ORION

Building well-being

Financial Statement documents 2023

Financial Statement documents 2023

Building well-being

Well-being means something unique for each human being in all stages of life. We draw on our century-long experience in healthcare while keeping our sights firmly set on future innovations to support you every step of your way.

Our novel therapies help change the lives of patients across the globe. We serve societies in sustaining health systems with a diverse portfolio of cost-effective and value-adding drugs. Our veterinary products enable pet owners and farmers to care for their animals.

Inspired by our Nordic heritage, we strive to empower people around the world to live their lives to the fullest – today and tomorrow.

Financial Statement documents 2023

Orion in brief

Report by the Board of Directors of Orion Corporation for the financial year 2023

Consolidated financial statements (IFRS)

Parent company Orion corporation’s financial statements (FAS)

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

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

Auditor’s Report

Key events in 2023

Contents

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

Financial Statement documents 2023

Orion in brief

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

Business areas in the end of 2023

INNOVATIVE MEDICINES
Innovative medicines developed or marketed by Orion, and which have patent or other product protection. Research focus areas oncology and pain.

BRANDED PRODUCTS
Orion's in-house developed legacy products and other products with brand value that provides a competitive advantage.

GENERICS AND CONSUMER HEALTH
Generic prescription medicines and self-care products.

ANIMAL HEALTH
Proprietary and generic products for companion animals and livestock.

FERMION
Active pharmaceutical ingredients for Orion and other pharma companies.

Net sales in 2023 (2022)
1,190 MEUR (1,341)

Operating profit
275 MEUR (440)

R&D investments
127 MEUR (133)

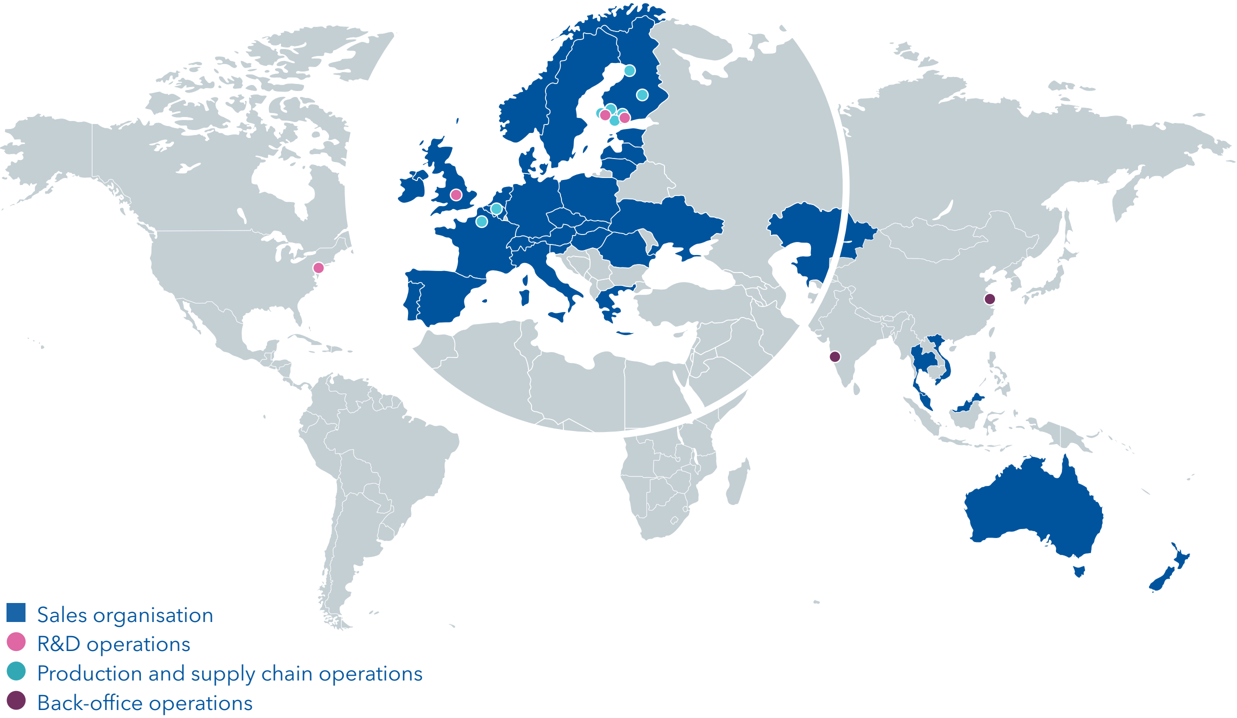
Operating profit margin
23% (33%)

Shareholders at the end of the year
88,722 (79,423)

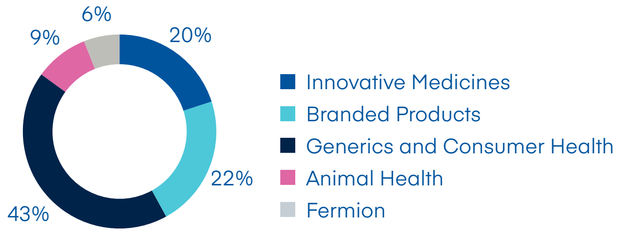
Personnel at the end of the year
3,632 (3,527)

6 production sites in Finland, **1** in France, **1** in Belgium
Production sites include packaging and warehouse operations in Salo, Finland and in Arendonk, Belgium

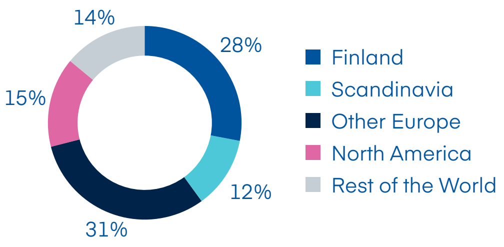
Orion’s operations as of 31 December 2023



Net sales by business



Net sales by market area



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

Customer complaints (pharmaceuticals)	GxP* audits by Orion	Greenhouse gas emissions (Scope 1 & 2)	Energy savings	Injury rate LTIF 1	Code of Conduct training, no. of participants
59	248	13,940	11,459	4.8	460
Ppm (60)	(281)	tCO_2e (15,896)	MWh (858)	(3.7)	(682)

*Good practices

Report by the Board of Directors of Orion Corporation for the financial year 2023

Group's key figures

Key figures relating to financial performance

	2021	2022	2023
Net sales, EUR million	1,041.0	1,340.6	**1,189.7**
EBITDA, EUR million	289.1	487.1	**326.4**
% of net sales	27.8%	36.3%	**27.4%**
Operating profit, EUR million	243.3	439.6	**274.9**
% of net sales	23.4%	32.8%	**23.1%**
Profit before taxes, EUR million	242.3	440.3	**271.9**
% of net sales	23.3%	32.8%	**22.9%**
Profit for the period, EUR million	193.8	349.5	**216.8**
% of net sales	18.6%	26.1%	**18.2%**
Research and development expenses, EUR million	117.7	133.2	**126.9**
% of net sales	11.3%	9.9%	**10.7%**
Capital expenditure, excluding acquired in business combinations, EUR million	85.4	109.6	**92.7**
% of net sales	8.2%	8.2%	**7.8%**
Acquired in business combination, net of cash, EUR million		82.0	**0.1**
Interest-bearing net liabilities, EUR million	-108.3	-118.7	**93.3**
Basic earnings per share, EUR	1.38	2.49	**1.54**
Cash flow from operating activities per share, EUR	1.53	3.09	**0.85**
Equity ratio, %	68.1%	60.9%	**62.3%**
Gearing, %	-14.5%	-13.1%	**10.5%**
Return on capital employed (before taxes), %	28.8%	45.1%	**25.3%**
Return on equity (after taxes), %	26.2%	42.2%	**24.1%**
Average personnel during the period	3,364	3,472	**3,599**

Events during the period

27 Jan 2023	Positive CHMP opinion for darolutamide in combination with docetaxel for the treatment of metastatic hormone-sensitive prostate cancer.
27 Feb 2023	Darolutamide receives approval for additional prostate cancer indication in Japan.
1 Mar 2023	Darolutamide receives EU approval for additional indication in prostate cancer.
20 Mar 2023	Darolutamide approved for additional prostate cancer indication in China.
22 Mar 2023	Orion Corporation's Annual General Meeting was held in Helsinki.
23 Mar 2023	Orion and Bayer announced that the companies will expand clinical development program for darolutamide in prostate cancer.
25 May 2023	Orion held Capital Markets Day in Helsinki, Finland.
28 Jun 2023	Orion announced that the Company will invest EUR 30 million to increase production capacity in Finland.
7 Jul 2023	Orion announced that CFO Jari Karlson will retire on 30 April 2024.
31 Jul 2023	Orion announced European Commission approval of Ztalmy® (ganaxolone) for the adjunctive treatment of epileptic seizures associated with CDKL5 deficiency disorder.
22 Aug 2023	Orion announced that Julia Macharey has been appointed Senior Vice President of Orion Group's new People & Culture group-level function and member of the Executive Management Board of Orion Group as of 1 February 2024.
20 Nov 2023	Orion Animal Health received FDA approval for Bonqat® (pregabalin oral solution).

Events after the period

5 Jan 2024	Orion and MSD announced the initiation of two phase 3 trials evaluating ODM-208/MK5684 in certain patients with metastatic castration-resistant prostate cancer.
11 Jan 2024	Orion announced that the insurance portfolio of Orion Pension Fund's B fund has been transferred to an external pension insurance company, and the transfer has approximately EUR 31 million positive impact on the company's result in 2023.
23 Jan 2024	Orion announced that René Lindell has been appointed Chief Financial Officer of Orion Group as of 1 May 2024.

Impacts of the war in Ukraine on Orion

Orion has discontinued business operations in Russia.

Financial risks for Orion caused by the war in Ukraine relate to net sales, receivables and inventories in Ukraine. Such risks, however, are not financially material to Orion. Orion does not have any proprietary fixed assets in Ukraine nor in Russia.

Orion has exported commercial deliveries of medicines and donated medicines through charity organisations to Ukraine. The company will continue efforts to deliver medicines to Ukraine also going forward.

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

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 from the beginning of reporting period 2023, Orion is reporting 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.

In addition to the new organisational structure and how Orion itemises net sales, the company revised its accounting practice as of 1 January 2023 by re-assigning expenses associated with information management – previously reported as cost of goods sold, sales and marketing expenses or research and development expenses – to administrative expenses. The change does not affect the Group's reported key figures, operating profit or balance sheet, but it increases previously reported administrative expenses for 2022 by EUR 6.6 million and correspondingly decreases the cost of goods sold, sales and marketing expenses and research and development expenses. More information on the impact of the revision is provided in a stock exchange release published on 27 March 2023.

Net sales

Orion Group's net sales decreased by 11.3% and totalled EUR 1,189.7 (1,340.6) million. The decline is due to a significant EUR 228 million upfront payment recorded in the comparative period. Excluding the upfront payment, net sales were slightly higher than in the comparative period. Net sales in 2023 includes a EUR 30 million milestone payment. Exchange rate fluctuations had a EUR 23.1 million negative impact on net sales during the period compared to the comparative period when exchange rate fluctuations had a large positive impact on net sales mainly due to RUB. Net sales of Orion's top ten pharmaceuticals amounted to EUR 568.5 (536.7) million. They accounted for 47.8% (40.0%) of total net sales.

Operating profit

Orion Group's operating profit decreased by 37.5% and totalled EUR 274.9 (439.6) million. The decline is due to a significant EUR 228 million upfront payment recorded in the comparative period and its net impact of EUR 208 million on operating profit. The transfer of the insurance portfolio of the Orion Pension Fund's B fund to an external pension insurance company on 31 December 2023 had a positive impact of EUR 30.7 million on operating profit in 2023.

Excluding these items, operating profit in the review period was slightly higher than in 2022. Operating profit in 2023 includes a EUR 30 million milestone payment.

The total impact of Russia-related items on operating profit was EUR 23.3 million negative. Exchange rates had a negative impact of EUR 8.2 million and lower sales and margins had a negative impact of EUR 26.1 million. Divestment of some of Orion's self-care brands in Russia had a EUR 7.2 million positive impact and fixed costs had a EUR 3.8 million positive impact.

Gross profit from sales in local currencies increased by EUR 21.0 million from the comparative period driven by higher Nubeqa® delivery volumes to Bayer and growth of Easyhaler® product portfolio. Price, cost and product portfolio changes had a negative impact of EUR 70.7 million on gross profit, of which roughly EUR 15 million are due to cost increases and changes in the product mix, and roughly EUR 56 million due to price decreases. A significant part of the EUR 56 million is explained by the fact that during the first half of 2023 Orion supplied Nubeqa® to Bayer at a lower price than in the first half of 2022. The impact of this price decrease on operating profit was significant during the first half of 2023 compared to the first half of 2022. However, since the lower supply price has correspondingly reduced the deductions from royalties starting from Q4 2022, the change in delivery price has only had a temporary timing impact on Orion's profits. In addition, in January–March 2023 Orion sold some of the remaining inventories in Russia at a clearly lower price than before. Currency rate changes had a negative impact of EUR 19.1 million. With the combined impact of these items, the gross profit from product and service sales was EUR 68.8 million lower than in the comparative period.

Milestone payments accounted for EUR 32.4 (233.7) million and royalties for EUR 123.9 (47.7) million of net sales and operating profit. Other operating income and expenses accounted for EUR 43.7 (5.7) million of operating profit. Other operating income includes EUR 7.2 million gain from selling some of Orion's self-care brands in Russia, and the EUR 30.7 million item recognised from the transfer of Orion Pension Fund's B fund.

Operating expenses increased by EUR 8.9 million.

Operating expenses

Sales and marketing expenses increased by 7.5% and totalled EUR 224.8 (209.1) million. The growth was mostly as planned. Sales and marketing costs increased because in the comparative period COVID-19 still restricted promotional activities and because the costs now also include sales and marketing costs of the acquired animal health company VMD (Inovet), which were absent in January–June 2022. Research and development expenses decreased by 4.7% and totalled EUR 126.9 (133.2) million. R&D costs accounted for 10.7% (9.9%) of the Group's net sales. Administrative expenses decreased by 0.7% and were

EUR 74.8 (75.4) million. In the comparative period, ODM-208 agreement related operating expenses were approximately EUR 20 million of which most were recorded as administrative expenses. The underlying increase in administrative expenses is explained partly by VMD, partly by the new organisational structure as the costs of the new group-level function Corporate Strategy and Program Management are included in administrative expenses, and partly by increased information management costs. The role of various information management tools and systems is becoming more important and consequently related costs have increased. In addition, the ongoing revamping of Orion's Enterprise Resource Planning (ERP) system causes extra temporary costs.

Group's profit

Profit for the period decreased by 38.0% and totalled EUR 216.8 (349.5) million. Basic earnings per share were EUR 1.54 (2.49).

Financial position and cash flow

Cash flow from operating activities decreased by 72.6% and was EUR 119.0 (434.4) million. The decrease is explained mainly by the decline in operating profit and the fact that working capital increased more than in the comparative period. Currently, Nubeqa®-related inventories are growing, and also the increasing Nubeqa® royalties are having a large impact on working capital as royalties from the previous two quarters are included in the receivables. The EUR 30 million milestone that was recorded in the third quarter of 2023 is also temporarily increasing receivables. Receivables also increased as a result of the transfer of the Orion Pension Fund's B fund to an external pension insurance company. The excess cash from the Pension fund is expected to be received by the end of the first half of the year 2024.

Cash flow from investing activities was EUR -108.4 (-154.3) million. January–December 2023 cash flow includes the upfront payments to Amneal and Jemincare, the total of EUR 33 million, and the comparative period cash flow includes the VMD acquisition which happened in June 2022.

Cash flow from financing activities was EUR -243.2 (-159.8) million. The difference is mainly explained by the EUR 100 million loan that was withdrawn in the comparative period.

Group's total liabilities as at 31 December 2023 were EUR 548.6 (595.5) million. Interest-bearing liabilities amounted to EUR 200.0 (214.0) million. Of the total interest-bearing liabilities, EUR 171.0 (196.8) million were long-term liabilities. The Group had EUR 106.7 (332.6) million in cash and cash equivalents at the end of the reporting period.

Group's gearing was 10.5% (-13.1%) and the equity ratio 62.3% (60.9%). Equity per share was EUR 6.34 (6.48).

Capital expenditure

Capital expenditure totalled EUR 92.7 (109.6 excluding assets acquired in business combination) million. This comprised EUR 72.3 (59.1) million on property, plant and equipment and EUR 20.4 (50.5) million on intangible assets. The increase is mainly due to various initiatives to increase capacity at Orion's production sites.

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 (1–12/2023), the total sales of Orion's human pharmaceuticals in January–December 2023, including both medicinal and non-medicinal products, grew by 2.5% 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 8.6% while the total market fell by 5.8% from the comparative period. The increase in Orion's reference-priced prescription medicines in the statistics is explained by strong volume growth. The average price of Orion's reference-priced drugs was at a similar level to the comparative period. The average price of reference-priced drugs in the market declined by approximately 11% from the comparative period (Source: Pharmarket). The strong decrease in the overall market and the average price of reference-priced drugs is explained by the statistical method, which takes into account products that are reference-priced prescription medicines at the time the statistics are compiled. The statistics for January–December 2023 include several products that were priced significantly higher in the comparative period because they were not yet included in the reference price category. 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 a 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	1–12/23	1–12/22	Change %
Total sales of human pharmaceuticals (hospital and pharmacy channel)			
Market	**3,218.4**	3,097.7	+3.9%
Orion	**345.3**	336.8	+2.5%
Prescription drugs total (pharmacy channel)			
Market	**1,843.7**	1,760.8	+4.7%
Orion	**200.4**	189.1	+6.0%
Reference priced prescription drugs (pharmacy channel)[1]			
Market	**369.2**	392.0	-5.8%
Orion	**101.1**	93.0	+8.6%
Self-care products (pharmacy channel)			
Market	**487.5**	476.9	+2.2%
Orion	**119.1**	116.4	+2.3%

[1] 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 1–12/2023

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

Orion's market share, %	1–12/23	1–12/22
Human pharmaceuticals in total (hospital and pharmacy channel)	**10.7%**	10.9%
Prescription drugs total (pharmacy channel)	**10.9%**	10.7%
Reference priced prescription drugs (pharmacy channel)[1]	**27.4%**	23.7%
Self-care products (pharmacy channel)	**24.4%**	24.4%

[1] 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 1–12/2023

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. In addition, Orion markets and sells drugs and products manufactured by several other companies.

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. Registration of the initial products in Europe, Australia and New Zealand started in 2023, with launches expected over the coming years.

During 2023, Orion made the first launches of a combination product of naproxen sodium and sumatriptan in Europe. The product, which is for the treatment of acute migraine attacks, is licensed from Nuvo Ireland and Orion has an exclusive right to package, distribute, market and sell the product in most European countries. Launches will continue in 2024.

Orion is establishing a sales office in Japan, where initially the company plans to sell Parkinson's disease products when the rights of entacapone products in Japan will be repatriated to Orion during 2024.

Top ten best-selling pharmaceutical products

EUR million	[1]	1–12/23	1–12/22	Change %
Nubeqa® (prostate cancer)[4]	A	**182.5**	87.1	> 100 %
Easyhaler® product portfolio (asthma, COPD)	B	**144.2**	129.7	+11.1%
Entacapone products[2] (Parkinson's disease)	B	**88.4**	113.4	-22.0%
Simdax® (acute decompensated heart failure)	C	**25.7**	42.9	-40.0%
Burana® (inflammatory pain)	C	**25.1**	26.7	-6.0%
Dexdomitor®, Domitor®, Domosedan® and Antisedan® (animal sedatives)	D	**22.8**	36.3	-37.4%
Dexmedetomidine products for human use[3]	C	**21.5**	37.3	-42.5%
Divina® series (menopausal symptoms)	B	**21.0**	27.6	-24.0%
Trexan® (rheumatoid arthritis, cancer)	C	**19.1**	15.2	+25.4%
Biosimilars (rheumatoid arthritis, inflammatory bowel diseases)	C	**18.2**	20.4	-10.5%
Total		**568.5**	536.7	+5.9%
Share of net sales, %		**47.8%**	40.0%	

[1] Business division, A = Innovative Medicines, B = Branded Products, C = Generics and Consumer Health, D = Animal Health
[2] Entacapone products include Stalevo®, Comtess®, Comtan® and all other products including entacapone.
[3] Includes Dexdor®, Precedex® and other dexmedetomidine products for human use
[4] Starting from reporting period January–June 2023, the income from Nubeqa® packaging is included in contract manufacturing and no longer reported as part of Nubeqa® product sales; for this reason, the comparative figures from prior periods differ from previously published figures.

Innovative Medicines

The Innovative Medicines business division includes medicines with patent or other product protection. In addition to the commercial sales and royalties from these products, any milestone payments or other revenue, such as product sales for R&D use, related to the products or research and development projects of the business division, are included in its net sales.

Net sales of the unit in January–December 2023 decreased by 28.6% and totalled EUR 235.1 (329.4) million. The decline is due to a significant EUR 228 million upfront payment recorded in the comparative period. Excluding the upfront payment, net sales more than doubled from the comparative period. Net sales in 2023 include a EUR 30 million milestone payment, related to Nubeqa® sales. Currently, the net sales of the business division are mainly generated by Orion's sales of Nubeqa®. Orion's sales of Nubeqa® in January–December 2023 increased by more than 100% and totalled EUR 182.5 (87.1) million, of which royalties were EUR 119.7 (40.2) million and product sales, i.e., deliveries to Bayer, EUR 62.8 (46.9) million.

Nubeqa® (darolutamide) is approved in more than 80 countries around the world for the treatment of patients with non-metastatic castration-resistant prostate cancer (nmCRPC), who are at high risk of developing metastatic disease. It is also approved for the treatment of patients with metastatic hormone-sensitive prostate cancer (mHSPC) in combination with chemotherapy in a number of markets including the U.S., Japan, EU and China. Filings in other regions are underway or planned by Bayer.

In July 2023, Orion's collaboration partner Marinus Pharmaceuticals, Inc. received European Union marketing authorisation for ganaxolone (brand name Ztalmy®) oral suspension for the adjunctive treatment of epileptic seizures associated with cyclin-dependent kinase-like 5 (CDKL5) deficiency disorder (CDD) in patients two to 17 years of age. Treatment may be continued in patients 18 years of age and older. Orion has the right to sell and market ganaxolone in Europe. Following the European Commission approval, Orion is focusing on making ganaxolone available for patients in Europe and has pricing and reimbursement processes planned or underway in Europe.

Branded Products

The Branded Products business division includes products that have a strong brand name which provides a competitive advantage. Currently, most of the business division's products are products developed by Orion. Key products are the Easyhaler® product portfolio, the entacapone products and the Divina® series. Total net sales of the Branded Products business division in January–December 2023 decreased by 6.3% and were EUR 260.9 (278.5) million.

Orion's Easyhaler® is a dry-powder inhaler developed in-house, for which Orion has developed Easyhaler®-adapted dry-powder formulations of several well-known generic active pharmaceutical ingredients (salbutamol, beclometasone, budesonide, formoterol, salmeterol and fluticasone). Total net sales of the Easyhaler® product portfolio for the treatment of asthma and chronic obstructive pulmonary disease increased by 11.1% and amounted to EUR 144.2 (129.7) million. The sales of the budesonide-formoterol combined formulation increased by 14.0% to EUR 94.3 (82.7) million. The sales of other Easyhaler® products (beclometasone, budesonide, formoterol, salbutamol and salmeterol-fluticasone combined formulation) increased by 6.1% to EUR 49.9 (47.0) million. In June 2023, Orion announced that the Company will build by 2026 a new dry-powder inhaler filling line in its Espoo pharmaceuticals manufacturing plant to increase the production capacity of the Easyhaler® products. Orion has announced that the Easyhaler® product portfolio has potential to exceed EUR 200 million in peak annual sales. The estimate is based on, among others, recent initiatives and recommendations by healthcare systems and health organisations to prefer dry-powder inhalers over metered-dose inhalers due to climate reasons.

Orion's entacapone products for the treatment of Parkinson's disease are Stalevo®, Comtess®, Comtan® and other entacapone-containing products. Their total net sales in January–December 2023 decreased by 22.0% and amounted to EUR 88.4 (113.4) million. The decrease is mainly due to lower partner sales than in the comparative period, resulting from increased competition, lower prices and inventory optimisation. Orion's own sales have also been affected by competition and lower prices. Orion markets entacapone products in Europe and in some countries in the Asia-Pacific region. Elsewhere, the products are sold by partners. The most important individual market for Orion's entacapone products is currently Japan, where Orion is taking over sales when the distribution agreement with Novartis expires in 2024. Orion has developed a generic levodopa-carbidopa combination product for the treatment of Parkinson's disease, and the product is in launch phase in Europe.

Sales of the Divina® series of hormone replacement products decreased by 24.0% to EUR 21.0 (27.6) million. The decrease is due to Russia, where the product series was not sold anymore in 2023.

Generics and Consumer Health

Net sales of the Generics and Consumer Health business division, comprising generic (off-patent) prescription drugs (including biosimilars) and self-care products, decreased by 7.1% in January–December 2023 and amounted to EUR 517.6 (557.2) million. The decline is explained by the declining sales of Simdax®, dexmedetomidine products for human use, and the discontinuation of business operations in Russia, where sales were strong in the comparative period before the outbreak of the war. Excluding these items, business was solid and net sales were flat compared to the year before which demonstrates good performance of the rest of the portfolio in challenging market. Generic prescription drugs accounted for 75% (75%) and self-care products for 25% (25%) of the business division's net sales. The net sales of generic prescription drugs decreased by 7.9% and were EUR 386.7 (419.8) million and the net sales of self-care products decreased by 4.7% and were EUR 130.9 (137.3) million.

The Generics and Consumer Health business division has four geographic regions, which are Finland and Baltics, Scandinavia, Eastern Europe, and Rest of the World (ROW). The unit's sales in Finland and Baltics increased by 2.9% and amounted to EUR 310.2 (301.5) million. The increase came from both generic prescription drugs and self-care products. The general decline in the prices of reference-priced generic drugs due to price competition continued, but Orion was able to increase sales with strong volume development. In Scandinavia, the division's sales decreased by 1.2% and totalled EUR 78.0 (79.0) million. In Eastern Europe, the division's sales increased by 1.3% and amounted to EUR 46.2 (45.5) million.

Sales in ROW declined by 36.6% and stood at EUR 83.2 (131.2) million. The decline is mostly due to the generic competition and declining prices of Simdax® and dexmedetomidine products for human use, together with the discontinuation of business operations in Russia where sales were strong in the comparative period before the outbreak of the war.

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.

Net sales of the Animal Health business division in January–December 2023 increased by 5.1% and amounted to EUR 103.9 (98.9) million. Sales include the turnover of the animal health company VMD (Inovet), acquired in June 2022, which explains the slight increase from the comparative period. However, due to the changes in the economic environment the animal health market as a whole experienced weakening of demand both in companion animal and livestock segments in 2023, which lowered the sales. In addition, deliveries to partners were lower than in 2022. These are the reasons for the clearly lower net sales in the second half of 2023 compared to 2022. The building of the new manufacturing plant at Arques site in France is ongoing.

Sales of animal sedative products accounted for 21.9% (36.7%), or EUR 22.8 (36.3) million, of the unit's total net sales. The decrease is mainly due to lower deliveries to partners. 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

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 in January–December 2023, excluding deliveries for Orion's own use, increased by 7.2% and totalled EUR 73.7 (68.7) 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 production capacity is increasingly more allocated to the manufacturing of Orion's active pharmaceutical ingredients.

In June 2023, Orion announced that the company will invest in Fermion's Hanko plant to increase the manufacturing capacity of darolutamide.

Key licensing and collaboration agreements regarding assets in the clinical development or commercialisation phase

Orion has an agreement with Bayer for the development and commercialisation of darolutamide (i.e. Nubeqa®). 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. 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, i.e. carries the cost of goods sold, and co-promotes the product in Europe with Bayer. 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®. The first such milestone, EUR 30 million, was recorded in the third quarter of 2023.

Orion has a global development and commercialisation agreement with MSD (tradename of Merck & Co., Inc. Rahway NJ USA) for Orion's investigational candidate ODM-208 and other drugs targeting cytochrome P450 11A1 (CYP11A1). Under the terms of the agreement, Orion and MSD, acting through its subsidiary, Merck Sharp & Dohme LLC, will co-develop and co-commercialise ODM-208. Orion will be responsible for the manufacture of clinical and commercial supply of ODM-208. Of the USD 290 million upfront payment received in Q3 2022, Orion has reserved EUR 60 million to cover its share of ODM-208 development costs to be accrued. Currently Orion is not booking any cost from the development 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 program. 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. If the option is used, Orion could release the EUR 60 million from the balance sheet and book it as revenue and operating profit.

Orion has an agreement with Jemincare, through which Orion has exclusive global development and commercialisation rights, excluding mainland China, Hong Kong, Macau, and Taiwan, for a potent and selective NaV 1.8 blocker (ODM-111). Orion also has ownership of certain key patent applications relating to the compound within its own territory. Orion is fully responsible for its own development and commercialisation costs. In addition, Orion will manufacture the products, including active pharmaceutical ingredient, for its markets. 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 has a European wide marketing and distribution agreement with Marinus Pharmaceuticals, Inc. for ganaxolone (i.e. Ztalmy®). Under the terms of the agreement, Orion has the right to sell and market ganaxolone in Europe. Marinus is eligible to receive tiered royalty ranging from low double-digits to low twenties on Orion's future sales. In addition, Marinus is eligible to receive milestone payments upon achievement of certain development and commercialisation milestones. Marinus is the marketing authorisation holder and responsible for current and future clinical trials of ganaxolone. Orion is responsible for market access in all 30 countries comprising the European Economic Area (EEA) as well as in the United Kingdom and Switzerland.

Orion has a long-term license agreement with Amneal Pharmaceuticals, Inc. to commercialise Amneal's generic products in Orion territories. Under the terms of the agreement, Orion has exclusive license to commercialise and sell Amneal's generic products in most parts of Europe as well as in Australia and New Zealand. The initial portfolio includes a mix of generic products commercially available in the U.S. today, as well as selected pipeline products currently under development.

In addition to the above agreements, Orion has a number of other licensing agreements with various pharmaceutical companies, all of which are important but not considered key agreements for the Group.

Research and development

The core therapy areas of Orion's pharmaceutical research are oncology and pain. The company also develops veterinary drugs and selected generic drugs. Orion's key clinical development projects are listed in the table on the next page.

In the early research phase, Orion has several projects investigating cancer and pain. Additionally, Orion has projects underway to develop new veterinary drugs and selected generic drugs. Together with Propeller Health, Orion has an ongoing development project in which the Easyhaler® device is equipped with a sensor that monitors the use of the device.

Orion also has two clinical projects in the field of digital therapies. 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 out-licensed ODD-403, a digital therapeutic (DTx) developed by Orion for patients suffering from chronic pain and particularly from fear of movement and re-injury, to Newel Health. Under the terms of the agreement, Newel will have global exclusive right to develop, manufacture and commercialise ODD-403. Orion is entitled to receive royalty from the sales of the product as well as sales milestone payments.

Key R&D events in January–December 2023

In March 2023, Orion and Bayer announced the initiation of Phase III ARASTEP clinical trial, which investigates the efficacy of darolutamide plus androgen deprivation therapy (ADT) versus ADT alone in hormone-sensitive prostate cancer, in patients with high-risk biochemical recurrence (BCR) who have no evidence of metastatic disease by conventional imaging and a positive PSMA PET/CT at baseline.

In Half-Year Report 2023, Orion announced that the company has initiated a Phase IIa clinical trial, which investigates the efficacy of tasipimidine (ODM-105) for the treatment of insomnia, which is often associated with pain and difficult to treat.

In Interim Report January–September 2023, Orion announced that the company has established an R&D office in the United States. The office of few people in New York will coordinate Orion's current and future R&D projects in North America.

In Interim Report January–September 2023, Orion announced that the company has initiated a Phase I clinical trial with ODM-212 molecule, which is a TEAD inhibitor aimed for the treatment of solid tumours with YAP/TEAD activation.

In December 2023, Orion and MSD initiated two Phase III trials, OMAHA1 and OMAHA2a, evaluating ODM-208 (MK-5684, an investigational CYP11A1 inhibitor) in combination with hormone replacement therapy (HRT), for the treatment of certain patients with metastatic castration-resistant prostate cancer (mCRPC). During 2023, the CYPIDES phase II with ODM-208 proceeded as planned.

Also ODM-111 phase I proceeded as planned. SAD (single ascending dose) and MAD (multiple ascending dose) cohorts in the ODM-111 phase I are already finalised. No significant safety findings were identified in these cohorts and Orion is preparing to initiate phase II trials with ODM-111 for both acute and chronic pain during 2024. More detailed data from the phase I is planned to be presented later in a scientific conference or publication.

Orion Group's R&D expenses in January–December 2023 decreased by 4.7% and totalled EUR 126.9 (133.2) million. They accounted for 10.7% (9.9%) of the Group's net sales.

Key clinical development projects

Project	Indication	Phase I	Phase II	Phase III	Registration
ARANOTE (darolutamide)[1]	Prostate cancer (mHSPC)			Ongoing	
ARASTEP (darolutamide)[1]	Prostate cancer (BCR)			Ongoing	
OMAHA1 (ODM-208, CYP11A1 inhibitor)[2]	Prostate cancer (mCRPC)			Initiated	
OMAHA2a (ODM-208, CYP11A1 inhibitor)[2]	Prostate cancer (mCRPC)			Initiated	
CYPIDES (ODM-208, CYP11A1 inhibitor)[2]	Prostate cancer (mCRPC)		Ongoing		
ODM-105 (tasipimidine)	Insomnia		Phase IIa ongoing		
ODM-111 (NaV 1.8 blocker)	Pain	Ongoing			
ODM-212 (TEAD inhibitor)	Solid tumours	Ongoing			

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

Personnel

The average number of employees in the Orion Group in January–December 2023 was 3,599 (3,472). At the end of December 2023 the Group had a total of 3,632 (3,527) employees, of whom 2,727 (2,648) worked in Finland and 905 (879) outside Finland.

Salaries and other personnel expenses in January–December 2023 totalled EUR 273.0 (263.9) million.

Changes in Executive Management

On 7 July 2023, Orion announced that Chief Financial Officer Jari Karlson will retire on 30 April 2024. Karlson will continue in his current position and as a member of the Executive Management Board of the Orion Group until 30 April 2024.

On 22 August, Orion announced that Julia Macharey has been appointed Senior Vice President of Orion Group's new People & Culture group-level function and member of the Executive Management Board of Orion Group as of 1 February 2024.

After the end of the reporting period on 23 January 2024, Orion announced that René Lindell has been appointed Chief Financial Officer of Orion Group as of 1 May 2024. Lindell will start already as of 1 April 2024 as Executive Advisor (until 30 April 2024) and member of the Group Executive Management Board.

Transfer of pension insurance portfolio to a pension insurance company

Orion transferred the insurance portfolio of the Orion Pension Fund's B fund to an external pension insurance company at the end of 2023. The transfer had EUR 30.7 million positive impact on Orion's result in 2023. In addition, the transfer will have approximately EUR 40–45 million positive impact on Orion's cash flow during 2024. The amount of the cash flow impact depends on the final valuation of the transferred pension liabilities and some illiquid investments, which will only be available by the end of H1/2024.

Significant legal proceedings

On 26 October 2023, Orion Corporation filed together with Bayer et al a patent infringement lawsuit against Hetero USA Inc. et al in the United States District Court for the District of Delaware. Hetero USA Inc. (et al) has filed an Abbreviated New Drug Application ("ANDA") for Nubeqa® (darolutamide) with the U.S. Food and Drug Administration seeking approval to commercialise a generic version of Nubeqa® prior to certain patents expiring in 2036 and 2038. However, according to Orion's information, the ANDA as filed does not seek approval prior to the expiry of the compound patent protection for Nubeqa® (darolutamide) in the U.S.

In the U.S., generic pharmaceutical companies may apply for an ANDA after a certain time has lapsed from the grant of the marketing authorisation of the originator's product, and such applications will occur in the ordinary course of business.

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

Shares and shareholders

On 31 December 2023 Orion had a total of 141,134,278 (141,134,278) shares, of which 33,351,382 (34,186,494) were A shares and 107,782,896 (106,947,784) B shares. The Group's share capital is EUR 92,238,541.46 (92,238,541.46). At the end of December 2023, Orion held 782,973 (932,771) B shares as treasury shares. On 31 December 2023, the aggregate number of votes conferred by the A and B shares was 774,027,563 (789,744,893) excluding treasury shares.

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 835,112 A shares were converted into B shares in January–December 2023.

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 2023, the market capitalisation of the Company's shares, excluding treasury shares, was EUR 5,509.3 million.

In 2023, a total of 1,213,681 of Orion's A shares and 64,267,609 B shares were traded on Nasdaq Helsinki. The total value of the shares traded was EUR 2,651.5 million. During the year, 3.6% of the A shares and 59.6% of the B shares were traded. The average turnover in Orion's shares was 46.4%.

The price of Orion's A shares decreased by 23.3% and the price of its B shares decreased by 23.4% in 2023. On 31 December 2023 the closing quotation was EUR 39.20 for the A shares and EUR 39.27 for the B shares. The highest quotation for Orion's A shares in 2023 was EUR 55.00 and the lowest quotation was EUR 34.25. The highest quotation for the B shares in 2023 was EUR 55.16 and the lowest quotation was EUR 32.89.

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

Authorisations of the Board of Directors

On 22 March 2023, 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 terms of the authorisation are reported in more detail in a stock exchange release on 22 March 2023.

On 23 March 2022, the Annual General Meeting authorised the Board of Directors to decide on a share issue by conveying own shares. The Board of Directors is entitled to decide on the conveyance of no more than 1,000,000 own Class B shares held by the Company. The authorisation to convey own shares is valid for five years from the decision of the Annual General Meeting. The terms of the authorisation are reported in more detail in a stock exchange release on 23 March 2022.

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 2023, Orion had a total of 88,722 (79,423) registered shareholders, of whom 95% (96%) were private individuals. They held 39% (38%) of the entire share stock and had 62% (61%) of the total votes. There were 46 (56) million nominee-registered and foreign-owned shares, which was 32% (40%) of all shares, and they conferred entitlement to 9% (10%) of the total votes.

At the end of December 2023, Orion held 782,973 (932,771) B shares as treasury shares, which is 0.55% (0.66%) of the Company's total share stock and 0.10% (0.12%) of the total votes.

Flagging notifications

On 21 June 2023, Orion received a disclosure under Chapter 9, Section 5 of the Securities Market Act, according to which the total number of Orion shares owned directly or indirectly by Ilmarinen Mutual Pension Insurance Company (Ilmarinen) increased on 21 June 2023 above five (5) per cent of Orion Corporation's total voting rights.

The details of the notifications published by Orion are available at **www.orion.fi/en/flaggings**.

Management's shareholdings

At the end of 2023, the members of the Board of Directors owned a total of 695,603 of the Company's shares, of which 625,563 were A shares and 70,040 B shares. At the end of 2023, the President and CEO owned 30,020 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 217,574 of the Company's shares, which were all B shares. Thus, the Company's executive management held 0.67% of all of the Company's shares and 1.65% 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 Orion Corporation's Board of Directors on use of profit funds from the financial year 2023

Orion Corporation's distributable funds at 31 December 2023 are EUR 596,791,619.35 of which the profit for the financial year is EUR 231,377,914.00. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.62 per share be paid for the financial year that ended on 31 December 2023. No dividend shall be paid on treasury shares held by the Company on the record date for dividend payment. On the date of the proposal on the distribution of profits there are 140,351,305 shares entitling to dividend, and thus the total dividend would be EUR 227,369,114.10.

According to the proposal, the dividend would be paid in two instalments. The first instalment of EUR 0.81 per share would be paid to a shareholder who is on the record date for the payment of the dividend, 22 March 2024, registered in the Company's shareholders' register maintained by Euroclear Finland Oy. The Board of Directors proposes that the first instalment would be paid on 3 April 2024. The second instalment of EUR 0.81 per share would be paid to a shareholder who is on the record date for the payment of the dividend, 16 October 2024, registered in the Company's shareholders' register maintained by Euroclear Finland Oy. The Board of Directors proposes that the second instalment would be paid on 23 October 2024.

The Board of Directors proposes that the Annual General Meeting would authorise the Board of Directors to resolve, if necessary, on a new record date for payment and payment date for the second instalment of the dividend in case of changes in the rules of Euroclear Finland Oy or the regulations regarding the Finnish book-entry system or if other rules binding the Company so require.

In addition, the Board of Directors proposes to the Annual General Meeting that EUR 350,000 of the Company's distributable funds be donated to medical research and other purposes of public interest as decided by the Board of Directors. Any remaining distributable funds would be allocated to retained earnings.

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

Corporate Governance

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

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

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

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

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

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

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

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

Orion publishes its Corporate Governance Statement and remuneration report for 2023 separately from the Report by the Board of Directors on the Company's website at **www.orion.fi/en**.

Annual General Meeting 2023

The Annual General Meeting of Orion Corporation was held on 22 March 2023 at Messukeskus Siipi conference centre in Helsinki. In addition to matters in accordance with Section 10 of the Articles of Association and Chapter 5, Section 3 of the Limited Liability Companies Act, the meeting dealt with the Company's remuneration report and proposals concerning authorisation of the Board of Directors to decide on a share issue by issuing new shares and amendment to Article 10 of the Articles of Association.

Distribution of a dividend of EUR 1.60 per share was approved for 2022, in accordance with the Board's proposal.

The decisions taken by the Annual General Meeting and the organising meeting of the Board of Directors were reported in stock exchange releases on 22 March 2023.

Annual General Meeting 2024

Orion Corporation's Annual General Meeting is planned to be held on Wednesday 20 March 2024 commencing at 14:00 EET.

Significant risks and uncertainties

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

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

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

Risks are divided into the following main categories:

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

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

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

Non-financial reporting

Orion is a globally operating Finnish pharmaceutical company. Orion develops, manufactures and markets human and veterinary pharmaceuticals and active pharmaceutical ingredients. The company operates in the global pharmaceuticals market as part of a global supply chain. Orion procures final products and pharmaceutical ingredients from others, while others also purchase them from Orion. Group production facilities are located in Finland, France and Belgium. Pharmaceutical research centres are located in Finland and the United Kingdom. In addition, Orion has an R&D unit in the United States. Orion had a total of 3,632 employees at the end of 2023, of them 2,727 in Finland and 905 outside Finland.

Orion is committed to continuously improving its performance in sustainability. In managing matters related to the environment, occupational health and safety and human resources, and ensuring its operations are ethical, the Company strives to achieve the high objectives it has set for the above. Based on a materiality assessment conducted in 2018, 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. In 2023, Orion re-conducted the materiality assessment to ensure that its corporate responsibility work focuses on the most material themes in the future too and to prepare for the requirements of Corporate Sustainability Reporting Directive. The materiality assessment was conducted following the double materiality approach which combines impact materiality and financial materiality. The assessment results will be published as a part of Company's sustainability report. The results largely corresponded to the previous materiality assessment results, so the key themes of Orion's Sustainability Agenda continue to be ensuring patient safety and reliable supply of medications, and responsibility for the environment, its employees, business ethics and transparency. In 2023, the Company has advanced its Sustainability Agenda, prepared for Corporate Sustainability Reporting Directive's requirements and further developed sustainability dialogue with stakeholders. The company established group-level Compliance and Public Affairs functions in 2023. In addition during the year 2023, Orion has compiled social sustainability roadmap and started to implement the group's environmental sustainability roadmap which was compiled in 2022. A separate Sustainability Report for 2023 will be published in April 2024. A third-party limited assurance has been conducted to the non-financial reporting key figures and selected figures in the Sustainability Report.

In 2023, Orion continued the process of integrating the animal health company V.M.D. NV ("VMD"), acquired in June 2022, to Orion's sustainability policies and risk management practices. This integration will continue during 2024 and once completed, Orion will include the new business units in its sustainability reporting indicators and results. The new business units have been partially included in the 2023 reporting indicators and this is described indicator-by-indicator basis and the new units are referred to as VMD units.

Environment, social matters and personnel

Policies

Orion's environmental, health and safety (EHS) policy defines the Group-level commitment on how Orion manages environmental matters and promotes the well-being of its workforce. The environmental management system, for managing and developing environmental matters, is built upon the principles set out in the ISO 14001 environmental standard. In the development of energy efficiency Orion applies the principles of the ETJ+ energy management system framework and practices consistent with the ISO 50001 standard. In management of occupational health and safety, Orion applies the ISO 45001 standard. In 2023, Orion started to further develop its EHS management system based on ISO 14001 environmental standard and ISO 45001 standard. The Company complies with valid legislation and with other regulations and requirements applicable to its operations. Orion manufactures human and animal pharmaceuticals and active pharmaceutical ingredients in an environmentally sustainable way, ensuring efficient use of materials and energy and appropriate wastewater management.

Orion's human resources policy defines the principles adopted in the Orion Group concerning human resources management and attending to human resources matters. Compliance with legislation, collective agreements, occupational health and safety regulations, and other obligations shall be ensured in attending to human resources matters. In its operations, the Company complies with the principles of non-discrimination, equality and fairness. The aim of the Group's values, management principles, ethical guidelines and policies is to ensure that the Company operates in a socially responsible manner concerning its personnel and working conditions. The human resources policy defines what well-being at work means in Orion, and the responsibilities for developing the workforce and promoting the working and functional capabilities of its employees.

Risks and risk management

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

Orion's most significant environmental impacts and risks are connected to emissions and pharmaceuticals ending up in air, wastewater and the environment, the use of natural resources, waste volumes arising from the operations, and climate change, biodiversity and air and water quality. Orion monitors the impacts, for example, by measuring emissions, waste volumes and resource use and defines development measures for impacted areas when needed. All Group's production plants have the valid environmental permits required for operations.

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

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

Indicators and results

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

Climate and energy consumption

Orion has a climate target of carbon neutrality in its own operations by 2030, and the work towards that target is progressing well. In addition to the carbon neutrality target of own operations, Orion has committed to set science-based targets for reducing emissions in line with limiting global warming to 1.5 degrees. In the planned science-based (SBTi) targets, emissions generated in the value chain are now also included in Orion's climate targets. The company expects the approval of science-based climate targets to take place in 2024.

Orion systematically reduces its greenhouse gas emissions and engages in energy conservation in accordance with Orion's energy efficiency programme. Several projects were completed in 2023. Among others the Espoo heat pump plant project was completed. The plant utilises waste heat from production processes and energy from outside air to produce zero emission heat for the district network of Orion Espoo. In addition, a solar power plant owned, maintained, and operated by Orion's partner was completed in the Hanko production facility's area. Orion is committed to buying all electricity produced by the solar power plant at the fixed price according to the contract.

Orion's target is to improve energy efficiency by 15% of the energy consumption in 2016 by the end of 2025. Orion reached this target in 2023, and thus achieved also the target of the joint Energy Efficiency Programme for the members of the Confederation of Finnish Industries (EK) for the years 2017–2025. In 2023, the Company achieved energy savings, besides Espoo's heat pump plant project, by investing in LED lighting in Espoo and Salo.

The greenhouse gas emission reductions in own operations (Scopes 1–2) are mainly achieved through Orion's energy efficiency programme measures, including energy transformation projects, such as electrification of processes, in addition to which renewable and carbon free energy sources are utilised. By the end of 2023 Orion has reduced the greenhouse gas emissions in its own operations (Scopes 1–2) by 69% compared with 2016. In 2023, the Company further developed and refined the calculations of greenhouse gas emissions from its value chain (Scope 3). The company reports Scope 3 emissions yearly in its sustainability report.

	2023	2022
Total energy consumption, energy savings and greenhouse gas emissions[1]		
Total absolute energy consumption (MWh)[2]	**159,242**	154,832
Energy savings achieved by saving measures and efficiency improvements (MWh)[3]	**11,459**	858
Energy efficiency targets achieved[4]	**108%**	60%
Greenhouse gas emissions, Scope 1 (tCO_2e)	**5,511**	5,110
Greenhouse gas emissions, Scope 2, market-based (tCO_2e)[5]	**8,429**	10,786

[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] The energy savings target for 2025 is 15% of the energy consumption in 2016.
[5] 2022 figures restated due to refinement of the calculation of the emission factor.

Conservation of biodiversity and ecosystems

Orion recognises the importance of halting biodiversity loss and commits to working towards no biodiversity loss caused by our business or our value chain. In 2023, Orion continued the work to map its biodiversity impacts, especially those occurring in the value chain.

EU Taxonomy

The EU Taxonomy Regulation is a classification system for sustainable economic activities. Orion has been actively monitoring the development of the EU Taxonomy and its related disclosure obligations. During 2023, the Environmental Delegated Act was published now incorporating non-climate objectives into the regulation. During the year, Orion conducted an assessment to identify Taxonomy-eligible and aligned economic activities across new environmental objectives. New relevant economic activities for Orion within the EU Taxonomy were identified and are reported for the first time. Thus, the EU Taxonomy reporting for the financial year 2023 departs from the previous years' Taxonomy reporting at Orion.

Taxonomy-eligibility and alignment assessment

With the introduction of new environmental objectives, an updated group-wide assessment of Taxonomy-eligibility and alignment was conducted during 2023. The screening to identify Taxonomy-eligible activities was conducted by comparing the existing NACE-mapping of Orion's activities from previous years' reporting to the Environmental Delegated Act. Out of the six environmental objectives in the EU Taxonomy, the environmental objective of pollution prevention and control was found as relevant for Orion. Within the environmental objective of pollution prevention and control, two economic activities relevant for Orion were identified: 1.1 Manufacture of active pharmaceutical ingredients (API) or active substances and 1.2 Manufacture of medicinal products.

In addition, an assessment of Taxonomy-alignment was also conducted during 2023. Although the disclosure requirements for the financial year 2023 only concerns taxonomy eligibility, the Company assessed its Taxonomy-alignment for the financial year 2023. The assessment for Taxonomy-alignment was coordinated by the Corporate Responsibility function in close co-operation with professionals working across the organisation. This included professionals from, among others, Research & Development and representatives from business divisions. The assessment of Taxonomy-alignment began by looking at substantial contribution and investigating whether economic activities fulfilling the technical screening criteria were found. As the technical criteria currently stands, economic activities fulfilling the technical screening criteria were not identified. The evaluation of the technical screening criteria was performed at product level.

Taxonomy-alignment requires demonstrating compliance with all three components: substantial contribution, "Does Not Significantly Harm" (DNSH)-criteria and the Minimum Safeguards (MS). As economic activities fulfilling the substantial contribution were not identified, the assessment for Taxonomy-alignment was not pursued further. However, the Company will continue to actively monitor the development of the regulation and update its Taxonomy-alignment assessment in future reporting if the content of the regulation changes in material respect.

1.1 Manufacture of active pharmaceutical ingredients (API) or active substances

One of the identified Taxonomy-eligible activities is 1.1 Manufacture of active pharmaceutical ingredients (API) or active substances. At Orion, the eligible activity is the operations of Fermion. Fermion manufactures active pharmaceutical ingredients for Orion and other pharmaceutical companies. Its product range comprises nearly 30 pharmaceutical ingredients. Fermion's production, excluding deliveries for Orion's own use, is considered as Taxonomy-eligible.

1.2 Manufacture of medicinal products

Most of Orion's manufacturing is of medicinal products and is Taxonomy-eligible. There are, however, some product groups that are not considered as medicinal products, such as vitamins and basic ointments. These non-medicinal products are considered as non-eligible. In addition, two exclusions were made for the activity 1.2. Manufacture of medicinal products. These exclusions are veterinary medicines and medicinal products which are not manufactured by Orion. These exclusions are based on Orion's own strict interpretation and are subject to change if definition of economic activity is clarified or if interpretation guidelines are specified.

The technical screening criteria states that in order for a medicine to be classified as Taxonomy-aligned, it should be considered to be degradable in the environment in line with the European Medicines Agency Guideline on the environmental risk assessment of medicinal products for human use. The criteria therefore suggests that the economic activity concerns the manufacture of medicines for human use and thus veterinary medicines are considered as non-eligible in line with Orion's strict interpretation of the regulation.

EU Taxonomy accounting policy

Turnover presented in the Taxonomy disclosures includes the Company's net sales. More information regarding turnover is available in Financial statement note 2.1 Revenue from contracts with customers. Taxonomy-eligible net sales (A.2) corresponds to the share of external net sales which are associated with the identified eligible economic activities.

Capital expenditure consists of additions to property, plant and equipment, intangible assets, right-of-use assets and the additions in business combination excluding goodwill. More information is available in Financial statement note 3.1 Property, plant and equipment and intangible assets and 3.2 Leased assets. Capital expenditures for the financial year 2023 are not fully comparable to the previous year due to the acquisition during 2022. Taxonomy-eligible capital expenditures (A.2) corresponds to the share of capital expenditures which are associated with the identified eligible economic activities. Investments related to non-eligible activities were classified as non-eligible as whole.

Operating expenditure consists of costs related to research and development, maintenance materials, leases of low-value assets and short-term leases. More information is available in Financial statement note 2.3 Operating expenses and 3.2 Leased assets. The definition of operating expenditures in the Taxonomy was revised and broadened during 2023. As a result of this and the acquisition during 2022, the operating expenditures for the financial year 2023 are not fully comparable to the previous year. The acquired business was consolidated into Group financials from the acquisition date onwards and, therefore, the operating expenditures included in Taxonomy covered only part of the year 2022. Taxonomy-eligible operating expenditures (A.2) corresponds to the share of operating expenditures which are associated with the identified eligible economic activities.

Double counting is avoided by having expenses classified with a cost centre and profit centre structures that identifies activities to separate elements.

The tables below present the proportion of Taxonomy-aligned (A.1) and eligible (A.2) net sales, capital- and operating expenditures for the financial year ending 31 December 2023. In addition, information on nuclear and fossil gas related activities according to the Delegated Regulation (EU) 2022/1214 is also reported.

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities	**Code**	**Turnover EUR million**	**Proportion of turnover, year 2023**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Minimum safeguards**	**Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) turnover year 2022**	**Category enabling activity**	**Category transitional activity**
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%														0%		
of which enabling		0	0%														0%		
of which transitional		0	0%														0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of active pharmaceutical ingredients (API) or active substances	PPC 1.1	56	5%				EL										0%		
Manufacture of medicinal products	PPC 1.2	720	60%				EL										0%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		775	65%				100%										0%		
A. Turnover of Taxonomy-eligible activities *(A.1+A.2)*		775	65%				100%										0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		414	35%																
TOTAL		1,190	100%																

Financial Statement documents 2023

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities	**Code**	**CapEx EUR million**	**Proportion of CapEx, year 2023**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Minimum safeguards**	**Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) CapEx year 2022**	**Category enabling activity**	**Category transitional activity**
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%														0%		
of which enabling		0	0%														0%		
of which transitional		0	0%														0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of active pharmaceutical ingredients (API) or active substances	PPC 1.1	19	21%				EL										0%		
Manufacture of medicinal products	PPC 1.2	25	27%				EL										0%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		44	48%				100%										0%		
A. CapEx of Taxonomy-eligible activities *(A.1+A.2)*		44	48%				100%										0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		49	52%																
TOTAL		93	100%																

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023		2023		Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities	Code	OpEx EUR million	Proportion of OpEx, year 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) OpEx year 2022	Category enabling activity	Category transitional activity
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%														0%		
of which enabling		0	0%														0%		
of which transitional		0	0%														0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of active pharmaceutical ingredients (API) or active substances	PPC 1.1	3	2%				EL										0%		
Manufacture of medicinal products	PPC 1.2	160	87%				EL										0%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		163	89%				100%										0%		
A. OpEx of Taxonomy-eligible activities *(A.1+A.2)*		163	89%				100%										0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		20	11%																
TOTAL		183	100%																

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

By taking care of occupational health and well-being at work, Orion aims to ensure that Orion employees are fit for work and healthy at work, and not exposed to occupational diseases. Achievement of this is shown by the occupational well-being indicators of lost time incident frequency and absence due to illness rate. In 2023, the Company launched Safety Value Creation program, which covers Global Operations including production units in Finland, to achieve the Company's long-term safety objective. During the year, as a part of the program, Orion mapped the current stage and set out development actions for focus areas which are Practical safety leadership, Metrics & Rewarding, Competence management, Value from root cause analysis, and Operational safety. The development actions will be carried out during the years 2024 and 2025. Lessons learned and best practices will also be shared in the other Group-level functions and Business divisions. The Company's aim is to achieve zero lost time incidents. In year 2023, the group level lost time incident frequency target was LTIF 1 ← 3.0. In addition, in 2023, the excellent LTIF rate was defined as LTIF 1 ← 2.9. The group level target for the year 2023 or excellent LTIF rate were not achieved. Orion is systematically working to improve safety at work and the Safety Value Creation program will support achievement of LTIF target in the long term.

	2023	2022
Occupational well-being of personnel: Workplace injuries and sick leave of the personnel		
Lost time incident frequency, LTIF 1[1]	**4.8**	3.7
Absence due to illness (hours of absence due to illness as percentage of total theoretical working hours)[2]	**3.5%**	4.1%

[1] Indicates the workplace injury rate as injuries causing an absence of at least one day per million total actual working hours. 2022 reporting includes Orion Group employees globally. VMD employees of production sites in France and Belgium are included as of July 2022.
[2] Hours of absence due to illness as percentage of total theoretical working hours of Company personnel. Reporting covers the Orion Group's employees in Finland.

Respect for human rights and prevention of corruption and bribery

Policies

Orion's Code of Conduct defines the Group's ethical practices and commitment to complying with laws, ethically approved practices and respect for human rights. Orion expects all its personnel to comply with the Code of Conduct and practices resulting from it. The Code of Conduct is available in 17 languages. Correspondingly, the ethical guidelines of the Third Party Code of Conduct applying to Orion's suppliers and partners define the minimum requirements to which Orion expect its partners to be committed. In 2023, the company updated the Third Party Code of Conduct to correspond the PSCI Principles for Responsible Supply Chain Management, which were updated in 2023, in order to advance and reinforce the commitment to the UN Guiding Principles on Business and Human Rights (UNGP) throughout the value chain. In addition to regulatory requirements, the document includes key principles for business operations concerning sustainability and ethics. The Company's Third Party Code of Conduct is available in 13 languages.

Orion's objective is that respect for human rights is fully realised in all its operations. Orion complies with and respects the United Nations Universal Declaration of Human Rights and the principles in ILO conventions and expects the same from its partners. The Company strives to ensure that no violations take place in its own or its business relationships' operations. Orion works to prevent possible negative impacts in its value chain that are directly linked to the Company's operations, products or services by its business relations.

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

Risks and risk management

Orion expects the partners in its supply chain to comply with Orion's requirements and the Third Party Code of Conduct. In selecting its suppliers, the Company concentrates its actions to prevent and mitigate negative impacts especially to so-called high-risk countries where there is an elevated risk of human rights or labour rights violations and/or exploitation of child labour, and where national labour legislation is weak or not efficiently enforced. Orion manages risks in its supply chain through its due diligence practices. Suppliers' compliance with regulations and requirements is monitored through regular or random assessment surveys and by undertaking risk-based sustainability audits (involving matters such as human rights and labour rights, the environment, occupational health and safety, ethics, and governance and management systems) of their facilities and operations. Any findings detected in the sustainability audits will be addressed with corrective actions and followed up. Persons working for the Orion Group are expected to be familiar and comply with the Code of Conduct. Code of Conduct e-learning is mandatory for all personnel.

Orion's group-level Anti-bribery and Corruption compliance program is led by Orion's Compliance Function. In accordance with the anti-corruption policy, Orion does not tolerate bribery or corruption in any of its business operations. However, Orion's partnerships and business may include corruption risks, which are identified and assessed in accordance with the Group's risk management system. Corruption risks are assessed, among other things, in connection with the preparation of agreements with business partners. Training and awareness are Company's most important actions in managing these risks. Orion regularly and systemically trains and orients its personnel to understand the purpose and meaning of anti-bribery and corruption guidelines. Training is mandatory for a targeted portion of the personnel. Orion's business partners are required to comply with Orion's Third Party Code of Conduct, which includes key requirements for preventing corruption and bribery.

Orion has a public and confidential reporting channel for suspected misconduct, which complements organisation's usual reporting and notification channels. The centralised reporting channel and investigation process promote good governance and ethical conduct, and ensure that reports are handled in a systematic manner. Orion encourages its personnel and other stakeholders to bring to the attention of the company's management their experiences, observations, and suspicions of any behaviour that violates human rights or any other guidelines. Orion investigates and processes reports promptly and impartially through the Group's Compliance function. The company takes case-by-case corrective action when it detects non-compliant behaviour.

Indicators and results

In 2023, Orion published two additional language version of the policy and related e-learning to ensure accessibility to all employees. The majority of Group employees completed the mandatory Code of Conduct e-learning in 2020, when the training was published. The Company ensures that the training is completed by all new employees.

In 2023, Orion continued to apply its human rights due diligence practices with risk-based approach. Orion was not made aware of any human rights violations in its own operations through the whistleblowing channel in 2023. The Company takes all such notifications seriously and handles them quickly and impartially.

Anti-corruption and bribery training is mandatory for certain personnel groups. Orion ensures that the training is completed by all new employees for whom it is mandatory. In 2023, Orion published additional language version of Anti-corruption and bribery training. The company provides regular training and the Company carried out the previous comprehensive retraining for the targeted personnel groups in 2022.

	2023	2022
Respect for human rights and prevention of corruption and bribery		
Code of Conduct training, number of participants[1, 2]	**460**	682
Anti-corruption and anti-bribery training, number of participants[1, 3]	**348**	1,800

[1] Participants in training: all individuals who completed the training in the course of the year, including those in part-time, temporary and past employment.
[2] VMD employees are included to training participants as of July 2022.
[3] VMD employees are included to training participants as of 2023.

Product quality and safety

Policies

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

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

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

Risks and risk management

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

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

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

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

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

Orion's broad product range and wide supplier network may cause risks to the delivery reliability. Authorities in different countries undertake regular and detailed inspections and audits of Orion's manufacturing sites and in Orion's contract manufacturing sites. Should some inspection or audit outcome lead to significant corrective actions, it may at least temporarily have effects that decrease delivery reliability and increase costs. This risk is, however, mitigated by continuous improvement and regular audit program by Orion. In addition, changing or new regulatory guidelines are implemented proactively also.

Risks and risk management relating to patient safety in the Orion Group are described in more detail in Orion's web page.

Indicators and results

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

	2023	2022
Product quality and safety		
Number of GxP inspections/audits of Orion's operations[1], total	**78**	63
Inspections by authorities	**15**	12
Audits by collaboration partners	**63**	51
Non-compliances from authority inspections	**0**	0
Number of GxP audits undertaken by Orion[1]	**248**	281
Rejections	**2**	1
Number of customer complaints about the Pharmaceuticals business (ppm[2])	**59**	60

[1] Inspections and audits of Good Practices (GxP) and ISO 13485 audits. The reporting covers inspections/audits of and undertaken by Orion group excl. VMD units.
[2] ppm = parts per million packages sold.

Strategy

Orion's Board of Directors has confirmed the Company's strategy for 2024–2028.

Global trends and operating environment for pharma Industry

The following key global trends drive growth opportunities and challenges in pharma industry and affect Orion's operating environment:

- Demographics and aging of population: as population ages, the prevalence of various diseases increases, causing increased demand for drugs and treatments.
- Cost pressure in healthcare and pharmaceuticals: 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. Geopolitical developments are decreasing predictability and causing challenges in global supply chains.
- Advancements in science and technologies: personalised medicine, increased genetic and epigenetic data and developments in drug dosing and diagnostics create possibilities and markets for new treatments and therapies.
- Sustainability regulation and demand for sustainability: sustainability and compliance in all business sectors increasingly guide the actions and decisions of consumers, authorities and investors.
- Digitalisation, the use of AI and real time data: The amount and significance of data is growing, and it has become a valuable tool for generating competitive business opportunities. Societies and companies are increasingly relying on artificial intelligence, machine learning, and automation.

Our purpose is building well-being

Well-being means something unique for each human being in all stages of life. We draw on our century-long experience in healthcare while keeping our sights firmly set on future innovations to support you every step of your way.

Our novel therapies help change the lives of patients across the globe. We serve societies in sustaining health systems with a diverse portfolio of cost-effective and value-adding drugs. Our veterinary products enable pet owners and farmers to care for their animals.

Inspired by our Nordic heritage, we strive to empower people around the world to live their lives to the fullest – today and tomorrow.

Orion's strategy 2024–2028, with a direction into the 2030s

Orion is an innovative, research-focused pharmaceutical company with a strong Nordic heritage that serves societies and helps change lives across the globe. All business divisions play a key role in Orion's growth strategy. The three key elements in the strategy are the following:

1) Build a customer driven portfolio through our competitive businesses:

- Innovative Medicines focuses on oncology and pain management, leveraging Orion's R&D expertise in these crucial and expanding fields.
- Branded Products continues building on its strength and success in Respiratory and Parkinson's disease.
- Generics and Consumer Health provides a large cost-effective generics portfolio complemented by value-added and complex generics to European hospitals and other selected markets and caters to customer needs with consumer health products with value propositions.
- Animal Health continues building a competitive portfolio for companion and livestock animals.
- Fermion manufactures key APIs to all business divisions.

2) Expand to new geographies:

- Strengthen European market position.
- Strengthen and expand operations in Asia Pacific including Japan.
- Establish operations in USA to build R&D and commercialisation capabilities.

3) Develop growth enablers:

Orion has determined the following areas where it builds its capabilities in order for the company to achieve strategic success:

- Competences and culture development in accordance with Orion's values.
- Safety and sustainability – Prioritise patient safety and sustainability across the entire product lifecycle, positioning Orion as a trustworthy European partner, known for dependable delivery, transparency, and responsibility.
- Global commercialisation capabilities – build the expertise to enable the global commercialisation of our products on a larger scale.
- Data driven execution excellence – Build expertise and operational models for a data-driven approach, optimising decision-making based on hard data.

- Master End-to-End value chain developing competitive advantage in every step from molecule development to marketing and distribution.

The roles of the business divisions in Orion's business portfolio:

- In Innovative Medicines patients with cancer and pain meet innovations and disruptive pharma to transform their lives. Innovative Medicines is the global growth driver for Orion.
- Branded Products provides the platform for growth in Europe & Asia. In Branded Products the target is to be an impactful player in Respiratory, Central Nervous System, and Women's Health in Europe and Asia.
- Generics and Consumer Health is Orion's solid bedrock. In Generics and Consumer Health we create everybody access to affordable quality medicines and help individuals to promote their health.
- Animal Health is committed to the well-being of companion animals and livestock.
- Fermion manufactures key APIs to all business divisions.

Orion's growth strategy in three steps according to Orion strategic roadmap:

1) Short term: Strengthen & Expand – Strengthen European and Asia Pacific market positions
2) Mid-term: Build and Invest – Build and invest into global commercial assets and capabilities
3) Long-term (2030s): Accelerate – Grow and maximise value of global assets

Non-financial targets – Orion's sustainability commitments

We are taking proactive steps in business sustainability transformation. We address both sustainability regulations and increasing demand for sustainability, reinforcing Orion's competitiveness and market access in a dynamic operating environment. Orion's Sustainability Agenda is a systematic approach to sustainability across the value chain. With this, we aim to minimise our footprint and adverse impacts while enhancing our positive impacts on the environment, people, and society.

- Patient safety as a top priority: Patient safety has been a priority for us for a hundred years and it continues to be the cornerstone of our daily operations. We play a significant role in ensuring reliable supply of medications – even in the wake of a crisis.
- Active work for a better environment: We want to be the environmental leaders in our industry. We continuously raise the bar in climate and environmental responsibility, and we challenge others to follow. We are strongly heading towards achieving carbon neutrality in our own operations by 2030.
- Care for well-being professionals: We want to take care of our employees – professionals who put their heart and expertise in everything they do. Our workplace is inspiring. We want our people to feel well.
- Ethics at the core of our business: We maintain strict ethical standards and act responsibly in all situations. Together with our partners we are building a transparent and sustainable business.

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 for 2024–2028 are:

- To grow net sales with a compound average annual growth rate (CAGR) of at least 8%.
- To grow operating profit faster than net sales.
- To maintain an equity ratio of at least 50% and to generate return on equity (ROE) of 25% or higher.
- To increase the dividend per share annually with a payout ratio of 50% to 100%.

Achievement of these objectives requires continuous and sufficient investments in development of the product portfolio and growth. Received milestone payments which are part of Orion's business model can generate volatility in short term growth on net sales and operating profit.

Outlook for 2024

Net sales are estimated to be EUR 1,340 million to EUR 1,410 million.

Operating profit is estimated to be EUR 270 million to EUR 310 million.

Basis for outlook in more detail

Collaboration agreements with other pharmaceutical companies are an integral part 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. Regarding possible new contracts under negotiation, neither the outcome nor the schedule of contract negotiations is generally known before the final signing of the agreement.

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. In 2023 Orion received one such milestone payment of EUR 30 million. The outlook for 2024 includes one Nubeqa® sales-related milestone payment of EUR 70 million which is included in both the net sales outlook and the operating profit outlook. The outlook does not include any other material milestone payments or one-offs.

The outlook assumes that Orion's own production and other operations will be able to operate normally throughout the year, and the supply chains of raw materials or ready-made products are not facing significant disruptions. These and other risks are discussed in more detail 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.

Milestone payments received by Orion in 2019–2023

Year	2019	2020	2021	2022	2023
EUR million	51	42	3	234	32

Net sales

The outlook assumes that the net sales of Nubeqa® booked by Orion, and thus the net sales of the Innovative Medicines business division, will clearly increase in 2024. Orion's assumption is based on forecasts received from its partner Bayer. However, it is difficult to predict the exact level of product sales and royalties for the whole year of a strongly growing product. In addition, the EUR 70 million Nubeqa®-related milestone is expected to increase the net sales of the Innovative Medicines business division.

Branded Products and Animal Health business divisions are also estimated to improve their net sales in 2024. Branded Products growth is anticipated to be driven by the Easyhaler® product portfolio. The sales of entacapone products are assumed to recover somewhat after challenging year 2023. At the same time, however, the market conditions for the entacapone products continue to be tough with increasing competition and declining prices in many markets, and as a result, the sales of the entacapone products are anticipated to be flat in 2024. Animal Health growth is anticipated to be driven by sedatives portfolio, products in launch phase and improving market conditions.

Generics and Consumer Health business division continues to suffer from the decline of Simdax® and dexmedetomidine products due to generic competition and falling prices, but less than in the recent years. Overall volume of generic products are expected to grow but at the same time prices are expected to decline. Due to the aforementioned reasons, the net sales of the Generic and Consumer Health business division is assumed to decrease slightly in 2024.

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, which may restrict capacity allocated to external business.

Operating profit

Gross profit is expected to increase clearly driven by growing Nubeqa® royalties and the anticipated EUR 70 million Nubeqa®-related sales milestone.

The wide range in the operating profit estimate is mainly due to Nubeqa's sales booked by Orion and the development of R&D costs. It is difficult to predict the exact level of royalties for the whole year of a strongly growing product. Any variance from the predicted level can have notable impact on Orion's operating profit. Also, the mechanism by which each quarter's product deliveries are always fully deducted from the next quarter's royalty payments, is causing variance to operating profit. Even though this impact on operating profit is only temporary, the timing of product deliveries may have notable impact on Orion's operating profit in one calendar year.

Over the past few years, Orion has been determined to increase its investment in early-stage research in line with its growth strategy. This work is now starting to bear fruit and several projects are approaching the clinical development phase. Progressing these projects will also require significantly higher R&D expenditure than in the past. At the same time, projects in the clinical development phase have advanced and will advance during 2024, which will increase project costs. However, there are uncertainties related to the progress and timing of projects, which may mean that not all the costs projected for 2024 will materialise. Currently Orion is not booking any costs related to the development of ODM-208 and thus the outlook does not include any ODM-208 related R&D costs. Currently Orion is not booking any costs related to the development of ODM-208 and thus the outlook does not include any ODM-208 related R&D costs.

Sales and marketing expenses are expected to increase mainly due to growing investments to the Easyhaler® sales and increasing Nubeqa® royalty payable due to an agreement with Endo Pharmaceuticals.

Capital expenditure

The Group's total capital expenditure in 2024 is expected to be at a similar level as in 2023, when capital expenditure was EUR 93 million. The estimate of capital expenditure does not include any investments related to any future material product or company acquisition.

Near-term risks and uncertainties

The outlook assumes that Orion's own production and other operations will be able to operate normally. The realisation of sales of Orion-manufactured products requires that production and the related supply chains and other operations are able to operate at the planned level. There are a number of risks that could even materially disrupt Orion's production or other operations. Such risks include, for example, accidents, strikes, employee illness, poor availability of supplies, equipment, spare parts, products, energy, starting materials or semi-finished products, and the failure of logistics chains or serious disruptions to information or communication systems. Current risks to supply and logistics chains include geopolitical conflicts and unrest around the world. In addition to conflicts and unrest, any other unforeseen changes in the operating environment could cause disruptions to Orion's production, supply chains or other operations. Such risks may include accidents, strikes, natural disasters, epidemics and pandemics, wars, terrorism, cyber-attacks or hybrid influencing.

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. Changes in overall market demand may also have negative impact on sales.

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.

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 current geopolitical conflicts and unrest, 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 possible 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. If high cost inflation occurs, it will pose 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 size and costs of new studies that are being started are known relatively well in advance. However, there are uncertainties in the timing and progression of any individual study. Any changes in the timing of new research or development phases that are being launched may have a material impact on the projected cost structure within a single year. 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. The payments may be subject to conditions relating to the progress of research projects or sales or to new contracts to be signed, and whether these conditions or contracts materialise and what their timing is, will always entail uncertainties.

Group's key figures

Key figures relating to financial performance

	2019	2020	2021	2022	2023
Net sales, EUR million	1,051.0	1,078.1	1,041.0	1,340.6	**1,189.7**
EBITDA, EUR million	308.9	336.5	289.1	487.1	**326.4**
% of net sales	29.4%	31.2%	27.8%	36.3%	**27.4%**
Operating profit, EUR million	252.8	280.1	243.3	439.6	**274.9**
% of net sales	24.1%	26.0%	23.4%	32.8%	**23.1%**
Profit for the period, EUR million	200.4	219.9	193.8	349.5	**216.8**
% of net sales	19.1%	20.4%	18.6%	26.1%	**18.2%**
Research and development expenses, EUR million	119.3	123.2	117.7	133.2	**126.9**
% of net sales	11.3%	11.4%	11.3%	9.9%	**10.7%**
Capital expenditure, excluding acquired in business combinations, EUR million	42.6	48.5	85.4	109.6	**92.7**
% of net sales	4.0%	4.5%	8.2%	8.2%	**7.8%**
Acquired in business combination, net of cash, EUR million				82.0	**0.1**
Depreciation, amortisation and impairment, EUR million	56.1	56.5	45.8	47.5	**51.5**
Personnel expenses, EUR million	217.1	227.0	231.0	263.9	**273.0**
Equity total, EUR million	779.4	731.3	747.9	908.1	**890.1**
Interest-bearing net liabilities, EUR million	-139.1	-185.8	-108.3	-118.7	**93.3**
Assets total, EUR million	1,035.7	1,115.6	1,114.0	1,503.6	**1,438.6**
Cash flow from operating activities, EUR million	270.8	299.1	215.7	434.4	**119.0**
Equity ratio, %	76.7%	66.7%	68.1%	60.9%	**62.3%**
Gearing, %	-17.8%	-25.4%	-14.5%	-13.1%	**10.5%**
Return on capital employed (before taxes), %	29.9%	34.8%	28.8%	45.1%	**25.3%**
Return on equity (after taxes), %	25.8%	29.1%	26.2%	42.2%	**24.1%**
Personnel at the end of the period	3,265	3,311	3,355	3,527	**3,632**
Average personnel during the period	3,251	3,337	3,364	3,472	**3,599**

Performance per share

	2019	2020	2021	2022	2023
Basic earnings per share, EUR	1.43	1.56	1.38	2.49	**1.54**
Diluted earnings per share, EUR	1.43	1.56	1.38	2.49	**1.54**
Cash flow from operating activities per share, EUR	1.93	2.13	1.53	3.09	**0.85**
Equity per share, EUR	5.55	5.21	5.32	6.48	**6.34**
Dividend per share, EUR[1]	1.50	1.50	1.50	1.60	**1.62**
Total dividend, EUR million[1]	210.7	210.7	210.8	224.3	**227.4**
Payout ratio, %[1]	105.2%	95.9%	108.8%	64.3%	**104.9%**
A share					
Number of shares at the end of the period	36,335,463	35,122,793	34,813,206	34,186,494	**33,351,382**
% of total share stock	25.7%	24.9%	24.7%	24.2%	**23.6%**
Effective dividend yield, %[1]	3.7%	4.0%	4.2%	3.1%	**4.1%**
Price/earnings ratio (P/E)	28.64	23.97	26.16	20.52	**25.45**
Number of votes excluding treasury shares	726,709,260	702,455,860	696,264,120	683,729,880	**667,027,640**
% of total votes	87.5%	87.0%	86.8%	86.6%	**86.2%**
Total number of shareholders	19,990	22,015	23,252	23,232	**24,589**
Lowest quotation of review period, EUR	28.20	29.60	33.45	33.90	**34.25**
Average quotation of review period, EUR	34.26	40.26	36.33	41.38	**41.19**
Highest quotation of review period, EUR	42.00	48.45	41.05	54.00	**55.00**
Closing quotation at the end of review period, EUR	40.95	37.40	36.10	51.10	**39.20**
Trading volume, EUR million	73.5	102.5	58.9	69.9	**50.0**
Shares traded	2,149,046	2,547,090	1,620,990	1,684,646	**1,213,681**
% of the total number of shares	5.9%	7.3%	4.7%	4.9%	**3.6%**

[1] The Board of Directors' proposal for 2023 to the Annual General Meeting.

Financial Statement documents 2023

	2019	2020	2021	2022	2023
B share					
Number of shares at the end of the period, including treasury shares	104,922,365	106,011,485	106,321,072	106,947,784	**107,782,896**
% of total share stock	74.3%	75.1%	75.3%	75.8%	**76.4%**
Treasury shares	765,399	671,082	571,314	932,771	**782,973**
Number of shares at the end of the period, excluding treasury shares	104,156,966	105,340,403	105,749,758	106,015,013	**106,999,923**
Effective dividend yield, %[1]	3.6%	4.0%	4.1%	3.1%	**4.1%**
Price/earnings ratio (P/E)	26.86	24.06	26.46	20.58	**25.50**
Number of votes excluding treasury shares	104,156,966	105,340,403	105,749,758	106,015,013	**106,999,923**
% of total votes	12.5%	13.0%	13.2%	13.4%	**13.8%**
Diluted number of shares, average	103,745,206	104,892,709	105,565,593	106,065,089	**106,633,693**
% of total share stock	73.4%	74.3%	74.8%	75.2%	**75.6%**
Total number of shareholders	52,913	56,487	64,385	63,016	**71,309**
Lowest quotation of review period, EUR	28.19	30.02	32.51	33.75	**32.89**
Average quotation of review period, EUR	33.48	40.69	35.86	42.16	**40.48**
Highest quotation of review period, EUR	42.52	48.80	39.42	54.18	**55.16**
Closing quotation at the end of review period, EUR	41.27	37.53	36.52	51.24	**39.27**
Trading volume, EUR million	2,846.5	4,213.9	3,027.7	3,344.4	**2,601.5**
Shares traded	85,303,946	103,556,863	84,437,433	79,342,616	**64,267,609**
% of the total number of shares	81.3%	97.7%	79.4%	74.2%	**59.6%**
A and B share total					
Number of shares at the end of the period	141,257,828	141,134,278	141,134,278	141,134,278	**141,134,278**
Average number of shares during the period excluding treasury shares	140,571,373	140,506,969	140,546,563	140,501,281	**140,326,681**
Total number of votes conferred by the shares	830,866,226	807,796,263	802,013,878	789,744,893	**774,027,563**
Diluted number of shares, average	140,571,373	140,506,969	140,563,896	140,589,736	**140,361,039**
Total number of shareholders	66,595	72,003	80,792	79,423	**88,722**
Trading volume, EUR million	2,920.0	4,316.4	3,086.6	3,414.4	**2,651.5**
Shares traded	87,452,992	106,103,953	86,058,423	81,027,262	**65,481,290**
Total shares traded, % of total shares	61.9%	75.2%	61.0%	57.4%	**46.4%**
Market capitalisation at the end of the period excluding treasury shares, EUR million	5,786.5	5,267.0	5,118.7	7,179.1	**5,509.3**

[1] The Board of Directors' proposal for 2023 to the Annual General Meeting.

Financial Statement documents 2023

Largest shareholders by number of shares[1]

31 Dec 2023	A shares	B shares	Total shares	% of total shares	Total votes	% of total votes
1. Ilmarinen Mutual Pension Insurance Company	1,859,000	3,341,629	5,200,629	3.68%	40,521,629	5.23%
2. Varma Mutual Pension Insurance Company		4,627,523	4,627,523	3.28%	4,627,523	0.60%
3. Erkki Etola and companies	2,500,000	325,000	2,825,000	2.00%	50,325,000	6.50%
Etola Erkki	200,000				4,000,000	0.52%
Etola Oy	2,300,000				46,000,000	5.94%
Etola Group Oy		325,000			325,000	0.04%
4. Elo Mutual Pension Insurance Company	292,800	1,881,000	2,173,800	1.54%	7,737,000	1.00%
5. Land and Water Technology Foundation and companies	2,083,360		2,083,360	1.48%	41,667,200	5.38%
Land and Water Technology Foundation	1,034,860				20,697,200	2.67%
Tukinvest Oy	1,048,500				20,970,000	2.71%
6. OP Finland Fund		1,628,773	1,628,773	1.15%	1,628,773	0.21%
7. Ylppö Jukka	1,247,136	147,729	1,394,865	0.99%	25,090,449	3.24%
8. The State Pension Fund		1,300,000	1,300,000	0.92%	1,300,000	0.17%
9. The Social Security Institution of Finland, Kela		1,218,368	1,218,368	0.86%	1,218,368	0.16%
10. Danske Invest Finnish Equity Fund		987,379	987,379	0.70%	987,379	0.13%
10 largest total	7,982,296	15,457,401	23,439,697	16.61%	175,103,321	**22.60%**
Total	**33,351,382**	**107,782,896**	**141,134,278**	**100.00%**	**774,810,536**	**100.00%**

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

Largest shareholders by number of votes[1]

31 Dec 2023	A shares	B shares	Total shares	% of total shares	Total votes	% of total votes
1. Erkki Etola and companies	2,500,000	325,000	2,825,000	2.00%	50,325,000	6.50%
Etola Erkki	200,000				4,000,000	0.52%
Etola Oy	2,300,000				46,000,000	5.94%
Etola Group Oy		325,000			325,000	0.04%
2. Land and Water Technology Foundation and companies	2,083,360		2,083,360	1.48%	41,667,200	5.38%
Land and Water Technology Foundation	1,034,860				20,697,200	2.67%
Tukinvest Oy	1,048,500				20,970,000	2.71%
3. Ilmarinen Mutual Pension Insurance Company	1,859,000	3,341,629	5,200,629	3.68%	40,521,629	5.23%
4. Ylppö Jukka	1,247,136	147,729	1,394,865	0.99%	25,090,449	3.24%
5. Aho Group Oy and commanding votes	743,999	10,264	754,263	0.53%	14,890,244	1.92%
Aava Terveyspalvelut Oy	358,230	4			7,164,604	0.92%
Juhani Aho Foundation for Medical Research	107,800				2,156,000	0.28%
Aho Kari Jussi	85,263	1,835			1,707,095	0.22%
Lappalainen Annakaija	61,934	5,500			1,244,180	0.16%
Aho Ville Jussi	50,496	425			1,010,345	0.13%
Porkkala Miia	41,683				833,660	0.11%
Aho Antti Jussi	38,593	2,500			774,360	0.10%
6. Ylppö Into	577,936	240,200	818,136	0.58%	11,798,920	1.52%
7. Eija Ronkainen and companies	535,500	40,085	575,585	0.41%	10,750,085	1.39%
EVK-Capital Oy	535,500	16,671			10,726,671	1.38%
Eija Ronkainen		23,414			23,414	0.00%
8. Oy Ingman Finance Ab	445,000		445,000	0.32%	8,900,000	1.15%
9. Saastamoinen Foundation	429,996		429,996	0.30%	8,599,920	1.11%
10. Elo Mutual Pension Insurance Company	292,800	1,881,000	2,173,800	1.54%	7,737,000	1.00%
10 largest total	**10,714,727**	**5,985,907**	**16,700,634**	**11.83%**	**220,280,447**	**28.43%**
Total	**33,351,382**	**107,782,896**	**141,134,278**	**100.00%**	**774,810,536**	**100.00%**

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

Ownership base by type of shareholder

31 Dec 2023	Owners	%	A shares	%	B shares	%	Total shares	%	Total votes	%
Non-financial companies	2,651	2.99%	4,742,749	14.22%	4,434,942	4.11%	9,177,691	6.50%	99,289,922	12.81%
Financial and insurance institutions	95	0.11%	595,065	1.78%	7,620,782	7.07%	8,215,847	5.82%	19,522,082	2.52%
Public sector entities	51	0.06%	2,156,606	6.47%	13,115,932	12.17%	15,272,538	10.82%	56,248,052	7.26%
Households	84,689	95.45%	22,187,212	66.53%	32,857,603	30.48%	55,044,815	39.00%	476,601,843	61.51%
Non-profit organisations	863	0.97%	2,476,968	7.43%	4,398,099	4.08%	6,875,067	4.87%	53,937,459	6.96%
Nominee-registered and foreign shareholders	372	0.42%	1,192,782	3.58%	44,572,565	41.35%	45,765,347	32.43%	68,428,205	8.83%
Number of treasury shares	1	0.00%			782,973	0.73%	782,973	0.55%	782,973	0.10%
Total	**88,722**	**100.00%**	**33,351,382**	**100.00%**	**107,782,896**	**100.00%**	**141,134,278**	**100.00%**	**774,810,536**	**100.00%**

Ownership base by number of shares

31 Dec 2023	Owners	%	A shares	%	B shares	%	Total shares	%	Total votes	%
1–100	44,741	50.43%	450,209	1.35%	1,449,587	1.34%	1,773,387	1.26%	9,099,084	1.17%
101–1,000	34,400	38.77%	3,156,205	9.46%	10,841,837	10.06%	12,626,232	8.95%	60,119,658	7.76%
1,001–10,000	8,772	9.89%	8,119,732	24.35%	16,894,053	15.67%	23,945,792	16.97%	166,938,215	21.55%
10,001–100,000	728	0.82%	7,406,143	22.21%	9,673,656	8.98%	18,508,668	13.11%	170,617,595	22.02%
100,001–1,000,000	67	0.08%	6,729,597	20.18%	10,712,898	9.94%	17,177,235	12.17%	134,789,990	17.40%
1,000,001–	13	0.01%	7,489,496	22.46%	57,427,892	53.28%	66,319,991	46.99%	232,463,021	30.00%
Total	**88,721**	**100.00%**	**33,351,382**	**100.00%**	**106,999,923**	**99.27%**	**140,351,305**	**99.45%**	**774,027,563**	**99.90%**
of which nominee- registered	11	0.01%	1,005,652	3.02%	44,292,335	41.39%	45,297,987	32.27%	64,405,375	8.32%
Number of treasury shares	1	0.00%			782,973	0.73%	782,973	0.55%	782,973	0.10%
Total	**88,722**	**100.00%**	**33,351,382**	**100.00%**	**107,782,896**	**100.00%**	**141 134 278**	**100.00%**	**774,810,536**	**100.00%**

Shareholdings in Orion Corporation of the Members elected to the Board of Directors on 22 March 2023

31 Dec 2023	A shares	Change from 1 Jan	B shares	Change from 1 Jan	A and B total	% of total shares	% of total votes
Mikael Silvennoinen, Chairman			9,737	940	9,737	0.01%	0.00%
Hilpi Rautelin, Vice Chairman	4,800	3,000	4,734	573	9,534	0.01%	0.01%
Kari Jussi Aho	85,263	9,500	1,835	470	87,098	0.06%	0.22%
Maziar Mike Doustdar			955	470	955	0.00%	0.00%
Ari Lehtoranta			4,428	1,267	4,428	0.00%	0.00%
Veli-Matti Mattila			7,311	3,470	7,311	0.01%	0.00%
Eija Ronkainen	535,500		40,085	470	575,585	0.41%	1.39%
Karen Lykke Sørensen			955	470	955	0.00%	0.00%
Board of Directors total	**625,563**	**12,500**	**70,040**	**8,130**	**695,603**	**0.49%**	**1.62%**

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

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

31 Dec 2023	A shares	Change from 1 Jan	B shares	Change from 1 Jan	A and B total	% of total shares	% of total votes
Liisa Hurme, President and CEO			30,020	10,000	30,020	0.02%	0.00%
Satu Ahomäki			42,049	3,200	42,049	0.03%	0.01%
Olli Huotari			76,431	8,000	76,431	0.05%	0.01%
Juhani Kankaanpää			5,012	2,000	5,012	0.00%	0.00%
Jari Karlson			44,771	7,500	44,771	0.03%	0.01%
Virve Laitinen			22,773	6,050	22,773	0.02%	0.00%
Niclas Lindstedt			6,302	3,000	6,302	0.00%	0.00%
Hao Pan			13,138	3,000	13,138	0.01%	0.00%
Outi Vaarala			7,098	7,098	7,098	0.01%	0.00%
Executive Management Board total			**247,594**	**49,848**	**247,594**	**0.18%**	**0.03%**

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

Basic information on Orion's shares

31 Dec 2023	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	21.8	70.4	92.2
Counter book value per share, EUR	0.65	0.65	
Minimum number of shares			1
Maximum number of A and B shares, and maximum number of all shares	500,000,000	1,000,000,000	1,000,000,000
Votes per share	20	1	

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

Calculation of the key figures

EBITDA = Operating profit + Depreciation + Amortisation + Impairment losses

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidated financial statements (IFRS)

Consolidated income statement

EUR million	Note	2023	2022
Net sales	2.1	**1,189.7**	1,340.6
Cost of goods sold		**-531.9**	-489.0
Gross profit		**657.7**	851.6
Other operating income and expenses	2.4	**43.7**	5.7
Selling and marketing expenses	2.2, 2.3, 4.1	**-224.8**	-209.1
Research and development expenses	2.2, 2.3, 4.1	**-126.9**	-133.2
Administrative expenses	2.2, 2.3, 4.1	**-74.8**	-75.4
Operating profit		**274.9**	439.6
Finance income and expenses	2.5	**-3.0**	0.7
Profit before taxes		**271.9**	440.3
Income tax expense	5.1	**-55.1**	-90.8
Profit for the period		**216.8**	349.5
PROFIT ATTRIBUTABLE TO			
Owners of the parent company		**216.8**	349.5
Basic earnings per share, EUR[1]	2.6	**1.54**	2.49
Diluted earnings per share, EUR[1]	2.6	**1.54**	2.49

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

Consolidated statement of comprehensive income

EUR million	Note	2023	2022
Profit for the period		**216.8**	349.5
Cumulative translation adjustments	6.3	**-0.3**	-2.9
Items that may be reclassified subsequently to profit and loss		**-0.3**	-2.9
Remeasurement of pension plans, net of tax	4.2, 5.1	**-16.2**	37.0
Items that will not be reclassified to profit and loss		**-16.2**	37.0
Other comprehensive income, net of tax		**-16.5**	34.2
Comprehensive income for the period		**200.3**	383.7
COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent company		**200.3**	383.7

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

Consolidated statement of financial position

Assets

EUR million, 31 Dec	Note	2023	2022
Property, plant and equipment	3.1, 3.2	**400.9**	373.3
Goodwill	3.1	**87.2**	87.2
Intangible rights	3.1	**106.8**	100.0
Other intangible assets	3.1	**6.1**	3.8
Investment in associate	3.5	**0.1**	0.1
Other investments	6.6	**0.2**	0.2
Pension assets	4.2	**6.9**	56.2
Deferred tax assets	5.2	**4.3**	3.1
Other non-current assets	3.7	**0.9**	1.0
Non-current assets total		**613.3**	624.9
Inventories	3.6	**362.2**	315.6
Trade receivables	3.7	**247.1**	180.7
Current tax receivables		**0.6**	4.9
Other receivables	3.7	**108.8**	44.8
Cash and cash equivalents	6.5	**106.7**	332.6
Current assets total		**825.3**	878.7
Assets total		**1,438.6**	1,503.6

Equity and liabilities

EUR million, 31 Dec	Note	2023	2022
Share capital		**92.2**	92.2
Other reserves		**4.6**	3.3
Cumulative translation adjustments		**-9.8**	-10.8
Retained earnings		**802.9**	823.3
Equity attributable to owners of the parent company		**890.1**	908.1
Equity total	6.3	**890.1**	908.1
Deferred tax liabilities	5.2	**31.8**	42.2
Pension liability	4.2	**4.1**	3.0
Non-current provisions	3.8	**0.5**	0.6
Interest-bearing non-current liabilities	6.4	**171.0**	196.8
Other non-current liabilities	3.9	**76.4**	77.7
Non-current liabilities total		**283.8**	320.2
Current provisions	3.8	**0.0**	0.1
Interest-bearing current liabilities	6.4	**29.0**	17.2
Trade payables	3.9	**102.3**	114.4
Current tax liabilities		**13.3**	1.4
Other current liabilities	3.9	**120.1**	142.3
Current liabilities total		**264.8**	275.4
Liabilities total		**548.6**	595.5
Equity and liabilities total		**1,438.6**	1,503.6

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

Consolidated statement of changes in equity

		Equity attributable to owners of the parent company							
EUR million	**Note**	**Share capital**	**Other reserves**	**Cumulative translation adjustments**	**Remeasurement of pension plans**	**Treasury shares**	**Retained earnings**	**Retained earnings total**	**Equity total**
Equity at 1 January 2022		92.2	3.3	-8.4	0.0	-18.2	678.9	660.7	**747.9**
Profit for the period							349.5	349.5	**349.5**
Other comprehensive income									
Cumulative translation adjustments	6.3			-2.4			-0.5	-0.5	**-2.9**
Remeasurement of pension plans	4.2				37.0			37.0	**37.0**
Transactions with owners									
Dividends paid	6.3						-211.2	-211.2	**-211.2**
Repurchase of treasury shares						-17.9	0.0	-17.9	**-17.9**
Share-based incentive plans	4.1					1.3	4.3	5.7	**5.7**
Other adjustments			0.0				0.0	0.0	**0.0**
Equity at 31 December 2022		92.2	3.3	-10.8	37.1	-34.8	821.1	823.3	**908.1**
Equity at 1 January 2023		92.2	3.3	-10.8	37.1	-34.8	821.1	823.3	**908.1**
Profit for the period							216.8	216.8	**216.8**
Other comprehensive income									
Cumulative translation adjustments	6.3			1.0			-1.3	-1.3	**-0.3**
Remeasurement of pension plans	4.2				-16.2			-16.2	**-16.2**
Transactions with owners									
Dividends paid	6.3						-224.9	-224.9	**-224.9**
Repurchase of treasury shares									
Share-based incentive plans	4.1					6.8	-0.2	6.6	**6.6**
Other adjustments			1.3				-1.3	-1.3	**0.0**
Equity at 31 December 2023		**92.2**	**4.6**	**-9.8**	**20.9**	**-28.0**	**810.0**	**802.9**	**890.1**

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

Consolidated statement of cash flows

EUR million	Note	2023	2022
Profit before taxes		**271.9**	440.3
Finance income and expenses	2.5	**3.0**	-0.7
Depreciation, amortisation and impairments	2.2	**51.5**	47.5
Gains/losses on sales or disposals of property, plant and equipment and intangible assets	2.4	**-7.7**	-0.1
Unrealised foreign exchange gains and losses		**-0.4**	0.4
Change in pension assets and pension liabilities	4.2	**-16.0**	2.7
Change in provisions	3.8	**-0.1**	0.2
Other adjustments		**5.7**	63.6
Total adjustments to profit before taxes		**36.1**	113.6
Change in trade and other receivables		**-89.0**	11.0
Change in inventories		**-47.9**	-4.1
Change in trade and other payables		**-7.9**	-31.9
Total change in working capital		**-144.8**	-25.0
Interest and other financial expenses paid		**-7.8**	-5.0
Interest and other financial income received		**4.8**	6.0
Dividends received		**0.0**	0.0
Income taxes paid	5.1	**-41.2**	-95.6
Total net cash flow from operating activities		**119.0**	434.4
Investments in property plant, and equipment	3.1	**-65.6**	-56.5
Investments in intangible assets	3.1	**-51.2**	-16.6
Acquired in business combination, net of cash	3.4	**-0.1**	-82.0
Sales of property, plant and equipment and other investments	3.1, 6.6	**8.5**	0.9
Total net cash flow from investing activities		**-108.4**	-154.3

EUR million	Note	2023	2022
Changes in current loans including leasing liabilities	6.4	**-6.6**	-11.4
Proceeds of non-current loans	6.4		100.8
Repayment of non-current loans	6.4	**-11.8**	-20.0
Repurchase of treasury shares	6.3		-17.9
Dividends paid and other distribution of profits	6.3	**-224.9**	-211.2
Total net cash flow from financing activities		**-243.2**	-159.8
Net change in cash and cash equivalents		**-232.6**	120.4
Cash and cash equivalents at 1 January	6.5	**332.6**	216.7
Foreign exchange differences		**6.6**	-4.4
Cash and cash equivalents at 31 December	6.5	**106.7**	332.6

Reconciliation of cash and cash equivalents in statement of financial position

EUR million	2023	2022
Cash and cash equivalents in statement of financial position at the end of the period	**106.7**	332.6
Money market investments at the end of the period		
Cash and cash equivalents in the statement of cash flows	**106.7**	332.6

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

Notes to financial statements

1 Basis of presentation of the consolidated financial statements

General information

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

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

At its meeting on 13 February 2024, the Company's Board of Directors has approved the publication of these consolidated financial statements. Under the Finnish Limited Liability Companies Act, shareholders have the option to accept or reject the financial statements at the Annual General Meeting, which is held after the publication of the financial statements. In addition, the AGM may amend the financial statements. The financial statement documents can be viewed at the website www.orion.fi/en, and copies of the financial statements are available from Orion Corporation's headquarter, Orionintie 1, FI-02200 Espoo.

Accounting policies

The Consolidated Financial Statements of the Orion Group have been prepared in accordance with International Financial Reporting Standards (IFRS) applying the IAS and IFRS standards as well as IFRIC interpretations effective at 31 December 2023.

International Financial Reporting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedure stipulated in the EU's regulation (EC) No. 1606/2002 and embodied in the Finnish Accounting Act and provisions issued under it. The notes to the consolidated financial statements have also been prepared in accordance with the requirements in Finnish accounting legislation and Community law that complement the IFRS regulations.

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

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

Consolidation principles

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

Subsidiaries

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

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

Associates, joint ventures and joint operations

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

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

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

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items in foreign currencies at the end of the reporting period in the statement of financial position are booked using the exchange rates at the end of the reporting period. Foreign exchange gains and losses from translation of the items are recognised in the consolidated income statement. Foreign exchange gains and losses related to business operations are included in the corresponding items above the operating profit line. Net foreign exchange gains and losses resulting from hedges made for hedging purposes, but when no hedge accounting is applied, are recognised in other operating income or expenses. Foreign exchange gains and losses related to financial liabilities and receivables in foreign currencies and foreign exchange derivatives related to them are included in finance income and expenses. Non-monetary items in foreign currencies in the statement of financial position which are not measured at fair value are measured using the exchange rate at the date of the transaction.

Group companies

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

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

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

Critical accounting estimates and assumptions, and main related uncertainties

Compiling the consolidated financial statements in accordance with the IFRS and accounting standards requires that the Company's management make certain estimates and assumptions concerning the future that have an impact on the items included in the financial statements. These assumptions include climate related factors where applicable. The actual values may differ from these estimates.

Judgement is also exercised in applying the accounting policies. The accounting policies relating to areas that call for more than ordinary judgement from the management and to associated uncertainty factors are presented in the following notes:

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

The description for these above mentioned assets and liabilities are described in the notes. Respectively, Group's principal assumptions concerning the future and the main uncertainties relating to estimates at the end of the reporting period that constitute a significant risk of causing a material change in the carrying values of assets and liabilities within the next financial year are described in the note describing the financial statement item in question.

New IFRS standards, amendments and IFRIC interpretations applied in financial year 2023

New standards or amendments to standards, effective from January 1, 2023, has had no material impact to Orion Corporation's financial statement.

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

New standards, amendments or interpretation that are effective on or after January 1, 2024 are not expected to have a material effect on Orion Corporation's consolidated financial statement.

2 Business performance

2.1 Revenue from contracts with customers

Accounting policies

Revenue recognition principles

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

Product sales

Consolidated net sales include revenue from sales of goods adjusted for indirect taxes and currency translation differences on sales in foreign currencies. A delivery to a customer of one batch of product constitutes one distinct performance obligation for which the revenue will be recognised in accordance with the delivery terms when the control is transferred from the Group to the customer. The selling price may include variable consideration, such as various discounts or incentives, among other things. The consideration is recognised as net sales that the Group expects to be entitled to taking into account the effects of discounts and incentives.

The Group has consignment stock arrangements in place with distributors and logistics partners operating in various countries. In these cases the Group owns the products held in the distributor's and logistics partners' consignment stock until they are delivered to the customer, at which point the Group recognises their sale in net sales. In Finland, the arrangement between Orion and Oriola explains a significant part of the Group's total consignment stock arrangements.

Net sales consisting of product sales also comprises royalties, which the Group recognises as revenue based on agreements signed with cooperation partners. The Group has sold the sales rights of certain products to cooperation partners and is entitled to royalties determined by the sales of these products achieved by the partners. The Group recognises the royalties as revenue once the partner has later sold the products to its own customers and the right to royalties has been established.

Revenue from sales rights to products

The Group enters into agreements in which it transfers the sales rights to a product already in the markets to an external party outside the Group and agrees to manufacture the product for that external party. For transferring sales rights and manufacturing products, depending on the agreement the Group may receive milestone payments, revenue from manufacture and sales of the products and royalty income. Typically milestone payments are fixed payments made at the time of signing of an agreement with no restitution obligation and payments related to the commercialisation of a product.

The Group itself has generally been manufacturing the product before the sale of sales rights to the product, so the Group would have know-how related to manufacture that would otherwise not be easily attained by the customer. Two separate performance obligations are constituted at the time of sale of sales rights to products, which are 1) the transferred sales right and 2) manufacture of products and royalty payments received from them. Some of the considerations are variable due to conditionality of milestone payments and value adjustments related to the sales price of the products.

The Group may receive under the agreement milestone payments related to commercialisation. They are considered as distinct performance obligations if they are satisfied by a certain volume of sales achieved by the customer. The accrued sales revenue entails value for the customer, so a performance obligation subject to sales volume is considered satisfied when the target for sales has been achieved. Performance obligations related to commercialisation are treated as performance obligations satisfied at a single point of time, because estimating future sales volume entails uncertainty factors.

Revenue from clinical phase research and development work undertaken with collaboration partners

Fixed milestone payments on signing an agreement are considered as distinct performance obligations that are satisfied on signing of the agreement. Clinical phase trials may be conducted through many service providers, and the collaboration partner can then utilise in its own business operations the research results conveyed on signing. Research and development work performed during the agreement period is considered a separate performance obligation and milestone payments for this phase are processed as variable considerations because they are conditional on reaching specific phases or research results. Even though Orion satisfies the performance obligations over time, revenue is only recognised on confirmation of the final research results because a reliable evaluation of research results in advance would entail uncertainty factors.

The agreements may also include a decision on arranging manufacture of finished product if it can be commercialised. For each agreement, considerations related to commercialisation are evaluated on the basis of whether the milestone payments and sales of finished products together constitute a performance obligation or whether the milestone payments can be identified as performance obligations distinct from sales of the finished product. Likewise, on the basis of each agreement, it is evaluated whether the performance obligation related to milestone payments will be satisfied at a single point of time or over a period of time. Royalty payments are recognised as revenue when the partner has sold products subject to royalties.

Revenue is recognised mainly point in time.

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

The Group itemises net sales as follows:

- Innovative Medicines (innovative medicines developed or marketed by Orion, and which have patent or other product protection).
- Branded Products (Orion's in-house developed legacy products and other products with brand value that provides a competitive advantage)
- Generics and Consumer Health (generic prescription medicines and self-care products)
- Animal Health (proprietary and generic products for companion animals and livestock)
- Fermion (active pharmaceutical ingredients for Orion and other pharmaceutical companies).

In addition to these, net sales reporting contains one further item, Translation differences and Other operations, which mostly comprises translation differences on Orion's net sales.

Segment reporting

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

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

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

Financial Statement documents 2023

Significant judgements related to recognition of revenue

The Group's significant judgements related to recognition of revenue concern both the contract with Bayer on the licensing and development and commercialisation as well as manufacturing of Nubeqa® and the contract with MSD (tradename of Merck & Co., Inc Rahway NJ USA), acting through its subsidiary, Merck Sharp & Dohme LLC (later referred to as "MSD").

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

In 2022, MSD made an upfront payment to Orion of USD 290 million and of this upfront payment, Orion recognised approximately EUR 228 million as income at the time of signing and approximately EUR 60 million was reserved to cover Orion's share of ODM-208 development cost to be accrued in the future. The management's estimates of development costs are based on previous experience with the development costs of similar drugs. Orion will be responsible for the manufacture of clinical and commercial supply of ODM-208. In 2023 Orion and MSD are co-developing the ODM-208 molecule, a novel selective hormone synthesis inhibitor (CYP11A1 inhibitor). Orion has an ongoing Phase II CYPIDES trial with ODM-208 for the treatment of patients with metastatic castration-resistant prostate cancer (mCRPC).

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.

Net sales by revenues flows

EUR million	2023	2022
Sale of goods	**1,033.3**	1,059.3
Royalty income	**123.9**	47.7
Total sale of goods	**1,157.2**	1,106.9
Milestone payments	**32.4**	233.7
Total	**1,189.7**	1,340.6

In 2023 EUR 1.9 (2022: 3.3) 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 1.7 (2022: 14.4) 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	2023	2022
Innovative Medicines	**235.1**	329.4
Branded Products	**260.9**	278.5
Generics and Consumer Health	**517.6**	557.2
Animal Health	**103.9**	98.9
Fermion	**73.7**	68.7
Translation differences and Other operations	**-1.6**	7.8
Total	**1,189.7**	1,340.6

Top ten best-selling pharmaceutical products

EUR million	2023	2022
Nubeqa® (prostate cancer)	**182.5**	87.1
Easyhaler® product portfolio (asthma, COPD)	**144.2**	129.7
Entacapone products (Parkinson's disease)	**88.4**	113.4
Simdax® (acute decompensated heart failure)	**25.7**	42.9
Burana® (inflammatory pain)	**25.1**	26.7
Dexdomitor®, Domitor®, Domosedan® and Antisedan® (animal sedatives)	**22.8**	36.3
Dexmedetomidine products for human use	**21.5**	37.3
Divina® series (menopausal symptoms)	**21.0**	27.6
Trexan® (rheumatoid arthritis, cancer)	**19.1**	15.2
Biosimilars (rheumatoid arthritis, inflammatory bowel diseases)	**18.2**	20.4
Total	**568.5**	536.7

Assets and liabilities based on contract

	2023		2022	
EUR million	**Asset**	**Liability**	**Asset**	**Liability**
1 January	**25.0**	**83.3**	11.0	25.1
Revenue recognised during the financial period that was included in liabilities based on contract at the start of the period		**-1.9**		-3.3
Actual billing during the financial year	**-25.0**		-11.0	
Increase of assets and liabilities on contract due to new business operations	**49.7**	**1.2**	25.0	61.5
31 December	**49.7**	**82.6**	25.0	83.3

Assets based on contract consist mainly of products and services transferred to customers, but which are not yet invoiced.

Transaction price allocated to remaining performance obligations

The total transaction price allocated to contracts that were partly or entirely unsatisfied at the end of the financial year 2023 and were related to the revenue flows Revenue from sales rights to products and Revenue from clinical phase R&D collaboration with collaboration partners was EUR 8.8 (2022: 10.7) million. The Group expects to recognise EUR 5.8 million as revenue for this transaction price allocated to unsatisfied contracts during the financial years 2024 to 2026 (2022: EUR 5.8 million during the financial years 2023 to 2025). The remaining EUR 3.0 million is expected to be recognised as revenue starting from the beginning of the financial year 2027 (2022: EUR 5.0 million starting from the beginning of the financial year 2026). The Group applies the practical expedient under IFRS 15 of not reporting the transaction price allocated to remaining performance obligations for contracts that are in effect for less than 12 months.

Other information related to recognition of revenue

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

Information on assets based on customer contracts and expected credit losses are given in note 3.7 Trade and other receivables. Information on liabilities based on customer contracts are given in note 3.9 Trade payables and other liabilities.

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

Major customers

Revenues from major customer of the Group represented in 2023 approximately EUR 231.2 million of the Group's total revenue.

Data relating to geographical regions

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

	Finland		Scandinavia		Other Europe		North America		Other countries		Group total	
EUR million	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Sales to external customers	**333.5**	326.4	**142.3**	138.9	**366.5**	398.5	**174.5**	334.7	**172.8**	142.1	**1,189.7**	1,340.6
Assets	**1,142.9**	1,202.2	**41.1**	45.1	**239.0**	238.6	**0.2**	0.0	**15.4**	17.7	**1,438.6**	1,503.6
Capital expenditure	**83.3**	103.1	**0.5**	0.7	**8.6**	5.4	**0.2**		**0.2**	0.5	**92.7**	109.6

2.2 Depreciation, amortisation and impairments

Accounting policies

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

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

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

Depreciation, amortisation and impairment by function

EUR million	2023	2022
Cost of goods sold	**31.7**	28.1
Selling and marketing	**7.5**	7.8
Research and development	**4.6**	4.7
Administration	**7.8**	7.0
Total	**51.5**	47.5

Depreciation, amortisation and impairment by asset class

EUR million	2023	2022
Buildings and constructions	**16.5**	15.0
Machinery and equipment	**26.9**	25.6
Other tangible assets	**0.3**	0.3
Property, plant and equipment, total	**43.7**	40.8
Intangible rights	**6.4**	5.7
Other intangible assets	**1.5**	1.0
Intangible assets, total	**7.9**	6.7

During the period, an impairment of EUR 1.0 (2022: 0.4) million was recognised in selling and marketing expenses on intangible rights.

2.3 Operating expenses

Accounting policies

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

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

Cost by function

EUR million	2023	2022
Selling and marketing expenses	**224.8**	209.1
Research and development expenses	**126.9**	133.2
Administrative expenses	**74.8**	75.4
Total	**426.5**	417.7

2.4 Other operating income and expenses

Accounting policies

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

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

EUR million	2023	2022
Gains on sales of property, plant and equipment, intangible assets and other investments	**7.9**	0.4
Settlement gain of the transfer of Pension Fund's B fund	**30.7**	
Rental income	**2.3**	2.1
Foreign exchange gains and losses	**-0.4**	0.8
Other operating income	**3.5**	2.7
Other operating expenses	**-0.2**	-0.4
Total	**43.7**	5.7

The insurance portfolio of the Orion Pension Fund's B fund has been transferred to pension insurance company on 31 December 2023. The transfer has EUR 30.7 million positive impact on Orion's result in 2023. Additional information is presented in note 4.2 Pension assets and pension liabilities.

2.5 Finance income and expenses

Accounting policies

Finance income and expenses comprise foreign exchange gains and losses related to financial liabilities and receivables in foreign currencies and foreign exchange derivatives related to them, interest income and expenses and other financial income and expenses.

Borrowing costs are recognised in the consolidated statement of income as an expense in the period in which they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that requires a substantial period of time to be made ready are capitalised as a part of the cost of that asset. Orion Group did not recognise any borrowing costs to tangible assets in 2023 or 2022.

Finance income and expenses

EUR million	2023	2022
Dividend income on other investments	**0.0**	0.0
Interest income	**2.9**	1.0
Foreign exchange gains and losses, net		1.5
Other finance income	**0.0**	0.0
Finance income, total	**2.9**	2.5
Interest expenses	**5.2**	1.5
Foreign exchange gains and losses, net	**0.2**	
Other finance expenses	**0.5**	0.3
Finance expenses, total	**6.0**	1.8
Finance income and expenses, total	**-3.0**	0.7

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

EUR million	2023	2022
Foreign exchange rate gains	**2.1**	5.1
Foreign exchange rate losses	**-2.3**	-3.6
Total	**-0.2**	1.5

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

EUR million	2023	2022
In net sales	**-1.6**	7.3
In cost of goods sold	**0.1**	-0.1
In other income and expenses	**-0.4**	0.8
In functions' expenses	**0.1**	-0.7

2.6 Earnings and dividend per share

Accounting policies

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

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

Basic earnings per share

	2023	2022
Profit for the period attributable to owners of the parent company, EUR million	**216.8**	349.5
Weighted average number of shares during the period (1,000 shares)	**140,327**	140,501
Basic earnings per share, EUR	**1.54**	2.49

Diluted earnings per share

	2023	2022
Profit for the period attributable to owners of the parent company, EUR million	**216.8**	349.5
Weighted average number of diluted shares during the period (1,000 shares)	**140,361**	140,590
Diluted earnings per share, EUR	**1.54**	2.49

Dividend per share

	2023	2022
Dividend paid during the period, EUR million	**224.6**	210.9
Number of shares (1,000 shares)	**140,352**	140,563
Dividend per share paid during the period, EUR	**1.60**	1.50

The Group held 782,973 treasury shares at 31 December 2023.

For the financial year 2023 a dividend of EUR 1.62 per share, in total EUR 227.4 million is proposed to the Annual General Meeting, planned to be held on 20 March 2024. These financial statements do not reflect the proposed dividend.

3 Invested capital

3.1 Property, plant and equipment and intangible assets

Property, plant and equipment

Accounting policies

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

The estimated useful lives are as follows:

- Buildings and constructions 10–50 years
- Machinery and equipment 5–15 years
- Other tangible assets 10 years

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

	Land and water		Buildings and constructions		Machinery and equipment		Other property, plant and equipment[1]		Advance payments and construction in progress		Total	
EUR million	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Acquisition cost at 1 January	6.6	5.6	414.9	394.8	423.2	415.1	5.9	5.9	61.1	31.5	911.8	852.9
Additions			10.8	5.1	20.1	14.7	0.0	0.0	37.1	37.0	68.0	56.8
Acquired in business combination		1.5		10.0		1.1				12.7		25.4
Disposals	-0.0		4.1	-4.7	-7.0	-17.3	-0.1	-0.0	-0.2		-3.1	-22.0
Reclassifications		-0.6	20.3	9.7	13.3	9.7	0.1	0.0	-33.8	-20.1	-0.1	-1.3
Translation differences					-0.1	-0.0		-0.0			-0.1	-0.1
Acquisition cost at 31 December	6.6	6.6	450.1	414.9	449.7	423.2	5.9	5.9	64.3	61.1	976.5	911.8
Accumulated depreciation and impairment at 1 January	0.2	0.2	-238.9	-227.3	-304.2	-297.6	-4.0	-3.8			-546.9	-528.5
Accumulated depreciation on disposals and transfers			-3.8	0.9	6.3	17.2	0.1	0.0			0.2	18.1
Depreciation			-13.9	-12.5	-25.2	-23.8	-0.3	-0.3			-39.4	-36.6
Translation differences					0.1	0.0	0.0	0.0			0.1	0.0
Accumulated depreciation and impairment at 31 December	0.2	0.2	-256.6	-238.9	-323.1	-304.2	-4.2	-4.0			-583.8	-546.9
Carrying amount at 1 January	6.8	5.8	176.0	167.5	119.0	117.4	1.8	2.0	61.1	31.5	364.8	324.4
Carrying amount at 31 December	6.8	6.8	193.5	176.0	126.5	119.0	1.7	1.8	64.3	61.1	392.8	364.8

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

Intangible assets and goodwill

Accounting policies

Research and development costs

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

Goodwill

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

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

Group goodwill comprise goodwill arising from Inovet acquisition in 2022 (more information on note 3.4 Business combination) and goodwill originated from the acquisition of Farmos-Group Ltd. in 1990.

Intangible rights and other intangible assets

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

Externally acquired intangible rights, such as product and marketing rights, are recognised in the statement of financial position. For a product under development, the cost bases are assessed. The costs of payments for research and development work undertaken that has not yet generated an intangible right recognisable in the statement of financial position are recognised as research and development costs. However, if an intangible right is considered to have been transferred to the

Group, the costs are recognised in the statement of financial position. Amortisations of marketing authorisations, and product and marketing rights included in the intangible rights are disclosed under selling and marketing expenses, and recording of an amortisation expense will commence when an authority has issued authorisation for marketing of the product and selling of it commences.

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

Government grants

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

Impairment of property, plant, equipment and intangible assets

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

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

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

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

The Management's view is that until an authority has granted marketing authorisation, it could not be demonstrated that an intangible asset would generate future economic benefits. The Group has therefore not capitalised its internal development costs. The same principle for recognition has been applied for externally purchased services. Actual cash flows can differ from estimated discounted future cash flows because changes in the long-term economic life of the Company's assets, the forecast selling prices of products, production costs and the discount rate applied in the calculations can lead to the recognition of impairment losses.

	Goodwill		Intangible rights[1]		Other intangible assets[2]		Total	
EUR million	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Acquisition cost at 1 January	**87.2**	13.5	**253.5**	201.6	**58.5**	56.2	**399.3**	271.2
Additions			**19.5**	49.9	**0.9**	0.6	**20.4**	50.5
Acquired in business combination		73.7		2.0		2.1		77.8
Disposals	**-0.0**		**-27.5**	-1.6	**0.2**	-0.0	**-27.3**	-1.6
Reclassifications			**-2.8**	1.7	**2.9**	-0.4	**0.1**	1.3
Translation differences			**-0.0**		**-0.0**	-0.0	**-0.0**	-0.0
Acquisition cost at 31 December	**87.2**	87.2	**242.8**	253.5	**62.5**	58.5	**392.5**	399.3
Accumulated depreciation and impairment at 1 January			**-153.6**	-148.6	**-54.7**	-53.7	**-208.3**	-202.3
Accumulated depreciation on disposals and transfers			**23.9**	0.8	**-0.2**		**23.7**	0.8
Amortisation			**-5.4**	-5.5	**-1.5**	-1.0	**-6.9**	-6.5
Impairment			**-1.0**	-0.2			**-1.0**	-0.2
Translation differences			**-0.0**	-0.0			**-0.0**	-0.0
Accumulated depreciation and impairment at 31 December			**-136.0**	-153.6	**-56.4**	-54.7	**-192.4**	-208.2
Carrying amount at 1 January	**87.2**	13.5	**100.0**	53.0	**3.8**	2.5	**191.0**	69.0
Carrying amount at 31 December	**87.2**	87.2	**106.8**	100.0	**6.1**	3.8	**200.1**	191.0

[1] Intangible rights comprise mainly product rights and marketing authorisations with carrying amount EUR 82.4 (2022: 81.9) million, and also software, trademarks and patents.
[2] Other intangible assets include development costs for software paid to external parties and entry fees.

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

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

Goodwill

The goodwill in the Consolidated statement of financial position as at 31 December 2023 consists EUR 73.7 million goodwill from the acquisition of Inovet Animal Health business in 2022 and EUR 13.5 million goodwill originated from the acquisition of Farmos-Group Ltd. in 1990.

The cash flow forecasts are based on the detailed five-year plans adopted by the management. The cash flows beyond the forecast period adopted by the management have been calculated cautiously assuming two per cent growth. Goodwill has been allocated to two cash-generating units. Group assesses value of its goodwill for impairment annually or more frequently, if facts and circumstances indicate, that the recoverable amount is lower than its carrying amount. Calculation of value from cash-generating units requires use of estimates and judgments. The management's forecasts are based on the sales, margins and discount rate. Management forecasts are based on forecasts on future trends. Management has considered climate-related matters in cash flow estimates. Based on impairment testing, there was no need to recognise any impairment of goodwill during the period. A change in any of the main variables used would, reasonably judged, not lead to a situation in which the recoverable amount of a group of cash-generating units is lower than its carrying amount. The discount rate for 2023 is 7.9% (2022: 6.1%).

Intangible assets not yet available for use

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

The carrying amount of intangible assets not yet available for use as at 31 December 2023 was EUR 91.0 (2022: 83.0) million.

Impairment recognised in the period

In 2023 impairment totalling to EUR 1.0 (2022: 0.4) million were recognised on the intangible rights of the Pharmaceuticals business. The most significant impairment charges relate to acquired rights to products the development of which has ceased, and to products that are already in markets, but for which the forecast recoverable cash flows were less than the carrying amount. The full carrying amount of rights to products the development of which has ceased has been recognised as an expense.

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

3.2 Leased assets

Accounting policies

Recognition at the inception of the lease

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

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

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

Subsequent measuring of a lease

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

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

The Group may re-negotiate leases during the lease term. Changes may lead to a revision of the duration of the lease term or to changing the underlying asset.

Information on Group leases

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

Leases of business premises

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

Lease of vehicles

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

Other leases

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

The Group as lessor

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

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

The Group will assess at the time of inception whether a contract is, or contains, a lease and for open-ended contracts judgement is used for determining lease period. A contract contains a lease when it contains an identified asset and it conveys the right to direct the use of that asset for a specific period of time. The precondition is that the Group pays a consideration to the contracting party in exchange for this right. The lease term is the period during which the lease cannot be cancelled. The lease term is extended by the period covered by an extension option or termination option, if the Group is reasonably certain to exercise the extension option or not to exercise the termination option. The Group does not enter as liabilities leases with a lease term of 12 months or less, or leases associated with low-value assets. These leases are recognised as a constant expense over the lease term.

	Leased premises		Cars		Others		Total	
EUR million	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Acquisition cost at 1 January	**13.3**	11.1	**4.1**	5.3	**1.5**	1.1	**18.9**	17.5
Additions	**1.2**	1.1	**2.4**	1.0	**0.7**	0.2	**4.3**	2.3
Acquired in business combination		2.4		0.1		0.2		2.6
Disposals	**-2.5**	-1.2	**-2.5**	-2.3	**-0.5**	-0.0	**-5.5**	-3.5
Translation differences	**-0.1**	-0.0	**-0.1**	0.0			**-0.2**	0.0
Acquisition cost at 31 December	**11.9**	13.3	**3.9**	4.1	**1.7**	1.5	**17.5**	18.9
Accumulated depreciation and impairment at 1 January	**-7.2**	-5.9	**-2.2**	-2.5	**-1.0**	-0.8	**-10.5**	-9.2
Accumulated depreciation on disposals and transfers	**2.4**	1.2	**2.4**	1.9	**0.5**	0.0	**5.2**	3.1
Depreciation	**-2.5**	-2.5	**-1.4**	-1.7	**-0.3**	-0.2	**-4.1**	-4.4
Translation differences	**-0.0**	0.1	**0.0**	-0.0			**-0.0**	0.0
Accumulated depreciation and impairment at 31 December	**-7.3**	-7.2	**-1.2**	-2.2	**-0.9**	-1.0	**-9.4**	-10.5
Carrying amount at 1 January	**6.1**	5.2	**1.9**	2.8	**0.4**	0.2	**8.4**	8.3
Carrying amount at 31 December	**4.6**	6.1	**2.7**	1.9	**0.8**	0.4	**8.1**	8.4

Items arising from leases in the consolidated income statement

EUR million	2023	2022
Depreciation from right-of-use assets	**4.4**	4.4
Interest expenses from lease liabilities	**0.2**	0.2
Expense from short-term lease	**0.7**	0.6
Expense from leases of low-value assets	**2.8**	2.6
Lease income from third parties	**-1.7**	-1.5
Total	**6.4**	6.3

The Group has one business facility that it has leased out to a third party. The lease agreement is open-ended. The lease revenue from the facility was in the financial period EUR 1.7 (2022: 1.5) million.

Lease liabilities

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

Lease-related items entered in the consolidated cash flow statement

The consolidated cash flow statement item changes in current loans including leasing liabilities contains EUR 4.0 (2022: 4.0) million of lease payments to lessors.

3.3 Joint arrangements

In the 2023 financial year, total cost of joint operations amounted to EUR 6.6 (2022: 8.5) million.

Licensing, development and commercialisation agreement between Orion and Bayer

Darolutamide is in clinical development for the treatment of patients with prostate cancer. The clinical Phase III trial (ARAMIS) launched in 2014 continued to evaluate the efficacy and safety of darolutamide in patients with non-metastatic castration resistant prostate cancer (nmCRPC). The primary endpoint of the ARAMIS trial was reached in October 2018. A second clinical Phase III trial (ARASENS) began in 2016 and evaluates the safety and efficacy of darolutamide in patients with metastatic hormone-sensitive prostate cancer (mHSPC). The primary endpoint of the ARASENS trial was reached in December 2021. Additionally, another clinical Phase III trial (ARANOTE) was launched in 2020 to evaluate the efficacy and safety of the combined darolutamide and hormonal therapy (androgen deprivation therapy, ADT) vs. combined placebo and hormonal therapy in patients with metastatic hormone-sensitive prostate cancer (mHSPC). The ARASTEP Phase III clinical study, commenced in year 2023, investigates the efficacy of darolutamide plus androgen deprivation therapy (ADT) versus ADT alone in hormone-sensitive prostate cancer, in patients with high-risk biochemical recurrence (BCR) who have no evidence of metastatic disease by conventional imaging and a positive PSMA PET/CT at baseline.

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

Under the agreement, Bayer will commercialise the product globally while Orion has the option of co-promoting the product in Europe. In addition, Orion will manufacture and package the product for global markets. Information on Nubeqa® sales revenue is provided in note 2.1 Revenue from contracts with customers.

Licensing, development and commercialisation agreement between Orion and MSD

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

Under the terms of the agreement, Orion and MSD will co-develop and co-commercialise ODM-208. MSD made an upfront payment to Orion of USD 290 million in year 2022. Of this upfront payment, Orion recognised approximately EUR 228 million as income at the time of signing and approximately EUR 60 million was reserved to cover Orion's share of ODM-208 development cost to be accrued in the future. The management's estimates of development costs are based on previous experience with the development costs of similar drugs. Orion will be responsible for the manufacture of clinical and commercial supply of ODM-208.

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

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

Licensing, development and commercialisation agreement between Orion and Amneal Pharmaceuticals

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

3.4 Business combination

Acquisition of Inovet's Animal Health business in 2022

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

Orion Group has 100 percent equity interest over the acquired companies. Final capital expenditure of the acquisition was in total EUR 94 million including the purchase price, net of cash EUR 82 million and deferred payments of EUR 11 million in 2022 and purchase price of EUR 0.1 million in 2023. 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.

Final 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.

Critical accounting estimates and assumptions, and main related uncertainties concerning business combinations

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

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

EUR million	
Non-current assets total	**32.1**
Inventories	**26.3**
Trade receivables and other receivables	**14.6**
Cash and cash equivalents	**0.2**
Current assets total	**41.1**
Assets total	**73.2**
Deferred tax liabilities	**1.3**
Pension liabilities	**0.5**
Interest-bearing non-current liabilities	**23.9**
Non-current liabilities total	**25.7**
Interest-bearing current liabilities	**13.2**
Trade payables and other current liabilities	**16.6**
Current liabilities total	**29.8**
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	**11.2**
Consideration transferred	**82.4**

Cash flows associated with the acquisition

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

Cash flow associated with acquisition amounted to EUR 0.1 million in 2023.

3.5 Investment in associate

EUR million	2023	2022
Carrying amount at 1 January	**0.1**	0.1
Share of associate company result	**0.0**	0.0
Carrying amount at 31 December	**0.1**	0.1

Associate company

Holding at 31 Dec, %	Domicile	2023	2022
Hangon Puhdistamo Oy	Hanko	**50.0%**	50.0%

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

Summarised financial information of associate

EUR million	2023	2022
Assets	**2.8**	3.0
Liabilities	**2.3**	2.4
Revenues	**3.5**	3.0
Profit for the period	**0.0**	0.0

The most recent available financial statements of the associate are for the years 2022 and 2021.

3.6 Inventories

Accounting policies

Inventories are presented in the statement of financial position using the standard price for self-manufactured products, and for purchased products using the weighted average cost method of variable costs incurred from procurement and manufacturing, or if lower, the probable selling price or replacement cost. Inventories are valued at the cost of the materials consumed plus the cost of conversion, which comprises costs directly proportional to the amount produced and a systematically allocated share of fixed and variable production overheads. The net realisable value is the estimated selling price obtained in the ordinary course of business, from which the estimated expenses necessary to complete the product and the expenses arising from the sale have been deducted.

EUR million, 31 Dec	2023	2022
Raw materials and consumables	**94.1**	86.4
Work in progress	**87.5**	69.9
Finished products and goods	**180.5**	159.3
Total	**362.2**	315.6

The value of inventories has been impaired to correspond to net realisable value by recording EUR 15.5 (2022: 14.9) million as an expense during the period.

3.7 Trade and other receivables

EUR million, 31 Dec	Carrying amount 2023	Fair value 2023	Carrying amount 2022	Fair value 2022
Trade receivables	**247.1**	**247.1**	180.7	180.7
Receivables from associate	**0.2**	**0.2**	0.1	0.1
Prepaid expenses and accrued income	**99.9**	**99.9**	33.6	33.6
Derivative contracts	**0.7**	**0.7**	0.1	0.1
VAT receivables	**3.3**	**3.3**	7.9	7.9
Other receivables	**4.8**	**4.8**	3.1	3.1
Total	**355.9**	**355.9**	225.6	225.6

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

Ageing analysis of trade receivables

EUR million, 31 Dec	Carrying amount 2023	Default rate 2023	Expected credit loss 2023	Carrying amount 2022
Not due	205.5	0.02%	0.0	157.0
1 to 30 days past due	23.5	0.28%	0.1	11.5
31 to 60 days past due	2.4	0.37%	0.0	1.7
61 to 90 days past due	1.2	0.44%	0.0	2.7
Over 90 days overdue	14.4	0.56%	0.1	7.8
Total	247.1		0.2	180.7

The credit losses of trade and other receivables for the period were net EUR 0.9 (2022: 0.2) million.

Specification of prepaid expenses and accrued income

EUR million, 31 Dec	2023	2022
Assets based on contracts	49.7	25.0
Return of funds of Pension Fund B	41.0	
Service and maintenance	4.0	3.5
Pending research and development contributions	1.3	0.5
Other prepaid expenses	4.0	4.5
Total	99.9	33.6

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

Other non-current receivables

EUR million, 31 Dec	2023	2022
Loan receivables from associate	0.7	0.2
Other non-current receivables	0.2	0.9
Total	0.9	1.0

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

3.8 Provisions

Accounting policies

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

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

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

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

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

Provisions

EUR million	Restructuring provisions	Pension provisions	Other provisions	Total
1 January 2023	0.0	0.0	0.6	**0.6**
Utilised during the period	-0.0		-0.2	**-0.2**
Reversal of provision			-0.1	**-0.1**
Additions to provisions	0.0	0.0	0.1	**0.2**
Translation differences			-0.0	**-0.0**
31 December 2023	0.0	0.1	0.4	**0.5**

EUR million, 31 Dec	2023
Non-current provisions	**0.5**
Current provisions	**0.0**
Total	**0.5**

3.9 Trade payables and other liabilities

EUR million, 31 Dec	2023	2022
Trade payables	**102.3**	114.4
Derivative contracts	**0.5**	0.3
Other current liabilities to associates	**0.1**	0.0
Accrued liabilities and deferred income	**97.5**	120.7
VAT liabilities	**4.9**	5.9
Other current liabilities	**17.0**	15.4
Total	**222.4**	256.7

Specification of accrued liabilities and deferred income

EUR million, 31 Dec	2023	2022
Personnel expenses	**56.4**	63.1
Liabilities based on contracts	**15.7**	14.6
Price reductions	**16.0**	5.0
Research and development expenses	**1.9**	7.6
Accrued interests	**0.3**	0.2
Liabilities based on licensing agreements		20.0
Other accrued liabilities and deferred income	**7.2**	10.2
Total	**97.5**	120.7

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

Other non-current liabilities

EUR million, 31 Dec	2023	2022
Liabilities based on contracts	**66.9**	68.7
Other liabilities	**9.6**	9.0
Total	**76.4**	77.7

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

4 Personnel

4.1 Employee benefits

Accounting policies

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

Critical accounting estimates and assumptions concerning share-based incentive plans

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

Employee benefits

EUR million	2023	2022
Wages and salaries	**210.2**	204.4
Pension costs, defined contribution plans	**25.7**	23.8
Pension costs, defined benefit plans	**8.7**	6.0
Share-based incentive plans, equity-settled	**7.1**	5.7
Share-based incentive plans, cash-settled	**5.1**	10.3
Other social security expenses	**16.3**	13.9
Total	**273.0**	263.9

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

Average number of personnel

Person	2023	2022
Average number of personnel	**3,599**	3,472

Share-based incentive plans

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

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

The target group of the plan consists of approximately 60 people. The total maximum amount of rewards to be paid on the basis of the plan is 760,000 Orion Corporation class B shares and a cash payment corresponding to the value of the shares. The total maximum amount includes a separate, so-called reward for commitment part that the Board of Directors can use by a separate decision during the years 2022–2026. The maximum amount of the reward for commitment is no more than 100,000 shares and a cash payment corresponding to the value of the shares. By 31 December 2023, no Orion Corporation shares had been paid as rewards under this plan.

There are no restriction periods in the plan, as the duration of each earning period is three years. According to the terms and the conditions of the plan, the rewards to be paid to a key person shall be limited, if the limits set for the rewards to be paid from the plan for one calendar year are exceeded.

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

The target group of the plan consists of approximately 50 people. The total maximum amount of rewards to be paid on the basis of the plan is 700,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares. The total maximum amount includes a separate, so-called reward for commitment part that the Board of Directors can use by a separate decision during the years 2019–2023. The maximum amount of the reward for commitment is no more than 100,000 shares and a cash payment corresponding to the value of the shares. By 31 December 2023, 302,472 B shares had been paid as rewards under this plan.

Under the plan, shares received based on one-year and two-year earning periods could not be transferred during the restricted period determined in the plan. There is no restricted period for the three-year earning periods. According to the terms and the conditions of the plan, the rewards to be paid to a key person from the plan in force shall be limited, if the limits set for the Orion Group long-term incentive plan rewards for one calendar year are exceeded.

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

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

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

Earning periods currently in effect

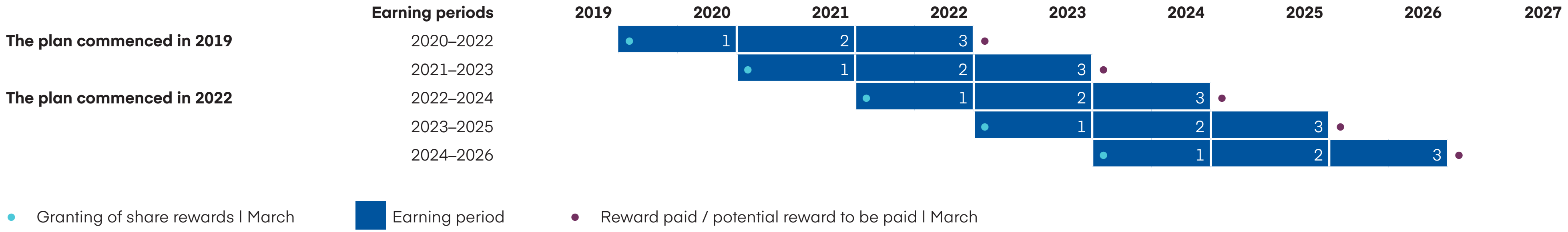
	2023–2025	2022—2024	2021—2023	2020—2022
Start date of earning period	**1 Jan 2023**	1 Jan 2022	1 Jan 2021	1 Jan 2020
End date of earning period	**31 Dec 2025**	31 Dec 2024	31 Dec 2023	31 Dec 2022
Grant date of share rewards	**23 Mar 2023**	22 Mar 2022	3 Mar 2021	17 Mar 2020
Fair value of shares at granting, EUR	**41.55**	41.93	33.58	32.51

Transferred shares

	2023	2022	2021
Number of shares transferred during period	**149,798**	38,543	99,768
Price per transferred share, EUR[1]	**44.26**	41.32	34.11
Total price of transferred shares, EUR million	**6.6**	1.6	3.4
End date of restricted period[2]			31 Dec 2021

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

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



4.2 Pension assets and pension liabilities

Accounting policies

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

The Orion Group has defined benefit pension plans in Finland, France and Norway. The most significant individual pension plan in Finland is the Orion Pension Fund, through which pension plans are provided for white-collar staff working in Finland. The Pension Fund comprises Department A and Department B. Department A is supplementary insurance, which is entirely defined benefit based. Department B includes statutory pension insurance to which all white collar staff are entitled, and is partly treated as defined benefit plan and partly treated as defined contribution plan. Assets of the Orion Pension Fund are invested in accordance with Finnish legislation. The management and Board of Directors of the Pension Fund are responsible for management of the assets of the Fund. In 2023 Orion Pension Fund Department B was replaced with defined contribution plan arrangement and insurance portfolio is transferred to insurance company 31.12.2023.

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

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

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

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

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

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

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

EUR million, 31 Dec	Pension fund 2023	Other 2023	Pension fund 2022	Other 2022
Present value of funded obligations	**24.0**	**16.5**	374.3	15.6
Fair value of plan assets	**-30.9**	**-12.9**	-430.5	-13.1
Surplus (-) / deficit (+)	**-6.9**	**3.6**	-56.2	2.5
Present value of unfunded obligations		**0.5**		0.5
Net asset (-) / liability (+) recognised in the statement of financial position	**-6.9**	**4.1**	-56.2	3.0

The insurance portfolio of the Orion Pension Fund's B fund has been transferred to pension insurance company on 31 December 2023. The transfer has EUR 30.7 million positive impact on Orion's result in 2023. Final adjustment on settlement gain will be recognised in financial year 2024. The receivable of funds impact amount to EUR 41.0 million as at 31 December 2023. The amount of the cash flow impact depends on the final valuation of the transferred pension liabilities and some illiquid investments, which will only be available by the end of H1/2024.

The net change of pension asset and liability of EUR 50.5 million is mostly due to gain or loss arising from settlements that relate to replacement of a defined benefit pension plan in Finland with contribution plan, return on plans assets, a change in the discount rate and the difference between the assumed and realised pension increase rate in the 2023 financial year.

The change in discount rate has been reported under the item Gains (-) and losses (+) due to changes in economic assumptions of the table illustrating the change in the current value of the obligation. The impact of the difference between assumed and realised pension increase rates has been reported under the item Experienced gains (-) and losses (+). These items have been directly recognised in equity under other comprehensive income.

Amounts in consolidated statement of financial position

EUR million, 31 Dec	Pension fund 2023	Other 2023	Pension fund 2022	Other 2022
Liabilities		**4.1**		3.0
Asset	**-6.9**		-56.2	
Net asset (-) / liability (+) recognised in the statement of financial position	**-6.9**	**4.1**	-56.2	3.0

Defined benefit plan pension expenses in consolidated statement of comprehensive income

EUR million	Pension fund 2023	Other 2023	Pension fund 2022	Other 2022
Current service cost	**10.3**	**0.1**	5.9	0.5
Gains (-) and losses (+) arising from settlements	**-30.7**			
Curtailments			-0.3	
Past service cost		**0.4**		
Interest expense and income, total	**-2.2**	**0.1**	-0.2	0.1
Pension expenses (+) / income (-) in income statement	**-22.6**	**0.7**	5.4	0.6
Items due to remeasurement	**18.7**	**1.6**	-44.7	-1.6
Pension expense (+) / income (-) statement of comprehensive income	**-3.9**	**2.3**	-39.3	-1.0

Defined benefit plan pension expenses by function

EUR million	Pension fund 2023	Other 2023	Pension fund 2022	Other 2022
Cost of goods sold	**3.6**		2.2	0.0
Selling and marketing	**1.1**	**0.2**	0.6	0.2
Research and development	**1.8**		1.2	0.0
Administration	**1.6**	**0.5**	1.3	0.4
Other operating income and expenses	**-30.7**			
Pension expense (+) / income (-) in the income statement	**-22.6**	**0.7**	5.4	0.6

Pension expense (+) / income (-) in the income statement includes impact from transfer of obligation EUR 30.7 million in 2023.

Changes in present value of obligation

EUR million	Pension fund 2023	Other 2023	Pension fund 2022	Other 2022
Defined benefit plan obligation at 1 January	**374.3**	**16.5**	437.1	18.7
Current service cost	**10.3**	**0.1**	5.9	0.5
Interest expense	**14.3**	**0.6**	4.3	0.3
Gains (-) and losses (+) arising from settlements	**-361.2**			
Curtailments			-0.3	
Past service cost		**0.3**		
Items due to remeasurement				
Gains (-) or losses (+) due to change in demographic assumptions				
Gains (-) or losses (+) due to change in economic assumptions	**1.5**	**0.3**	-108.0	-3.8
Experienced gains (-) or losses (+)	**-4.0**	**0.7**	45.4	0.6
Total	**-2.5**	**1.0**	-62.6	-3.2
Translation differences and other adjustments		**-0.7**		-0.2
Benefits paid	**-11.2**	**-0.8**	-10.1	-0.4
Obligation at 31 December	**24.0**	**16.6**	374.3	16.5

Changes in fair value of plan assets

EUR million	Pension fund 2023	Other 2023	Pension fund 2022	Other 2022
Fair value of plan assets at 1 January	**430.5**	**13.2**	452.1	13.8
Interest income	**16.5**	**0.5**	4.5	0.2
Settlements paid	**-330.5**			
Items due to remeasurement				
Return on plan assets excluding items in interest expense and income	**-21.2**	**-0.6**	-17.9	-1.6
Total	**-21.2**	**-0.6**	-17.9	-1.6
Translation differences and other adjustments		**-0.3**		-0.2
Employer contributions	**-53.2**	**1.0**	2.0	1.2
Benefits paid	**-11.2**	**-0.8**	-10.1	-0.4
Fair value of plan assets at 31 December	**30.9**	**12.9**	430.5	13.2

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

%, 31 Dec	2023	2022
Equity in developed markets	**43%**	44%
Equity in emerging markets	**0%**	4%
Bonds	**27%**	14%
Cash and money market investments	**7%**	5%
Properties	**22%**	22%
Other	**0%**	11%
Total	**100%**	100%

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

The Pension Fund plan assets in 2023 include shares issued by the parent company Orion Corporation with fair value EUR 1.1 (2022: 37.0) million that account for 3.6% (2022: 8.3%) of the plan assets.

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

Actuarial assumptions used by the Orion Pension Fund

%	2023	2022
Discount rate	**3.4%**	3.9%
Inflation rate	**2.3%**	2.6%
Future pension increases	**2.0%**	2.7%–2.9%
Future salary increases	**2.0%**	2.0%

In 2024 the Group expects to contribute EUR 0.6 million to its pension plans (in financial period 2022 it expected to contribute EUR 18 million in 2023 to its pension plans).

Discount rate is the most significant assumption, which affects the value of pension liability. In 2023 EUR 24.0 (2022: 374.3) million liability of the Orion Pension Fund has been discounted at a discount rate of 3.4% (2022: 3.9%). The impact on the liability of a change in the discount rate of +/- 0.5 percentage points would be EUR -1.4/+1.4 (2022: -29.9/+34.2) million, when other assumptions unchanged. The weighted average duration of the defined benefit liability is 12 (2022: 18) years at the end of 2023.

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

Volatility related to assets and liability

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

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

Changes in returns of bonds

The Group may have to change the discount rate if the return on bonds changes. That would alter the liabilities of the defined benefit plans and the components relating to defined benefit plans to be recorded in the statement of comprehensive income.

However, some of the assets of the plans are invested in bonds, and the change in their value may partly compensate for the effect of the change in the liability on the value of the net debt.

Inflation risk

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

Anticipated life expectancy

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

5 Income taxes and deferred tax assets and liabilities

5.1 Income taxes

Accounting policies

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

Income taxes

EUR million	2023	2022
Current taxes	**62.3**	89.4
Adjustments for current tax of prior periods	**0.1**	0.2
Changes in deferred taxes	**-7.3**	1.1
Total	**55.1**	90.8

Disclosure regarding Pillar 2 minimum taxation

OECD Global Minimum Tax (Pillar 2 rules) become effective in January 1, 2024 and apply to the financial years 2024 and onwards. Group has assessed the effect of the Pillar 2 rules and estimates that rules do not have effect to Group's effective tax rate nor corporate income tax cost.

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

EUR million	2023	2022
Profit before taxes	**271.9**	440.3
Consolidated income taxes at Group's domestic tax rate	**54.4**	88.1
Impact of different tax rates of foreign subsidiaries	**0.1**	0.4
Effect of deferred tax assets not recognised	**1.2**	
Benefit arising from previously recognised tax losses	**-0.1**	-0.3
Income tax adjustments of prior periods	**-0.3**	0.2
Income taxes on undistributed earnings	**0.1**	
Other items	**-0.2**	2.3
Income tax expense recognised in consolidated income statement	**55.1**	90.8
Effective tax rate	**20.3%**	20.6%

5.2 Deferred tax assets and liabilities

Accounting policies

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

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

Deferred tax assets

EUR million, 31 Dec	2023	2022
Revenue recognition	**1.6**	0.9
Internal inventory margin	**0.8**	1.6
Pension liabilities	**1.7**	0.6
Tax losses carried forward	**2.9**	
Provisions and accruals	**3.4**	
Lease liabilities	**1.6**	1.6
Other deductible temporary differences	**0.1**	0.0
Deferred tax assets	**12.1**	4.7
Offset against deferred tax liabilities	**-7.8**	-1.6
Total	**4.3**	3.1

Deferred tax liabilities

EUR million, 31 Dec	2023	2022
Depreciation difference and untaxed reserves	**29.6**	27.5
Pension assets	**5.2**	11.2
Capitalised cost of inventory	**2.3**	2.4
Undistributed earnings	**0.9**	
Right-of-use assets	**1.6**	1.6
Other taxable temporary differences	**0.0**	1.0
Deferred tax liabilities	**39.6**	43.8
Offset against deferred tax assets	**-7.8**	-1.6
Total	**31.8**	42.2

Changes in deferred taxes arises from

EUR million, 31 Dec	2023	2022
Net deferred tax assets (+) / liability (-) at 1 January	**-39.0**	-27.4
Recognised in the income statement	**7.3**	1.1
Recognised in other comprehensive income	**4.1**	-9.2
Translation differences and other	**0.1**	-3.6
Net deferred tax assets (+) / liability (-) at 31 December	**-27.5**	-39.0

Amount of tax losses for which no deferred tax asset has not been recognised due to uncertainty of utilisation

EUR million, 31 Dec	2023	2022
Tax loss carry forwards	**16.5**	16.5

6 Financing and capital structure

6.1 Financial assets and liabilities by category

Accounting policies

Classification

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

1. Measured at amortised cost

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

2. Recognised at fair value through profit or loss

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

A financial asset or liability with maturity over 12 months from the reporting date is included in the non-current assets or liabilities in the statement of financial position. If a financial asset is intended to be held for less than 12 months or its maturity is less than 12 months from the reporting date, it is included in the current assets in the statement of financial position.

Interest-bearing current liabilities include the credit limits of bank accounts to the extent that they are used, commercial papers issued by the Company and any repayments of capital of non-current interest-bearing liabilities due in the next 12 months.

Recognition and measurement

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

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

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

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

Impairment

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

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

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

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

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

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

Cash and cash equivalents

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

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

Derivative contracts

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

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

Financial assets and liabilities by category

	2023				2022
EUR million, 31 Dec	**Amortised cost**	**Fair value through profit and loss**	**Carrying amount of financial items**	**Fair value**	**Carrying amount of financial items**
Other investments		0.2	**0.2**	**0.2**	0.2
Loan receivables from associate	0.7		**0.7**	**0.7**	0.2
Non-current assets total	0.7	0.2	**0.9**	**0.9**	0.3
Trade receivables	247.1		**247.1**	**247.1**	180.7
Other receivables	0.4		**0.4**	**0.4**	0.5
Derivative contracts		0.7	**0.7**	**0.7**	0.1
Cash and cash equivalents	106.7		**106.7**	**106.7**	332.6
Current assets total	354.1	0.7	**354.8**	**354.8**	514.0
Financial assets total	354.8	0.9	**355.7**	**355.7**	514.3
Non-current interest-bearing liabilities	171.0		**171.0**	**163.1**	196.8
Other non-current liabilities	67.1		**67.1**	**67.1**	68.6
Deferred purchase price and earn-out		9.3	**9.3**	**9.3**	9.1
Non-current liabilities total	238.1	9.3	**247.4**	**239.5**	283.6
Trade payables	102.3		**102.3**	**102.3**	114.4
Other current liabilities					0.2
Current interest-bearing liabilities	29.0		**29.0**	**29.0**	17.2
Derivative contracts		0.5	**0.5**	**0.5**	0.3
Current liabilities total	131.4	0.5	**131.9**	**131.9**	132.1
Financial liabilities total	369.5	9.9	**379.3**	**371.4**	415.7

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

Fair value measurement and hierarchy of financial instruments

EUR million, 31 Dec 2023	Level 1	Level 2	Level 3	Total
Derivatives				
Currency derivatives		0.7		**0.7**
Other investments				
Shares and investments			0.2	**0.2**
Assets total		0.7	0.2	**0.9**
Deferred purchase price and earn-out			-9.3	**-9.3**
Derivatives				
Currency derivatives		-0.5		**-0.5**
Liabilities total		-0.5	-9.3	**-9.9**

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

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

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

6.2 Financial risk management

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

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

6.2.1 Market risk

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

6.2.1.1 Foreign currency exchange rate risk

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

Transaction risk

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

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

EUR million, 31 Dec	USD	SEK	PLN	Other significant currencies	Total 2023	Total 2022
Net position in statement of financial position	17.6	5.0	8.8	8.1	**39.5**	41.1
Forecast net position (12 months)	36.0	45.7	35.3	28.4	**145.3**	133.3
Net position, total	53.5	50.6	44.1	36.6	**184.8**	174.3
Currency derivatives for hedging	-21.2	-9.8	-8.6	-4.2	**-43.9**	-28.9
Net open position total	32.3	40.8	35.5	32.4	**141.0**	145.5

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

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

Translation risk

Translation risk arises from the equity of subsidiaries outside the eurozone. At 31 December 2023 the equity in these subsidiaries totalled EUR 56.7 (2022: 63.2) million. The most significant translation risk arises from the British pound. This translation position has not been hedged.

Sensitivity analysis

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

EUR million, 31 Dec	Impact on profit 2023	Impact on profit 2022
+/- 10% change in exchange rates	**0.4/-0.5**	-1.1/1.4

6.2.1.2 Electricity price risk

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

6.2.1.3 Interest rate risk

Changes in interest rates affect the Group's cash flow and results. At 31 December 2023, the Group's interest-bearing liabilities totalled EUR 200.0 (2022: 214.0) million, which comprise of long-term loans and lease liabilities. Of the loans from credit institutions, 106.8 million euros are tied to the variable Euribor interest rate.

The effect of the increase in the interest rate on the net interest expenses has been estimated with a sensitivity analysis, where it is assumed that the interest rate will rise in 2023 by one percentage point (1%) from the interest rates priced at the balance sheet date, other factors remaining the same. The effect on result before taxes would be EUR -0.6 (2022: -0.6) million. Lease liabilities are not taken into account in the calculation.

6.2.2 Counterparty risk

Counterparty risk is realised when a counterparty to the Group does not fulfil its contractual obligations, resulting in non-payment of funds to the Group. The maximum credit risk exposure at 31 December 2023 is the total of financial assets less carrying amounts of derivatives in financial liabilities, which totalled EUR 355.2 (2022: 513.8) million (note 6.1 Financial assets and liabilities by category). The main risks relate to trade receivables, cash and cash equivalents, and money market investments.

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

The Group Customer Credit Policy defines the basis for classifying customers and setting limits for them, and the ways through which the credit risk is managed. Payment performance and the financial situation of customers are monitored, and effective collection is regularly undertaken. Credit risk can be reduced by requiring advance payment as a payment term or a letter of credit or a bank guarantee to secure the payment, or by using credit insurance. In the pharmaceutical industry, trade receivables are typically generated by distributors representing different geographical areas. In certain countries, the Group also sells directly to local hospitals. The 25 largest customers accounted for 78.0% of the trade receivables at 31 December 2023 (2022: 73.0%). The trade receivables are not considered to involve significant risk (note 3.7 Trade and other receivables). Credit losses for the period recognised in income statement were EUR 0.9 (2022: 0.2) million. The Group has EUR 49.7 (25.0) million of assets based on contracts, for which no expected credit losses have been booked.

6.2.3 Liquidity risk

The Group seeks to maintain a good liquidity position in all conditions. This is ensured by cash flows from operating activities and cash and cash equivalents and other money market investments. The Group has EUR 150 million committed, undrawn bank overdraft limits, which will mature in 2028. In addition, the Group has a EUR 100 million unconfirmed commercial paper program from which no commercial papers had been issued on the reporting date.

The Group's interest-bearing liabilities at 31 December 2023 were EUR 200.0 (2022: 214.0) million, which consisted of bank loans and lease contract liabilities. The average maturity for interest-bearing liabilities excluding lease liabilities is 4.0 years (2022: 4.7 years). At 31 December 2023, the Group's cash and cash equivalents and money market investments, which decrease liquidity risk, totalled EUR 106.7 (2022: 332.6) million. To ensure the Group's liquidity, any surplus cash is invested mainly in short-term euro-denominated interest-bearing instruments with good creditworthiness. An investment-specific limit is determined for each investment.

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

EUR million, 31 Dec	2024	2025	2026	2027	2028	Total
Repayments of loans	25.6	25.7	25.6	24.9	90.1	191.9
Repayments of lease liabilities	3.4	2.2	1.4	0.5	0.5	8.0
Interest payments	5.2	4.5	3.8	3.2	7.3	24.0
Cash flow total, interest-bearing financial liabilities	34.2	32.3	30.8	28.6	97.9	223.9
Trade payables	102.3					102.3
Other non-interest-bearing financial liabilities	0.3					0.3
Cash flow total, non-interest-bearing financial liabilities	102.7					102.7
Derivative contracts, inflow	0.7					0.7
Derivative contracts, outflow	-0.5					-0.5
Cash flow total, derivative contracts	0.2					0.2
Cash flow total, all	137.0	32.3	30.8	28.6	97.9	326.7

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

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

6.2.4 Management of capital structure

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

The terms of credit limit agreements of the Company include covenants that specify that if the covenants are breached, the lender optionally has the right to demand early repayment of the loan. The key figures used in calculation of covenants are calculated in accordance with the formulas given in loan agreements. The following tables show the levels of financial covenants specified in the terms of the loans and the corresponding values at 31 December 2023. Orion fulfilled these financial covenants on 31 December 2023.

Financial covenants

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

Group equity ratio

31 Dec	2023	2022
Equity, EUR million	**890.1**	908.1
Equity and liabilities total minus advances received, EUR million	**1,427.8**	1,491.0
Equity ratio, %	**62.3%**	60.9%

Group interest-bearing net liabilities / Group EBITDA

EUR million, 31 Dec	2023	2022
Interest-bearing net liabilities	**93.3**	-118.7
EBITDA	**326.4**	487.1
Interest-bearing net liabilities / EBITDA	**0.29**	-0.24

6.3 Equity

Accounting policies

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

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

Changes in share capital

	A shares	B shares	Total	Share capital EUR million
Total number of shares at 1 Jan 2022	**34,813,206**	**106,321,072**	**141,134,278**	**92.2**
Conversion of A shares to B shares in 1 Jan–31 Dec 2022	-626,712	626,712	0	
Total number of shares at 31 Dec 2022	**34,186,494**	**106,947,784**	**141,134,278**	**92.2**
Conversions of A shares to B shares in 1 Jan–31 Dec 2023	-835,112	835,112	0	
Total number of shares at 31 Dec 2023	**33,351,382**	**107,782,896**	**141,134,278**	**92.2**
Number of treasury shares at 31 Dec 2023		782,973	782,973	
Total number of shares at 31 Dec 2023, excluding treasury shares	**33,351,382**	**106,999,923**	**140,351,305**	
Total number of votes at 31 Dec 2023 excluding treasury shares	**667,027,640**	**106,999,923**	**774,027,563**	

On 31 December 2023 Orion had a total of 141,134,278 (2022: 141,134,278) shares, of which 33,351,382 (2022: 34,186,494) were A shares and 107,782,896 (2022: 106,947,784) B shares. The Group's share capital was EUR 92,238,541.46 (2022: 92,238,541.46). At the end of 2023 Orion held 782,973 (2022: 932,771) B shares as treasury shares. On 31 December 2023 the aggregate number of votes conferred by the A and B shares was 774,027,563 (2022: 789,744,893) excluding treasury shares.

All shares issued have been paid in full.

Orion's shares have no nominal value. The counter book value of the A and B shares is about EUR 0.65 per share. Each A share entitles its holder to twenty (20) votes at General Meetings of Shareholders and each B share one (1) vote. However, a shareholder cannot vote more than 1/20 of the aggregate number of votes from the different share classes represented at the General Meetings of Shareholders. In addition, Orion and Orion Pension Fund do not have the right to vote at Orion Corporation's General Meetings of Shareholders.

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

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. In 2023 total of 835,112 A shares were converted to B shares.

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

On 22 March 2023, 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.

On 23 March 2022, the Annual General Meeting authorised the Board of Directors 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 was entitled to decide on the acquisition of no more than 500,000 class B shares of the Company and is entitled to decide on the conveyance of no more than 1,000,000 own Class B shares held by the Company. Based on this authorisation and a decision by the Board of Directors on 25 August 2022, Orion acquired a total of 400,000 B shares between 1 September and 19 September, and 26 October and 4 November 2022. The authorisation to acquire own shares was valid for 18 months from the decision of the Annual General Meeting and it expired during the review period. The authorisation to convey own shares is valid for five years from the decision of the Annual General Meeting.

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

The Board of Directors proposes that a dividend of EUR 1.62 per share will be paid out, donation of EUR 0.4 million based on the consolidated statement of financial position to be adopted for the financial year ended December 31, 2023, and that the remaining part is carried forward in the retained earnings in unrestricted equity.

Other reserves

EUR million, 31 Dec	2023	2022
Reserve funds	3.3	1.9
Expandable fund	0.5	0.5
Reserve for invested unrestricted equity	0.9	0.9
Total	**4.6**	3.3

Translation differences

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

Dividends and other distribution of profits

A dividend of EUR 1.60 (2022: 1.50) per share were distributed in the 2022 financial year. In addition, donations of EUR 0.4 (2022: 0.4) million were distributed from profit funds.

6.4 Interest-bearing liabilities

EUR million, 31 Dec	Carrying amount 2023	Fair value 2023	Carrying amount 2022	Fair value 2022
Loans from credit institutions	166.3	158.4	192.0	173.0
Lease liabilities	4.7	4.7	4.7	4.7
Non-current liabilities total	**171.0**	**163.1**	196.8	177.7

EUR million, 31 Dec	Carrying amount 2023	Fair value 2023	Carrying amount 2022	Fair value 2022
Loans from credit institutions	25.7	25.7	13.8	13.8
Lease liabilities	3.4	3.4	3.4	3.4
Current liabilities total	**29.0**	**29.0**	17.2	17.2

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

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

6.5 Cash and cash equivalents

EUR million, 31 Dec	Carrying amount 2023	Fair value 2023	Carrying amount 2022	Fair value 2022
Cash and bank	106.7	106.7	227.7	227.7
Liquid money market investments			104.9	105.0
Total	**106.7**	**106.7**	332.6	332.7

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

6.6 Other investments

Other investments, with asset value of EUR 0.2 (2022: 0.2) million at 31 December 2023, include mainly shares and investments in unlisted companies. They are stated at cost because their fair value cannot be determined reliably.

6.7 Derivative contracts

Nominal values and maturity of currency derivatives

EUR million, 31 Dec	2023	2022
Currency forward contracts and currency swaps	**49.3**	39.3
Currency options	**28.0**	25.7

All derivatives have a maturity less than one year.

Fair values of non-hedge-accounting derivative

	2023			2022
EUR million, 31 Dec	Positive	Negative	Net	Net
Currency forward contracts and currency swaps	**0.6**	**-0.4**	**0.3**	-0.2
Currency options	**0.1**	**-0.2**	**-0.1**	0.0

All derivatives are OTC derivatives, and market quotations at the end of the reporting period have been used for determining their fair value. Derivatives measured at fair value have been reported in the consolidated statement of financial position on a gross basis. Derivative contract terms agreed with banks allow netting in the event of payment default or bankruptcy, among other things. At the end of the reporting period, after netting the counterparty risk to Orion was EUR 0.3 (2022: 0.2) million and to counterparties EUR 0.1 (2022: 0.0) million.

6.8 Contingent liabilities and commitments

Accounting policies

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

Contingencies for own liabilities

EUR million, 31 Dec	2023	2022
Guarantees	**2.6**	5.1
Other		0.3

Commitments

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

Significant legal proceedings

On 26 October 2023, Orion Corporation filed together with Bayer et al a patent infringement lawsuit against Hetero USA Inc. et al in the United States District Court for the District of Delaware. Hetero USA Inc. (et al) has filed an Abbreviated New Drug Application ("ANDA") for Nubeqa® (darolutamide) with the U.S. Food and Drug Administration seeking approval to commercialise a generic version of Nubeqa® prior to certain patents expiring in 2036 and 2038. However, according to Orion's information, the ANDA as filed does not seek approval prior to the expiry of the compound patent protection for Nubeqa® (darolutamide) in the U.S.

In the U.S., generic pharmaceutical companies may apply for an ANDA after a certain time has lapsed from the grant of the marketing authorisation of the originator's product, and such applications will occur in the ordinary course of business.

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

7 Other notes

7.1 Related party transactions

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

Related party transactions

The Group's material related party transactions relate to pension contributions paid to the Orion Pension Fund (additional information is presented in 4.2 Pension assets and pension liabilities) and services acquired from Lääkärikeskus Aava Oy. Services were purchased from Lääkärikeskus Aava Oy during the financial year 2023 for EUR 0.3 (2022: 0.3) million. The Group's debt to Lääkärikeskus Aava Oy at the end of the financial year 2023 was EUR 0.0 (2022: 0.0) million.

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

Orion Corporation has loan receivables of EUR 0.9 (2022: 0.3) million from Hangon Puhdistamo Oy.

Management´s employment benefit paid[1]

The table presents remuneration paid to President and CEO, Executive Management Board and Board of Directors. More information on share-based incentive plans is presented in 4.1 Employee benefits.

EUR million	2023	2022
Salaries, share-based benefits and other short-term employment benefits	**8.8**	4.8
Share-based benefits	**2.4**	0.6
Post-employment benefits	**0.4**	0.4

EUR million	2023	2022
Liisa Hurme, President and CEO (from 1 November 2022)	**2.0**	0.1
Timo Lappalainen, President and CEO (until 1 November 2022)		1.2
Mikael Silvennoinen, Chairman	**0.1**	0.1
Hilpi Rautelin, Vice Chairman	**0.1**	0.1
Kari Jussi Aho	**0.1**	0.1
Maziar Mike Doustdar	**0.1**	0.1
Ari Lehtoranta	**0.1**	0.1
Veli-Matti Mattila	**0.1**	0.1
Eija Ronkainen	**0.1**	0.1
Karen Lykke Sørensen	**0.1**	0.1
Pia Kalsta (until 23 March 2022)		0.0
Timo Maasilta (until 23 March 2022)		0.0
Board of Directors, total	**0.6**	0.5

[1] Additional information from Remuneration Report 2023.

The President and CEO´s pension is determined by the law applicable to employees.

7.2 Auditor's renumeration

EUR million	2023	2022
Auditing	**0.3**	0.3
Assignments under Auditing Act Section 1 Subsection 1 Paragraph 2	**0.0**	0.0
Tax consulting	**0.0**	0.0
Other services	**0.0**	0.1
Total	**0.4**	0.5

Audit firm KPMG Oy Ab is acting as principal auditor for Orion Group. KPMG has not charged any other than auditing services in 2023 and 2022.

Auditing fees in 2023 to other auditing firms were EUR 0.1 (2022: 0,0) million.

7.3 Group companies

	Group		Parent company	
31 Dec 2023	Ownership %	Share of votes %	Ownership %	Share of votes %
Pharmaceuticals				
Parent company Orion Corporation, Finland				
Fermion Oy, Finland	100.00	100.00	100.00	100.00
FinOrion Pharma India Pvt. Ltd., India	100.00	100.00	95.00	95.00
Inovet IndochineCo., Ltd., Vietnam	100.00	100.00		
Kiinteistö Oy Tonttuvainio, Finland	100.00	100.00	100.00	100.00
Laboratoires Biard S.A., France	100.00	100.00		
Laboratoires Biové SAS, France	100.00	100.00		
OOO Orion Pharma, Russia[1]	100.00	100.00		
Orionfin, Unipessoal, Lda, Portugal	100.00	100.00	100.00	100.00
Orion Export Oy, Finland[1]	100.00	100.00	100.00	100.00
Orion Pharma AB, Sweden	100.00	100.00	100.00	100.00
Orion Pharma AG, Switzerland	100.00	100.00	100.00	100.00
Orion Pharma A/S, Denmark	100.00	100.00	100.00	100.00
Orion Pharma AS, Norway	100.00	100.00	100.00	100.00
Orion Pharma (AUS) Pty Limited, Australia	100.00	100.00	100.00	100.00
Orion Pharma (Austria) GmbH, Austria	100.00	100.00	100.00	100.00
Orion Pharma BVBA, Belgium	100.00	100.00	100.00	100.00
Orion Pharma d.o.o., Slovenia	100.00	100.00	100.00	100.00
Orion Pharma East LLP, Kazakhstan	100.00	100.00	100.00	100.00
Orion Pharma GmbH, Germany	100.00	100.00	100.00	100.00
Orion Pharma Hellas, Pharmakeftiki Mepe, Greece	100.00	100.00	100.00	100.00
Orion Pharma Inc., USA	100.00	100.00	100.00	100.00
Orion Pharma (Ireland) Ltd., Ireland	100.00	100.00	100.00	100.00
Orion Pharma Kft., Hungary	100.00	100.00	100.00	100.00
Orion Pharma (MY) Sdn. Bhd., Malaysia	100.00	100.00	100.00	100.00

	Group		Parent company	
31 Dec 2023	Ownership %	Share of votes %	Ownership %	Share of votes %
Orion Pharma (NZ) Limited, New Zealand	100.00	100.00	100.00	100.00
Orion Pharma Poland Sp. z o.o., Poland	100.00	100.00	100.00	100.00
Orion Pharma Romania S.R.L., Romania	100.00	100.00	100.00	100.00
Orion Pharma SA, France	100.00	100.00	100.00	100.00
Orion Pharma (SG) Pte. Ltd., Singapore	100.00	100.00	100.00	100.00
Orion Pharma S.L., Spain	100.00	100.00	100.00	100.00
Orion Pharma S.r.l., Italy	100.00	100.00	100.00	100.00
Orion Pharma s.r.o., Czech Republic	100.00	100.00	100.00	100.00
Orion Pharma s.r.o., Slovakia	100.00	100.00	100.00	100.00
Orion Pharma Thai Co, Ltd., Thailand	100.00	100.00	99.00	99.00
Orion Pharma (UK) Ltd., United Kingdom	100.00	100.00	100.00	100.00
OÜ Orion Pharma Eesti, Estonia	100.00	100.00	100.00	100.00
Saiph Therapeutics Oy, Finland[1]	100.00	100.00	100.00	100.00
Snappertuna Holding Oy, Finland[1]	100.00	100.00	100.00	100.00
TOV Orion Pharma Ukraine, Ukraine	100.00	100.00	100.00	100.00
Tuohilampi Holding Oy, Finland[1]	100.00	100.00	100.00	100.00
UAB Orion Pharma, Lithuania	100.00	100.00	100.00	100.00
V.M.D. Állatgyógyászati Kft, Hungary[1]	100.00	100.00		
VMD NV, Belgium	100.00	100.00	100.00	100.00

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

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

7.4 Events after the end of reporting period

There have been no other events after the reporting period.

Parent company Orion Corporation's financial statements (FAS)

Income statement

EUR million	Note	2023	2022
Net sales	1	**1,013.0**	1,171.3
Increase (+) or decrease (-) in stocks of finished goods or work in progress		**27.4**	-0.4
Other operating income	2	**55.3**	11.1
Raw materials and services	3	**-356.1**	-288.9
Personnel expenses	5	**-155.9**	-171.5
Depreciation, amortisation and impairment	5	**-35.3**	-32.5
Other operating expenses	2	**-266.5**	-267.1
Operating profit		**281.9**	422.0
Finance income and expenses	6	**8.1**	10.5
Profit before appropriations and taxes		**290.1**	432.5
Appropriations	7	**-5.5**	1.5
Income tax expense	8	**-53.2**	-85.1
Profit for the period		**231.4**	348.9

Balance sheet

Assets

EUR million, 31 Dec	Note	2023	2022
Intangible rights		**104.2**	96.8
Other long-term expenditure		**4.9**	2.4
Intangible assets	9	**109.1**	99.2
Land and water areas		**4.0**	4.0
Buildings and constructions		**171.5**	153.2
Machinery and equipment		**83.9**	80.3
Other tangible assets		**1.4**	1.5
Advanced payments and construction in progress		**23.4**	31.9
Tangible assets total	10	**284.1**	270.9
Holdings in Group companies		**159.2**	159.2
Other investments		**0.2**	0.2
Investments total	11	**159.3**	159.3
Non-current assets total		**552.6**	529.4
Non-current receivables	12	**34.2**	0.1
Inventories	13	**225.2**	192.1
Trade receivables	14	**195.8**	145.8
Other current receivables	14	**183.1**	130.1
Liquid money market investments	15		104.9
Cash and bank	15	**72.3**	184.5
Current assets total		**710.6**	757.6
Assets total		**1,263.1**	1,287.0

Liabilities

EUR million, 31 Dec	Note	2023	2022
Share capital		**92.2**	92.2
Expandable fund		**0.5**	0.5
Reserve for invested unrestricted equity		**0.9**	0.9
Retained earnings		**364.0**	240.0
Profit for the period		**231.4**	348.9
Shareholders' equity	16	**689.0**	682.6
Appropriations	17	**110.9**	105.5
Provisions	18	**0.5**	0.5
Loans from credit institutions		**152.9**	176.5
Other non-current liabilities		**69.3**	68.8
Non-current liabilities total	19	**222.3**	245.3
Loans from credit institutions		**23.5**	11.8
Trade payables		**94.0**	106.7
Other current liabilities		**122.9**	134.8
Current liabilities total	20	**240.4**	253.3
Liabilities total		**1,263.1**	1,287.0

Cash flow statement

EUR million	2023	2022
Operating profit	**281.9**	422.0
Depreciation, amortisation and impairment	**35.3**	32.5
Other adjustments	**-43.6**	-0.8
Total adjustments to operating profit	**-8.2**	31.7
Change in trade and other receivables	**-92.3**	-24.8
Change in inventories	**-33.1**	-9.6
Change in trade and other payables	**-10.7**	73.4
Total change in working capital	**-136.1**	39.0
Interest and other financial expenses paid	**-7.1**	-3.9
Dividends received	**10.4**	8.8
Interest and other financial income received	**4.5**	5.5
Income taxes paid	**-42.3**	-93.4
Total net cash flow from operating activities	**103.0**	409.8
Investments in intangible assets	**-47.6**	-16.5
Investments in tangible assets	**-41.1**	-39.7
Sales of intangible assets	**0.0**	
Sales of tangible assets and other investments	**8.4**	0.7
Investments in subsidiary shares	**-0.1**	-83.1
Changes in loan receivables from Group companies	**-10.0**	-23.3
Changes in loan receivables from associate	**-0.6**	0.1
Total net cash flow from investing activities	**-91.0**	-161.7

EUR million	2023	2022
Changes in current loans	**1.5**	16.8
Proceeds of non-current loans		100.0
Repayment of non-current loans	**-11.8**	-11.8
Repurchase of treasury shares		-17.9
Dividends paid and other distribution of profits	**-224.9**	-211.3
Group contributions received	**6.0**	9.5
Total net cash flow from financing activities	**-229.2**	-114.7
Net change in cash and cash equivalents	**-217.2**	133.4
Cash and cash equivalents at 1 January	**289.5**	156.0
Net change in cash and cash equivalents	**-217.2**	133.4
Cash and cash equivalents at 31 December	**72.3**	289.5

Parent company notes to the financial statements for 2023 (FAS)

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

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

Accounting policies

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

Net sales

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

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

Foreign currency transactions

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

Research and development expenses

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

Income taxes

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

Non-current assets

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

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

The useful lives of various asset categories are:

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

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

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

Rental agreements

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

Inventories

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

Financial assets and liabilities and derivative contracts

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

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

The fair value is based on the prices available in the markets. Investments in unquoted shares are measured at acquisition cost because their fair value cannot be measured using the fair value method.

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

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

Share-based incentive plans

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

Pension arrangements

The pension security of the Company's employees has been arranged through the Orion Pension Fund and pension assurance companies. Supplementary pension security has been arranged through the pension fund for employees whose employment began prior 25 June 1990 and continues until retirement. Supplementary pensions for some executives have also been arranged through pension insurance companies. The pension liability of the Orion Pension Fund is covered in full. The insurance portfolio of the Orion Pension Fund's B fund has been transferred to pension insurance company on 31 December 2023.

Provisions

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

1 Net sales

Net sales by business area

EUR million	2023	2022
Pharmaceuticals business	**1,013.0**	1,171.3
Total	**1,013.0**	1,171.3

Net sales by region

EUR million	2023	2022
Finland	**332.2**	321.9
Scandinavia	**126.0**	123.5
Other Europe	**270.0**	294.6
North America	**158.9**	319.6
Other countries	**126.0**	111.7
Total	**1,013.0**	1,171.3

2 Other operating income and other operating expenses

Other operating income

EUR million	2023	2022
Settlement gain of the transfer of Pension Fund's B fund	**36.8**	
Service charges received from Group companies	**6.1**	6.7
Gains on sales of property, plant and equipment and intangible assets	**7.8**	0.3
Rental income	**2.4**	2.1
Other operating income	**2.2**	2.0
Total	**55.3**	11.1

Other operating expenses

EUR million	2023	2022
Research and developing expenses	**62.1**	64.1
IC recharging	**44.7**	38.4
IT expenses	**34.7**	30.0
Property expenses	**28.8**	26.2
Other operating expenses	**96.2**	108.5
Total	**266.5**	267.1

Auditors' remuneration

EUR million	2023	2022
Auditing	**0.1**	0.1
Assignments under Auditing Act Section 1 Subsection 1 Paragraph 2	**0.0**	0.0
Total	**0.1**	0.1

3 Raw materials and services

EUR million	2023	2022
Production for own use	**-2.0**	-2.5
Raw materials and services		
Purchases during the financial year	**326.2**	270.6
Increase (-) or decrease (+) in stocks	**-5.7**	-10.0
External services	**37.6**	30.8
Total	**356.1**	288.9

4 Personnel expenses

EUR million	2023	2022
Wages and salaries	**136.7**	135.9
Pension expenses	**8.5**	19.9
Share-based incentive plans	**4.8**	9.7
Other social security expenses	**5.9**	6.0
Total	**155.9**	171.5

Average number of employees

Person	2023	2022
Average number of employees during the period	**2,351**	2,293

Share-based payments

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

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

The target group of the plan consists of approximately 60 people. The total maximum amount of rewards to be paid on the basis of the plan is 760,000 Orion Corporation class B shares and a cash payment corresponding to the value of the shares. The total maximum amount includes a separate, so-called reward for commitment part that the Board of Directors can use by a separate decision during the years 2022–2026. The maximum amount of the reward for commitment is no more than 100,000 shares and a cash payment corresponding to the value of the shares. By 31 December 2023, no Orion Corporation shares had been paid as rewards under this plan.

There are no restriction periods in the plan, as the duration of each earning period is three years. According to the terms and the conditions of the plan, the rewards to be paid to a key person shall be limited, if the limits set for the rewards to be paid from the plan for one calendar year are exceeded.

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

The target group of the plan consists of approximately 50 people. The total maximum amount of rewards to be paid on the basis of the plan is 700,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares. The total maximum amount includes a separate, so-called reward for commitment part that the Board of Directors can use by a separate decision during the years 2019–2023. The maximum amount of the reward for commitment is no more than 100,000 shares and a cash payment corresponding to the value of the shares. By 31 December 2023, 302,472 B shares had been paid as rewards under this plan.

Under the plan, shares received based on one-year and two-year earning periods could not be transferred during the restricted period determined in the plan. There is no restricted period for the three-year earning periods. According to the terms and the conditions of the plan, the rewards to be paid to a key person from the plan in force shall be limited, if the limits set for the Orion Group long-term incentive plan rewards for one calendar year are exceeded.

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

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

5 Depreciation, amortisation and impairment

EUR million	2023	2022
Depreciation and amortisation according to plan	**34.4**	32.1
Impairments	**1.0**	0.4
Total	**35.3**	32.5

More information of depreciation and amortisation by asset class for the financial year in notes 9–10.

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

6 Finance income and expenses

EUR million	2023	2022
Income from other non-current investments		
Dividend income from Group companies	**10.4**	8.8
Dividend income from other investments	**0.0**	0.0
Interest income from other companies	**0.0**	0.0
Other interest and finance income		
Interest Income from Group companies	**1.2**	0.2
Interest income from other companies	**2.4**	0.8
Other finance income	**1.9**	4.9
Interest expenses and other finance expenses		
Interest expenses to Group companies	**-0.8**	-0.1
Interest expenses to other companies	**-4.4**	-0.8
Other finance expenses	**-2.6**	-3.4
Total	**8.1**	10.5

7 Appropriations

EUR million	2023	2022
Change in cumulative accelerated depreciation, increase (-), decrease (+)	**-5.5**	-4.5
Group contribution received		6.0
Total	**-5.5**	1.5

8 Income taxes

EUR million	2023	2022
Current taxes	**53.9**	85.1
Adjustments for current tax of prior periods	**-0.7**	-0.0
Total	**53.2**	85.1

Deferred tax assets and deferred tax liabilities

Deferred tax liabilities or deferred tax assets of the parent company have not been recognised to the company's balance sheet.

Deferred tax assets in Group

EUR million	2023	2022
Provisions	**0.1**	0.1
Total	**0.1**	0.1

Deferred tax liabilities in Group

EUR million, 31 Dec	2023	2022
Appropriations	**22.2**	21.1
Revaluations	**3.3**	3.3
Total	**25.5**	24.4

9 Intangible assets

	Intangible rights		Goodwill		Other capitalised expenditure		Total	
EUR million	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Acquisition cost at 1 January[1]	**247.2**	197.7	**68.3**	68.3	**57.1**	56.4	**372.5**	322.4
Additions	**19.3**	49.3			**0.6**	0.6	**19.9**	49.9
Disposals	**-26.3**	-0.0			**-0.1**	-0.0	**-26.5**	-0.0
Reclassifications	**-2.9**	0.2			**2.9**	0.1	**0.0**	0.3
Acquisition cost at 31 December	**237.3**	247.2	**68.3**	68.3	**60.4**	57.1	**365.9**	372.5
Accumulated amortisation and impairment at 1 January[1]	**-150.4**	-144.9	**-68.3**	-68.3	**-54.7**	-54.0	**-273.3**	-267.2
Accumulated amortisation on disposals	**23.2**	0.0			**0.1**		**23.4**	0.0
Amortisation	**-5.0**	-5.0			**-0.9**	-0.7	**-5.9**	-5.7
Impairment	**-1.0**	-0.5					**-1.0**	-0.5
Accumulated depreciation and impairment at 31 December	**-133.1**	-150.4	**-68.3**	-68.3	**-55.5**	-54.7	**-256.8**	-273.3
Book value at 1 January	**96.8**	52.7			**2.4**	2.5	**99.2**	55.2
Book value at 31 December	**104.2**	96.8			**4.9**	2.4	**109.1**	99.2
Accumulated difference between total and planned amortisation at 1 January	**2.4**	2.4			**0.5**	0.4	**2.8**	2.8
Change in cumulative accelerated amortisation, increase (+) or decrease (-)	**-0.5**	-0.0			**0.1**	0.0	**-0.4**	0.0
Accumulated difference at 31 December	**1.9**	2.4			**0.5**	0.5	**2.4**	2.8

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

10 Tangible assets

	Land and water		Buildings and structures		Machinery and equipment		Other tangible assets		Advanced payments and construction in progress		Total	
EUR million	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Acquisition cost at 1 January[1]	**4.0**	4.0	**330.8**	319.4	**292.0**	280.2	**3.9**	3.9	**31.9**	21.8	**662.6**	629.3
Additions			**10.1**	4.8	**15.7**	12.2	**0.0**	0.0	**16.5**	24.2	**42.4**	41.2
Disposals	**-0.0**		**-0.4**	-0.8	**-6.1**	-6.6	**-0.0**		**-0.1**	-0.2	**-6.7**	-7.5
Reclassifications			**19.1**	7.4	**5.7**	6.3	**0.1**	0.0	**-25.0**	-13.9	**-0.0**	-0.3
Acquisition cost at 31 December	**4.0**	4.0	**359.7**	330.8	**307.4**	292.0	**4.0**	3.9	**23.4**	31.9	**698.4**	662.6
Accumulated depreciation at 1 January[1]			**-177.6**	-168.1	**-211.7**	-201.9	**-2.4**	-2.2			**-391.7**	-372.2
Accumulated amortisation on disposals and transfers			**0.4**	0.6	**5.5**	6.3	**0.0**				**6.0**	6.8
Depreciation			**-10.9**	-10.1	**-17.3**	-16.0	**-0.2**	-0.2			**-28.4**	-26.4
Accumulated depreciation at 31 December			**-188.2**	-177.6	**-223.5**	-211.7	**-2.6**	-2.4			**-414.2**	-391.7
Book value at 1 January	**4.0**	4.0	**153.2**	151.3	**80.3**	78.3	**1.5**	1.7	**31.9**	21.8	**270.9**	257.1
Book value at 31 December	**4.0**	4.0	**171.5**	153.2	**83.9**	80.3	**1.4**	1.5	**23.4**	31.9	**284.1**	270.9
Accumulated difference between total and planned depreciation at 1 January			**45.3**	45.5	**57.3**	52.6	**0.1**	0.1			**102.7**	98.2
Change in cumulative accelerated depreciation, increase (+) or decrease (-)			**1.9**	-0.3	**4.1**	4.7	**-0.0**	-0.0			**5.9**	4.5
Accumulated difference at 31 December			**47.1**	45.3	**61.4**	57.3	**0.0**	0.1			**108.6**	102.7

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

The book value of production machines and equipment at 31 December 2023 was EUR 48.2 (2022: 48.6) million. The revaluation included in the acquisition cost of buildings EUR 16.5 (2022: 16.5) million.

11 Investments

	Holdings in Group companies		Other shares and equity		Total	
EUR million	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Acquisition cost at 1 January	**199.2**	107.3	**0.2**	0.2	**199.4**	107.5
Additions	**0.0**	91.9			**0.0**	91.9
Disposals			**-0.0**	-0.0	**-0.0**	-0.0
Acquisition cost at 31 December	**199.2**	199.2	**0.2**	0.2	**199.4**	199.4
Accumulated impairment at 1 January	**-40.0**	-40.0			**-40.0**	-40.0
Accumulated depreciation and impairment at 31 December	**-40.0**	-40.0			**-40.0**	-40.0
Book value at 1 January	**159.2**	67.2	**0.2**	0.2	**159.3**	67.4
Book value at 31 December	**159.2**	159.2	**0.2**	0.2	**159.3**	159.3

12 Non-current receivables

EUR million, 31 Dec	**2023**	**2022**
Non-current interest-bearing receivables from Group companies	**33.5**	-0.0
Other receivables from Group companies	**0.0**	0.0
Loan receivables from an associated company belonging to the Group	**0.7**	0.2
Total	**34.2**	0.1

13 Inventories

EUR million, 31 Dec	**2023**	**2022**
Raw materials and consumables	**54.5**	52.8
Work in progress	**25.8**	19.4
Finished products and goods	**137.5**	113.0
Other inventories	**7.4**	6.8
Total	**225.2**	192.1

14 Current receivables

EUR million, 31 Dec	2023	2022
Trade receivables	**169.6**	104.7
Receivables from Group companies		
Trade receivables	**26.1**	41.2
Loan receivables	**78.8**	82.3
Other receivables	**4.6**	0.2
Prepaid expenses and accrued income	**1.9**	8.7
Total	**111.5**	132.4
Loan receivables from an associated company belonging to the Group	**0.2**	0.1
Other loan receivables	**0.2**	0.2
Other receivables	**2.8**	4.0
Prepaid expenses and accrued income	**94.6**	34.7
Total	**378.9**	275.9

Specification of prepaid expenses and accrued income

EUR million, 31 Dec	2023	2022
Royalties	**45.2**	21.7
Settlement gain of the transfer of Pension Fund's B fund	**36.8**	
Price differences from sales and other sales accruals	**4.6**	3.3
Service and maintenance fees	**4.0**	3.5
Derivative contracts	**0.7**	0.1
Accrued interest	**0.4**	0.2
Income tax receivables		2.9
Other prepaid expenses and accrued income	**3.0**	2.9
Total	**94.6**	34.7

15 Cash and cash equivalents

EUR million, 31 Dec	2023	2022
Cash and bank	**72.3**	184.5
Liquid money market investments		104.9
Total	**72.3**	289.5

16 Shareholders' equity

Restricted equity

EUR million	2023	2022
Share capital at 1 January	92.2	92.2
Share capital at 31 December	**92.2**	92.2
Restricted equity total at 31 December	**92.2**	92.2

Unrestricted equity

EUR million	2023	2022
Expandable fund at 1 January	0.5	0.5
Expandable fund at 31 December	**0.5**	0.5
Reserve for invested unrestricted equity at 1 January	0.9	0.9
Reserve for invested unrestricted equity at 31 December	**0.9**	0.9
Retained earnings at 1 January	588.9	469.2
By decision of Annual General Meeting		
Dividends	-224.6	-210.9
Donations	-0.4	-0.4
Repurchase of treasury shares	0.0	-17.9
Unpaid dividends	0.0	0.0
Profit for the period	231.4	348.9
Retained earnings at 31 December	**595.4**	588.9
Unrestricted equity total at 31 December	**596.8**	590.3

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

Parent company share capital by share class

	2023		2022	
31 Dec	number	EUR	number	EUR
A shares (20 votes/share)	33,351,382		34,186,494	
B shares (1 vote/share)	107,782,896		106,947,784	
Total	**141,134,278**	**92,238,541.46**	141,134,278	92,238,541.46

The Articles of Association entitle shareholders to demand the conversion of their A shares to B shares within the limitation on the maximum number of shares of a class. In 2023 a number of 835,112 A shares were converted to B shares.

17 Appropriations

EUR million, 31 Dec	2023	2022
Cumulative accelerated depreciation	110.9	105.5
Total	**110.9**	105.5

18 Provisions

EUR million, 31 Dec	2023	2022
Pension provisions	0.5	0.5
Total	**0.5**	0.5

Financial Statement documents 2023

19 Non-current liabilities

Interest-bearing liabilities

EUR million, 31 Dec	2023	2022
Loans from credit institutions	**152.9**	176.5
Total	**152.9**	176.5

Loans due later than five years

EUR million, 31 Dec	2023	2022
Loans from credit institutions	**58.8**	82.4
Total	**58.8**	82.4

Non-interest-bearing liabilities

EUR million, 31 Dec	2023	2022
Liabilities based on contracts	**60.0**	60.0
Earn out and interest accrual on deferred purchase price	**9.3**	8.8
Total	**69.3**	68.8

20 Current liabilities

EUR million, 31 Dec	2023	2022
Loans from credit institutions	**23.5**	11.8
Advances received	**1.7**	1.7
Trade payables	**72.3**	81.2
Liabilities to Group companies		
Trade payables	**21.7**	25.5
Loans	**23.9**	23.7
Accrued liabilities and deferred income	**7.0**	3.1
Other liabilities	**3.4**	0.0
Total	**56.1**	52.3
Other liabilities	**13.5**	13.8
Accrued liabilities and deferred income	**73.3**	92.6
Total	**240.4**	253.3

Specification of accrued liabilities and deferred income

EUR million, 31 Dec	2023	2022
Personnel expenses	**44.3**	49.7
Price reductions	**9.1**	5.0
Income tax liability	**8.1**	
Accrued price adjustments related to sales and purchases	**5.9**	5.0
Royalties	**2.3**	1.2
Research and development expenses	**1.9**	7.6
Derivative contracts	**0.5**	0.3
Accrued interest	**0.3**	0.2
Current provisions	**0.0**	0.0
Liabilities from licensing agreements		20.0
Other accrued liabilities and deferred income	**1.0**	3.7
Total	**73.3**	92.6

Liabilities included

EUR million, 31 Dec	2023	2022
Non-current interest-bearing liabilities	**152.9**	176.5
Non-current non-interest-bearing liabilities	**69.3**	68.8
Current interest-bearing liabilities	**47.5**	35.5
Current non-interest-bearing liabilities	**192.9**	217.8
Total	**462.6**	498.5

21 Notes relating to members of administrative bodies

Salaries and remuneration paid to President and CEO and members of the Board

EUR million	2023	2022
Liisa Hurme, President and CEO (from 1 November 2022)	**2.0**	0.1
Timo Lappalainen, President and CEO (until 1 November 2022)		1.2
Members of Board of Directors	**0.6**	0.5

No loans have been granted to the members of administrative bodies. More information on management employee benefits is presented in 7.1 Related party transactions.

Management pension commitments

The President and CEO´s pension is determined by the law applicable to employees.

22 Contingencies

Contingencies for own liabilities

EUR million	2023	2022
Guarantees given	**2.5**	5.0

Total guarantees

EUR million	2023	2022
Total guarantees	**2.5**	5.0

23 Liabilities and commitments

Lease agreements

EUR million, 31 Dec	2023	2022
Payments payable under lease agreements		
within next 12 months	**0.7**	0.4
later than 12 months	**1.2**	0.5
Total	**2.0**	0.9

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

Other liabilities

EUR million	2023	2022
Other liabilities		0.3

VAT liability for real estate investments

The company is liable to review VAT deductions made for real estate investments completed in 2015–2023 if the use subject to VAT decreases during the review period. The last review year is 2032 and the maximum liability is EUR 16.5 million.

24 Financial risks

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

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

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

25 Derivative contracts

Nominal values and maturity of currency derivatives

EUR million, 31 Dec	2023	2022
Currency forward contracts and currency swaps	**49.3**	39.3
Currency options	**28.0**	25.7

All derivatives have a maturity less than one year.

Fair values of non-hedge-accounting derivatives

	2023			2022
EUR million, 31 Dec	**Positive**	**Negative**	**Net**	**Net**
Currency forward contracts and currency swaps	**0.6**	**-0.4**	**0.3**	-0.2
Currency options	**0.1**	**-0.2**	**-0.1**	0.0

Fair value measurement and hierarchy

EUR million, 31 Dec 2023	Level 1	Level 2	Level 3	Total
Derivatives				
Currency derivatives		0.7		**0.7**
Other investments				
Shares and investments			0.2	**0.2**
Assets total		0.7	0.2	**0.9**
Derivatives				
Currency derivatives		-0.5		**-0.5**
Liabilities total		-0.5		**-0.5**

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

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

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

26 Holdings in Group companies

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

Proposal by Orion Corporation's Board of Directors on use of profit funds from the financial year 2023

The Orion Corporation's distributable funds at 31 December 2023 are EUR 596,791,619.35, of which the profit for the financial year is EUR 231,377,914.00. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.62 per share be paid for the financial year that ended on 31 December 2023. No dividend shall be paid on treasury shares held by the Company on the record date for dividend payment. On the date of the proposal on the distribution of profits there are 140,351,305 shares entitling to dividend, and thus the total dividend would be EUR 227,369,114.10.

According to the proposal, the dividend would be paid in two instalments. The first instalment of EUR 0.81 per share would be paid to a shareholder who is on the record date for the payment of the dividend, 22 March 2024, registered in the Company's shareholders' register maintained by Euroclear Finland Oy. The Board of Directors proposes that the first instalment would be paid on 3 April 2024. The second instalment of EUR 0.81 per share would be paid to a shareholder who is on the record date for the payment of the dividend, 16 October 2024, registered in the Company's shareholders' register maintained by Euroclear Finland Oy. The Board of Directors proposes that the second instalment would be paid on 23 October 2024.

The Board of Directors proposes that the Annual General Meeting would authorise the Board of Directors to resolve, if necessary, on a new record date for payment and payment date for the second instalment of the dividend in case of changes in the rules of Euroclear Finland Oy or the regulations regarding the Finnish book-entry system or if other rules binding the Company so require.

In addition, the Board of Directors proposes to the Annual General Meeting that EUR 350,000.00 of the Company's distributable funds be donated to medical research and other purposes of public interest as decided by the Board of Directors. Any remaining distributable funds would be allocated to retained earnings.

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

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

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

Espoo, 13 February 2024

Mikael Silvennoinen Chairman	Hilpi Rautelin Vice Chairman	Kari Jussi Aho
Maziar Mike Doutsdar	Ari Lehtoranta	Veli-Matti Mattila
Eija Ronkainen	Karen Lykke Sørensen	

Liisa Hurme
President and CEO

On auditor's report has been issued today.

Espoo, 13 February 2024

KPMG OY AB

Kimmo Antonen
Authorised Public Accountant

Auditor's Report

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

To the Annual General Meeting of Orion Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Orion Corporation (business identity code 1999212-6) for the year ended 31 December, 2023. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

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

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

Basis for Opinion

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

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

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

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

Materiality

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

Key Audit Matters

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

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

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

The key audit matter	How the matter was addressed in the audit
Inventories *(refer to note 3.6 Inventories)*	
The inventories account for a significant amount (approximately 25 %) of the total consolidated assets. Pricing of individual inventory items is based on the functionality of information systems and the accuracy of product-specific calculations. Inventories are valued at cost or, if lower, at net realisable or replacement value. Management judgement is used in determining the need for impairment and assessing aged items in the inventories. Due to the significance of the inventories and management judgement relating to the valuation, inventories is considered a key audit matter.	Our audit procedures included consideration of the valuation principles applied by the Group and assessment of their appropriateness based on IFRS standards. We assessed the effectiveness of control environment and application controls in respect of the main inventory management software and the related user rights management. We participated in physical stock counts in selected locations and assessed the appropriateness of stock count processes. We performed data analysis to test the appropriateness of pricing and the reliability of valuation calculations. We assessed the sufficiency of impairment entries relating to the inventories. We considered the sufficiency of the Group's disclosures in respect of inventories and assessed their appropriateness.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Other Reporting Requirements

Information on our audit engagement

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

Other Information

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

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

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

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

Other statements

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

Espoo 13 February 2024

KPMG OY AB

Kimmo Antonen
Authorised Public Accountant, KHT

ORION

Events in **2023**

January

Orion announced a long-term license agreement with Amneal Pharmaceuticals, Inc. to commercialise Amneal's generic products in Orion territories.

February

The Ministry of Health, Labor and Welfare in Japan approved darolutamide plus androgen deprivation therapy in combination with docetaxel in the indication of metastatic prostate cancer.

March

The European Commission granted marketing authorisation in the European Union for darolutamide plus androgen deprivation therapy in combination with docetaxel, for the treatment of patients with metastatic hormone-sensitive prostate cancer.

March

The Chinese National Medical Products Administration approved darolutamide in combination with docetaxel for the treatment of patients with metastatic hormone-sensitive prostate cancer.

March

Orion and Bayer announced that the companies will expand clinical development program for darolutamide in prostate cancer.

March

Orion launched a project to build a unique data and AI-based pharmaceutical research ecosystem in Finland in cooperation with other companies, research institutes and universities.

May

Orion held Capital Markets Day in Helsinki, Finland.

June

Orion announced EUR 30 million investments to increase production capacity in Finland.

July

European Commission approved Ztalmy® (ganaxolone) for the adjunctive treatment of epileptic seizures associated with CDKL5 deficiency disorder.

August

Orion announced that Julia Macharey has been appointed Senior Vice President of Orion Group's new People & Culture group-level function and member of the Executive Management Board of Orion Group as of 1 February 2024.

November

Orion Animal Health received FDA approval for Bonqat® (pregabalin oral solution).

December

Orion and MSD initiated Phase III program with ODM-208 (MK-5684).

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

Follow Orion in social media