.2	-227.3	-220.6	-297.6	-301.0	-3.8	-3.8			-528.5	-525.1
Accumulated depreciation on disposals and transfers			0.9	5.4	17.2	25.7	0.0	0.3			18.1	31.4
Depreciation			-12.5	-12.1	-23.8	-22.3	-0.3	-0.3			-36.6	-34.7
Translation differences					0.0	-0.1	0.0	-0.0			0.0	-0.1
Accumulated depreciation and impairment at 31 December	0.2	0.2	-238.9	-227.3	-304.2	-297.6	-4.1	-3.8			-547.0	-528.5
Carrying amount at 1 January	5.8	6.0	167.5	165.7	117.4	114.9	2.0	1.6	31.5	23.1	324.4	311.3
Carrying amount at 31 December	6.8	5.8	176.0	167.5	119.0	117.4	1.8	2.0	61.1	31.5	364.8	324.4

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

Intangible assets

Accounting policies

Research and development costs

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired company at the date of acquisition. Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination. Goodwill is not amortised but it is tested for impairment at least annually and if the events or changes in circumstances indicate that the carrrying amount may not be recoverable. In the impairment testing, the carrying amount of goodwill is compared to recoverable amount, that is determined on the basis of the value-in-use calculation.

In impairment testing, the goodwill is allocated to the cash generating units that form the Pharmaceuticals business. The Group does not have any other cash generating units. If the carrying amount of goodwill exceeds its recoverable amount, an impairment loss equal to the difference is recognised to income statement. In the impairment testing, the recoverable amount is determined on the basis of the value-in-use calculation. Impairment losses on goodwill are not reversed.

Cash-generating units have been grouped according to operating segment. Group goodwill comprise preliminary goodwill arising from Inovet acquisition from June 2022 and the goodwill generated prior to the adoption of IFRS that corresponds to the carrying amount according to the previous financial reporting standards, which was used as the deemed cost on 1 January 2004 when making the transition to IFRS.

Intangible rights and other intangible assets

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

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

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

Government grants

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

Impairment of property, plant, equipment and intangible assets

At the end of each reporting period, the Group assesses whether there are indications that an asset may be impaired. If there are any such indications, the respective recoverable amount is assessed. As regards goodwill, the assessment is undertaken annually even if no such indications had become apparent. The recoverable amount is the higher of the asset's fair value less selling costs or value in use. The value in use is obtained by discounting the present value of the future cash flows from that asset. The discount rate is the weighted average cost of capital (WACC) calculated before tax and using Standard & Poor's index for the healthcare industry as the debt-to-equity ratio. The index corresponds to the potential and risks of the asset under review.

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

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

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

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

EUR million	Goodwill 2022	Goodwill 2021	Intangible rights[1] 2022	Intangible rights[1] 2021	Other intangible assets[2] 2022	Other intangible assets[2] 2021	Total 2022	Total 2021
Acquisition cost at 1 January	13.5	13.5	201.6	173.4	56.2	59.5	271.2	246.3
Additions			49.9	32.5	0.6	1.0	50.5	33.5
Acquired in business combination	73.7		2.0		2.1		77.8	
Disposals			-1.6	-4.0	-0.0	-4.5	-1.6	-8.5
Reclassifications			1.7	-0.3	-0.4	0.3	1.3	-0.1
Translation differences				0.0	-0.0	0.0	-0.0	0.0
Acquisition cost at 31 December	87.2	13.5	253.5	201.6	58.5	56.2	399.3	271.2
Accumulated amortisation and impairment at 1 January			-148.6	-146.5	-53.7	-56.8	-202.3	-203.3
Accumulated amortisation on disposals			0.8	4.0		4.5	0.8	8.5
Amortisation			-5.5	-5.5	-1.0	-1.4	-6.5	-6.9
Impairment			-0.2	-0.6			-0.2	-0.6
Translation differences			-0.0				-0.0	
Accumulated amortisation and impairment at 31 December			-153.6	-148.6	-54.7	-53.7	-208.3	-202.3
Carrying amount at 1 January	13.5	13.5	53.0	26.8	2.5	2.7	69.0	43.0
Carrying amount at 31 December	87.2	13.5	100.0	53.0	3.8	2.5	191.0	69.0

[1] Intangible rights comprise mainly product rights and marketing authorisations with carrying amount EUR 81.9 (2021: 41.7) million, and also software, trademarks and patents.
[2] Other intangible assets include development costs for software paid to external parties and entry fees.

Besides goodwill, the Group has no other intangible assets with indefinite useful life. The Group has no internally produced intangible assets.

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

Goodwill

The goodwill in the Consolidated statement of financial positions consists EUR 73.7 million goodwill from the acquisition of Inovet Animal Health business in 2022 and EUR 13.5 million goodwill originated from the acquisition of Farmos-Group Ltd. in 1990.

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

The discount rate used is the weighted average cost of capital (WACC), in which the special risks related to the cash generating unit have been taken into account. The discount rate is defined before taxes. The discount rate for the period is 6.1% (2021: 4.7%).

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

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

Intangible assets not yet available for use

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

The carrying amount of intangible assets not yet available for use was EUR 83.0 (2021: 38.2) million.

Impairment recognised in the period

During the period impairment totalling EUR 0.4 (2021: 0.6) million were recognised on the intangible rights of the Pharmaceuticals business. Intangible rights not yet available for use accounted for EUR 0.2 (2021: 0.0) million of the impairments. The most significant impairment charges relate to acquired rights to products the development of which has ceased, and to products that are already in markets, but for which the forecast recoverable cash flows were less than the carrying amount. The full carrying amount of rights to products the development of which has ceased has been recognised as an expense.

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

3.2 Leased assets

Accounting policies

Recognition at the inception of the lease

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

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

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

Subsequent measuring of a lease

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

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

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

Information on Group leases

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

Leases of business premises

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

Lease of vehicles

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

Other leases

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

The Group as lessor

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

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

Determining whether an arrangement contains a lease

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

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

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

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

Separating components of a contract

In some cases, contracts may contain lease components, which is due to the fact that the contract obligates the contracting party to provide various obligations to the Group. In such multi-component arrangements, the Group will specify each lease component and process them separately in accounting. The right to use the underlying asset is a separate lease component when the Group is able to benefit from the use of the asset either as such or jointly with other easily accessible resources and the asset is not highly dependent on other assets stipulated by the contract or it is not strongly attached to them. The Group allocates the contractual consideration to each lease component in proportion to their relative individual prices. Group did not have such material contracts as at December 31, 2022 or as at December 31, 2021 respectively.

Lease term

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

	Leased premises		Cars		Others		Total	
EUR million	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Acquisition cost at 1 January	11.1	11.2	5.3	4.8	1.1	2.0	17.5	18.0
Additions	1.1	2.0	1.0	1.3	0.2	0.0	2.3	3.4
Acquired in business combination	2.4		0.1		0.2		2.6	
Disposals	-1.2	-2.3	-2.3	-1.0	-0.0	-0.9	-3.5	-4.2
Translation differences	-0.0	0.3	0.0	0.1			0.0	0.4
Acquisition cost at 31 December	13.3	11.1	4.1	5.3	1.5	1.1	18.9	17.5
Accumulated depreciation and impairment at 1 January	-5.9	-6.4	-2.5	-2.0	-0.8	-1.2	-9.2	-9.6
Accumulated depreciation on disposals and transfers	1.2	2.4	1.9	1.2	0.0	0.7	3.1	4.2
Depreciation	-2.5	-1.8	-1.7	-1.6	-0.2	-0.3	-4.4	-3.6
Translation differences	0.1	-0.2	-0.0	-0.0			0.0	-0.2
Accumulated depreciation and impairment at 31 December	-7.2	-5.9	-2.2	-2.5	-1.0	-0.8	-10.5	-9.2
Carrying amount at 1 January	5.2	4.8	2.8	2.8	0.3	0.7	8.3	8.3
Carrying amount at 31 December	6.1	5.2	1.9	2.8	0.4	0.3	8.4	8.3

Leases

Items arising from leases in the consolidated income statement

EUR million	2022	2021
Depreciation from right-of-use assets	4.4	3.6
Interest expense from lease liabilities	0.2	0.2
Expense from short-term lease	0.6	0.4
Expense from leases of low-value assets	2.6	1.6
Lease income from third parties	-1.5	-1.7
Total	6.3	4.2

The Group has one business facility that it has leased out to a third party. The lease agreement is open-ended. The lease revenue from the facility was in the financial period EUR 1.5 (2021: 1.7) million.

Lease liabilities

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

Lease-related items entered in the consolidated cash flow statement

The consolidated cash flow statement item changes in current loans including leasing liabilities contains EUR 4.0 (2021: 4.0) million of lease payments to lessors.

3.3 Joint arrangements

In the 2022 financial year, total cost of joint operations amounted to EUR 8.5 (2021: 4.4) million.

Licensing, development and commercialisation agreement between Orion and Bayer

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

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

Under the agreement, Bayer will commercialise the product globally while Orion has the option of co-promoting the product in Europe. In addition, Orion will manufacture and package the product for global markets.

Information on Nubeqa sales revenue is provided in note 2.1. Revenue from contracts with customers.

Licensing, development and commercialisation agreement between Orion and MSD

In year 2022 Orion and MSD (tradename of Merck & Co., Inc. Rahway NJ USA), acting through its subsidiary, Merck Sharp & Dohme LLC (later referred to as "MSD") entered into a multi-year global development and commercialisation collaboration agreement for Orion's investigational candidate ODM-208 and other drugs targeting cytochrome P450 11A1 (CYP11A1), an enzyme important in steroid production. ODM-208 is an oral, non-steroidal inhibitor of CYP11A1 currently being evaluated in a Phase 2 clinical trial for the treatment of patients with metastatic castration-resistant prostate cancer (mCRPC).

Under the terms of the agreement, Orion and MSD will co-develop and co-commercialise ODM-208. MSD made an upfront payment to Orion of USD 290 million. Of this upfront payment, Orion recognised approximately EUR 228 million as income at the time of signing and approximately EUR 60 million was reserved to cover Orion's share of ODM-208 development cost to be accrued in the future. The management's estimates of development costs are based on previous experience with the development costs of similar drugs. Orion will be responsible for the manufacture of clinical and commercial supply of ODM-208.

Orion and MSD are considered to have joint control over the project. The contractual agreement does not involve a separate investment vehicle. The project is considered a joint operation under IFRS 11.

In addition, the contract provides both parties with an option to convert the initial co-development and co-commercialisation agreement into a global exclusive license to MSD. If the option is exercised, MSD would assume full responsibility for all accrued and future development and commercialisation expenses associated with the programme. Orion would be eligible to receive milestone payments associated with progress in the development and commercialisation of ODM-208 as well as tiered double-digit royalties on sales if the product is approved. The total amount potentially accrued from multiple regulatory and sales milestone events represents a substantial opportunity for Orion.

Licensing, development and commercialisation agreement between Orion and Amneal Pharmaceuticals

Orion Corporation signed in year 2022 a long-term license agreement with Amneal Pharmaceuticals, Inc. to commercialise Amneal's generic products in Orion territories. Under the terms of the agreement, Orion is granted exclusive licence to commercialise and sell Amneal's generic products in most parts of Europe as well as in Australia and New Zealand. The initial portfolio will include a mix of generic products commercially available in the U.S. today, as well as selected pipeline products currently under development. Initial products will be registered throughout Europe, Australia and New Zealand starting in 2023, with launches expected over the coming years. Orion and Amneal will work together to develop and register products to Orion markets. The agreement is considered a joint operation under IFRS 11.

3.4 Business combination

Orion acquired on 15 June 2022 from Belgian private company Inovet BV its wholly owned subsidiary V.M.D. NV and all companies belonging to V.M.D. NV's group of companies (V.M.D. NV and its subsidiary companies collectively, "VMD"). VMD is a veterinary pharmaceuticals company specialised in medicines and health products for livestock. It also has a product portfolio for companion animals and minor species. VMD has production sites in Arques, France (manufacturing) and in Arendonk, Belgium (packaging) as well as its own sales operations in Belgium, France, Hungary and Vietnam. VMD's revenues in 2021 were EUR 61 million, and the group was profitable. Following this acquisition, the 181 employees of VMD joined the Orion Group.

Through this acquisition, Orion's Animal Health unit expanded its product portfolio and got a foothold in the livestock market, expanded its own geographical presence to Western Europe and expanded export markets, and gained a production unit that is specialised in manufacturing of veterinary medicines. The acquisition also supports Orion Group's growth strategy.

Orion Group has 100 percent equity interest over the acquired companies. The transaction price is approximately EUR 130 million debt free. The transaction was funded from Orion's cash reserves. Capital expenditure of the acquisition of VMD was totally EUR 94 million including the purchase price, net of cash of 82 million and deferred payments of EUR 11 million. In addition, after the acquisition Orion repaid EUR 7 million of shareholder loans taken from former VMD shareholders. Advisory costs amount to EUR 0.4 million.The acquisition resulted to EUR 73.7 million goodwill relating to expansion in livestock market, expansion of own geographical presence to Western Europe and expansion in export markets.

The acquired business has been consolidated into Group financials from the acquisition date onwards and is reported as part of Orion Animal Health's business.

Critical accounting estimates and assumptions concerning business combinations

The identifiable assets and liabilities acquired in a business combination are measured at fair value at the acquisition date. When determining the fair value of the acquired net assets, management is required to excercise judgement and make estimates. Estimates and judgement are based on the management's best view of the situation at the time of the acquisition. Estimates and judgement is used in defining pension liabilities.

Preliminary fair values of assets acquired, liabilities assumed, and goodwill recognised at the date of acquisition, together with net cash flow impact for acquisition is summarised in the table. The net assets acquired for the business combination is denominated in euros. The assumed accounting for the acquisition, including estimated purchase consideration, is based on provisional amounts and associated purchase accounting is not final.

Preliminary fair values of assets acquired and liabilities assumed and goodwill at the date of acquisition

EUR million	31 December 2022
Property, plant and equipment	28.0
Intangible rights	4.1
Investment in associate	0.1
Other non-current assets	0.0
Non-current assets total	32.2
Inventories	26.3
Trade receivables	14.5
Other receivables	0.0
Cash and cash equivalents	0.2
Current assets total	41.0
Assets total	73.2
Deferred tax liabilities	1.3
Pension liabilities	0.7
Interest-bearing non-current liabilities	23.9
Non-current liabilities total	25.9
Interest-bearing current liabilities	13.2
Trade payables	11.1
Other current liabilities	5.4
Current liabilities total	29.6
Liabilities total	55.5
Net assets acquired	17.7
Goodwill	73.7
Interest accrual on deferred purchase price	2.2
Preliminary purchase consideration including interest	93.6
Deferred purchase price and earn-out	11.3
Consideration transferred	82.3

Cash flows associated with the acquisition

EUR million	31 December 2022
Consideration transferred in cash	82.3
Cash and cash equivalents acquired	-0.2
Net cash outflow	82.0

From the date of acquisition, the acquired business has contributed EUR 33.3 million net sales. Impact to Group's profit for the period is immaterial.

3.5 Investment in associate

EUR million	2022	2021
Carrying amount at 1 January	0.1	0.1
Share of associate company result		
Carrying amount at 31 December	0.1	0.1

Associate company

Holding at 31 Dec, %	Domicile	2022	2021
Hangon Puhdistamo Oy	Hanko	50.0%	50.0%

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

Summarised financial information of associate

EUR million	2022	2021
Assets	3.0	3.7
Liabilities	2.4	3.1
Revenues	3.0	3.2
Profit for the period	0.0	0.0

The most recent available financial statements of the associate are for the years 2021 and 2020.

3.6 Inventories

Accounting policies

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

The net realisable value is the estimated selling price obtained in the ordinary course of business, from which the estimated expenses necessary to complete the product and the expenses arising from the sale have been deducted.

EUR million, 31 Dec	2022	2021
Raw materials and consumables	86.4	62.6
Work in progress	69.9	50.9
Finished products and goods	159.3	151.7
Total	315.6	265.2

The value of inventories has been impaired to correspond to net realisable value by recording EUR 14.9 (2021: 15.5) million as an expense during the period.

3.7 Trade and other receivables

EUR million, 31 Dec	Carrying amount 2022	Fair value 2022	Carrying amount 2021	Fair value 2021
Trade receivables	180.7	180.7	174.8	174.8
Current tax receivables	4.9	4.9	3.3	3.3
Receivables from associate	0.1	0.1	0.1	0.1
Prepaid expenses and accrued income	33.6	33.6	20.7	20.7
Derivative contracts	0.1	0.1	0.1	0.1
VAT receivables	7.9	7.9	3.1	3.1
Other receivables	3.1	3.1	6.2	6.2
Total	230.5	230.5	208.4	208.4

The carrying amount of trade receivables and other current receivables is a reasonable estimate of their fair value.

Ageing analysis of trade receivables

EUR million, 31 Dec	Carrying amount 2022	Default rate 2022	Expected credit loss 2022	Carrying amount 2021
Not due	157.0	0.02%	0.0	153.2
1 to 30 days past due	11.5	0.21%	0.0	13.5
31 to 60 days past due	1.7	0.31%	0.0	1.0
61 to 90 days past due	2.7	0.41%	0.0	0.6
Over 90 days overdue	7.8	0.49%	0.0	6.5
Total	180.7		0.1	174.8

The credit losses of trade and other receivables for the period were net EUR 0.2 (2021: -0.0) million.

Specification of prepaid expenses and accrued income

EUR million, 31 Dec	2022	2021
Assets based on contracts	25.0	11.0
Service and maintenance	3.5	4.1
Sales rights		1.3
Pending research and development contributions	0.5	1.0
Other prepaid expenses and accrued income	4.5	3.3
Total	33.6	20.7

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

Other non-current receivables

EUR million, 31 Dec	2022	2021
Loan receivables from associate	0.2	0.3
Other non-current receivables	0.9	0.1
Total	1.0	0.3

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

3.8 Provisions

Accounting policies

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate or reversed if they are no longer needed.

A provision for restructuring costs is recognised only when general recognition criteria for provision are met and when the Group has compiled a detailed restructuring plan, to which it is committed and launched its implementation or informed the parties concerned on criteria on restructuring plan.

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

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

The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the reporting day, taking into account related risks and uncertainties, management judgment supplemented by experience with similar transactions and future events when there is sufficient evidence that they will occur and affect the amount of payment. Provisions for restructuring costs are recognised when the requirements for recognition are satisfied. For reasons beyond the control of management the final costs may differ from the initial amount for which the provision has been established.

Provisions

EUR million	Restructuring provisions	Pension provisions	Other provisions	Total
1 January 2022		0.0	0.4	0.5
Utilised during the period	-0.0		-0.0	-0.0
Additions to provisions	0.0		0.2	0.2
Translation differences			-0.0	-0.0
31 December 2022	0.0	0.0	0.6	0.6

EUR million, 31 Dec	2022
Non-current provisions	0.6
Current provisions	0.1
Total	0.6

3.9 Trade payables and other liabilities

EUR million, 31 Dec	2022	2021
Trade payables	114.4	89.6
Current tax liabilities	1.4	6.8
Derivative contracts	0.3	0.1
Other current liabilities to associates	0.0	0.0
Accrued liabilities and deferred income	120.7	87.1
VAT liabilities	5.9	5.6
Other current liabilities	15.5	16.2
Total	258.1	205.4

Specification of accrued liabilities and deferred income

EUR million, 31 Dec	2022	2021
Personnel expenses	63.1	45.6
Liabilities based on licensing agreements	20.0	
Liabilites based on contracts	14.6	13.1
Price reductions	11.3	10.1
Research and development expenses	7.6	6.9
Accrued interests	0.2	0.0
Other accrued liabilities and deferred income	3.9	11.4
Total	120.7	87.1

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

Other non-current liabilities

EUR million, 31 Dec	2022	2021
Liabilities based on contracts	68.7	11.9
Other liabilities	9.0	1.0
Total	77.7	13.0

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

4 Personnel

4.1 Employee benefits

Accounting policies

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

Critical accounting estimates and assumptions concerning share-based incentive plans

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

Employee benefits

EUR million	2022	2021
Wages and salaries	204.4	184.5
Pension costs, defined contribution plans	23.8	20.4
Pension costs, defined benefit plans	6.0	6.4
Share-based incentive plans, equity-settled	5.7	4.2
Share-based incentive plans, cash-settled	10.3	3.4
Other social security expenses	13.9	12.2
Total	263.9	231.0
Average number of personnel	3,472	3,364

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

Share-based incentive plans

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

The plan that commenced in 2022 includes three earning periods, which are the calendar years 2022–2024, 2023–2025 and 2024–2026. The Board of Directors decides on the earnings criteria and on targets to be established for them at the beginning of each earning period. One earning period, calendar years 2022–2024, commenced in 2022. The potential reward of the plan for the earning period 2022–2024 is based on achieving the Orion Group's operating profit and net sales targets.

The target group of the plan consists of approximately 60 people. The total maximum amount of rewards to be paid on the basis of the plan is 760,000 Orion Corporation class B shares and a cash payment corresponding to the value of the shares. The total maximum amount includes a separate, so called reward for commitment part that the Board of Directors can use by a separate decision during the years 2022–2026. The maximum amount of the reward for commitment is no more than 100,000 shares and a cash payment corresponding to the value of the shares. By 31 December 2022, no Orion Corporation B shares had been paid as rewards under this plan.

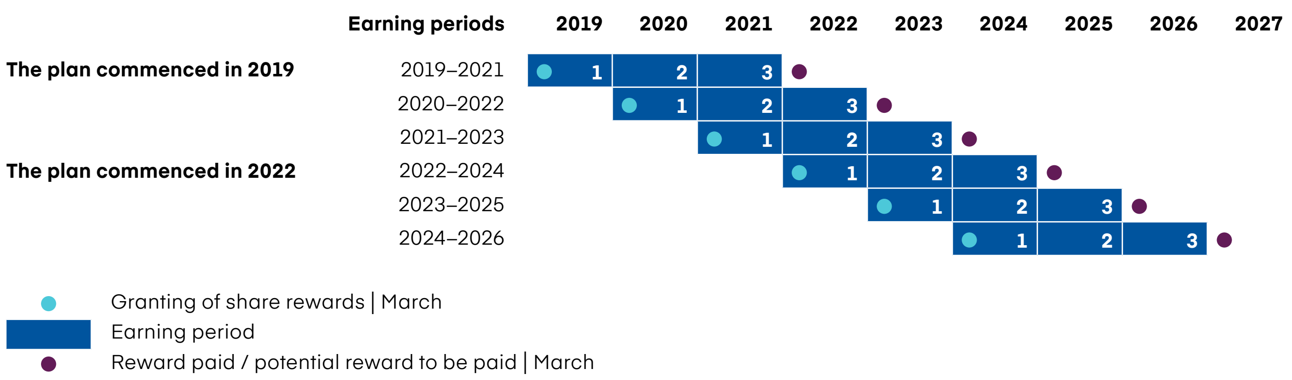
There are no restriction periods in the plan, as the duration of each earning period is three years. The Board of Directors may decide to decrease the rewards to be paid to a key person if the limits set for the rewards to be paid from the plan for one calendar year are exceeded.

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

The target group of the plan consists of approximately 50 people. The total maximum amount of rewards to be paid on the basis of the plan is 700,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares. The total maximum amount includes a separate, so called reward for commitment part that the Board of Directors can use by a separate decision during the years 2019–2023. The maximum amount of the reward for commitment is no more than 100,000 shares and a cash payment corresponding to the value of the shares. By 31 December 2022, 152,674 B shares had been paid as rewards under this plan.

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

The earning periods of the Group's share-based incentive plans in force and ending in the reporting period



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

Earning period	**Reward paid on/ potential reward to be paid in**
2019	2 Mar 2020
2019–2020	1 Mar 2021
2019–2021	1 Mar 2022
2020–2022	2023
2021–2023	2024
2022–2024	2025
2023–2025	2026
2024–2026	2027

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

Earning periods currently in effect

	2022–2024	**2021–2023**	**2020–2022**	**2019–2020**
Start date of earning period	1 Jan 2022	1 Jan 2021	1 Jan 2020	1 Jan 2019
End date of earning period	31 Dec 2024	31 Dec 2023	31 Dec 2022	31 Dec 2021
Grant date of share rewards	22 Mar 2022	3 Mar 2021	17 Mar 2020	27 Mar 2019
Fair value of shares at granting, EUR	41.93	33.58	32.51	32.99

Transferred shares

	2022	**2021**	**2020**
Number of shares transferred during period	38,543	99,768	94,317
Price per transferred share, EUR[1]	41.32	34.11	36.30
Total price of transferred shares, EUR million	1.6	3.4	3.4
End date of restricted period[2]		31 Dec 2021	31 Dec 2021

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

4.2 Pension assets and pension liabilities

Accounting policies

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

The Orion Group has defined benefit pension plans in Finland, France and Norway. The regulation of these pension plans is quite similar.

The most significant individual pension plan in Finland is the Orion Pension Fund, through which pension plans are provided for white-collar staff working in Finland. The Pension Fund includes statutory pension insurance to which all whitecollar staff are entitled (Department B), only part of which is treated as defined benefit based under IAS 19, and supplementary insurance for some white-collar staff (Department A), which is entirely defined benefit based. Assets of the Orion Pension Fund are invested in accordance with Finnish legislation. The management and Board of Directors of the Pension Fund are responsible for management of the assets of the Fund.

The Group also has defined benefit pension plans in France and in Norway, which a party outside the Group provides asset management. In addition, some individual persons in the Group has defined benefit pension plans taken out with life assurance companies. The obligations under the defined benefit pension plans have been calculated separately for each plan.

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

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

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

Critical accounting estimates and assumptions, and main related uncerntainties concerning pension assets and pension liabilities

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

Defined benefit plans - amounts recognised in the statement of financial position

EUR million, 31 Dec	Pension fund 2022	Other 2022	Pension fund 2021	Other 2021
Present value of funded obligations	374.3	15.6	437.1	18.1
Fair value of plan assets	-430.5	-13.1	-452.1	-13.8
Surplus (-) / deficit (+)	-56.2	2.5	-15.0	4.3
Present value of unfunded obligations		0.5		0.6
Net asset (-) / liability (+) recognised in the statement of financial position	-56.2	3.0	-15.0	4.9

The net change of pension asset and liability of EUR 43,2 million is mostly due to return on plans assets, a change in the discount rate and the difference between the assumed and realised pension increase rate in the 2022 financial year.

The change in discount rate has been reported under the item Gains (-) and losses (+) due to changes in economic assumptions of the table illustrating the change in the current value of the obligation. The impact of the difference between assumed and realised pension increase rates has been reported under the item Experienced gains (-) and losses (+). The capital value coefficient of disability pensions in the Employees Pensions Act changed in the beginning of year 2022 and the retrospective gain recognised is reported in 2021 as item Gains (-) or losses (+) due to change in demographic assumptions. These items have been directly recognised in equity under other comprehensive income.

Amounts in consolidated statement of financial position

EUR million, 31 Dec	Pension fund 2022	Other 2022	Pension fund 2021	Other 2021
Liabilities		3.0		4.9
Asset	-56.2		-15.0	
Net asset (-) / liability (+) recognised in the statement of financial position	-56.2	3.0	-15.0	4.9

Defined benefit plan pension expenses in consolidated statement of comprehensive income

EUR million	Pension fund 2022	Other 2022	Pension fund 2021	Other 2021
Current service cost	5.9	0.5	5.5	0.7
Curtailments	-0.3			
Interest expense and income, total	-0.2	0.1	0.1	0.0
Pension expense (+) / income (-) in income statement	5.4	0.6	5.6	0.8
Items due to remeasurement	-44.7	-1.6	-37.7	1.5
Pension expense (+) / income (-) in statement of comprehensive income	-39.3	-1.0	-32.1	2.3

Defined benefit plan pension expenses by function

EUR million	Pension fund 2022	Other 2022	Pension fund 2021	Other 2021
Cost of goods sold	2.2	0.0	2.1	
Selling and marketing	0.6	0.2	0.6	0.2
Research and development	1.2	0.0	1.5	
Administration	1.3	0.4	1.3	0.6
Pension expense (+) / income (-) in the income statement	5.4	0.6	5.6	0.8

Changes in present value of obligation

EUR million	Pension fund 2022	Other 2022	Pension fund 2021	Other 2021
Defined benefit plan obligation at 1 January	437.1	18.7	417.2	17.3
Current service cost	5.9	0.5	5.5	0.7
Interest expense	4.3	0.3	2.1	0.1
Curtailments	-0.3			
Items due to remeasurement:				
Gains (-) or losses (+) due to change in demographic assumptions			-1.8	
Gains (-) or losses (+) due to change in economic assumptions	-108.0	-3.8	7.0	0.9
Experienced gains (-) or losses (+)	45.4	0.6	16.5	-0.2
Total	-62.6	-3.2	21.7	0.7
Translation differences		-0.2		0.2
Benefits paid	-10.1	-0.4	-9.4	-0.4
Obligation at 31 December	374.3	16.5	437.1	18.7

Changes in fair value of plan assets

EUR million	Pension fund 2022	Other 2022	Pension fund 2021	Other 2021
Fair value of plan assets at 1 January	452.1	13.8	401.0	13.6
Interest income	4.5	0.2	2.0	0.1
Items due to remeasurement:				
Return on plan assets excluding items in interest expense and income	-17.9	-1.6	59.5	-0.8
Total	-17.9	-1.6	59.5	-0.8
Translation differences		-0.2		0.2
Employer contributions	2.0	1.2	-0.9	1.0
Benefits paid	-10.1	-0.4	-9.4	-0.4
Fair value of plan assets at 31 December	430.5	13.2	452.1	13.8

Fair values of assets of benefit plan arranged through the Orion Pension Fund by asset category as percentages of fair value of all plan assets

%	2022	2021
Equity in developed markets	44%	55%
Equity in emerging markets	4%	5%
Bonds	14%	13%
Cash and money market investments	5%	5%
Properties	22%	20%
Other	11%	2%
Total	100%	100%

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

The Pension Fund plan assets in 2022 include shares issued by the parent company Orion Corporation with fair value EUR 37.0 (2021: 26.3) million that account for 8.3% (2021: 5.6%) of the plan assets.

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

Actuarial assumptions used by the Orion Pension Fund

%	2022	2021
Discount rate	3.9	1.0
Inflation rate	2.6	2.1
Future pension increases	2.7–2.9	1.0–2.4
Future salary increases	2.0	1.6

In 2023 the Group expects to contribute EUR 18 million to its pension plans (in financial period 2021 it expected to contribute EUR 18 million in 2022 to its pension plans).

Discount rate is the most significant assumption, which affects the value of pension liability. The EUR 374.3 (2021: 437.1) million liability of the Orion Pension Fund has been discounted at a discount rate of 3.9% (2021: 1.0%). The impact on the liability of a change in the discount rate of +/- 0.5 percentage points would be EUR -29.9/+34.2 (2021: -40.0/+46.4) million, when other assumptions unchanged.

The weighted average duration of the defined benefit liability is 18 (2021: 20) years.

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

Volatility related to assets and liability

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

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

Changes in returns of bonds

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

Inflation risk

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

Anticipated life expectancy

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

5 Income taxes and deferred tax assets and liabilities

5.1 Income taxes

Accounting policies

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

Income taxes

EUR million	2022	2021
Current taxes	89.4	49.6
Adjustments for current tax of prior periods	0.2	-0.3
Deferred taxes	1.1	-0.8
Total	90.8	48.5

Taxes recognised in other comprehensive income

EUR million	2022	2021
Deferred tax on remeasurement of pension plans, income (-) or expense (+)	9.2	7.2

Reconciliation between tax expense in statement of comprehensive income and taxes calculated from Group´s 20.0% domestic tax rate

EUR million	2022	2021
Profit before taxes	440.3	242.3
Consolidated income taxes at Group's domestic tax rate	88.1	48.5
Impact of different tax rates of foreign subsidiaries	0.4	0.4
Tax-exempt income	-0.3	-0.7
Non-deductible expenses	1.0	0.8
Utilisation of deductible losses	-0.3	0.0
Tax adjustments for previous financial years	0.2	-0.3
Changes in deferred taxes related to prior years	1.4	0.4
Other items	0.3	-0.5
Income tax expense recognised in consolidated income statement	90.8	48.5
Effective tax rate	20.6%	20.0%

5.2 Deferred tax assets and liabilities

Accounting policies

Deferred tax is computed on temporary differences between the carrying amount and the taxable value. Deferred taxes have been calculated using the statutory tax rates or the tax rates enacted or substantively enacted as at reporting date. Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred taxes are not recognised on items that do not affect accounting or tax profit.

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 income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

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

Deferred tax assets

EUR million, 31 Dec	2022	2021
Revenue recognition	0.9	2.8
Internal inventory margin	1.6	2.3
Pension liability	0.6	1.0
Other deductible temporary differences	0.0	0.4
Total	3.1	6.6

Deferred tax liabilities

EUR million, 31 Dec	2022	2021
Depreciation difference and untaxed reserves	27.5	26.2
Pension assets	11.2	3.0
Capitalised cost of inventory	2.4	2.2
Other taxable temporary differences	1.0	2.5
Total	42.2	34.0

Change in deferred tax arises from

EUR million	2022	2021
Pension assets and liabilities	-8.6	-6.0
Internal inventory margin	-0.8	1.2
Capitalised cost of inventory	-0.3	0.5
Revenue recognition	-1.9	-0.4
Depreciation difference and untaxed reserves	-1.3	-1.6
Deductible losses and other timing differences	1.2	-0.2
Total	-11.7	-6.5

6 Financing and capital structure

6.1 Financial assets and liabilities by category

Accounting policies

Classification

The Group's financial assets and liabilities are recognised and measured at amortised cost or at fair value through profit or loss. The classification of assets depends on the business models defined by the Company and on the cash flows of the financial assets based on contract. The classification may change following a change in business model. Classification by balance sheet item is presented in the table concearning financial assets and liabilities.

1. Measured at amortised cost

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

2. Recognised at fair value through profit or loss

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

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

Recognition and measurement

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

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

Financial liabilities are initially recognised in accounting at fair value and transaction costs related to them are recognised as expenses in the consolidated income statement. Subsequently, financial liabilities except derivative liabilities at fair value through profit or loss are measured at amortised cost using the effective interest method.

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

Impairment

At the end of each balance sheet date, it is assessed whether there are any indications of impairment of financial instruments.

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

Criteria applied by the Group in stating that there is significantly increased credit risk:

- issuer's or debtor's considerable financial problems
- breach of contract terms
- high probability of bankruptcy or other financial restructuring of debtor

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

Expected credit losses are recognised in income statement, with the counter-item reducing the item in financial assets. Recognition takes place at the next reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and assets in bank accounts, and liquid debt instruments. Liquid debt instruments are short-term certificates of deposit and commercial paper with maturities initially of no more than three months issued by banks and companies. The specification of cash and cash equivalents is presented in the note 6.5 Cash and cash equivalents.

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

Derivative contracts

Derivative contracts are classified as measured at fair value through profit or loss and are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value using the closing market prices on the end date of the reporting period. Derivatives are presented under other receivables and liabilities in the balance sheet. The Group does not apply hedge accounting to foreign exchange derivatives that hedge items in foreign currencies in the statement of financial position or hedge highly probable forecast cash flows, even though they have been acquired for hedging purposes in accordance with the Group's treasury policy. The specification of derivate contracts is presented in the note 6.7 Derivative contracts.

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

Financial assets and liabilities by category

	2022				2021
EUR million, 31 Dec	**Amortised cost**	**Fair value through profit and loss**	**Carrying amount of financial items**	**Fair value**	**Carrying amount of financial items**
Other investments		0.2	0.2	0.2	0.2
Other non-current receivables	0.2		0.2	0.2	0.3
Non-current assets total	0.2	0.2	0.3	0.3	0.5
Trade receivables	180.7		180.7	180.7	174.8
Other receivables	0.5		0.5	0.5	0.2
Derivative contracts		0.1	0.1	0.1	0.1
Cash and cash equivalents	332.6		332.6	332.7	216.7
Current assets total	513.9	0.1	514.0	514.1	391.8
Financial assets total	514.0	0.3	514.3	514.4	392.3
Non-current interest-bearing liabilities	196.8		196.8	177.7	104.7
Other non-current liabilities	77.7		77.7	77.7	13.0
Non-current liabilities total	274.5		274.5	255.5	117.6
Trade payables	114.4		114.4	114.4	89.6
Other current liabilities	0.2		0.2	0.2	0.0
Current interest-bearing liabilities	17.2		17.2	17.2	3.8
Deferred purchase price and earn-out		9.1	9.1	9.1	
Derivative contracts		0.3	0.3	0.3	0.1
Current liabilities total	131.8	9.4	141.2	141.2	93.5
Financial liabilities total	406.3	9.4	415.7	396.7	211.1

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

Fair value measurement and hierarchy

EUR million, 31 Dec 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivatives				
Currency derivatives		0.1		0.1
Other investments				
Shares and investments			0.2	0.2
Assets total		0.1	0.2	0.3
Deferred purchase price and earn-out			-9.1	-9.1
Derivatives				
Currency derivatives		-0.3		-0.3
Liabilities total		-0.3	-9.1	-9.4

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

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

The Group applies the principle of recognising transfers between levels of fair value hierarchy on the date on which the event triggering the transfer occurred. No transfers between levels occured during the reporting period.

6.2 Financial risk management

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

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

6.2.1 Market risk

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

6.2.1.1 Foreign currency exchange rate risk

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

Transaction risk

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

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

EUR million, 31 Dec	USD	SEK	PLN	Other significant currencies	Total 2022	Total 2021
Net position in statement of financial position	5.1	9.1	7.7	19.2	41.1	52.6
Forecast net position (12 months)	30.7	52.1	28.9	21.6	133.3	146.8
Net position, total	35.8	61.2	36.6	40.8	174.3	199.4
Currency derivatives for hedging	-7.9	-9.8	-6.6	-4.5	-28.9	-35.3
Net open position total	27.9	51.4	29.9	36.3	145.5	164.1

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

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

Translation risk

Translation risk arises from the equity of subsidiaries outside the eurozone. At 31 December 2022 the equity in these subsidiaries totalled EUR 63.2 (2021: 63.2) million. The most significant translation risk arises from the British pound. This translation position has not been hedged.

Sensitivity analysis

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

	Impact on profit	
EUR million, 31 Dec	**2022**	**2021**
+/- 10% change in exchange rates	-1.1/ 1.4	-1.6/1.9

6.2.1.2 Electricity price risk

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

6.2.1.3 Interest rate risk

Changes in interest rates affect the Group's cash flow and results. At 31 December 2022, the Group's interest-bearing liabilities totalled EUR 213.9 (2021: 108.4) million, which comprise of long-term loans and lease liabilities. Of the loans from credit institutions, 108.8 million euros are tied to the variable Euribor interest rate. The group's exposure to rising market interest rates is reduced by the fact that 104.9 (2021: 0.0) million euros of the group's cash assets on 31 December 2022 have been invested in short-term interest instruments.

The effect of the increase in the interest rate on the net interest expenses has been estimated with a sensitivity analysis, where it is assumed that the interest rate will rise in 2023 by one percentage point (1%) from the interest rates priced at the balance sheet date, other factors remaining the same. The effect on result before taxes would be EUR -0.6 (2021: 0.0) million. Lease liabilities are not taken into account in the calculation.

6.2.2 Counterparty risk

Counterparty risk is realised when a counterparty to the Group does not fulfil its contractual obligations, resulting in non-payment of funds to the Group. The maximum credit risk exposure at 31 December 2022 is the total of financial assets less carrying amounts of derivatives in financial liabilities, which totalled EUR 513.8 (2021: 392.1) million (note 6.1 Financial assets and liabilities by category). The main risks relate to trade receivables, cash and cash equivalents, and money market investments.

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

The Group Customer Credit Policy defines the basis for classifying customers and setting limits for them, and the ways through which the credit risk is managed. Payment performance and the financial situation of customers are monitored, and effective collection is regularly undertaken. Credit risk can be reduced by requiring advance payment as a payment term or a letter of credit or a bank guarantee to secure the payment, or by using credit insurance. In the pharmaceutical industry, trade receivables are typically generated by distributors representing different geographical areas. In certain countries, the Group also sells directly to local hospitals. The 25 largest customers accounted for 73.0% of the trade receivables at 31 December 2022 (2021: 72.3%). The trade receivables are not considered to involve significant risk (note 3.7 Trade and other receivables). Credit losses for the period recognised in income statement were EUR 0.2 (2021: -0.0) million.

6.2.3 Liquidity risk

The Group seeks to maintain a good liquidity position in all conditions. This is ensured by cash flows from operating activities and cash and cash equivalents and other money market investments. The Group has EUR 100 million committed, undrawn bank overdraft limits, which will mature in 2024. In addition, the Group has a EUR 100 million unconfirmed commercial paper program from which no commercial papers had been issued on the reporting date.

The Group's interest-bearing liabilities at 31 December 2022 were EUR 213.9 (2021: 108.4) million, which consisted of loans of 188.2 million euros taken from European Investment Bank (EIB), bank loans transferred to the group in connection with the acquisition of Inovet's veterinary medicine business and lease contract liabilities. The average maturity for interest-bearing liabilities excluding lease liabilities is 4.7 years (2021: 4.2 years). At 31 December 2022, the Group's cash and cash equivalents and money market investments, which decrease liquidity risk, totalled EUR 332.6 (2021: 216.7) million. To ensure the Group's liquidity, any surplus cash is invested mainly in short-term euro-denominated interest-bearing instruments with good creditworthiness. An investment-specific limit is determined for each investment.

Forecast undiscounted cash flows of financial liabilities, interest payments and derivatives

EUR million, 31 Dec 2022	**2023**	**2024**	**2025**	**2026**	**2027–**	**Total**
Repayments of loans	13.9	25.6	25.6	25.6	115.2	205.9
Repayments of lease liabilities	2.1	2.4	0.9	0.7	0.7	6.8
Interest payments	3.7	3.4	3.0	2.6	7.1	19.7
Cash flow total, interest-bearing financial liabilities	19.6	31.5	29.5	28.8	123.0	232.4
Trade payables	114.4					114.4
Other non-interest-bearing financial liabilities	0.2					0.2
Cash flow total, non-interest-bearing financial liabilities	114.6					114.6
Derivative contracts, inflow	0.1					0.1
Derivative contracts, outflow	-0.3					-0.3
Cash flow total, derivative contracts	-0.1					-0.1
Cash flow total, all	134.1	31.5	29.5	28.8	123.0	346.9

EUR million, 31 Dec 2021	2022	2023	2024	2025	2026–	Total
Repayments of loans	11.8	11.8	11.8	11.8	52.9	100.0
Repayments of lease liabilities	3.8	2.4	0.9	0.4	0.9	8.4
Interest payments	0.3	0.2	0.2	0.1	0.3	1.0
Cash flow total, interest-bearing financial liabilities	15.8	14.3	12.9	12.3	54.1	109.4
Trade payables	89.6					89.6
Other non-interest-bearing financial liabilities	0.0				0.0	0.0
Cash flow total, non-interest-bearing financial liabilities	89.6				0.0	89.6
Derivative contracts, inflow	0.1					0.1
Derivative contracts, outflow	-0.1					-0.1
Cash flow total, derivative contracts	-0.0					-0.0
Cash flow total, all	105.4	14.3	12.9	12.3	54.1	199.0

Current market rates per contract are used for forecasts of interest payments on floating-rate loans.

6.2.4 Management of capital structure

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

The terms of credit limit agreements of the Company include covenants that specify that if the covenants are breached, the lender optionally has the right to demand early repayment of the loan. The key figures used in calculation of covenants are calculated in accordance with the formulas given in loan agreements. The following tables show the levels of financial covenants specified in the terms of the loans and the corresponding values at 31 December 2022. Orion fulfilled these financial covenants on 31 December 2022.

Financial covenants

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

Group equity ratio

31 Dec	2022	2021
Equity, EUR million	908.1	747.9
Equity and liabilities total minus advances received, EUR million	1,491.0	1,097.9
Equity ratio, %	60.9%	68.1%

Group interest-bearing net liabilities / Group EBITDA

EUR million, 31 Dec	2022	2021
Interest-bearing net liabilities	-118.7	-108.3
EBITDA	487.1	289.1
Interest-bearing net liabilities / EBITDA	-0.24	-0.37

6.3 Equity

Accounting policies

Ordinary shares are presented as share capital. Transaction costs directly due to issuance of new shares or options are presented in equity including tax effects as a decrease in payments received.

Other reserves include reserve funds, expendable fund and reserve for invested unrestricted equity. Reserve funds are required by local laws and part of restricted equity. The expendable fund and reserve for invested unrestricted equity are included in distributable funds under the Finnish Limited Liability Companies Act.

Changes in share capital

	A shares	B shares	Total	Share capital EUR million
Total number of shares at 1 Jan 2021	**35,122,793**	**106,011,485**	**141,134,278**	**92.2**
Conversions of A shares to B shares in 1 Jan–31 Dec 2021	-309,587	309,587		
Total number of shares at 31 Dec 2021	**34,813,206**	**106,321,072**	**141,134,278**	**92.2**
Conversions of A shares to B shares in 1 Jan–31 Dec 2022	-626,712	626,712		
Total number of shares at 31 Dec 2022	**34,186,494**	**106,947,784**	**141,134,278**	**92.2**
Number of treasury shares at 31 Dec 2022		932,771	932,771	
Total number of shares at 31 Dec 2022, excluding treasury shares	**34,186,494**	**106,015,013**	**140,201,507**	
Total number of votes at 31 Dec 2022 excluding treasury shares	**683,729,880**	**106,015,013**	**789,744,893**	

On 31 December 2022 Orion had a total of 141,134,278 (2021: 141,134,278) shares, of which 34,186,494 (2021: 34,813,206) were A shares and 106,947,784 (2021: 106,321,072) B shares. The Group's share capital was EUR 92,238,541.46 (2021: 92,238,541.46). At the end of 2022 Orion held 932,771 (2021: 571,314) B shares as treasury shares. On 31 December 2022 the aggregate number of votes conferred by the A and B shares was 789,744,893 (2021: 802,013,878) excluding treasury shares.

All shares issued have been paid in full.

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

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

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

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. In 2022 total of 626,712 A shares were converted to B shares.

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

On 23 March 2022, the Annual General Meeting of Orion Corporation authorised the Board of Directors to decide on a share issue by issuing new shares. The Board of Directors shall be entitled to decide on the issuance of no more than 14,000,000 new Class B shares. The share issue authorisation shall be valid until the next Annual General Meeting of the Company.

The Annual General Meeting on 23 March 2022 authorised the Board of Directors also to decide on the acquisition of the Company's own shares and to decide on a share issue by conveying own shares. The Board of Directors shall be entitled to decide on the acquisition of no more than 500,000 class B shares of the Company and to decide on the conveyance of no more than 1,000,000 own Class B shares held by the Company. The authorisation to acquire own shares shall be valid for 18 months and the authorisation to convey own shares shall be valid for five years from the decision of the Annual General Meeting.

The Board of Directors of Orion Corporation decided on 25 August 2022 on a share acquisition based on the authorisation by the Annual General Meeting on 23 March 2022. Between 1 September and 19 September and 26 October and 4 November, Orion acquired a total of 400,000 class B shares. After the acquisition the Board of Directors is still authorised to decide on the acquisition of no more than 100,000 class B shares.

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

The Board of Directors proposes that a dividend of EUR 1.60 per share will be paid out, donation of EUR 0.4 million based on the consolidated statement of financial position to be adopted for the financial year ended December 31, 2022, and that the remaining part is carried forward in the retained earnings in unrestricted equity.

Other reserves

EUR million, 31 Dec	2022	2021
Reserve funds	1.9	1.9
Expendable fund	0.5	0.5
Reserve for invested unrestricted equity	0.9	0.9
Total	3.3	3.3

Translation differences

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

Dividends and other distribution of profits

A dividend of EUR 1.50 (2021: 1.50) per share were distributed in the 2022 financial year. In addition, donations of EUR 0.4 (2021: 0.4) million were distributed from profit funds.

6.4 Interest-bearing liabilities

EUR million, 31 Dec	Carrying amount 2022	Fair value 2022	Carrying amount 2021	Fair value 2021
Loans from credit institutions	192.0	173.0	100.0	98.8
Lease liabilities	4.7	4.7	4.7	4.7
Non-current liabilities total	196.8	177.7	104.7	103.5

EUR million, 31 Dec	Carrying amount 2022	Fair value 2022	Carrying amount 2021	Fair value 2021
Loans from credit institutions	13.8	13.8		
Lease liabilities	3.4	3.4	3.8	3.8
Current liabilities total	17.2	17.2	3.8	3.8

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

The fair value of the loans have been determined by discounting the estimated cash flows to present value by using the rate that would be prevailing for Group to withdraw loan at the end of the financial year.

6.5 Cash and cash equivalents

EUR million, 31 Dec	Carrying amount 2022	Fair value 2022	Carrying amount 2021	Fair value 2021
Cash and bank	227.7	227.7	216.7	216.7
Liquid money market investments	104.9	105.0		
Total	332.6	332.7	216.7	216.7

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

6.6 Other investments

Other investments, with asset value of EUR 0.2 (2021: 0.2) million at 31 December 2022, include mainly shares and investments in unlisted companies. They are stated at cost because their fair value cannot be determined reliably.

6.7 Derivative contracts

Nominal values and maturity of currency derivatives

EUR million, 31 Dec	2022	2021
Currency forward contracts and currency swaps	39.3	30.4
Currency options	25.7	30.2

All derivatives have a maturity less than one year.

Fair values of non-hedge-accounting derivatives

	2022			2021
EUR million, 31 Dec	Positive	Negative	Net	Net
Currency forward contracts and currency swaps	0.1	-0.2	-0.2	-0.0
Currency options	0.1	-0.0	0.0	0.0

All derivatives are OTC derivatives, and market quotations at the end of the reporting period have been used for determining their fair value. Derivatives measured at fair value have been reported in the consolidated statement of financial position on a gross basis. Derivative contract terms agreed with banks allow netting in the event of payment default or bankruptcy, among other things. At the end of the reporting period, after netting the counterparty risk to Orion was EUR 0.2 (2021: 0.0) million and to counterparties EUR 0.0 (2021: 0.0) million.

6.8 Contingent liabilities and commitments

Accounting policies

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

Contingencies for own liabilities

EUR million, 31 Dec	2022	2021
Guarantees	5.1	7.0
Other	0.3	0.3

Commitments

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

Significant legal proceedings

Companies belonging to the Orion Group are parties to various legal disputes, which are not, however, considered to be significant legal proceedings for the Group.

7 Other notes

7.1 Related party transactions

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

Related party transactions

The Group's material related party transactions relate to pension contributions paid to the Orion Pension Fund and services acquired from Lääkärikeskus Aava Oy. Services were purchased from Lääkärikeskus Aava Oy during the financial year 2022 for EUR 0.3 (2021: 0.3) million. The Group's debt to Lääkärikeskus Aava Oy at the end of the financial year 2022 was EUR 0.0 (2021: 0.0) million.

Management´s employment benefits

EUR million	2022	2021
Salaries and other short-term employment benefits	4.8	6.5
Share-based benefits	0.6	1.4
Post-employment benefits	0.4	0.5

Salaries and remuneration[1]

EUR million	2022	2021
Timo Lappalainen, President and CEO (until 1 November 2022)	1.2	1.8
Liisa Hurme, President and CEO (from 1 November 2022)	0.1	
Mikael Silvennoinen, Chairman	0.1	0.1
Hilpi Rautelin, Vice Chairman	0.1	0.1
Kari Jussi Aho	0.1	0.1
Maziar Mike Doustdar (from 23 March 2022)	0.1	
Ari Lehtoranta	0.1	0.1
Veli-Matti Mattila	0.1	0.1
Eija Ronkainen	0.1	0.1
Karen Lykke Sørensen (from 23 March 2022)	0.1	
Pia Kalsta (until 23 March 2022)	0.0	0.1
Timo Maasilta (until 23 March 2022)	0.0	0.1
Board of Directors, total	0.5	0.6

[1] Exact figures are available in the Corporate Governance Statement, under Remuneration Report 2022.

The President and CEO´s pension is determined by the law applicable to employees from November 1, 2022 onwards.

During the financial year 2022 EUR 0.2 (2021: 0.2) million was recorded as expenses for the statutory pension and EUR 0.4 (2021: 0.7) million for the supplementary pension of the former President and CEO.

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

Orion Corporation is the lender of an interest-bearing loan of EUR 0.3 (2021: 0.3) million to Hangon Puhdistamo Oy.

7.2 Auditor’s remuneration

EUR million	2022	2021
Auditing	0.3	0.3
Assignments under Auditing Act Section 1 Subsection 1 Paragraph 2	0.0	0.0
Tax consulting	0.0	0.0
Other services	0.1	
Total	0.5	0.3

Audit firm KPMG Oy Ab is acting as principal auditor for Orion Group. KPMG has not charged any other than auditing services in 2022 (2021: EUR 0.0 million).

Auditing fees to other auditing firms were EUR 0,0 (2021: 0,0) million.

7.3 Group companies

31 Dec 2022	Group		Parent company	
	Ownership %	Share of votes %	Ownership %	Share of votes %
Pharmaceuticals				
Parent company Orion Corporation, Finland				
Fermion Oy, Finland	100.00	100.00	100.00	100.00
FinOrion Pharma India Pvt. Ltd., India	100.00	100.00	95.00	95.00
Inovet IndochineCo., Ltd., Vietnam	100.00	100.00		
Kiinteistö Oy Tonttuvainio, Finland	100.00	100.00	100.00	100.00
Laboratoires Biard S.A., France	100.00	100.00		
Laboratoires Biové SAS, France	100.00	100.00		
Lafeca BV, Belgium	100.00	100.00	100.00	100.00
OOO Orion Pharma, Russia	100.00	100.00		
Orionfin, Unipessoal, Lda, Portugal	100.00	100.00	100.00	100.00
Orion Export Oy, Finland[1]	100.00	100.00	100.00	100.00
Orion Pharma AB, Sweden	100.00	100.00	100.00	100.00
Orion Pharma AG, Switzerland	100.00	100.00	100.00	100.00
Orion Pharma A/S, Denmark	100.00	100.00	100.00	100.00
Orion Pharma AS, Norway	100.00	100.00	100.00	100.00
Orion Pharma (AUS) Pty Limited, Australia	100.00	100.00	100.00	100.00
Orion Pharma (Austria) GmbH, Austria	100.00	100.00	100.00	100.00
Orion Pharma BVBA, Belgium	100.00	100.00	100.00	100.00
Orion Pharma d.o.o., Slovenia	100.00	100.00	100.00	100.00
Orion Pharma East LLP, Kazakhstan	100.00	100.00	100.00	100.00
Orion Pharma GmbH, Germany	100.00	100.00	100.00	100.00
Orion Pharma Hellas, Pharmakeftiki Mepe, Greece	100.00	100.00	100.00	100.00
Orion Pharma Inc., USA[1]	100.00	100.00	100.00	100.00
Orion Pharma (Ireland) Ltd., Ireland	100.00	100.00	100.00	100.00
Orion Pharma Kft., Hungary	100.00	100.00	100.00	100.00
Orion Pharma (MY) Sdn. Bhd., Malaysia	100.00	100.00	100.00	100.00
Orion Pharma (NZ) Limited, New Zealand	100.00	100.00	100.00	100.00
Orion Pharma Poland Sp. z o.o., Poland	100.00	100.00	100.00	100.00
Orion Pharma Romania S.R.L., Romania	100.00	100.00	100.00	100.00
Orion Pharma SA, France	100.00	100.00	100.00	100.00
Orion Pharma (SG) Pte. Ltd., Singapore	100.00	100.00	100.00	100.00
Orion Pharma S.L., Spain	100.00	100.00	100.00	100.00
Orion Pharma S.r.l., Italy	100.00	100.00	100.00	100.00
Orion Pharma s.r.o., Czech Republic	100.00	100.00	100.00	100.00
Orion Pharma s.r.o., Slovakia	100.00	100.00	100.00	100.00
Orion Pharma Thai Co, Ltd., Thailand	100.00	100.00	99.00	99.00
Orion Pharma (UK) Ltd., United Kingdom	100.00	100.00	100.00	100.00
OÜ Orion Pharma Eesti, Estonia	100.00	100.00	100.00	100.00
Saiph Therapeutics Oy, Finland[1]	100.00	100.00	100.00	100.00
Snappertuna Holding Oy, Finland[1]	100.00	100.00	100.00	100.00
TOV Orion Pharma Ukraine, Ukraine	100.00	100.00	95.00	95.00
Tuohilampi Holding Oy, Finland[1]	100.00	100.00	100.00	100.00
UAB Orion Pharma, Lithuania	100.00	100.00	100.00	100.00
V.M.D. Állatgyógyászati Kft, Hungary	100.00	100.00		
VMD NV, Belgium	100.00	100.00	100.00	100.00

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

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

7.4 Events after the end of reporting period

There have been no other events after the reporting period.

Parent company Orion corporation's financial statements (FAS)

Income statement

EUR million	Note	2022	2021
Net sales	1	1,171.3	912.8
Other operating income	2	11.1	12.6
Operating expenses	3, 4	-727.9	-657.5
Depreciation, amortisation and impairment	4	-32.5	-32.8
Operating profit		422.0	235.1
Finance income and expenses	5	10.5	11.4
Profit before extraordinary items, appropriations and taxes		432.5	246.5
Appropriations	6	1.5	4.5
Income tax expense	7	-85.1	-46.4
Profit for the period		348.9	204.7

Balance sheet

Assets

EUR million, 31 Dec	Note	2022	2021
Intangible rights		96.8	52.7
Other long-term expenditure		2.4	2.5
Intangible assets total	8	99.2	55.2
Land and water areas		4.0	4.0
Buildings and constructions		153.2	151.3
Machinery and equipment		80.3	78.3
Other tangible assets		1.5	1.7
Advance payments and construction in progress		31.9	21.8
Tangible assets total	9	270.9	257.1
Holdings in Group companies		159.1	67.2
Other investments		0.2	0.2
Investments total	10	159.3	67.4
Non-current assets total		529.4	379.7
Non-current receivables	11	0.2	0.3
Inventories	12	192.1	182.5
Trade receivables	13	145.8	152.1
Other current receivables	13	130.1	65.6
Liquid money market investments	14	104.9	
Cash and bank		184.5	156.0
Current assets total		757.5	556.3
Assets total		1,287.0	936.2

Liabilities

EUR million, 31 Dec	Note	2022	2021
Share capital		92.2	92.2
Expendable fund		0.5	0.5
Reserve for invested unrestricted equity		0.9	0.9
Retained earnings		240.0	264.5
Profit for the period		348.9	204.7
Shareholders' equity	15	682.6	562.8
Appropriations	16	105.5	101.0
Provisions	17	0.5	0.4
Loans from credit institutions		176.5	100.0
Other non-current liabilities		68.8	
Non-current liabilities total	18	245.3	100.0
Trade payables		106.7	79.3
Other current liabilities		146.6	92.7
Current liabilities total	19	253.3	172.0
Liabilities total		1,287.0	936.2

Cash flow statement

EUR million	2022	2021
Operating profit	422.0	235.1
Depreciation, amortisation and impairment	32.5	32.8
Other adjustments	-0.8	-4.4
Total adjustments to operating profit	31.7	28.4
Change in trade and other receivables	-48.1	-25.3
Change in inventories	-9.6	3.3
Change in trade and other payables	73.4	-22.9
Total change in working capital	15.7	-44.9
Interest and other financial expenses paid	-3.9	-2.0
Dividends received	8.8	12.3
Interest and other financial income received	5.5	1.0
Income taxes paid	-93.4	-37.6
Total net cash flow from operating activities	386.5	192.4
Investments in intangible assets	-16.5	-33.1
Investments in tangible assets	-39.7	-36.8
Sales of tangible assets	0.7	4.6
Investments in subsidiary shares	-83.1	0.0
Sales of other investments	0.0	
Repayments of loan receivables	0.1	0.1
Total net cash flow from investing activities	-138.4	-65.1
Changes of current loans	16.8	-0.7
Proceeds of non-current loans	100.0	
Repayments of non-current loans	-11.8	
Repurchase of treasury shares	-17.9	
Dividends paid and other distribution of profits	-211.3	-211.2
Group contributions received	9.5	8.0
Total cash flow from financing activities	-114.7	-203.9
Net change in cash and cash equivalents	133.4	-76.6
Cash and cash equivalents at 1 Jan[1]	156.0	232.6
Net change in cash and cash equivalents	133.4	-76.6
Cash and cash equivalents at 31 Dec[1]	289.4	156.0

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

Parent company notes to the financial statements for 2022 (FAS)

Orion Corporation is the parent company of the Orion Group that is domiciled in Espoo. The Company's business ID is 1999212-6.

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

Accounting policies

The financial statements of Orion Corporation are prepared in accordance with the Finnish Accountig Act, as well as other regulations and guidelines set for the preparation of financial statement.

Net sales

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

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

Foreign currency transactions

The revaluation of foreign currency receivables and liabilities is based on the exchange rates quoted by the European Central Bank at the end of reporting period. Foreign exchange gains and losses from translation of the items are recognised in the income statement. Foreign exchange gains and losses related to business operations are recognised as adjustments to sales and purchases. Foreign exchange gains and losses related to financial receivables and liabilities in foreign currencies and currency derivatives related to them are included in finance income and expenses.

Research and development expenses

Research and development expenses are entered as expenses during the financial year in which they are incurred.

Income taxes

Income taxes comprise the taxed based on taxable profit and tax adjustments to prior periods. The financial statement of the parent company does not include recognition of the deferred tax assets or liabilities, but in the notes amount of deferred tax assets and liabilities recognised to Group financial statements are presented. These deferred liabilities or assets are calculated from material differences due to timing between the tax assessment and the financial statements, using the tax rate confirmed at the time of the financial statements for subsequent years.

Non-current assets

The balance sheet values of intangible and tangible assets are based on acquisition costs, depreciated according to plan. The depreciation according to plan is based on the useful lives of the assets, following the straight-line depreciation method.

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

The useful lives of various asset categories are:

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

Other long-term expenditure items that generate or maintain income for three years or longer are capitalised and are normally depreciated over five years.

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

Rental agreements

Payments related to rental agreements are recognised as rent expenses in income statement.

Inventories

Inventories are presented in the statement of financial position using the standard price for self-manufactured products, and for purchased products using the weighted average cost method of variable costs incurred from procurement and manufacturing, or if lower, the probable selling price or replacement cost.

Financial assets and liabilities and derivative contracts

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

Other investments include shares and investments. Liquid money market investments included in cash and cash equivalents are bank deposits, certificates of deposit and commercial paper with maturities of no more than three months on acquisition issued by banks and companies. The fair value is based on the prices available in the markets. Investments in unquoted shares are measured at acquisition cost because their fair value cannot be measured using the fair value method.

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

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

Share-based incentive plans

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

Pension arrangements

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

Provisions

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

1 Net sales

Net sales by business area

EUR million	2022	2021
Pharmaceuticals business	1,171.3	912.8
Total	1,171.3	912.8

Net sales by market area

EUR million	2022	2021
Finland	321.9	313.4
Scandinavia	123.5	127.8
Other Europe	294.6	300.6
North America	319.6	73.7
Other countries	111.7	97.3
Total	1,171.3	912.8

2 Other operating income

EUR million	2022	2021
Service charges received from Group companies	6.7	5.5
Gains on sales of property, plant and equipment and intangible assets	0.3	3.9
Rental income	2.1	2.2
Other operating income	2.0	0.9
Total	11.1	12.6

3 Change in provisions

EUR million	2022	2021
Change in provisions	-0.0	0.1
Total, increase (-) or decrease (+)	-0.0	0.1

4 Operating expenses, depreciation, amortisation and impairment

Operating expenses

EUR million	2022	2021
Increase (-) or decrease (+) in stocks of finished goods or work in progress	0.4	11.0
Production for own use	-2.5	-3.4
Raw materials and services		
Purchases during the financial year	270.6	247.8
Increase (-) or decrease (+) in stocks	-10.0	-7.7
External services	30.8	27.7
Total	291.4	267.8
Personnel expenses		
Wages and salaries	135.9	125.2
Pension expenses	19.9	14.7
Share-based incentive plans	9.7	3.2
Other social security expenses	6.0	5.6
Total	171.5	148.7
Other operating expenses	267.1	233.4
Total operating expenses	727.9	657.5

Voluntary social security expenses are included in other operating expenses.

Auditor's remuneration

EUR million	2022	2021
Auditing	0.1	0.1
Assignments under Auditing Act Section 1 Subsection 1 Paragraph 2	0.0	0.0
Tax consulting		0.0
Total	0.1	0.1

Depreciation, amortisation and impairment

EUR million	2022	2021
Depreciation and amortisation according to plan	32.1	32.2
Impairments	0.4	0.6
Total	32.5	32.8

More information of depreciation and amortisation by asset class for the financial year in notes 8–9.

Further information on depreciation according to the plan is presented in parent company accounting policies.

Average number of employees

	2022	2021
Average number of employees during the financial year	2,293	2,285

Share-based payments

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

The plan that commenced in 2022 includes three earning periods, which are the calendar years 2022–2024, 2023–2025 and 2024–2026. The Board of Directors decides on the earnings criteria and on targets to be established for them at the beginning of each earning period. One earning period, calendar years 2022–2024, commenced in 2022. The potential reward of the plan for the earning period 2022–2024 is based on achieving the Orion Group's operating profit and net sales targets.

The target group of the plan consists of approximately 60 people. The total maximum amount of rewards to be paid on the basis of the plan is 760,000 Orion Corporation class B shares and a cash payment corresponding to the value of the shares. The total maximum amount includes a separate, so called reward for commitment part that the Board of Directors can use by a separate decision during the years 2022–2026. The maximum amount of the reward for commitment is no more than 100,000 shares and a cash payment corresponding to the value of the shares. By 31 December 2022, no Orion Corporation B shares had been paid as rewards under this plan.

There are no restriction periods in the plan, as the duration of each earning period is three years. The Board of Directors may decide to decrease the rewards to be paid to a key person if the limits set for the rewards to be paid from the plan for one calendar year are exceeded.

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

The target group of the plan consists of approximately 50 people. The total maximum amount of rewards to be paid on the basis of the plan is 700,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares. The total maximum amount includes a separate, so called reward for commitment part that the Board of Directors can use by a separate decision during the years 2019–2023. The maximum amount of the reward for commitment is no more than 100,000 shares and a cash payment corresponding to the value of the shares. By 31 December 2022, a total of 152,674 B shares had been paid as rewards under this plan.

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

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

Earning period	Reward paid on / potential reward to be paid in
2019	2 Mar 2020
2019–2020	1 Mar 2021
2019–2021	1 Mar 2022
2020–2022	2023
2021–2023	2024
2022–2024	2025
2023–2025	2026
2024–2026	2027

5 Finance income and expenses

EUR million	2022	2021
Income from other non-current investments		
Dividend income from Group companies	8.8	12.3
Dividend income from other investments	0.0	0.0
Interest income from other companies	0.0	0.0
Other interest and finance income		
Interest income from Group companies	0.2	0.1
Interest income from other companies	0.8	0.1
Revaluation result		0.0
Other finance income	4.9	0.9
Interest expenses and other finance expenses		
Interest expenses to Group companies	-0.1	
Interest expenses to other companies	-0.8	-0.8
Other finance expenses	-3.4	-1.1
Total	10.5	11.4

6 Appropriations

EUR million	2022	2021
Change in cumulative accelerated depreciation, increase (-), decrease (+)	-4.5	-5.0
Group contribution received	6.0	9.5
Total	1.5	4.5

7 Income taxes

EUR million	2022	2021
Current taxes	85.1	46.8
Adjustments for current tax of prior periods	-0.0	-0.4
Total	85.1	46.4

Deferred tax liability and deferred tax asset

No deferred tax liability or deferred tax asset of the parent company has been recorded in the company's balance sheet.

Deferred tax asset in Group

EUR million, 31.12	2022	2021
Provisions	0.1	0.1
Total	0.1	0.1

Deferred tax liability in Group

EUR million, 31.12	2022	2021
Appropriations	21.1	20.2
Revaluations	3.3	3.3
Total	24.4	23.5

8 Intangible assets

EUR million	Intangible rights 2022	Intangible rights 2021	Goodwill 2022	Goodwill 2021	Other capitalised expenditure 2022	Other capitalised expenditure 2021	Total 2022	Total 2021
Acquisition cost at 1 January[1]	197.7	168.5	68.3	68.3	56.4	56.4	322.4	293.1
Additions	49.3	32.4			0.6	1.1	49.9	33.5
Disposals	-0.0	-2.9			-0.0	-1.3	-0.0	-4.1
Reclassifications	0.2	-0.3			0.1	0.3	0.3	-0.1
Acquisition cost at 31 December	247.2	197.7	68.3	68.3	57.1	56.4	372.5	322.4
Accumulated amortisation and impairment at 1 January[1]	-144.9	-141.9	-68.3	-68.3	-54.0	-53.8	-267.2	-264.0
Accumulated amortisation on disposals	0.0	2.9				1.2	0.0	4.1
Amortisation	-5.0	-5.3			-0.7	-1.4	-5.7	-6.8
Impairment	-0.4	-0.6					-0.4	-0.6
Accumulated amortisation and impairment at 31 December	-150.4	-144.9	-68.3	-68.3	-54.7	-54.0	-273.3	-267.2
Book value at 1 January	52.7	26.6			2.5	2.6	55.2	29.2
Book value at 31 December	96.8	52.7			2.4	2.5	99.1	55.2
Accumulated difference between total and planned amortisation at 1 January	2.4	2.6			0.4	0.4	2.8	3.1
Change in cumulative accelerated amortisation, increase (+) or decrease (-)	-0.0	-0.3			0.0	-0.0	0.0	-0.3
Accumulated difference at 31 December	2.4	2.4			0.5	0.4	2.8	2.8

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

9 Tangible assets

EUR million	Land and water 2022	Land and water 2021	Buildings and structures 2022	Buildings and structures 2021	Machinery and equipment 2022	Machinery and equipment 2021	Other tangible assets 2022	Other tangible assets 2021	Advance payments and construction in progress 2022	Advance payments and construction in progress 2021	Total 2022	Total 2021
Acquisition cost at 1 January[1]	4.0	4.2	319.4	307.3	280.2	285.1	3.9	3.3	21.8	17.0	629.3	616.9
Additions			4.8	8.8	12.2	12.3	0.0	0.0	24.2	15.3	41.2	36.4
Disposals		-0.2	-0.8	-0.2	-6.6	-23.7			-0.2	-0.0	-7.5	-24.1
Reclassifications			7.4	3.5	6.3	6.4	0.0	0.5	-13.9	-10.4	-0.3	0.1
Acquisition cost at 31 December	4.0	4.0	330.8	319.4	292.0	280.2	3.9	3.9	31.9	21.8	662.6	629.3
Accumulated depreciation at 1 January[1]			-168.1	-158.7	-201.9	-209.4	-2.2	-1.9			-372.2	-370.0
Accumulated depreciation on disposals and transfers			0.6	0.2	6.3	23.1					6.8	23.3
Depreciation			-10.1	-9.7	-16.0	-15.6	-0.2	-0.2			-26.3	-25.5
Accumulated depreciation at 31 December			-177.6	-168.1	-211.7	-201.9	-2.4	-2.2			-391.7	-372.2
Book value at 1 January	4.0	4.2	151.3	148.7	78.3	75.7	1.7	1.4	21.8	17.0	257.1	246.9
Book value at 31 December	4.0	4.0	153.2	151.3	80.3	78.3	1.5	1.7	31.9	21.8	270.9	257.1
Accumulated difference between total and planned depreciation at 1 January			45.5	44.7	52.6	48.2	0.1	0.1			98.2	92.9
Change in cumulative accelerated depreciation, increase (+) or decrease (-)			-0.3	0.9	4.7	4.4	-0.0	0.0			4.5	5.2
Accumulated difference at 31 December			45.3	45.5	57.3	52.6	0.1	0.1			102.7	98.2

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

The book value of production machines and equipment at 31 December 2022 was EUR 48.6 (2021: 49.4) million. The revaluation included in the acquisition cost of buildings EUR 16.5 (2021: 16.5) million.

10 Investments

EUR million	Holdings in Group companies 2022	Holdings in Group companies 2021	Other shares and equity 2022	Other shares and equity 2021	Receivables from subsidiaries 2022	Receivables from subsidiaries 2021	Total 2022	Total 2021
Acquisition cost at 1 January	107.3	107.3	0.2	0.2			107.5	107.5
Additions	91.9						91.9	
Disposals		-0.0	-0.0		-0.0		-0.1	-0.0
Acquisition cost at 31 December	199.2	107.3	0.2	0.2	-0.0		199.3	107.5
Accumulated impairment at 1 January	-40.0	-40.0					-40.0	-40.0
Accumulated impairment at 31 December	-40.0	-40.0					-40.0	-40.0
Book value at 1 January	67.2	67.2	0.2	0.2			67.4	67.5
Book value at 31 December	159.2	67.2	0.2	0.2	-0.0		159.3	67.4

11 Non-current receivables

EUR million, 31 Dec	2022	2021
Other receivables from Group companies	0.0	0.0
Loan receivables from an associated company belonging to the Group	0.2	0.3
Total	0.2	0.3

12 Inventories

EUR million, 31 Dec	2022	2021
Raw materials and consumables	52.8	46.5
Work in progress	19.4	12.7
Finished products and goods	113.0	117.5
Other inventories	6.8	5.8
Total	192.1	182.5

13 Current receivables

EUR million, 31 Dec	2022	2021
Trade receivables	104.7	103.9
Receivables from Group companies		
Trade receivables	41.2	48.2
Loan receivables	82.3	27.7
Other receivables	0.2	0.0
Prepaid expenses and accrued income	8.7	15.0
Total	132.4	90.8
Loan receivables from an associated company belonging to the Group	0.1	0.1
Other loan receivables	0.2	0.0
Other receivables	4.0	3.9
Prepaid expenses and accrued income	34.7	18.9
Total	275.9	217.7

Specification of prepaid expenses and accrued income

EUR million, 31 Dec	2022	2021
Royalties	21.7	7.7
Service and maintenance fees	3.5	4.1
Price differences from sales and other sales accruals	3.3	3.1
Income tax receivables	2.9	
Sales rights		1.3
Derivative contracts	0.1	0.1
Accrued interests	0.2	0.0
Other prepaid expenses and accrued income	2.9	2.7
Total	34.7	18.9

14 Liquid money market investments

EUR million, 31 Dec	2022	2021
Liquid money market investments	104.9	
Total	104.9	

Difference between market value and book value

EUR million, 31 Dec	2022	2021
Market value	105.0	
Corresponding book value	-104.9	
Accrued interest from interest instruments included in prepayments and accrued income	-0.1	
Total	-0.0	

15 Shareholder's equity

Restricted equity

EUR million	2022	2021
Share capital at 1 January	92.2	92.2
Share capital at 31 December	92.2	92.2
Restricted equity total at 31 December	92.2	92.2

Unrestricted equity

EUR million	2022	2021
Expendable fund at 1 January	0.5	0.5
Expendable fund at 31 December	0.5	0.5
Reserve for invested unrestricted equity at 1 January	0.9	0.9
Reserve for invested unrestricted equity at 31 December	0.9	0.9
Retained earnings at 1 January	469.2	475.7
By decision of Annual General Meeting		
Dividends	-210.9	-210.8
Donations	-0.4	-0.4
Repurchase of treasury shares	-17.9	
Unpaid dividends	0.0	
Profit for the period	348.9	204.7
Retained earnings at 31 December	588.9	469.2
Unrestricted equity total at 31 December	590.3	470.6

Dividends proposed by the Board of Directors are not recognised in the financial statements until they have been approved by the Annual General Meeting.

Parent company share capital by share class

	2022		2021	
31 Dec	**number**	**EUR**	**number**	**EUR**
A shares (20 votes/share)	34,186,494		34,813,206	
B shares (1 vote/share)	106,947,784		106,321,072	
Total	141,134,278	92,238,541.46	141,134,278	92,238,541.46

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. In 2022 a number of 626,712 A shares were converted to B shares.

16 Appropriations

EUR million, 31 Dec	2022	2021
Cumulative accelerated depreciation	105.5	101.0
Total	105.5	101.0

17 Provisions

EUR million, 31 Dec	2022	2021
Pension provisions	0.5	0.4
Total	0.5	0.4

18 Non-current liabilities

Interest-bearing liabilities

EUR million, 31 Dec	2022	2021
Loans from credit institutions	176.5	100.0
Total	176.5	100.0

Loans due later than five years

EUR million, 31 Dec	2022	2021
Loans from credit institutions	82.4	
Total	82.4	

Non-interest-bearing liabilities

EUR million, 31 Dec	2022	2021
Liabilities based on contracts	60.0	
Earn out and interest accrual on deferred purchase price	8.8	
Total	68.8	

19 Current liabilities

EUR million, 31 Dec	2022	2021
Loans from credit institutions	11.8	
Advances received	1.7	0.8
Trade payables	81.2	65.1
Liabilites to Group companies		
Trade payables	25.5	14.2
Loans	23.7	6.6
Accrued liabilities and deferred income	3.1	1.8
Other liabilities	0.0	
Total	52.3	22.6
Provisions	0.0	
Other liabilities	13.8	13.3
Accrued liabilities and deferred income	92.6	70.3
Total	253.3	172.0

Specification of accrued liabilities and deferred income

EUR million, 31 Dec	2022	2021
Personnel expenses	49.7	34.5
Liabilities from licensing agreements	20.0	
Research and development expenses	7.6	6.9
Price reductions	5.0	6.5
Accrued price adjustments related to sales and purchases	5.0	5.4
Royalties	1.2	2.5
Income tax liability		5.5
Derivative contracts	0.3	0.1
Accrued interests	0.2	0.0
Other accrued liabilities and deferred income	3.8	8.9
Total	92.6	70.3

Liabilities include

EUR million, 31 Dec	2022	2021
Non-current interest-bearing liabilities	176.5	100.0
Non-current non-interest-bearing liabilities	68.8	
Current interest-bearing liabilities	35.5	6.6
Current non-interest-bearing liabilities	217.8	165.5
Total	498.5	272.0

20 Notes relating to members of administrative bodies

Salaries and remuneration paid to members of administrative bodies of the Company

EUR million	2022	2021
President and CEO and members of Board of Directors	1.8	2.4

No partial remuneration has been paid.

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

Management pension commitments

The President and CEO´s pension is determined by the law applicable to employees from 1 November 2022 onwards.

In 2022 EUR 0.2 (2021: 0.2) million was recorded as expenses for the statutory pension of the former President and CEO.

21 Contingencies

Contingencies for own liabilities

EUR million, 31 Dec	2022	2021
Guarantees given	5.0	6.8

Total guarantees

EUR million, 31 Dec	2022	2021
Total guarantees	5.0	6.8

22 Liabilities and commitments

Lease agreements

EUR million, 31 Dec	2022	2021
Payments payable under lease agreements		
within next 12 months	0.4	2.0
later than 12 months	0.5	1.7
Total	0.9	3.7

Lease agreements are mainly leasing agreements from 3 to 10 years and they don't comprise redemption clause.

Other liabilities

EUR million, 31 Dec	2022	2021
Drug damage liability	0.3	0.3

VAT liability for real estate investments

The company is liable to review VAT deductions made for real estate investments completed in 2014–2022 if the use subject to VAT decreases during the review period. The last review year is 2031 and the maximum liability is EUR 13.5 million.

23 Financial risks

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

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

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

24 Derivative contracts

Nominal values and maturity of currency derivatives

EUR million, 31 Dec	2022	2021
Currency forward contracts and currency swaps	39.3	30.4
Currency options	25.7	30.2

All derivatives have a maturity less than one year.

Fair values of non-hedge-accounting derivatives

	2022			2021
EUR million, 31 Dec	**Positive**	**Negative**	**Net**	**Net**
Currency forward contracts and currency swaps	0.1	-0.2	-0.2	-0.0
Currency options	0.1	-0.0	0.0	0.0

Fair value measurement and hierarchy

EUR million, 31 Dec 2022	Level 1	Level 2	Level 3	Total
Derivatives				
Currency derivatives		0.1		0.1
Other investments				
Shares and investments			0.2	0.2
Assets total		0.1	0.2	0.3
Derivatives				
Currency derivatives		-0.3		-0.3
Liabilities total		-0.3		-0.3

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

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

The Group applies the principle of recognising transfers between levels of fair value hierarchy on the date on which the event triggering the transfer occurred. No transfers between levels occured during the reporting period.

25 Holdings in Group companies

See Note 7.3 Group companies in the notes to the consolidated financial statements for the parent company's holdings in other companies.

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

The parent company's distributable funds are EUR 590,316,773.93, including EUR 348,926,255.92 of profit for the financial year.

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

• distribution of EUR 1.60 of dividend per share. No dividend shall be paid on treasury shares held by the Company on the record date for dividend payment. On the day when the profit distribution was proposed, the number of shares conferring entitlement to receive dividend totaled 140,201,507, on which the total dividend would be	EUR	224,322,411.20
• donations to medical and other purposes of public interest as decided by the Board of Directors	EUR	350,000.00
• retention in equity	EUR	365,644,362.73
	EUR	590,316,773.93

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

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

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

Espoo, 9 February 2023

Mikael Silvennoinen
Chairman

Hilpi Rautelin
Vice Chairman

Kari Jussi Aho

Maziar Mike Doustdar

Ari Lehtoranta

Veli-Matti Mattila

Eija Ronkainen

Karen Lykke Sørensen

Liisa Hurme
President and CEO

On auditor's report has been issued today.

Espoo, 9 February 2023

KPMG OY AB

Kimmo Antonen
Authorised Public Accountant

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

Auditor's Report

To the Annual General Meeting of Orion Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Orion Corporation (business identity code 1999212-6) for the year ended 31 December, 2022. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

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

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

Basis for Opinion

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

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

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

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

Materiality

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

Key Audit Matters

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

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

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

The key audit matter	How the matter was addressed in the audit
Inventories *(refer to note 3.6 Inventories)*	
The inventories account for a significant amount (approximately 36 %) of the total consolidated assets. Pricing of individual inventory items is based on the functionality of information systems and the accuracy of product-specific calculations. Inventories are valued at cost or, if lower, at net realisable or replacement value. Management judgement is used in determining the need for impairment and assessing aged items in the inventories. Due to the significance of the inventories and management judgement relating to the valuation, inventories is considered a key audit matter.	Our audit procedures included consideration of the valuation principles applied by the Group and assessment of their appropriateness based on IFRS standards. We assessed the effectiveness of control environment and application controls in respect of the main inventory management software and the related user rights management. We participated in physical stock counts in selected locations and assessed the appropriateness of stock count processes. We performed data analysis to test the appropriateness of pricing and the reliability of valuation calculations. We assessed the sufficiency of impairment entries relating to the inventories. We considered the sufficiency of the Group's disclosures in respect of inventories and assessed their appropriateness.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Other Reporting Requirements

Information on our audit engagement

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

Other Information

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

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

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

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

Other statements

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

Espoo 9 February 2023

KPMG OY AB

Kimmo Antonen
Authorised Public Accountant, KHT

Key events in **2022**

February

First results from the ARASENS trial presented at the 2022 ASCO GU Cancers Symposium and simultaneously published in The New England Journal of Medicine.

February

Orion's collaboration partner Bayer upgraded estimate on Nubeqa®'s peak sales potential.

April

Liisa Hurme was appointed President and CEO of Orion Corporation as of 1 November 2022.

May

Orion entered into exclusive agreement with Jemincare for novel non-opioid drug candidate for the treatment of pain.

June

Orion acquired animal health company VMD (Inovet)

May

Orion announced that in the future, the company will invest in the research and development of new proprietary drugs in two therapy areas: oncology and pain.

July

Orion and MSD announced global collaboration for the development and commercialisation of ODM-208, an investigational steroid synthesis inhibitor for the treatment of metastatic castration-resistant prostate cancer.

July

Orion upgraded full-year outlook for 2022 following the USD 290 million upfront payment regarding ODM-208 agreement.

August

U.S. FDA approved additional indication of darolutamide in combination with docetaxel for the treatment of metastatic hormone-sensitive prostate cancer (mHSPC).

September

Juhani Kankaanpää was appointed as Senior Vice President, Global Operations, and member of the Executive Management Board of Orion Group as of 1 November 2022.

October

Orion announced changes in Orion Group Executive Management Board and new organisational structure as of 1 January 2023.

November

Liisa Hurme started as the President and CEO of Orion Corporation.

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

Follow Orion
in social media