



Orion Group
Financial Statement Release 2022



Contents

Orion Group Financial Statement Release 2022	3
Key figures	3
President and CEO Liisa Hurme: Orion's eventful year laid foundation for future growth	4
Outlook for 2023	5
Impacts of the war in Ukraine on Orion	5
Financial review for 1 January-31 December 2022	6
Key business targets and key performance indicators in 2022	8
Business review	9
Research and development	14
Personnel	15
Changes in Executive Management	16
Significant legal proceedings	16
Key events in January-December 2022	16
Key events after the reporting period	16
Shares and shareholders	17
Orion's dividend distribution policy	18
Proposal by the Board of Directors: dividend EUR 1.60 per share	18
Corporate responsibility: Material themes and indicators	19
Strategy	20
Financial objectives	21
Outlook for 2023	22
Basis for outlook in more detail	22
Near-term risks and uncertainties	23
Upcoming events	25
Tables	26
Appendices	30

Orion Group Financial Statement Release 2022

- Net sales totalled EUR 1,341 million (EUR 1,041 million in 2021)
- Operating profit was EUR 440 (243) million
- Profit before taxes was EUR 440 (242) million
- Equity ratio was 61% (68%)
- Return on capital employed before taxes (ROCE) was 45% (29%)
- Return on equity after taxes (ROE) was 42% (26%)
- Basic earnings per share were EUR 2.49 (1.38)
- Cash flow from operating activities per share was EUR 3.09 (1.53)
- The Board of Directors proposes payment of a dividend of EUR 1.60 (1.50) per share
- 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).

Key figures

	10-12/22	10-12/21	Change %	1-12/22	1-12/21	Change %
Net sales, EUR million	294.5	276.5	+6.5%	1,340.6	1,041.0	+28.8%
EBITDA, EUR million	53.2	52.6	+1.1%	487.1	289.1	+68.5%
% of net sales	18.1%	19.0%		36.3%	27.8%	
Operating profit, EUR million	40.7	39.9	+1.9%	439.6	243.3	+80.7%
% of net sales	13.8%	14.4%		32.8%	23.4%	
Profit before taxes, EUR million	40.5	39.8	+1.7%	440.3	242.3	+81.7%
% of net sales	13.7%	14.4%		32.8%	23.3%	
Profit for the period, EUR million	31.7	32.8	-3.5%	349.5	193.8	+80.4%
% of net sales	10.7%	11.9%		26.1%	18.6%	
Research and development expenses, EUR million	38.8	41.0	-5.3%	135.8	117.7	+15.4%
% of net sales	13.2%	14.8%		10.1%	11.3%	
Capital expenditure, excluding acquired in business combinations, EUR million	60.4	19.5	+209.7%	109.6	85.4	+28.5%
% of net sales	20.5%	7.0%		8.2%	8.2%	
Acquired in business combination, net of cash, EUR million	-0.3			82.0		
Interest-bearing net liabilities, EUR million				-118.7	-108.3	+9.6%
Basic earnings per share, EUR million	0.23	0.23	-2.9%	2.49	1.38	+80.4%
Cash flow from operating activities per share, EUR	0.04	0.54	-92.8%	3.09	1.53	+101.4%
Equity ratio, %				60.9%	68.1%	
Gearing, %				-13.1%	-14.5%	
Return on capital employed (before taxes), %				45.1%	28.8%	
Return on equity (after taxes), %				42.2%	26.2%	
Average personnel during the period				3,472	3,364	+3.2%

President and CEO Liisa Hurme:

Orion's eventful year laid foundation for future growth

"Orion's year 2022 was exceptionally good both in terms of net sales and operating profit. The main growth driver was the upfront payment of USD 290 million related to the ODM-208 agreement in July, for which we recorded EUR 228 million in revenue and operating profit. Excluding the upfront payment, net sales increased slightly from the previous year. Operating profit excluding the ODM-208 agreement-related upfront payment and expenses (net impact EUR 208 million) was slightly lower than in 2021. The decline is explained by increased costs which are mainly due to cost inflation and increased investments in research and development as well as sales and marketing. These investments lay foundation for the company's future growth in the short and long term.

Sales of our major products developed broadly in line with our expectations during 2022. Nubeqa® was the spearhead of growth and the Easyhaler® product portfolio continued its long growth trajectory. Sales of Parkinson's medicines were on a par with the previous year, while Simdax® and Dexdor® declined clearly as a result of generic competition. Sales of the Specialty Products business unit, i.e. generic medicines and self-care products, were higher than in the previous year, although generic prices have continued to fall, particularly in the main market in Finland. We were able to offset the impact of the price decrease with volume growth. After the preceding couple of years, the incidence of common respiratory infections was back to more normal levels, which increased the demand for generics and self-care products. The strong net sales growth in the Animal Health business unit is explained by the business acquisition in June.

2022 was an eventful year for Orion, with many events paving the way for the company's future growth, including the publication of positive new data on darolutamide, which has already led to the approval of Nubeqa® for a new indication in the US. In addition, our partner Bayer raised its estimate of Nubeqa's peak sales potential, and the product is Orion's main growth driver for the coming years. In May, we took a major decision to focus Orion's own early-stage research on oncology and pain. By focusing our resources on these two therapeutic areas, we believe we will achieve the best value for our research and development investments. We also acquired broad exclusivity for the development and commercialisation of a potent and selective NaV 1.8 blocker for the treatment of acute and chronic pain. The need for new effective and safe non-addictive pain treatment options is great. We therefore look forward to news of the ongoing Phase I clinical trial and the opportunity to take this drug candidate to the next stages of development.

In June, we made Orion's first company acquisition in many years with the acquisition of the Belgian animal health company VMD (Inovet). The acquisition expanded the product offering and geographic presence of Orion's Animal Health unit. Through the transaction, Orion also gained a production unit that specialises in the manufacturing of veterinary medicines. In July, we signed a significant development and commercialisation agreement with MSD for Orion's ODM-208 molecule. The agreement will allow Orion to harness the potential of ODM-208 for the benefit of patients, while continuing to invest in other projects. In October, we announced a new organisational structure which came into force at the beginning of this year. The new organisational structure is clear and gives business units a better ability to focus on their strengths, their markets and their customers. This will support Orion's strategy and the development and growth in line with that strategy.

2022 was also a challenging year in many ways. Simdax® and Dexdor® declined as expected and the decline steepened towards the end of the year. Also, cost inflation had a negative impact on our profitability, and the increase in our manufacturing costs accelerated in the latter part of the year. The effect of exchange rates on our profit 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. In the year ahead, all these factors can continue to pose challenges to us. Also, global supply chains can continue to face pressure from the consequences of the COVID-19 pandemic and the war in Ukraine, among others. At Orion, we are focused on the issues we can influence and are working hard with our partners to ensure continuity of production, product availability, patient safety and to manage risks in global supply chains.

I have worked for Orion since 1999 in various positions and as CEO since November 2022. During the first months in my new role, I have had discussions with a great number of Orion people as well as our collaboration partners. These encounters have reinforced my view that Orion has very capable and committed employees and partners. Orion is also in a strong financial position. These are the foundations on which we can build Orion's future together. The road is open!"

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 the outlook and an overview of near-term risks and uncertainties are provided on pages 22-24 of this review.

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.

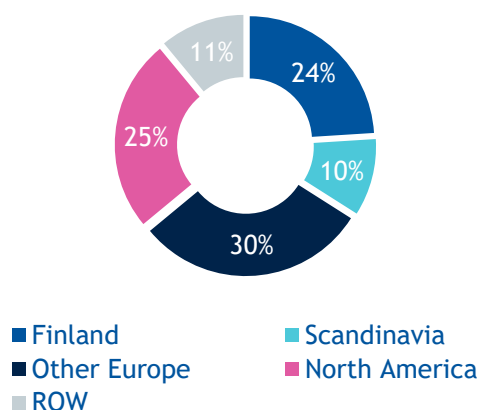
Orion does not procure energy, raw materials, or other utilities from Russia. The availability of natural gas and raw materials from Russia and Ukraine could cause potential risks to Orion's suppliers. Together with its partners, Orion works to analyse and minimise possible risks.

Financial review for 1 January-31 December 2022

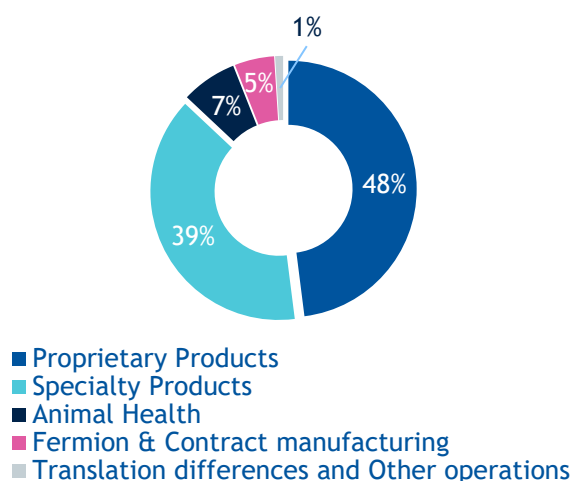
Net sales

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.

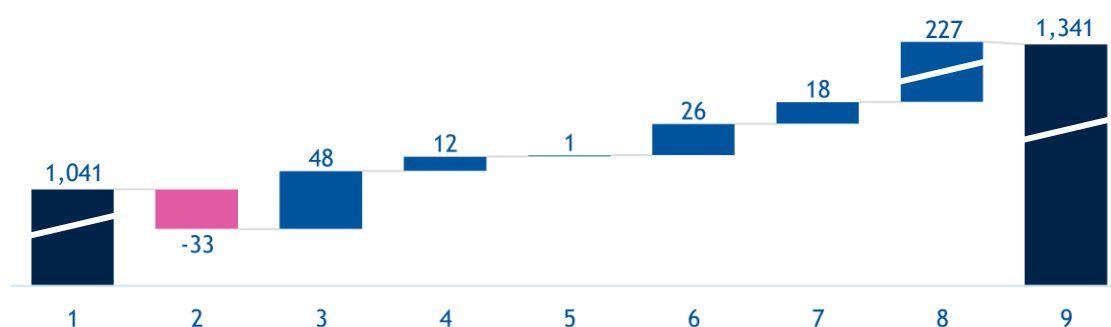
Net sales split by region
1-12/2022



Net sales split by business units
1-12/2022



Development of net sales 1-12/2022 vs. 1-12/2021



1	Net sales in 1-12/2021	6	Animal Health and Fermion & Contract Manufacturing
2	Simdax® & Dexdor®	7	Exchange rates
3	Nubeqa® (product sales & royalty)	8	Royalties & milestones (without Nubeqa® royalties)
4	Easyhaler® product portfolio	9	Net sales in 1-12/2022
5	Other Proprietary Products and Specialty Products		

The figures in the chart are rounded, which is why the total sums of individual figures may differ from the total sums.

Operating profit

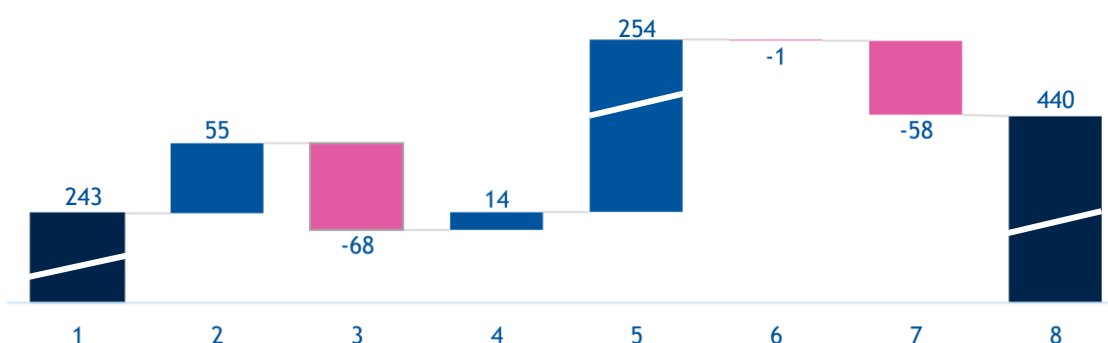
The Orion Group's operating profit was up by 81% at EUR 440 (243) million. The increase is due to the ODM-208 agreement-related EUR 228 million upfront payment. EBITDA was up by 69% at EUR 487 (289) million. Operating profit excluding the ODM-208 agreement related upfront payment and costs of EUR 20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

Development of operating profit 1-12/2022 vs. 1-12/2021



1	Operating profit in 1-12/2021	5	Milestones & royalties
2	Product & service sales without sales margin and product mix change and exchange rate effect	6	Other operating income and expenses
3	Product sales margin and product mix change but without exchange rate effect	7	Fixed cost
4	Exchange rate effect on gross margin	8	Operating profit in 1-12/2022

The figures in the chart are rounded, which is why the total sums of individual figures may differ from the total sums.

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 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 31/12/2022
Increasing the sales of the current product portfolio	Significant increase in sales of Nubeqa® booked by Orion	
	Easyhaler® product portfolio sales increase by more than 5%	
Building up long-term growth	In-licensing of new products	
	Portfolio enhancement through product acquisitions and M&A	
	Partner for ODM-208 development and commercialisation	
	Launch of Phase III clinical trial on ODM-208*	
	At least one new project proceeds to clinical development	
	Solidifying the R&D portfolio with new collaboration agreements	

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

	= on target		= partly on target		= target not reached		= not known
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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.

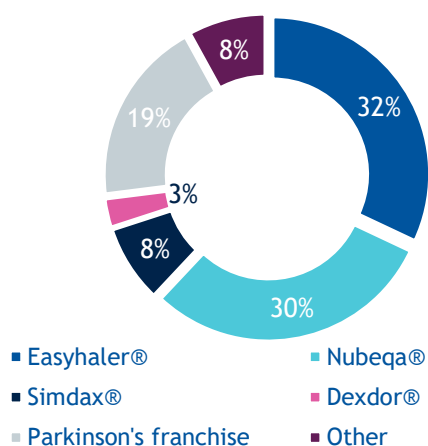
Net sales by product

EUR million	10-12/22	10-12/21	Change %	1-12/22	1-12/21	Change %
Easyhaler® product portfolio	36	34	+5%	130	117	+11%
Stalevo®, Comtess® and Comtan®	21	21	-1%	100	95	+5%
Nubeqa®*	35	13	+166%	88	39	+122%
Simdax®	10	14	-32%	43	57	-25%
Dexdor®	3	10	-69%	18	37	-51%
Other**	9	8	+8%	265	42	+525%
Total	114	101	+12%	644	388	+66%

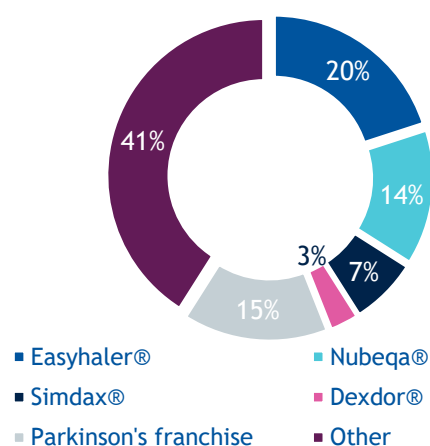
*) includes product sales to Bayer and royalties booked by Orion

**) 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.

Net sales split 10-12/2022



Net sales split 1-12/2022



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.

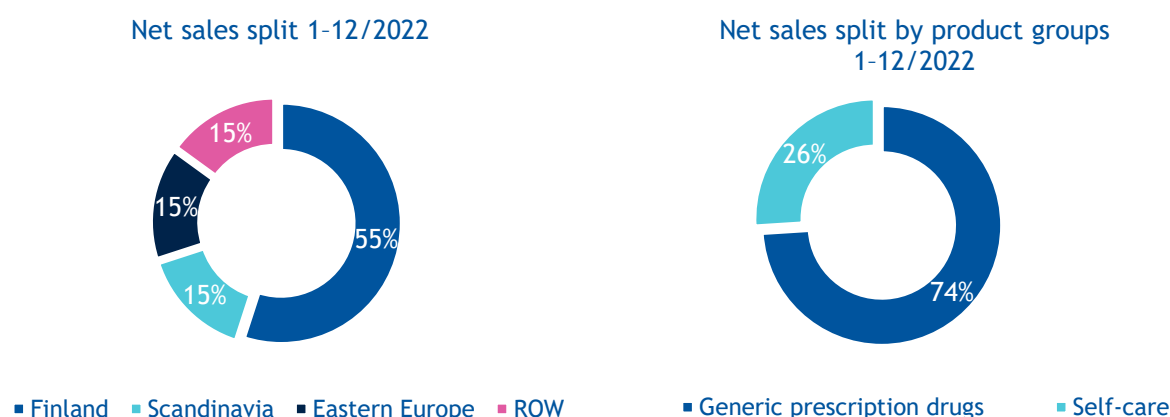
Orion's drugs for the treatment of Parkinson's disease are Stalevo® (active pharmaceutical ingredients carbidopa, levodopa and entacapone) and Comtess®/Comtan® (entacapone). Their total net sales in January-December 2022 increased by 5% and amounted to EUR 100 (95) million. Orion markets its own Parkinson's 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 10-12/2022:

EUR million	10-12/22	10-12/21	Change %	Share of unit's net sales 10-12/22	Share of unit's net sales 10-12/21
Generic prescription drugs	100	103	-3%	75%	77%
Self-care products	34	32	+8%	25%	23%
Total	135	135	-0%		

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

EUR million	1-12/22	1-12/21	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
		I	II	III	
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
 =Status changed
 =Phase ongoing

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.

Key events in January-December 2022

- 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.

Key events after the reporting period

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

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 responsibility: Material themes and indicators

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.

	2022	2021
Total energy consumption, energy savings and greenhouse gas emissions¹		
Total absolute energy consumption (MWh) ²	154,832	156,707
Energy savings achieved by saving measures and efficiency improvements (MWh) ³	858	7,349
Energy Efficiency Programme targets achieved ⁴	121%	114%
Greenhouse gas emissions, scope 1 (tCO ₂ e)	5,110	4,403
Greenhouse gas emissions, scope 2, market-based (tCO ₂ e) ⁵	12,934	13,692
Occupational well-being of personnel: Workplace injuries and sick leave of the personnel		
Lost time incident frequency, LTIF 1 ⁶	3.7	4.8
Absence due to illness (hours of absence due to illness as percentage of total theoretical working hours) ⁷	4.1%	3.1%
Respect for human rights and prevention of corruption and bribery		
Code of Conduct training, number of participants ^{8, 9}	682	653
Anti-corruption and anti-bribery training, number of participants ⁸	1,800	532
Product quality and safety		
Number of GxP audits/inspections of Orion's operations, total ¹⁰	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 ¹⁰	281	256
Rejections	1	3
Number of customer complaints about the Pharmaceuticals business (ppm ¹¹)	60	65

¹ VMD production plants in France and Belgium are included to the figures as of July 2022.

² 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.

³ Energy savings are estimates calculated in compliance with the guidelines of the Energy Authority.

⁴ 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.

⁵ 2021 figures restated due to refinement of the calculation of the emission factor.

⁶ 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.

⁷ 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.

⁸ Participants in training: all individuals who completed the training in the course of the year, including those in part-time, temporary and past employment.

⁹ VMD employees are included to training participants as of 2022.

¹⁰ Inspections and audits of Good Practices (GxP) and ISO 13485 audits.

¹¹ 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

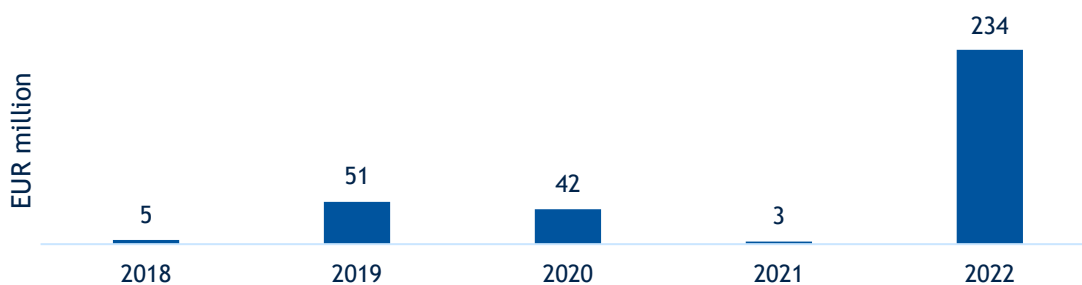
Orion estimates that net sales in 2023 will be slightly higher than in 2022 without the EUR 228 million impact from the ODM-208 upfront payment (net sales in 2022 without the impact of the ODM-208 upfront payment were EUR 1,113 million).

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.

Upcoming events

Annual General Meeting 2023	planned to be held on Wednesday 22 March 2023
Interim Report January-March 2023	Thursday 27 April 2023
Half-Year Financial Report January-June 2023	Monday 17 July 2023
Interim Report January-September 2023	Thursday 26 October 2023

The Financial Statements and the Report of the Board of Directors for 2022 will be published on the Company's website at the latest in week 9/2023.

Espoo, 9 February 2023

Board of Directors of Orion Corporation

Orion Corporation

Tables

CONSOLIDATED INCOME STATEMENT

EUR million	10-12/22	10-12/21	Change %	1-12/22	1-12/21	Change %
Net sales	294.5	276.5	+6.5%	1,340.6	1,041.0	+28.8%
Cost of goods sold	-139.3	-122.9	+13.4%	-491.7	-447.5	+9.9%
Gross profit	155.2	153.6	+1.1%	848.9	593.5	+43.0%
Other operating income and expenses	1.3	0.4	+222.7%	5.7	6.4	-11.5%
Sales and marketing expenses	-59.1	-56.4	+4.9%	-210.3	-191.0	+10.1%
Research and development expenses	-38.8	-41.0	-5.3%	-135.8	-117.7	+15.4%
Administrative expenses	-17.9	-16.7	+7.3%	-68.8	-47.9	+43.6%
Operating profit	40.7	39.9	+1.9%	439.6	243.3	+80.7%
Finance income and expenses	-0.2	-0.1	+61.5%	0.7	-1.0	-171.2%
Profit before taxes	40.5	39.8	+1.7%	440.3	242.3	+81.7%
Income tax expense	-8.8	-7.0	+26.3%	-90.8	-48.5	+87.2%
Profit for the period	31.7	32.8	-3.5%	349.5	193.8	+80.4%
PROFIT ATTRIBUTABLE TO						
Owners of the parent company	31.7	32.8	-3.5%	349.5	193.8	+80.4%
Basic earnings per share, EUR¹	0.23	0.23	-2.9%	2.49	1.38	+80.4%
Diluted earnings per share, EUR¹	0.23	0.23	-2.9%	2.49	1.38	+80.4%

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	10-12/22	10-12/21	Change %	1-12/22	1-12/21	Change %
Profit for the period	31.7	32.8	-3.5%	349.5	193.8	+80.4%
Cumulative translation adjustments	-1.5	0.6		-2.9	1.6	
Items that may be reclassified subsequently to profit and loss	-1.5	0.6		-2.9	1.6	
Remeasurement of pension plans, net of tax	-84.9	-29.9		37.0	29.0	
Items that will not be reclassified to profit and loss	-84.9	-29.9		37.0	29.0	
Other comprehensive income net of tax	-86.4	-29.3		34.2	30.6	
Comprehensive income for the period	-54.8	3.5		383.7	224.4	+71.0%
COMPREHENSIVE INCOME ATTRIBUTABLE TO						
Owners of the parent company	-54.8	3.5		383.7	224.4	+71.0%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

EUR million	12/22	12/21	Change %
Property, plant and equipment	373.3	332.6	+12.2%
Goodwill	87.2	13.5	+546.7%
Intangible rights	100.0	53.0	+88.7%
Other intangible assets	3.8	2.5	+53.1%
Investments in associates	0.1	0.1	
Other investments	0.2	0.2	-16.4%
Pension asset	56.2	15.0	+276.0%
Deferred tax assets	3.1	6.6	-52.5%
Other non-current assets	1.0	0.3	+198.6%
Non-current assets total	624.9	423.7	+47.5%
Inventories	315.6	265.2	+19.0%
Trade receivables	180.7	174.8	+3.4%
Current tax receivables	4.9	3.3	+47.3%
Other receivables	44.8	30.2	+48.3%
Cash and cash equivalents	332.6	216.7	+53.5%
Current assets total	878.7	690.3	+27.3%
Assets total	1,503.6	1,114.0	+35.0%

EQUITY AND LIABILITIES

EUR million	12/22	12/21	Change %
Share capital	92.2	92.2	
Other reserves	3.3	3.3	
Cumulative translation adjustments	-10.8	-8.4	+28.3%
Retained earnings	823.3	660.7	+24.6%
Equity attributable to owners of the parent company	908.1	747.9	+21.4%
Equity total	908.1	747.9	+21.4%
Deferred tax liabilities	42.2	34.0	+24.2%
Pension liability	3.0	4.9	-39.5%
Non-current provisions	0.6	0.4	+36.5%
Interest-bearing non-current liabilities	196.8	104.7	+88.0%
Other non-current liabilities	77.7	13.0	+498.9%
Non-current liabilities total	320.2	156.9	+104.1%
Current provisions	0.1	0.0	+72.0%
Interest-bearing current liabilities	17.2	3.8	+356.9%
Trade payables	114.4	89.6	+27.7%
Current tax liabilities	1.4	6.8	-79.7%
Other current liabilities	142.3	109.0	+30.5%
Current liabilities total	275.4	209.2	+31.6%
Liabilities total	595.5	366.1	+62.7%
Equity and liabilities total	1,503.6	1,114.0	+35.0%

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Equity attributable to owners of the parent company							Equity total
	Share capital	Other reserves	Cumulative translation adjustments	Remeasurement of pension plans	Treasury shares	Retained earnings	Retained earnings 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			-0.5			2.1	2.1	1.6
Remeasurement of pension plans				29.0			29.0	29.0
Transactions with owners								
Dividends paid						-211.2	-211.2	-211.2
Share-based incentive plans					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			-2.4			-0.5	-0.5	-2.9
Remeasurement of pension plans				37.0			37.0	37.0
Transactions with owners								
Dividends paid						-211.2	-211.2	-211.2
Repurchase of treasury shares					-17.9		-17.9	-17.9
Share-based incentive plans					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

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	1-12/22	1-12/21
Profit before taxes	440.3	242.3
Adjustments	113.6	50.2
Change in working capital	-25.0	-36.3
Net financial items	1.0	-0.9
Income taxes paid	-95.6	-39.6
Total net cash flow from operating activities	434.4	215.7
Investments in property, plant and equipment	-56.5	-47.0
Investments in intangible assets	-16.6	-38.0
Acquired in business combination, net of cash	-82.0	
Sales of property, plant and equipment and other investments	0.9	4.7
Total net cash flow from investing activities	-154.3	-80.2
Cash flow from operating and investing activities, total	280.1	135.5
Changes in current loans including leasing liabilities	-11.4	-3.6
Proceeds of non-current loans	100.8	
Repayment of non-current loans	-20.0	
Repurchase of treasury shares	-17.9	
Dividends paid and other distribution of profits	-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 the beginning of the period	216.7	294.4
Foreign exchange differences	-4.4	1.6
Cash and cash equivalents at the end of the period	332.6	216.7
Reconciliation of cash and cash equivalents in statement of financial position		
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

Appendices

NET SALES BY REVENUE FLOWS

EUR million	10-12/22	10-12/21	Change %	1-12/22	1-12/21	Change %
Sale of goods	269.1	268.9	+0.1%	1,059.3	1,013.9	+4.5%
Royalty income	24.9	7.0	+254.5%	47.7	24.3	+95.8%
Total sale of goods	294.0	275.9	+6.6%	1,106.9	1,038.2	+6.6%
Milestone payments	0.5	0.6	-15.6%	233.7	2.8	
Total	294.5	276.5	+6.5%	1,340.6	1,041.0	+28.8%

In the period January-December 2022 EUR 0.6 (0.6) million of the sales revenue from clinical phase R&D falls under Milestone payments and EUR 2.3 (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 (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 (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	10-12/22	10-12/21	Change %	1-12/22	1-12/21	Change %
Proprietary Products ¹	113.8	101.2	+12.5%	644.3	388.1	+66.0%
Specialty Products	134.6	135.1	-0.4%	520.9	503.2	+3.5%
Animal Health	33.6	20.1	+67.3%	98.9	73.1	+35.3%
Fermion and Contract Manufacturing	16.1	20.1	-20.1%	68.7	74.9	-8.3%
Translation differences and Other operations	-3.5	0.0		7.8	1.6	+381.3%
Total	294.5	276.5	+6.5%	1,340.6	1,041.0	+28.8%

¹The net sales of Proprietary Products during January-December 2022 include EUR 3.3 (2.1) million of sales revenue for performance obligations to be transferred to customers that will be recognised as income over time.

QUARTERLY NET SALES BY REGION

EUR million	2022				2021			
	10-12	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Finland	89.4	80.1	81.2	75.7	85.3	78.2	78.0	74.2
Scandinavia	34.8	32.3	35.8	36.1	36.2	34.8	33.8	36.5
Other Europe	100.2	97.7	101.9	98.7	90.2	82.7	86.6	94.1
North America	35.2	251.7	27.5	20.3	26.3	14.7	23.1	25.6
Other markets	34.9	30.0	37.3	39.9	38.4	30.5	33.5	38.3
Total	294.5	491.8	283.7	270.6	276.5	240.9	254.9	268.7

OPERATING PROFIT BY QUARTER

EUR million	2022				2021			
	10-12	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Operating profit	40.7	245.4	82.0	71.5	39.9	57.3	71.0	75.0

TOP TEN BEST-SELLING PHARMACEUTICAL PRODUCTS

EUR million	10-12/22	10-12/21	Change %	1-12/22	1-12/21	Change %
Easyhaler® product portfolio (asthma, COPD)	36.1	34.2	+5.3%	129.7	117.2	+10.7%
Stalevo®, Comtess® and Comtan® (Parkinson's disease)	21.4	21.5	-0.6%	100.4	95.2	+5.4%
Nubeqa® (prostate cancer)	34.6	13.0	+166.4%	87.6	39.4	+122.3%
Simdax® (acute decompensated heart failure)	9.6	14.2	-32.0%	42.9	56.8	-24.6%
Dexdomitor®, Domitor®, Domosedan® and Antisedan® (animal sedatives)	8.0	12.0	-32.9%	36.3	38.8	-6.3%
Divina series (menopausal symptoms)	7.3	6.0	+21.1%	27.6	23.1	+19.5%
Burana® (inflammatory pain)	7.4	6.8	+9.8%	26.7	23.7	+12.5%
Solomet® (inflammatory diseases, among others)	5.4	6.9	-21.9%	23.2	22.4	+3.4%
Biosimilars (rheumatoid arthritis, inflammatory bowel diseases)	5.6	6.2	-9.7%	20.4	22.0	-7.3%
Dexdor® (intensive care sedative)	3.1	9.9	-69.1%	18.2	36.9	-50.5%
Total	138.4	130.6	+6.0%	513.1	475.6	+7.9%
Share of net sales, %	47%	47%		38%	46%	

ACQUISITION OF INOVET'S ANIMAL HEALTH BUSINESS

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 specialises in the 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.

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
Investments in associates	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 liability	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 profit for the period is immaterial.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	12/22	12/21
Carrying amount at the beginning of the period	332.6	319.6
Additions	59.1	51.9
Acquired in business combination	28.0	
Depreciation and impairment for the period	-40.9	-38.3
Disposals and other changes	-5.5	-0.6
Carrying amount at the end of the period	373.3	332.6

CHANGES IN INTANGIBLE ASSETS (EXCLUDING GOODWILL)

EUR million	12/22	12/21
Carrying amount at the beginning of the period	55.5	29.5
Additions	50.5	33.5
Acquired in business combination	4.1	
Amortisation and impairment for the period	-6.5	-7.4
Disposals and other changes	0.3	-0.0
Carrying amount at the end of the period	103.8	55.5

CHANGES IN FINANCIAL LIABILITIES

In December 2021, Orion signed EUR 100 million loan agreement with European Investment Bank and the loan was withdrawn in June 2022. In addition, Orion has withdrawn in 2020 a long-term loan EUR 100 million from European Investment Bank. The first repayment of the loan was made during the period January-March 2022 and the last repayment will be made in the financial year 2030.

If the financial covenants determined in the terms of the credit limit agreements of the company and loan agreements of the European Investment Bank are breached, the lender optionally has the right to demand early repayment of the loan. As at 31 December 2022 Orion met these financial covenants.

COMMITMENTS AND CONTINGENCIES

EUR million	12/22	12/21
CONTINGENCIES FOR OWN LIABILITIES		
Guarantees	5.1	7.0
OTHER LIABILITIES		
Other liabilities	0.3	0.3

Commitments

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

DERIVATIVES

EUR million	12/22	12/21
CURRENCY FORWARD CONTRACTS AND CURRENCY SWAPS		
Fair value	-0.2	-0.0
Nominal value	39.3	30.4
CURRENCY OPTIONS		
Fair value	0.0	0.0
Nominal value	25.7	30.2

FAIR VALUE MEASUREMENT AND HIERARCHY OF FINANCIAL INSTRUMENTS, 31 DECEMBER 2022

EUR million	Level 1	Level 2	Level 3	Total
Currency derivatives		0.1		0.1
Shares and investments			0.2	0.2
Assets total		0.1	0.2	0.3
Currency derivatives		-0.3		-0.3
Deferred purchase price and earn-out			-9.1	-9.1
Liabilities total		-0.3	-9.1	-9.4

The fair value of level 1 financial instrument is based on quotations available in active markets. The fair value of level 2 derivatives is based on 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.

In the Group the principle is applied that transfers between levels of fair value hierarchy are recognised on the date on which the event triggering the transfer occurred. No transfers between levels occurred during the reporting period.

RELATED PARTY TRANSACTIONS

EUR million	1-12/22	1-12/21
Management's employment benefits	4.8	6.5

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 (0.3) million. The Group's debt to Lääkärikeskus Aava Oy at the end of the financial year 2022 was EUR 0.0 (0.0) million.

BASIC SHARE INFORMATION, 31 DECEMBER 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	

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

KEY FINANCIAL FIGURES

	10-12/22	10-12/21	Change %	1-12/22	1-12/21	Change %
Net sales, EUR million	294.5	276.5	+6.5%	1,340.6	1,041.0	+28.8%
EBITDA, EUR million	53.2	52.6	+1.1%	487.1	289.1	+68.5%
% of net sales	18.1%	19.0%		36.3%	27.8%	
Operating profit, EUR million	40.7	39.9	+1.9%	439.6	243.3	+80.7%
% of net sales	13.8%	14.4%		32.8%	23.4%	
Profit for the period, EUR million	31.7	32.8	-3.5%	349.5	193.8	+80.4%
% of net sales	10.7%	11.9%		26.1%	18.6%	
Research and development expenses, EUR million	38.8	41.0	-5.3%	135.8	117.7	+15.4%
% of net sales	13.2%	14.8%		10.1%	11.3%	
Capital expenditure, excluding acquired in business combinations, EUR million	60.4	19.5	+209.7%	109.6	85.4	+28.5%
% of net sales	20.5%	7.0%		8.2%	8.2%	
Acquired in business combination, net of cash, EUR million	-0.3			82.0		
Depreciation, amortisation and impairment, EUR million	12.5	12.7	-1.3%	47.5	45.8	+3.9%
Personnel expenses, EUR million	71.4	67.0	+6.6%	263.9	231.0	+14.3%
Equity total, EUR million				908.1	747.9	+21.4%
Interest-bearing net liabilities, EUR million				-118.7	-108.3	+9.6%
Assets total, EUR million				1,503.6	1,114.0	+35.0%
Cash flow from operating activities, EUR million				434.4	215.7	+101.4%
Equity ratio, %				60.9%	68.1%	
Gearing, %				-13.1%	-14.5%	
Return on capital employed (before taxes), %				45.1%	28.8%	
Return on equity (after taxes), %				42.2%	26.2%	
Personnel at the end of the period				3,527	3,355	+5.1%
Average personnel during the period				3,472	3,364	+3.2%

PERFORMANCE PER SHARE

	10-12/22	10-12/21	Change %	1-12/22	1-12/21	Change %
Basic earnings per share, EUR	0.23	0.23	-2.9%	2.49	1.38	+80.4%
Diluted earnings per share, EUR	0.23	0.23	-2.9%	2.49	1.38	+80.4%
Cash flow from operating activities per share, EUR	0.04	0.54	-92.8%	3.09	1.53	+101.4%
Equity per share, EUR				6.48	5.32	+21.7%
Proposed dividend per share, EUR				1.60	1.50	+6.7%
Total proposed dividend, EUR million				224.3	210.8	+6.4%
Proposed payout ratio, %				64.3	108.8%	
A share						
Number of shares at the end of the period				34,186,494	34,813,206	-1.8%
% of total share stock				24.2%	24.7%	
Effective dividend yield according to proposal, %				3.1%	4.2%	
Price/earnings ratio (P/E)				20.52	26.16	-21.5%
Number of votes excluding treasury shares				683,729,880	696,264,120	-1.8%
% of total votes				86.6%	86.8%	
Total number of shareholders				23,232	23,252	
Closing quotation at the end of previous financial year, EUR				36.10	37.40	-3.5%
Lowest quotation of review period, EUR				33.90	33.45	+1.3%
Average quotation of review period, EUR				41.38	36.33	+13.9%
Highest quotation of review period, EUR				54.00	41.05	+31.5%
Closing quotation at the end of review period, EUR				51.10	36.10	+41.6%
Trading volume, EUR million				69.9	58.9	+18.8%
Shares traded				1,684,646	1,620,990	+3.9%
% of the total number of shares				4.9%	4.7%	
B share						
Number of shares at the end of the period, including treasury shares				106,947,784	106,321,072	+0.6%
% of total share stock				75.8%	75.3%	
Treasury shares				932,771	571,314	+63.3%
Number of shares at the end of the period, excluding treasury shares				106,015,013	105,749,758	+0.3%
Effective dividend yield according to proposal, %				3.1%	4.1%	
Price/earnings ratio (P/E)				20.58	26.46	-22.2%
Number of votes excluding treasury shares				106,015,013	105,749,758	+0.3%
% of total votes				13.4%	13.2%	
Diluted number of shares, average, excluding treasury shares				106,065,089	105,565,593	+0.5%
% of total share stock				75.2%	74.8%	
Total number of shareholders				63,016	64,385	-2.1%
Closing quotation at the end of previous financial year, EUR				36.52	37.53	-2.7%
Lowest quotation of review period, EUR				33.75	32.51	+3.8%
Average quotation of review period, EUR				42.16	35.86	+17.6%
Highest quotation of review period, EUR				54.18	39.42	+37.4%
Closing quotation at the end of review period, EUR				51.24	36.52	+40.3%
Trading volume, EUR million				3,344.4	3,027.7	+10.5%
Shares traded				79,342,616	84,437,433	-6.0%
% of the total number of shares				74.2%	79.4%	
A and B share total						
Number of shares at the end of the period				141,134,278	141,134,278	
Average number of shares during the period excluding treasury shares				140,501,281	140,546,563	
Total number of votes conferred by the shares				789,744,893	802,013,878	-1.5%
Diluted number of shares, average, excluding treasury shares				140,589,736	140,563,896	
Total number of shareholders				79,423	80,792	-1.7%
Trading volume, EUR million				3,414.4	3,086.6	+10.6%
Shares traded				81,027,262	86,058,423	-5.8%
Total shares traded, % of total shares				57.4%	61.0%	
Market capitalisation at the end of the period excluding treasury shares, EUR million				7,179.1	5,118.7	+40.3%

REPORTING

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

- Proprietary Products (patented prescription products for three therapy areas)
- Specialty Products (off-patent generic prescription products, to which biosimilars are included, and self-care products)
- Animal Health (veterinary products for companion and livestock 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 impact of translation differences on Orion's net sales.

ACCOUNTING POLICIES

The Consolidated Financial Statements of the Orion Group have been prepared in accordance with International Financial Reporting Standards (IFRS) applying the IAS and IFRS standards as well as IFRIC interpretations effective at 31 December 2022. New standards or amendments to standards, effective from January 1, 2022, has had no material impact to consolidated financial statements.

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

OTHERS

The information published in this release is based on Orion's audited financial statements for 2022. Orion Corporation's financial statement release has been prepared in accordance with the accounting policies set out in International Accounting Standard 34 on Interim Financial Reporting. Orion has applied the same accounting principles in the preparation of the Financial Statement Release as in the Financial Statements for 2022.

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

CALCULATION OF THE KEY FIGURES

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

Publisher:

Orion Corporation

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

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Orion is a globally operating Finnish pharmaceutical company - a builder of well-being. We develop, manufacture and market human and veterinary pharmaceuticals and active pharmaceutical ingredients. Orion has an extensive portfolio of proprietary and generic medicines and self-care products. The core therapy areas of our pharmaceutical R&D are oncology and pain. Proprietary products developed by Orion are used to treat cancer, neurological diseases and respiratory diseases, among others. Orion's net sales in 2022 amounted to EUR 1,341 million and the company had about 3,500 employees at the end of the year. Orion's A and B shares are listed on Nasdaq Helsinki.