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# Orion

Investor Presentation

Updated on 26 April 2017

# Disclaimer

This presentation contains forward-looking statements which involve risks and uncertainty factors. These statements are not based on historical facts but relate to the Company's future activities and performance. They include statements about future strategies and anticipated benefits of these strategies.

These statements are subject to risks and uncertainties. Actual results may differ substantially from those stated in any forward-looking statement. This is due to a number of factors, including the possibility that Orion may decide not to implement these strategies and the possibility that the anticipated benefits of implemented strategies are not achieved. Orion assumes no obligation to update or revise any information included in this presentation.

# Content

- 1) Orion in brief
- 2) Research & development
- 3) Financial Review 1/1/-31/3/2017
- 4) Outlook and financials
- 5) Business units
- 6) 100 years of Orion





# Orion in brief

# Orion today - year 2016 in figures



Net sales 1,074 MEUR  
Operating profit 315 MEUR



Personnel 3 469



R&D investments  
118 MEUR

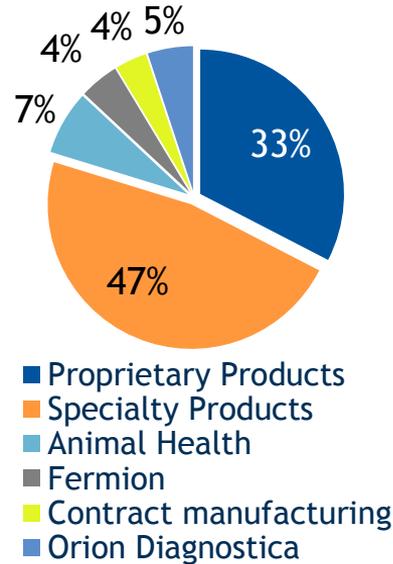


6 production sites in  
Finland

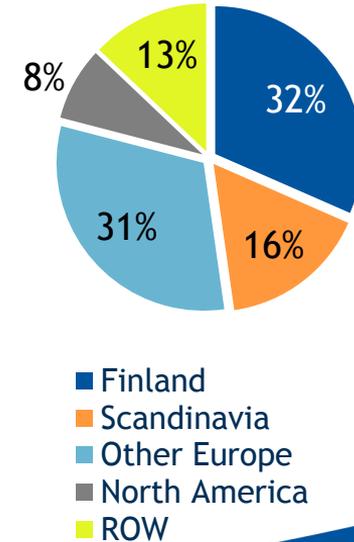


Own sales unit in  
26 European countries

Sales split by business

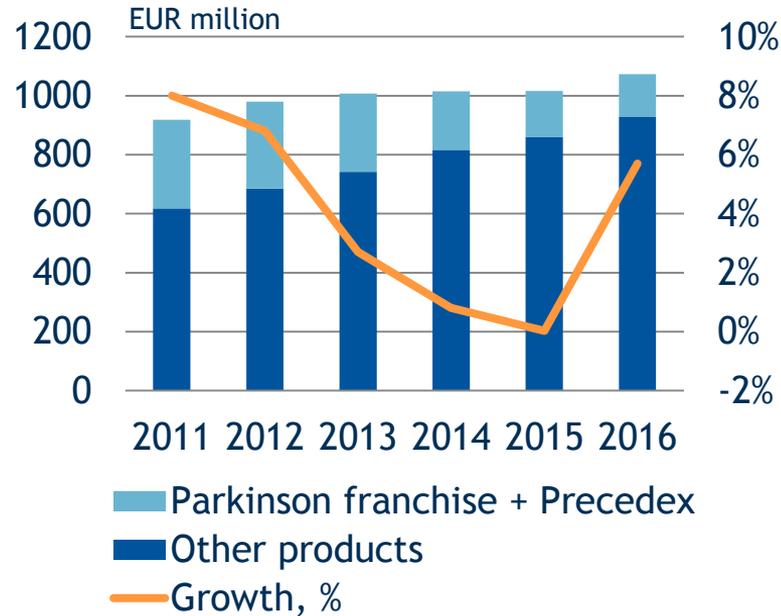


Sales split by market area



# Steady development despite patent expiries

Net sales

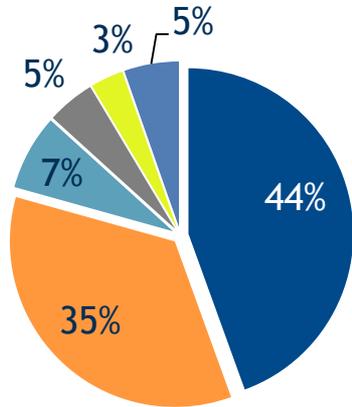


Operating profit

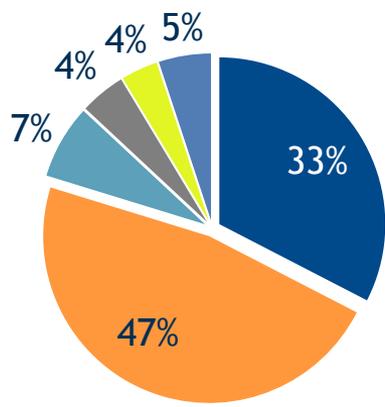


# Orion's product mix has changed

Sales by business 2011

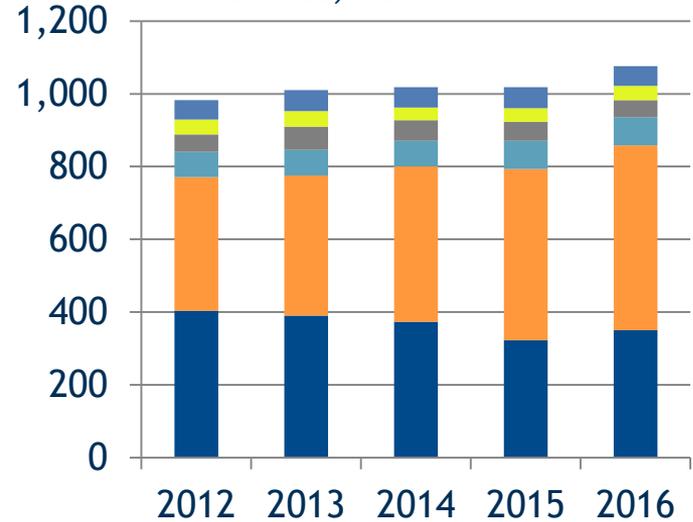


Sales by business 2016



- Proprietary Products
- Animal Health
- Contract manufacturing & other
- Specialty Products
- Fermion
- Orion Diagnostica

Net sales, EUR million



# Our businesses



## Proprietary Products

In-house developed drugs and other drugs with valid product protection



## Specialty Products

Generic prescription drugs, OTC and non-medicinal products



## Animal Health

Medicine and well-being products for animals



## Fermion

Active pharmaceutical ingredients (APIs)



## Contract Manufacturing

Production for other pharmaceutical companies



## Orion Diagnostica

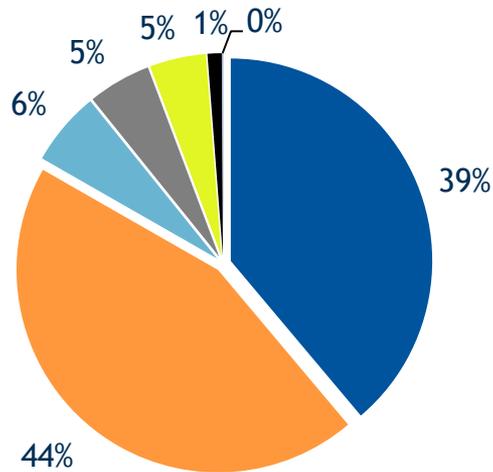
Diagnostic tests and test solutions

# Orion's strategy – Mission to build well-being



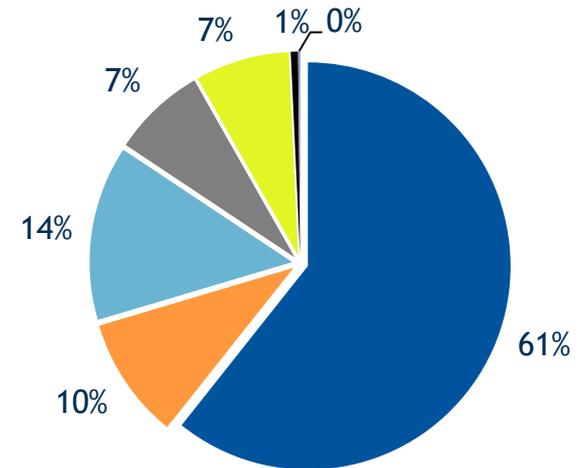
# Orion has ~50,000 shareholders

## By number of shares



- Households (Finnish retail)
- Non-Finnish holders and nominee-registered
- Private corporations
- Public sector
- Non-profit institutions
- Financial and insurance corporations
- Other

## By number of votes





# Research and development

# Focus areas of Orion's R&D

## Proprietary Products



- CNS
- Oncology
- Respiratory (Easyhaler® product family)

## Animal Health



Orion utilises the R&D of proprietary products to develop new medicines for animals

## Fermion



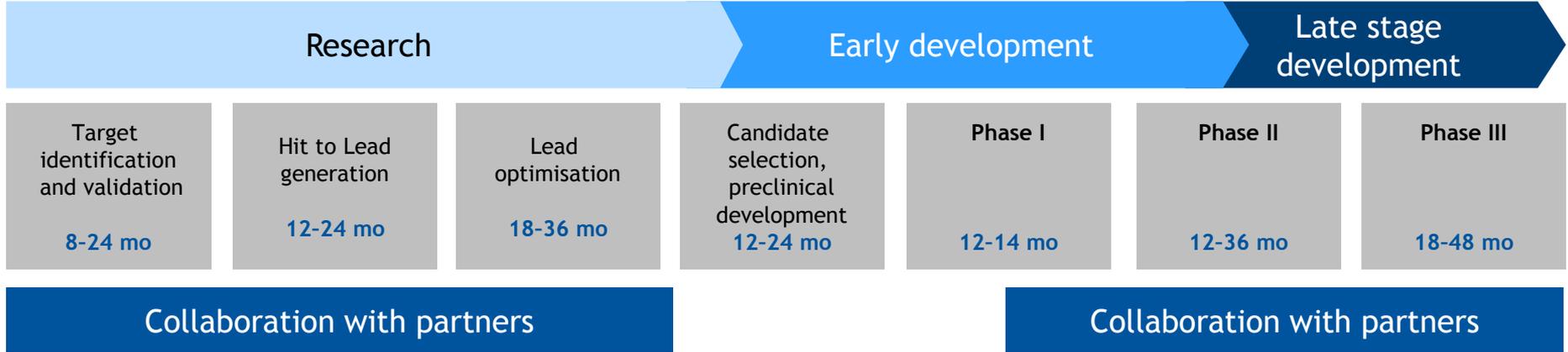
- APIs to Orion's proprietary products
- Generic APIs
- Contract development for pharmaceutical companies

## Orion Diagnostica



- QuikRead test system
- GenRead test system

# Together we can achieve more in R&D



AsahiKASEI



# Key clinical pharmaceutical development projects 1/2

| Project                              | Indication                  | PHASE                |    |     | Registration |
|--------------------------------------|-----------------------------|----------------------|----|-----|--------------|
| Easyhaler® salmeterol-fluticasone    | Asthma, COPD                | Bioequivalence study |    |     | Registration |
| Darolutamide (ODM-201) <sup>1)</sup> | Prostate cancer (nmCRPC)    | I                    | II | III |              |
| Darolutamide (ODM-201) <sup>1)</sup> | Prostate cancer (mHSPC)     | I                    | II | III |              |
| Levosimendan <sup>2)</sup>           | Low Cardiac Output Syndrome | I                    | II | III |              |

<sup>1)</sup> In collaboration with Bayer <sup>2)</sup> Partner: Tenax Therapeutics, Inc.

|   |                   |
|---|-------------------|
|  | = Phase completed |
|  | = Phase ongoing   |
|  | = Status changed  |

More info about R&D projects at: <http://www.orion.fi/en/rd/orion-rd/pipeline/>

## Key clinical pharmaceutical development projects 2/2

| Project  | Indication          | PHASE |     |  | Registration |
|--|---------------------|-------|-----|--|--------------|
| ODM-109 (oral levosimendan)                                | ALS                 | I     | II  |  |              |
| ORM-12741 (alpha-2c adrenoceptor antagonist) <sup>3)</sup> | Alzheimer's disease | I     | IIa |  |              |
| ODM-104 (more effective COMT inhibitor)                    | Parkinson's disease | I     | II  |  |              |
| ODM-203 (targeted FGFR+VEGFR inhibitor)                    | Solid tumours       | I     | II  |  |              |
| ODM-207 (BET protein inhibitor)                            | Cancer              | I     |     |  |              |

<sup>3)</sup> In collaboration with Janssen Pharmaceuticals

 = Phase completed  
 = Phase ongoing

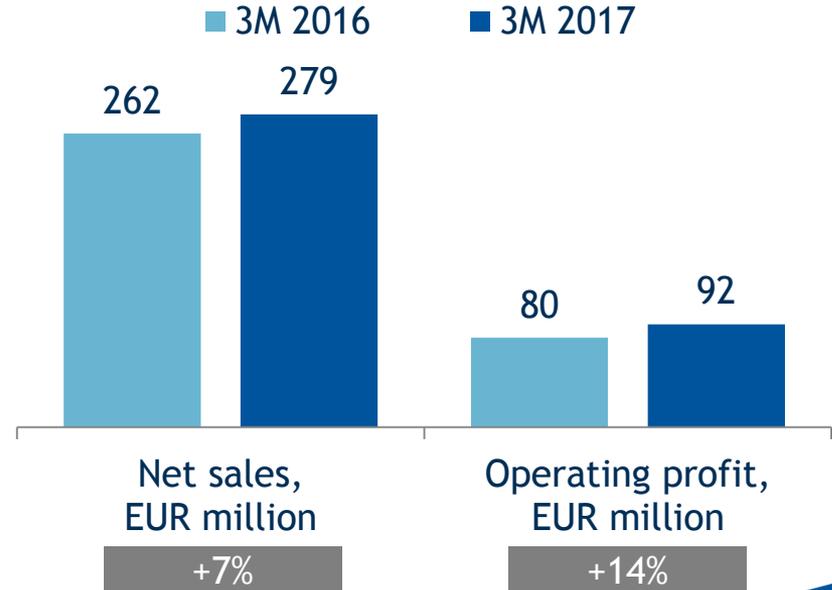
More info about R&D projects at: <http://www.orion.fi/en/rd/orion-rd/pipeline/>



# Orion Highlights 1/1/2017-31/3/2017

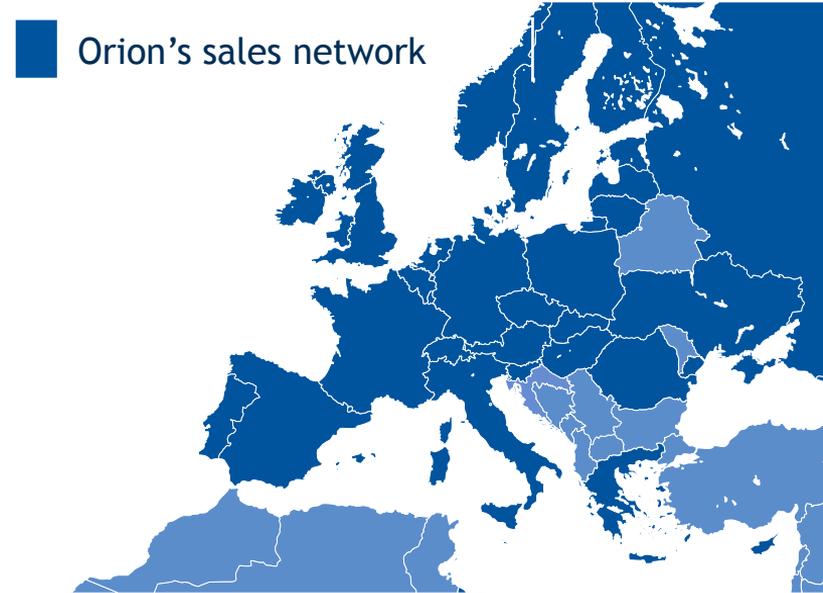
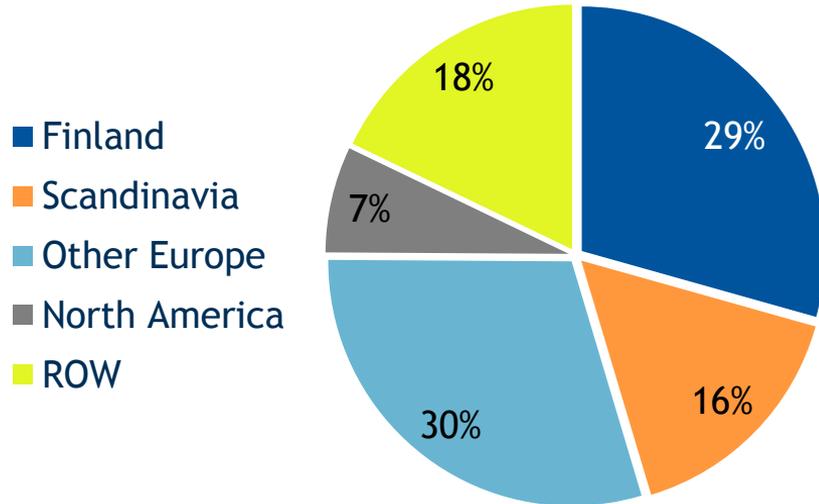
## Orion's centenary year started well

- Net sales and operating profit increased
- Operating profit boosted by higher milestone payments than in previous year
- Christer Nordstedt became Senior Vice President for Research and Development in February
- Marketing authorisation application for salmeterol-fluticasone combined formulation in Easyhaler product family submitted in Europe



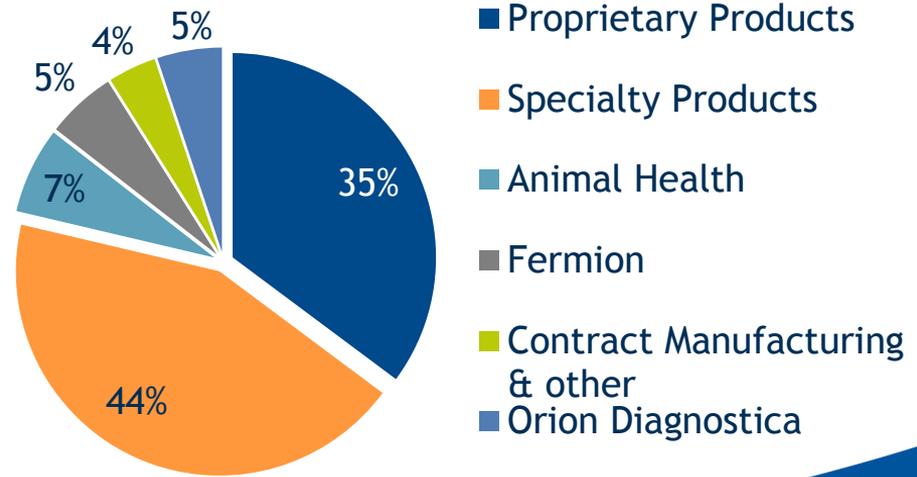
# Geographical breakdown of net sales

By market area



## Breakdown of net sales by business division

|                                   | 3M<br>2017 | 3M<br>2016 | Change |
|-----------------------------------|------------|------------|--------|
| Specialty Products                | 122        | 123        | -1%    |
| Proprietary Products              | 98         | 88         | +12%   |
| Animal Health                     | 19         | 18         | +5%    |
| Fermion                           | 16         | 11         | +47%   |
| Contract Manufacturing<br>& other | 11         | 10         | +11%   |
| Orion Diagnostica                 | 14         | 14         | +7%    |



# Best-selling pharmaceuticals 3M 2017

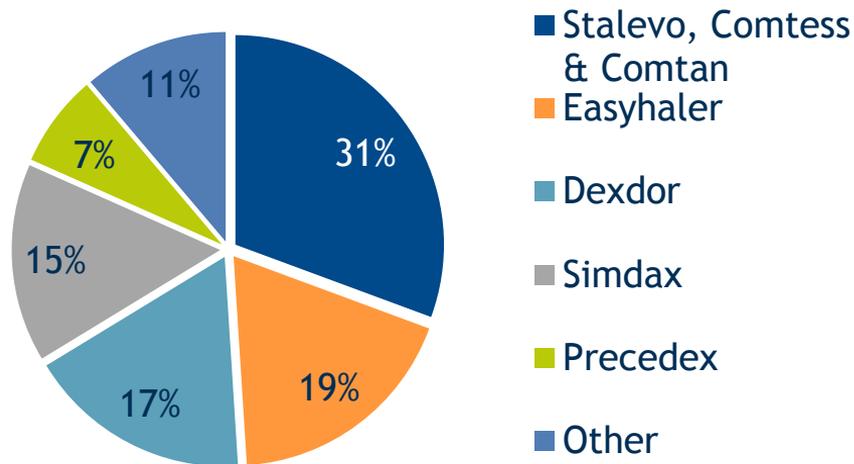
|     | Product  | Indication   | Net sales<br>EUR million | Change vs.<br>3M 2016 |
|-----|--|--|--------------------------|-----------------------|
| 1.  |  <i>Stalevo</i> <i>Comtess</i> <i>COMTan</i>  | Parkinson's disease                                  | 30                       | -7%                   |
| 2.  |  <i>Easyhaler</i> ®   | Asthma, COPD   | 18                       | +15%                  |
| 3.  |   | Intensive care sedative                              | 17                       | +18%                  |
| 4.  |  <i>SIMDAX</i><br>levosimendan  | Acute decompensated heart failure                    | 15                       | +12%                  |
| 5.  |  <i>Remsima</i> ™<br>Infliximab   | Rheumatoid arthritis, inflammatory<br>bowel diseases | 11                       | -6%                   |
| 6.  |  <i>DEXDOMITOR</i>  <i>DOMITOR</i>  <i>DOMOSEDAN</i>  <i>ANTISEDAN</i> | Animal sedatives                                     | 7                        | +10%                  |
| 7.  |  <i>Precedex</i> ®<br>(dexmedetomidine HCl Injection)   | Intensive care sedative                              | 7                        | +79%                  |
| 8.  |  <i>burana</i> ®  | Inflammatory pain                                    | 6                        | +10%                  |
| 9.  | Generic entacapone products  | Parkinson's disease                                  | 4                        | +28%                  |
| 10. | <i>Atorvastatin Orion</i>  | Hypercholesterolaemia                                | 4                        | +10%                  |

= Products of Proprietary Products business division

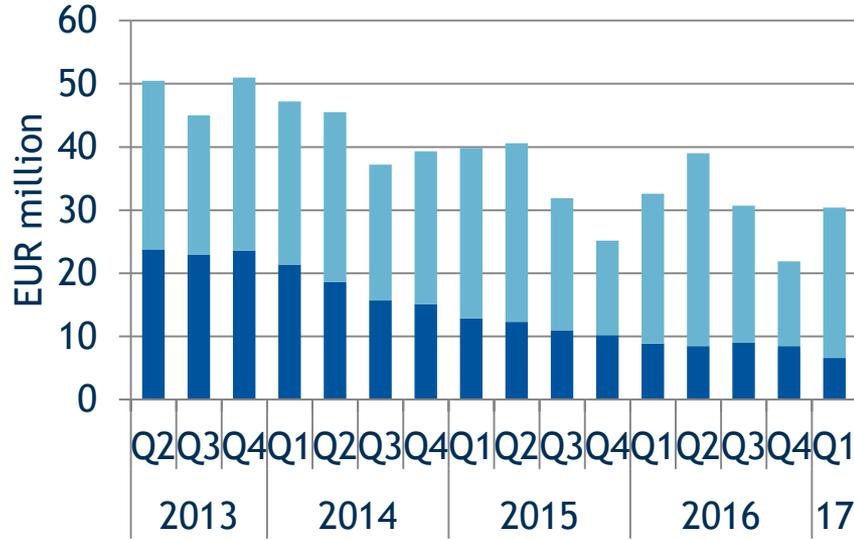
# Proprietary Products

- As anticipated, sales of Stalevo, Comtess and Comtan continued to decline
- Easyhaler product family, Dexdor and Simdax grew strongly
- Sales of Precedex grew by 79% mainly due to deliveries of the pharmaceutical ingredient
- Marketing authorisation application for Easyhaler salmeterol-fluticasone combined formulation submitted in Europe

Breakdown of net sales

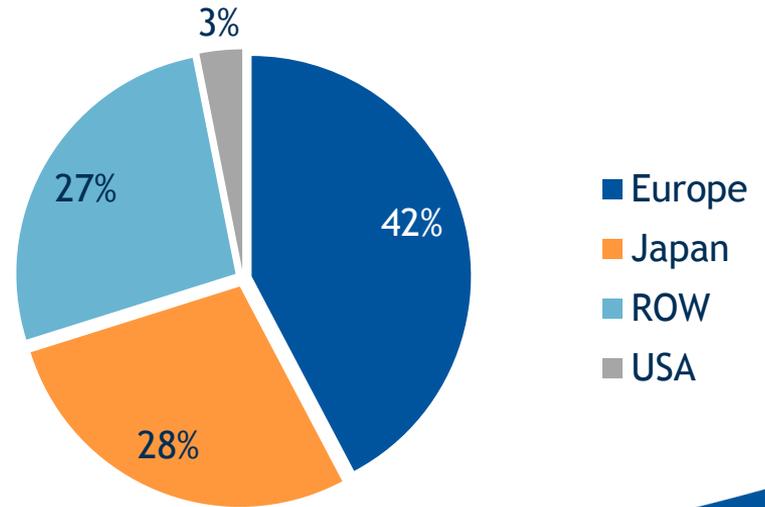


# Parkinson's drugs



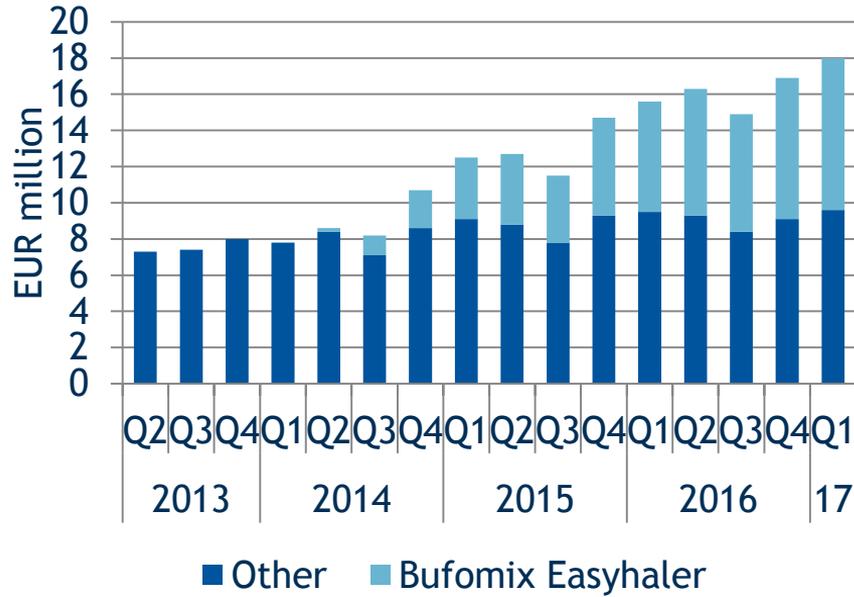
■ Orion sales    ■ Deliveries to Novartis

Sales of Orion's branded Parkinson drugs by market area MAT12/2016\*



\*Source: IMS Health sales statistics MAT12/2016

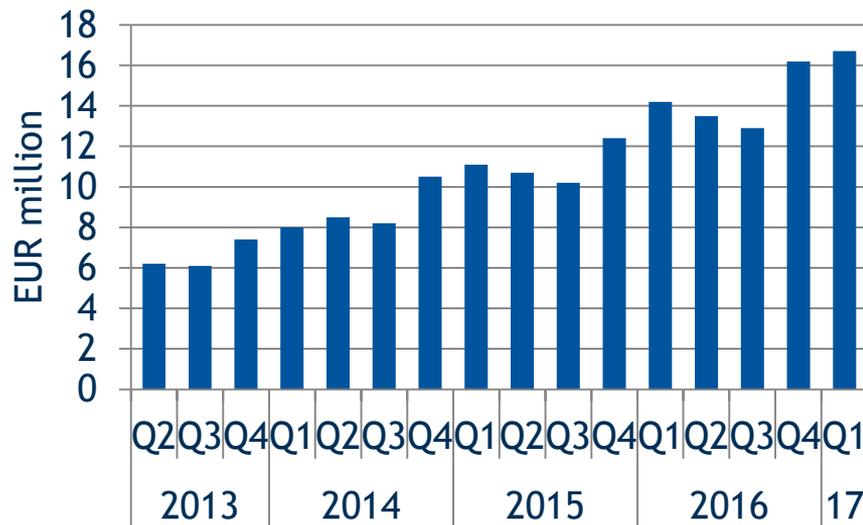
# Easyhaler product family



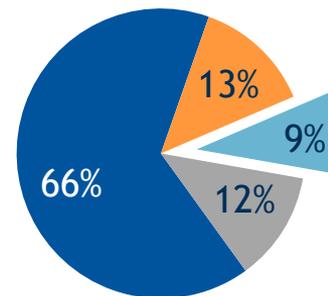
- Total Easyhaler product family sales grew by 15%
- Bufomix Easyhaler sales grew by 38%
- Marketing authorisation application for Easyhaler salmeterol-fluticasone combined formulation submitted in Europe

# Dexdor intensive care sedative

Dexdor sales



European sedative market MAT12/2016\*  
 Total market value  
 EUR 523 million (-0.5%)



- Propofol EUR 342 million (-1%)
- Midazolam EUR 69 million (-9%)
- Dexmedetomidine EUR 48 million (+34%)
- Remifentanil EUR 64 million (-5%)

\*Source: IMS Health sales statistics MAT12/2016

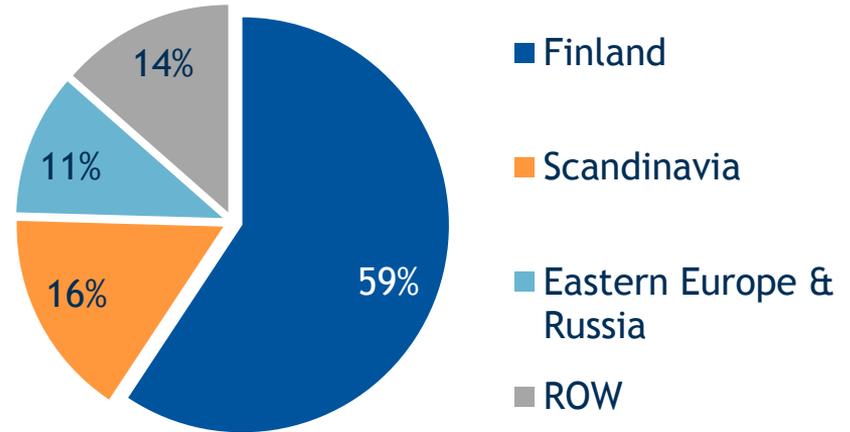
# Specialty Products

Net sales in key markets 3M 2017

|                           | EUR million | vs. 3M 2016 |
|---------------------------|-------------|-------------|
| Finland                   | 72          | +3%         |
| Scandinavia               | 20          | -8%         |
| Eastern Europe and Russia | 13          | +9%         |

- In Finland changes to reference pricing system for substitutable prescription drugs at beginning of year narrowed so-called price band.
- Remsima sales were lower than in comparative period, mainly due to timing of tendering competitions.

Breakdown of net sales

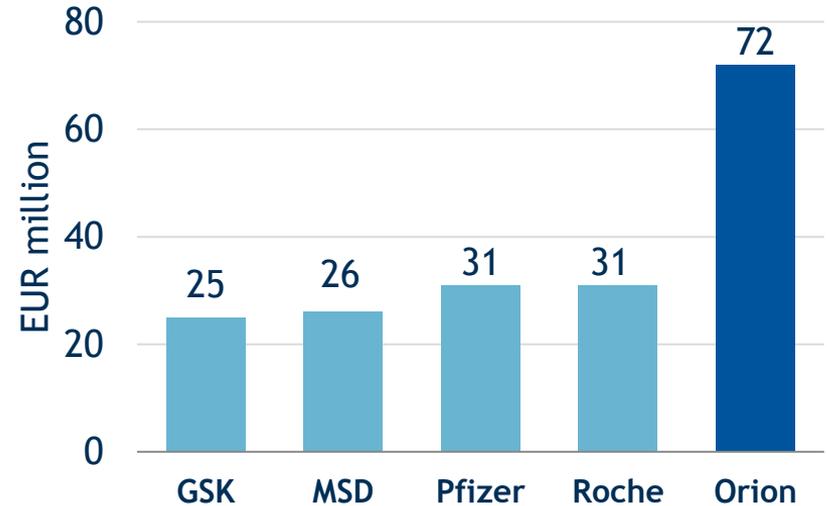


# Orion strong in home market Finland

## Finnish human pharmaceuticals market 3M 2017

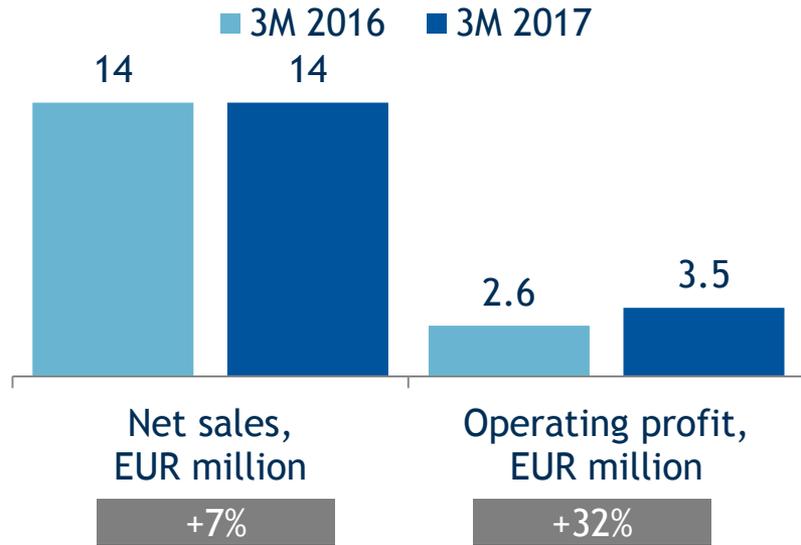
- Wholesale EUR 546 million
- Growth of total market +1%
- Orion's market share 13%
- Orion's growth +4%
  - Orion's growth was mainly due to good growth in sales of self-care products and Remsima®.

Finland's biggest pharmaceutical companies 3M 2017



# Orion Diagnostica

- QuikRead® tests remained the main product
- Operating profit increased thanks to growth in sales with good margins, among other things





## Outlook and financials

# Outlook for 2017

|                         |   |
|-------------------------|---|
| <b>Net sales</b>        | Net sales are estimated to be at similar level to 2016 (net sales were EUR 1,074 million in 2016).  |
| <b>Operating profit</b> | Operating profit excluding material capital gains is estimated to be at least EUR 280 million (operating profit excluding capital gains was EUR 293 million in 2016). |

# Orion's financial objectives



**Growing net sales more rapidly than growth of the pharmaceuticals market.** Achievement of this objective requires continuous investment in development of the product portfolio.



**Keeping the equity ratio at least 50%.**

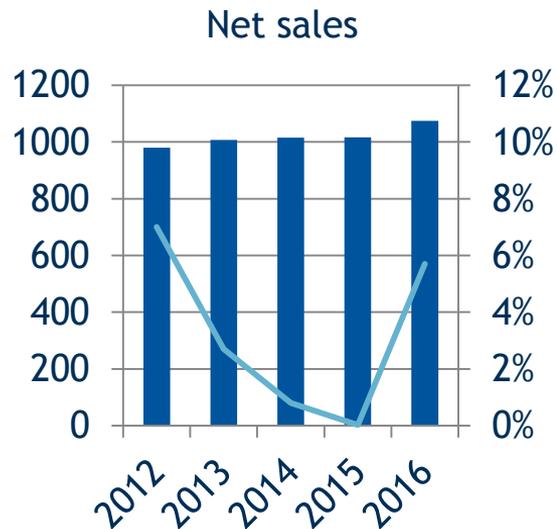


**Maintaining profitability at a good level.** The aim is operating profit that exceeds 25% of net sales.



**Distributing an annual dividend that in the next few years will be at least EUR 1.30 per share, and increasing the dividend in the long term.**

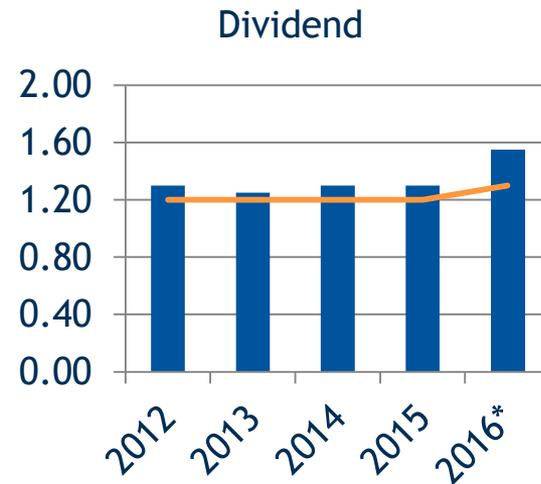
# Financial objectives



■ Net sales, EUR million  
— Growth, %

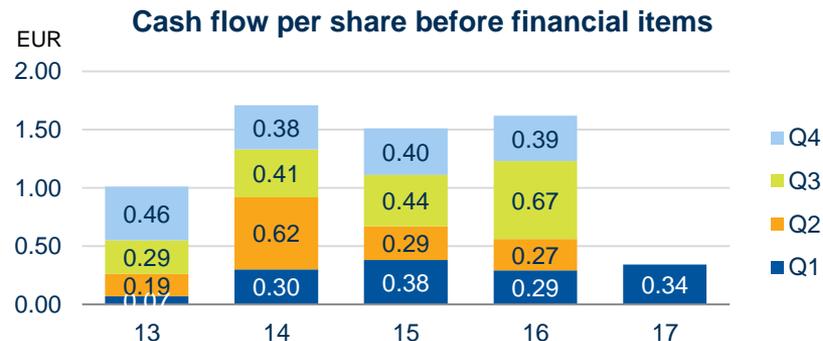
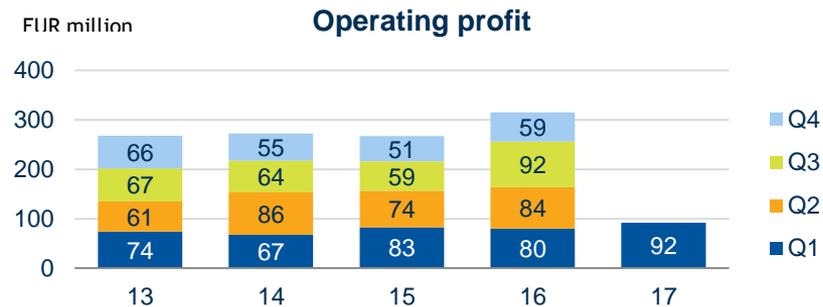


■ Operating profit, EUR million  
— Operating profit margin  
— Operating profit target >25%



■ Dividend per share  
— Dividend target

# Key figures by quarter



## Key figures for 2013–3M 2017

| Orion's key figures                             | 2013    | 2014    | 2015   | 2016    | 3M 2017 | Change % vs.<br>3M 2016 |
|---|---------|---------|--------|---------|---------|-------------------------|
| Net sales, EUR million                          | 1,006.9 | 1,015.3 | 1015.6 | 1,073.5 | 279.2   | +6.5%                   |
| Operating profit, EUR million                   | 267.7   | 272.4   | 266.6  | 314.6   | 91.7    | +14.1%                  |
| Profit before taxes, EUR million                | 264.0   | 267.8   | 262.3  | 310.9   | 88.8    | +11.4%                  |
| R&D expenses, EUR million                       | 101.9   | 106.2   | 108.1  | 118.2   | 25.7    | +3.0%                   |
| Equity ratio, %                                 | 53.6%   | 52.3%   | 57.4%  | 60.8%   | 53.2%   |                         |
| Gearing, %                                      | 8.4%    | -4.7%   | -9.6%  | -12.4%  | 12.2%   |                         |
| ROCE (before taxes), %                          | 38.5%   | 36.6%   | 35.7%  | 40.9%   | 51.0%   |                         |
| Return on equity, %                             | 40.3%   | 41.1%   | 37.5%  | 40.3%   | 49.5%   |                         |
| Basic earnings per share, EUR                   | 1.46    | 1.50    | 1.48   | 1.77    | 0.50    | +11.3%                  |
| Cash flow per share before financial items, EUR | 1.02    | 1.72    | 1.51   | 1.62    | 0.34    | +15.2%                  |
| Dividend per share, EUR                         | 1.25    | 1.30    | 1.30   | 1.55*   |         |                         |

\*) Dividend includes extra dividend of EUR 0.20

## Income Statement 2011–3M 2017

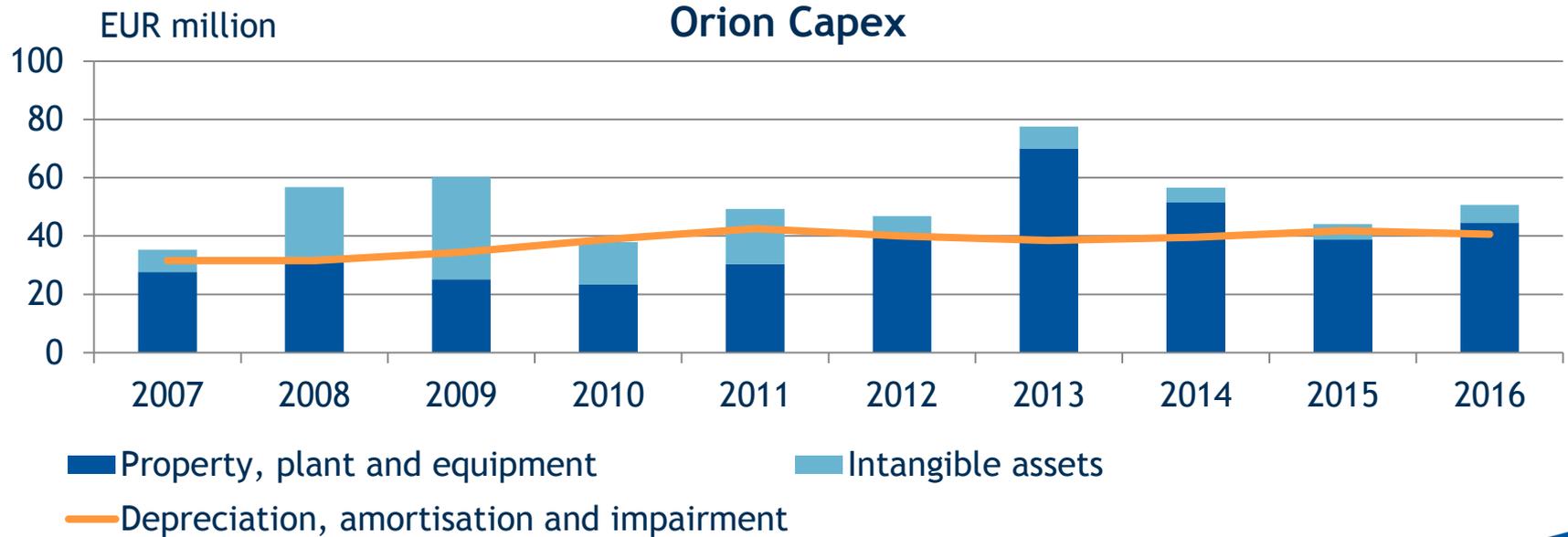
| Formation of profits,<br>EUR million | 2013    | 2014    | 2015   | 2016    | 3M 2017 | Change % vs.<br>3M 2016 |
|--------------------------------------|---------|---------|--------|---------|---------|-------------------------|
| Net sales                            | 1,006.9 | 1,015.3 | 1015.6 | 1,073.5 | 279.2   | +6.5%                   |
| Cost of goods sold                   | -393.5  | -401.7  | -405.8 | -421.7  | -103.4  | +1.1%                   |
| Gross profit                         | 613.4   | 613.6   | 609.8  | 651.8   | 175.8   | +10.0%                  |
| Other operating income and expenses  | 5.6     | 1.7     | 1.5    | 24.3    | 0.1     | +173.0%                 |
| Sales and marketing expenses         | -204.9  | -193.4  | -190.4 | -194.7  | -47.4.7 | +8.6%                   |
| R&D expenses                         | -101.9  | -106.2  | -108.1 | -118.2  | -25.7   | +3.0%                   |
| Administrative expenses              | -44.5   | -43.3   | -46.2  | -48.7   | -11.1   | +4.1%                   |
| Operating profit                     | 267.7   | 272.4   | 266.6  | 314.6   | 91.7    | +14.1%                  |
| Profit before taxes                  | 264.0   | 267.8   | 262.3  | 310.9   | 88.8    | +11.4%                  |
| Profit for the period                | 206.2   | 211.3   | 208.2  | 249.0   | 70.3    | +11.0%                  |

# Financial position

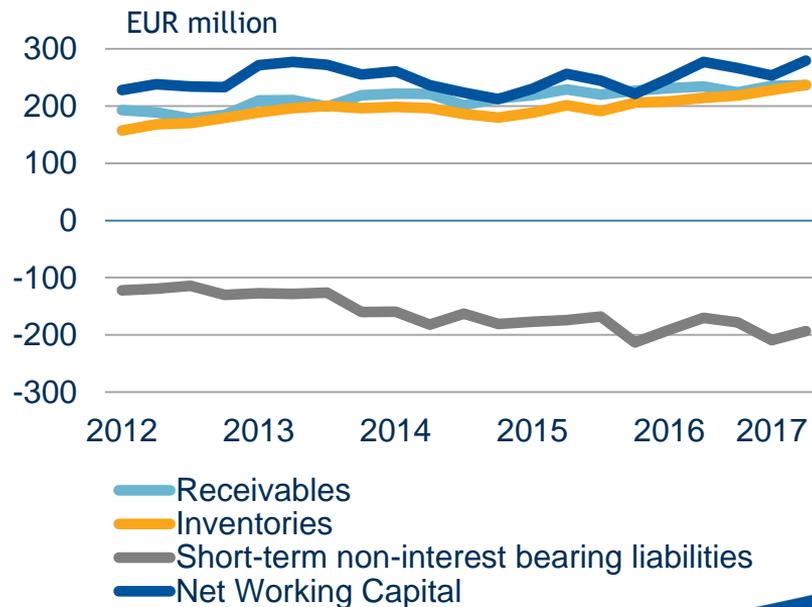
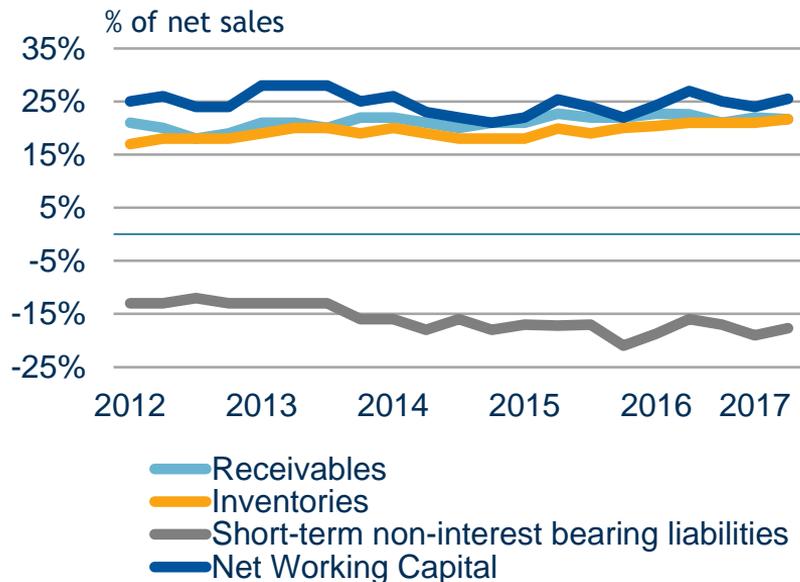
| EUR million  | 3/17         | 3/16    | Change% |
|--|--------------|---------|---------|
| <b>Non-current assets total</b>                    | <b>373.3</b> | 370.5   | +0.8%   |
| Inventories  | 236.8        | 207.7   | +14.0%  |
| Trade receivables                                  | 184.1        | 184.9   | -0.5%   |
| Other receivables                                  | 51.0         | 42.3    | +20.4%  |
| Cash & cash equivalents & money market investments | 92.1         | 282.5   | -67.4%  |
| <b>Current assets total</b>                        | <b>564.0</b> | 717.4   | -21.4%  |
| <b>Assets total</b>                                | <b>937.3</b> | 1,087.9 | -13.8%  |

| EUR million                              | 3/17         | 3/16    | Change % |
|--|--------------|---------|----------|
| <b>Equity total</b>                      | <b>494.8</b> | 475.1   | +4.1%    |
| Interest-bearing non-current liabilities | 150.3        | 175.7   | -14.5%   |
| <b>Non-current liabilities total</b>     | <b>190.7</b> | 215.9   | -11.7%   |
| <b>Current liabilities total</b>         | <b>251.8</b> | 396.9   | -36.6%   |
| <b>Liabilities total</b>                 | <b>442.5</b> | 612.8   | -27.8%   |
| <b>Equity and liabilities total</b>      | <b>937.3</b> | 1,087.9 | -13.8%   |

# Development of capital expenditure

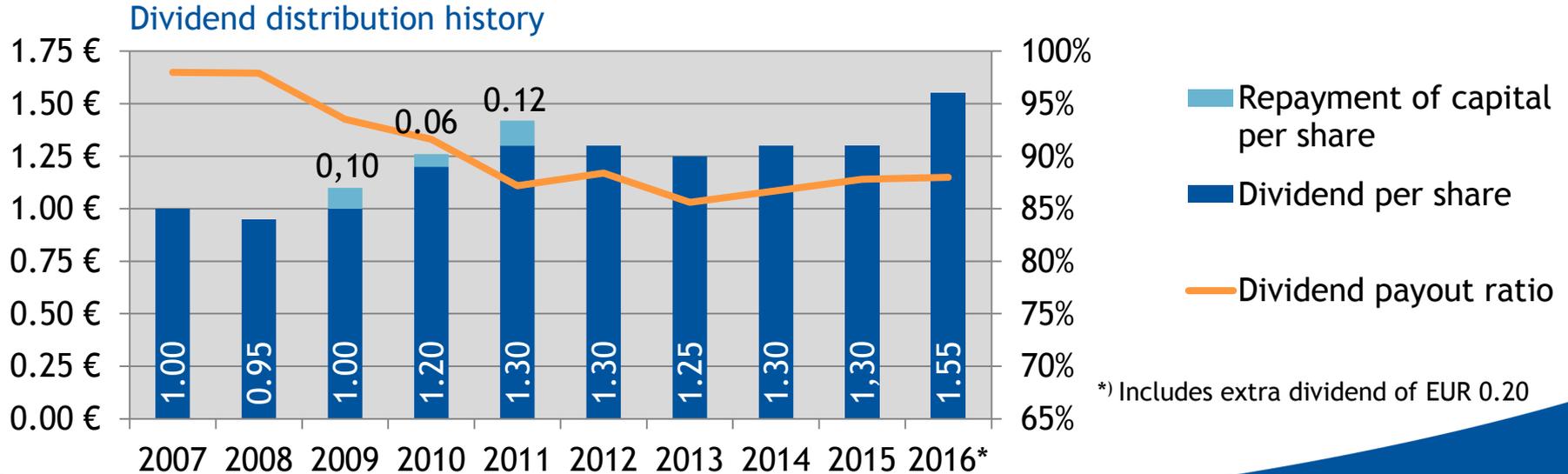


# Development of Net working capital

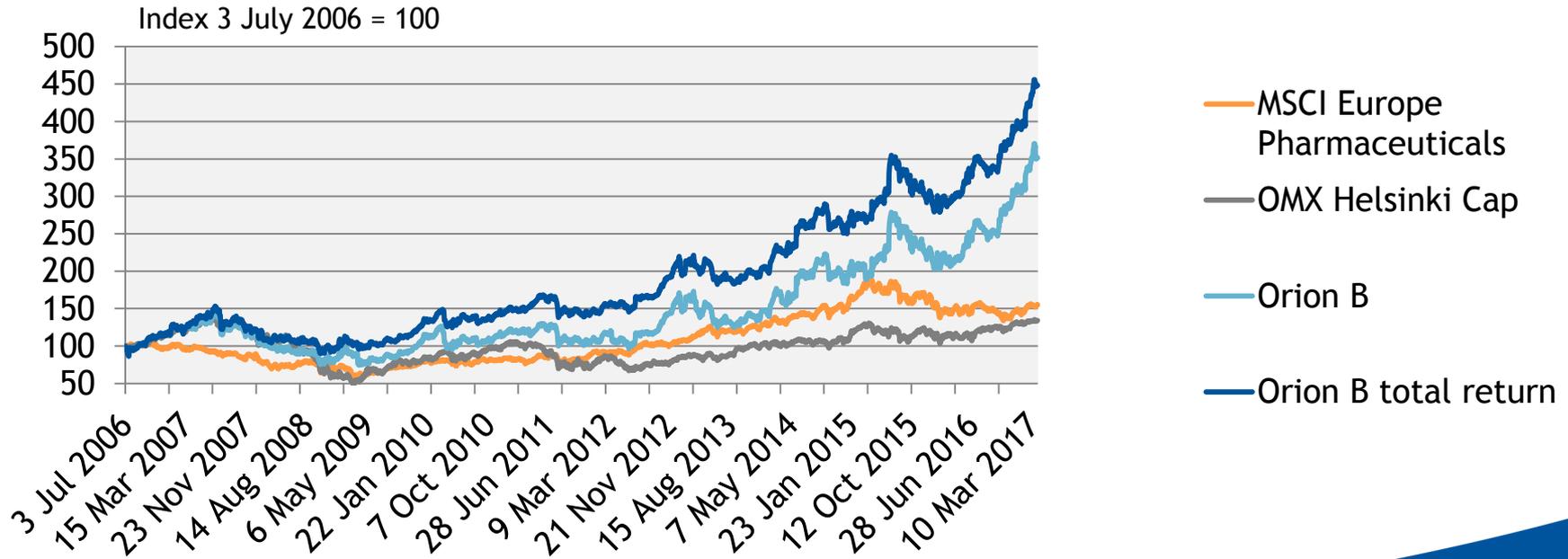


# Dividend distribution policy

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



# Orion B share performance - 3 July 2006—31 March 2017



A close-up photograph of a hand typing on a white computer keyboard. The image is overlaid with a semi-transparent blue filter. The text "Business units" is centered in white over the keyboard.

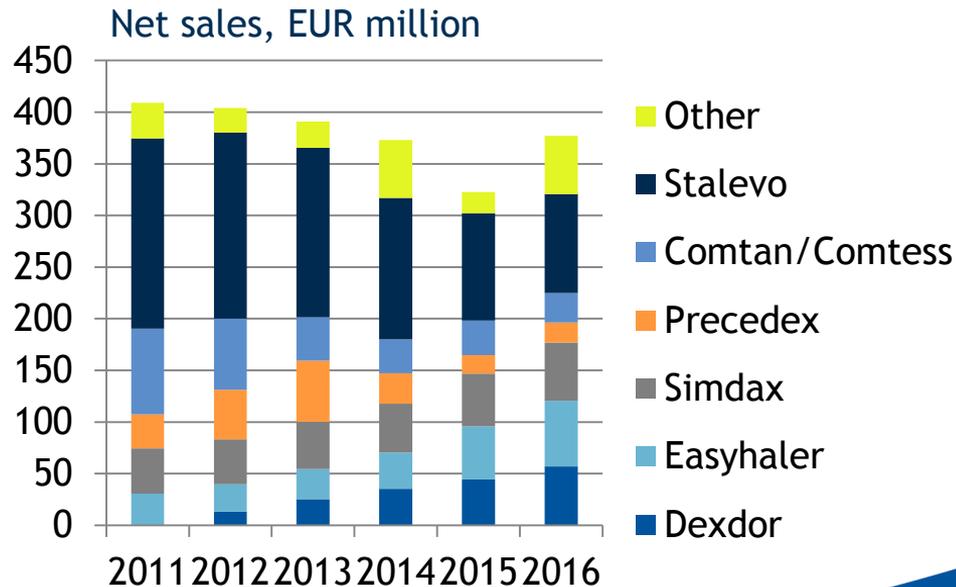
## Business units

# Proprietary Products

- Mainly Orion in-house developed prescription drugs with valid product protection
- Global sales and R&D partner networks

## Key drivers for business

- ▲ Easyhaler, Dexdor, & Simdax
- ▲ Possible milestones from development pipeline projects
- ▼ Generic competition for Stalevo and Comtan/Comtess

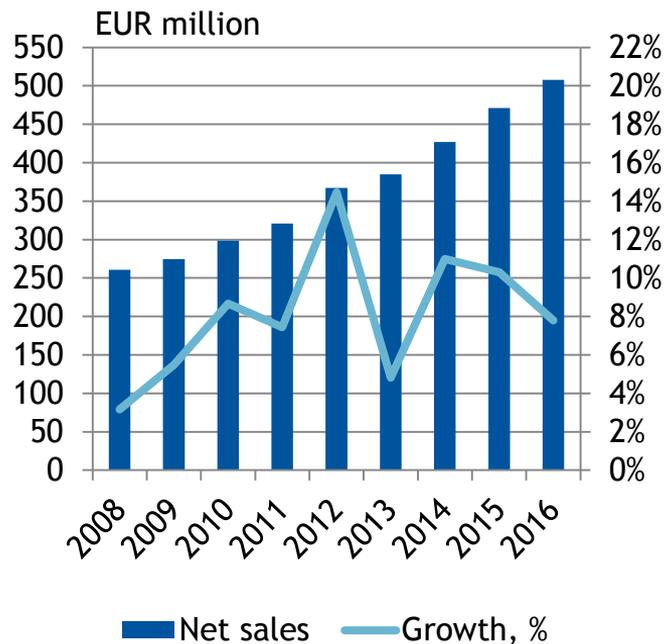


## Proprietary human pharmaceuticals developed by Orion

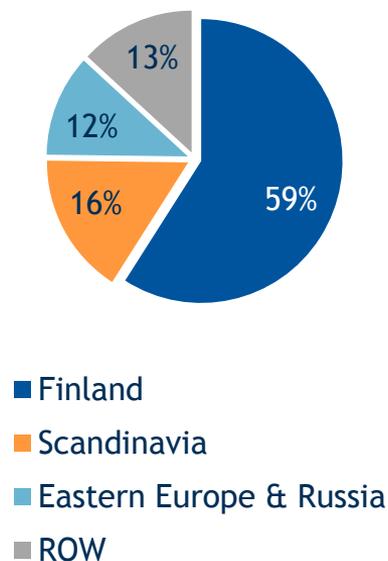
| Product  | Indication                        | Year |  Easyhaler® | Year | Indication      |
|--|-----------------------------------|------|---|------|-----------------|
|   | Sedative for ICU use              | 2011 | Bufomix Easyhaler®  | 2014 |                 |
|   | Parkinson's disease               | 2003 | Formoterol Easyhaler®   | 2004 |                 |
|   | Acute decompensated heart failure | 2000 | Budesonid Easyhaler®  | 2002 | Asthma and COPD |
|   | Sedative for ICU use              | 1999 | Beclomet Easyhaler®   | 1994 |                 |
| <br> | Parkinson's disease               | 1998 | Buventol Easyhaler®   | 1993 |                 |
|   | Breast cancer                     | 1988 |   |      |                 |

# Steady sales growth for Specialty Products

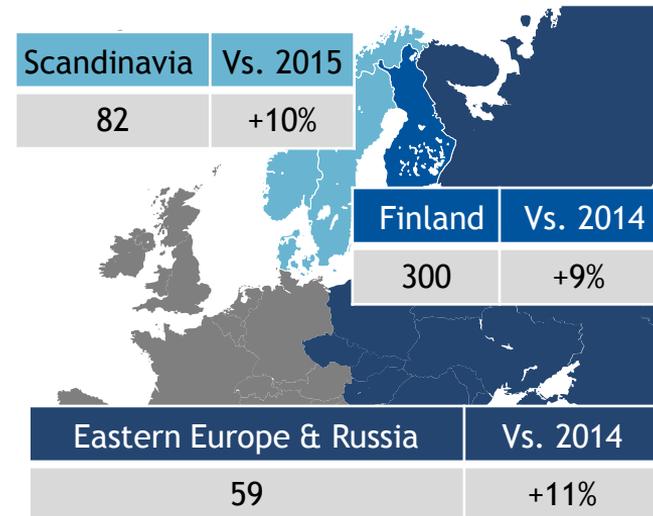
## Orion Specialty Products = Gx + OTC including also non-medicinal products



Sales split 2016



Net sales in key markets in 2016, EUR million



# Specialty Products – portfolio of hundreds of different product



Generic  
prescription drugs

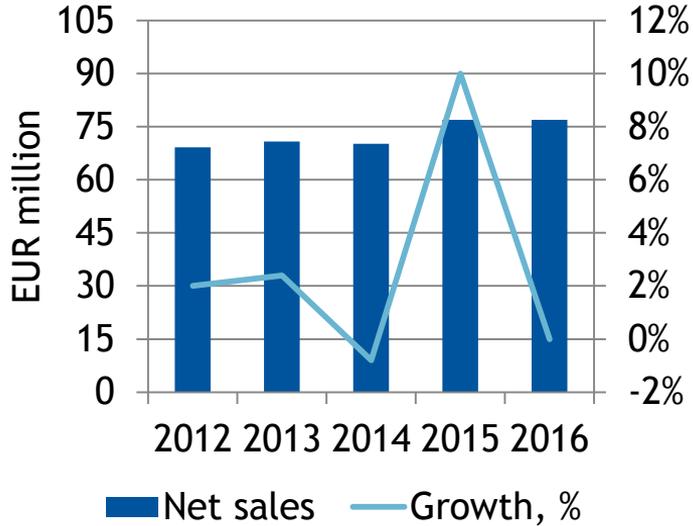


OTC and self-care



Biosimilars

# Animal Health



In-house developed proprietary products

DOMOSEDAN®

DOMITOR®

ANTISEDAN®

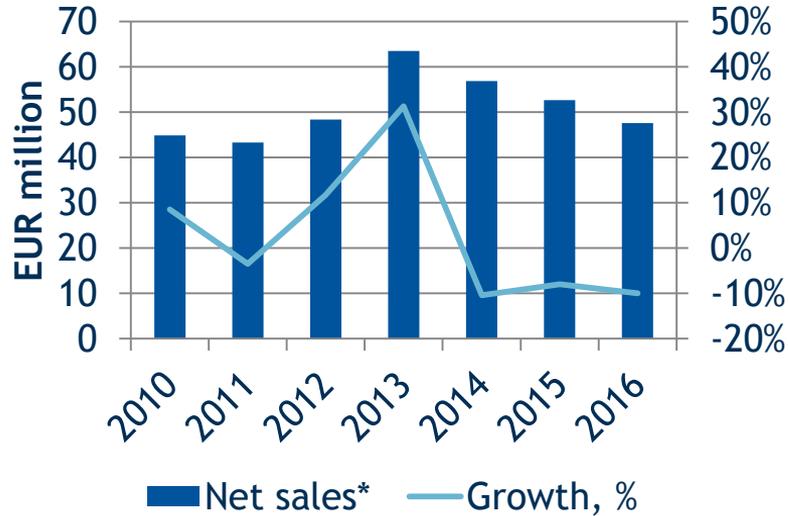
DEXDOMITOR®

DOMOSEDAN GEL®

Sileo®

- Medicinal and non-medicinal products for companion animals and livestock
- In-house developed proprietary products sold globally both through own sales network and through partners
- In-licensed products sold in own sales areas

# Fermion has an important strategic role



\*) Excluding supply to Orion



APIs for Orion's proprietary products

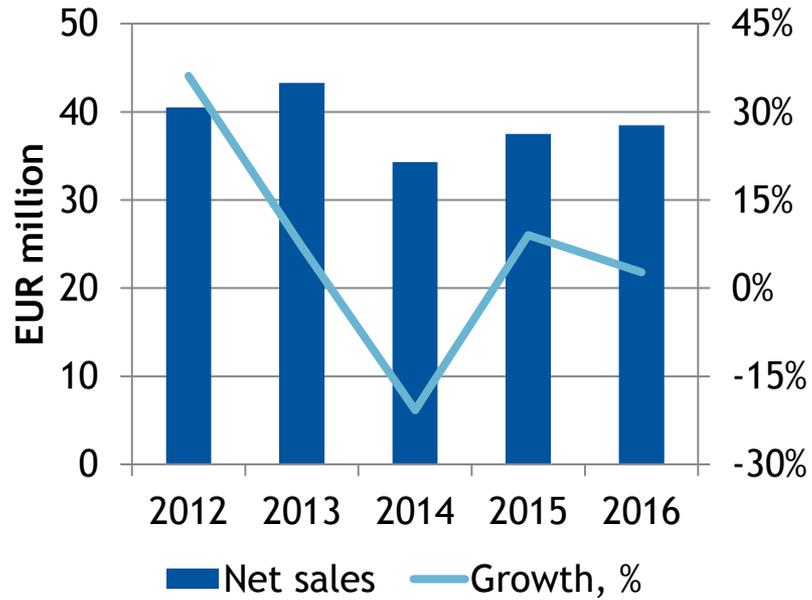


Generic APIs for Orion and other pharmaceutical companies



Contract development and manufacturing

## Contract manufacturing & other

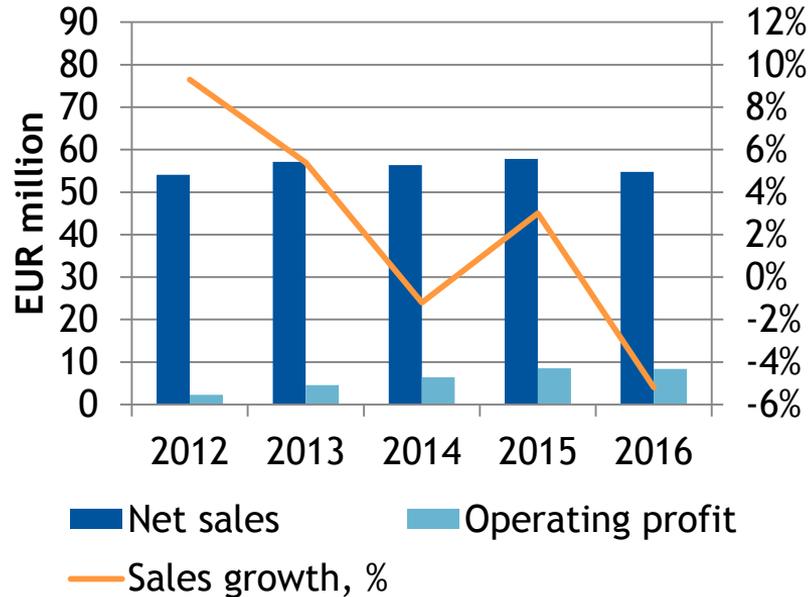


Pharmaceutical manufacturing for other companies



Orion has special capacity e.g. in hormonal products

# Orion Diagnostica



- Diagnostic test systems for point-of-care testing in healthcare and hygiene testing for industry
- Main market areas: Europe (especially northern), China, USA, Japan
- Own sales units in 9 European countries, distributor network covering over 60 countries
- Focus in point-of-care IVD
- Key products: QuikRead® and GenRead® platforms

*Suomi  
Finland*  
**100**



**100 years of Orion**  
Building well-being. Together.

# Orion 100 years



## 1910's

Finland gains independence on 6 December 1917. During The Civil War in 1918 the healthcare system is in a state of chaos, and epidemics wreak havoc.

**1917** Three pharmacists establish Orion on **21 September** and the first pharmaceutical facility is opened in the centre of Helsinki. Orion's first product is Bellistol, a rifle cleaning oil, and first hit product is dulcin, an artificial sweetener.



## 1920's

Most Finnish children suffer from malnutrition and 44-80% have rickets.

**1920** The famous paediatrician Arvo Ylppö, starts to tackle rickets.

**1922** Orion's share capital is increased through a share issue.

**1929** A new share issue to save the company, targeted at doctors and pharmacists in particular. The *Orion reconstructa* is born.

## 1930's

Finland fights diphtheria. The Vaccination Act of 1936 enables effective vaccination programmes.

**1934** Orion relocates to larger facilities in Helsinki.

**1937** Orion begins to prepare vaccines.

**1938** Orion becomes the largest pharmaceutical plant in Finland.



# Orion 100 years



**1948**  
*Oriola and Noiro  
are established*

**1955**  
*Orion acquires  
Chymos*



**1960**  
*Orion acquires Lääketehtas Alb. Koponen*  
**1961**  
*Chip board manufacturer Tiwi is established*  
**1968**  
*Orion begins manufacturing diagnostic products*

## 1940's

Heroin and other opiates are used as a general medication during the war. After the war, Parliament discusses the nationalisation of pharmaceutical production and distribution.

**1944** The Orion plant produces the first batch of penicillin in Finland.

**1945** Erkki Leikola, the Managing Director of Orion, participates in the discussion about the future of the pharmaceutical industry also as a Member of Parliament.

## 1950's

New drugs are introduced to get rid of the tuberculosis - the most significant public health problem in Finland throughout the first half of the 20th century.

**1952** Joachim Alberty from Germany is hired to supervise the development of new drugs.

**1953** Orion begins to prepare Calmette, a vaccine against tuberculosis.

## 1960's

Penicillin and other antibiotics revolutionise the treatment of many ordinary infections. Penicillin production becomes a sign of a developed country.

**1962** New pharmaceutical plant in Espoo is completed.

**1966** Diapam is introduced for the treatment of anxiety. Antibiotics are among Orion's highest-selling products in the 1960s.

# Orion 100 years



**1970**  
*Fermion is established  
Orion establishes parent  
company Orion-Yhtymä Oy  
1971  
Orion acquires Normet*

## 1970's

Finns are encouraged to improve their lifestyles. Municipal healthcare centres constitute the core of the healthcare system.

**1970** Orion starts exporting pharmaceuticals. First hit products are diagnostic quick tests Uricult and Gravitest.

**1970** Fermion is established in order to manufacture penicillin.

**1974** Orion begins to develop drugs for the treatment of cardiovascular diseases.

**1972**  
*Orion establishes Eurocell and divests Tiwi  
1974  
Orion Diagnostica is established*

## 1980's

The Finnish economy is thriving. The average Finn still consumes a large amount of salt: five kilos per year.

Blood pressure drugs Sembrina and Diurex are among Orion's highest selling products in the 1980s.

**1983** Orion introduces its first proprietary drug, the animal sedative Domosedan.

**1984** Orion's new head office is completed in Espoo.

**1988** Fareston for Breast cancer is launched

**1988**  
*Orion acquires  
majority shareholding  
in Farnos*

## 1990's

A deep recession hits Finland, with more than 500,000 people unemployed. Mental health problems are discussed more openly.

**1990** Orion merges with Farnos, its former competitor.

**1993** The antidepressant Seronil is introduced and becomes a bestselling preparation.

**1995** Orion becomes the only Finnish company that is still manufacturing drugs in Finland.

**1993**  
*Chymos is divested  
1995  
Orion is listed on Helsinki stock exchange  
1999  
Normet is divested*



# Orion 100 years



**2002**  
*Orion acquires majority shareholding in Kronans Droghandel*

**2003**  
*Noiro is divested*

**2006**  
*Demerger into Orion Oyj and Oriola-KD Oyj*

## 2000's

The population of Finland is ageing rapidly. The legal amendment concerning the generic substitution of medicines enters force in 2003.

**2003** Stalevo, a drug developed and patented by Orion for the treatment of Parkinson's disease, is authorised for marketing.

**2005** Generic drugs become Orion's focus area, along with proprietary drugs.

**2006** Orion successfully focuses on its core operations: drug production and diagnostics.



## 2010's

Finns are in better health than ever. The focus is increasingly on the maintenance of well-being, in addition to the treatment of diseases.

**2013** Foreign markets represent two-thirds of Orion's net sales. Most of its research operations are carried out in Finland, and all of its own production plants are in Finland.

**2014** Generic drugs represent nearly 50% of Orion's net sales.

**2016** Burana, the most trusted painkiller in Finland, turns 30.

*Suomi  
Finland*  
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**Orion's centenary 2017**  
Orion is a corporate cooperation partner for SuomiFinland 100.

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