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# Orion Investor presentation

Updated on 19 July 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/-30/6/2017
- 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

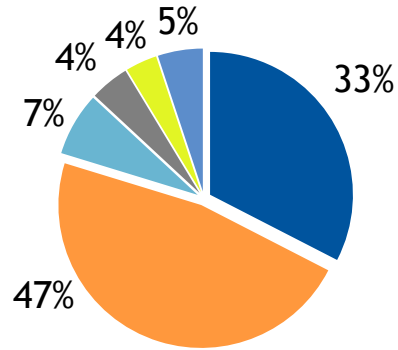


6 production sites in  
Finland



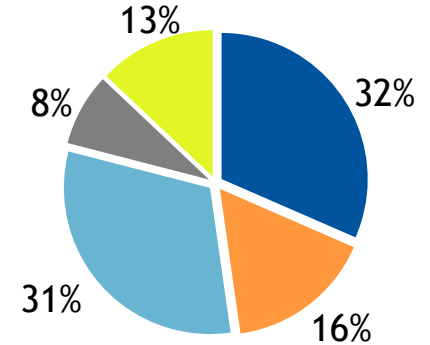
Own sales unit in  
26 European countries

Sales split by business



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

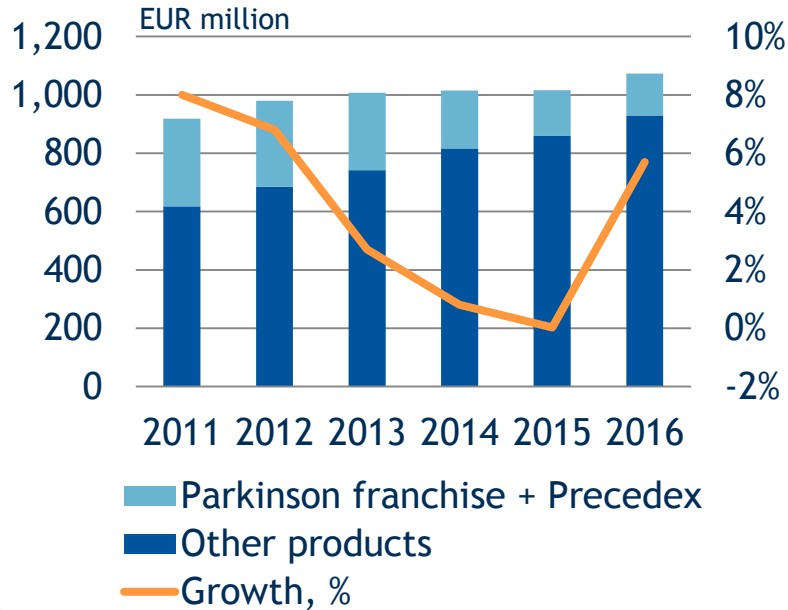
Sales split by market area



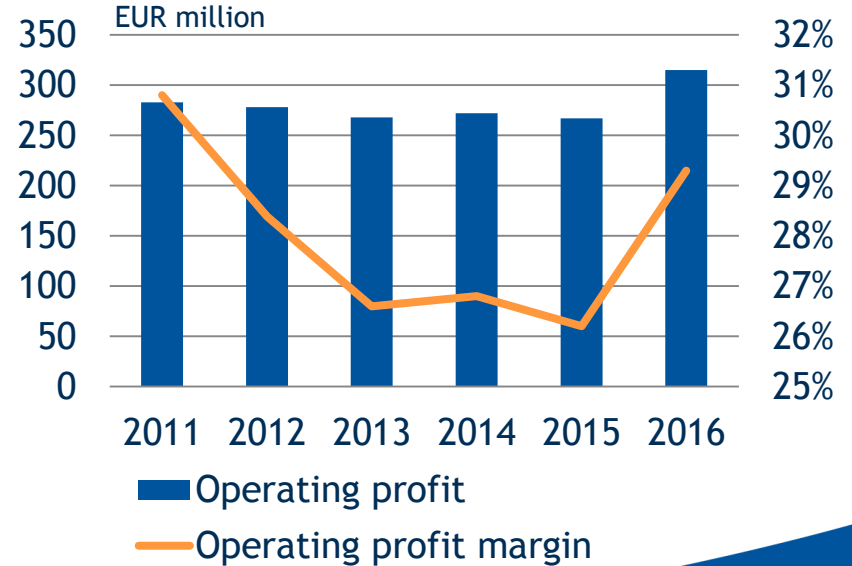
- Finland
- Scandinavia
- Other Europe
- North America
- ROW

# Steady development despite patent expiries

Net sales

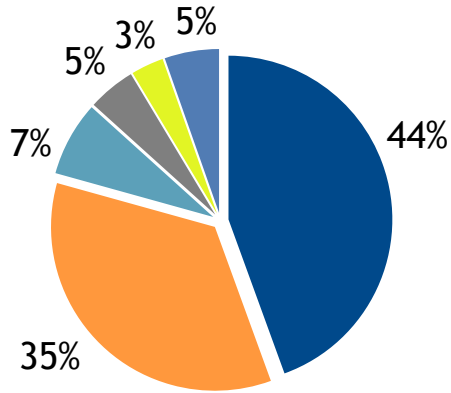


Operating profit

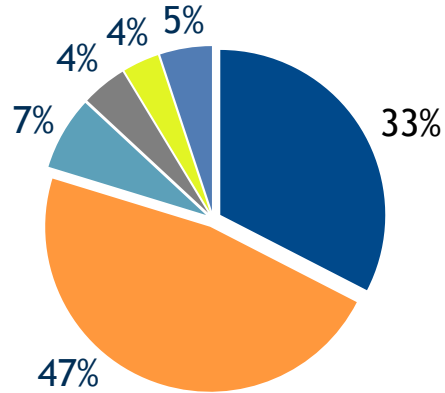


# Orion's product mix has changed

Sales by business 2011



Sales by business 2016



■ Proprietary Products

■ Animal Health

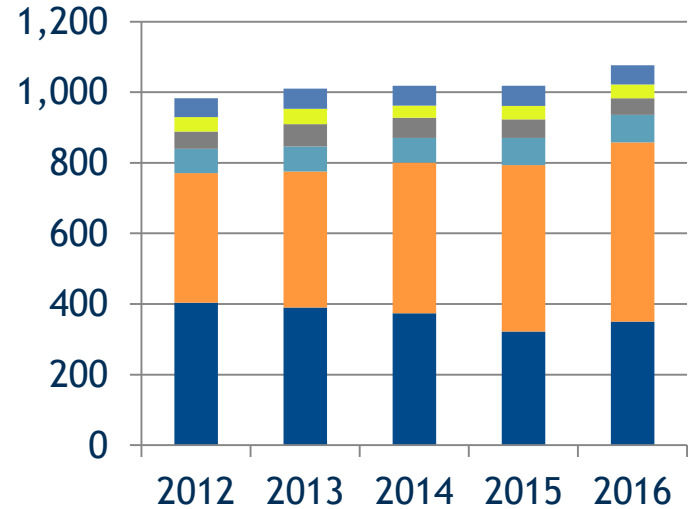
■ Contract manufacturing & other

■ 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

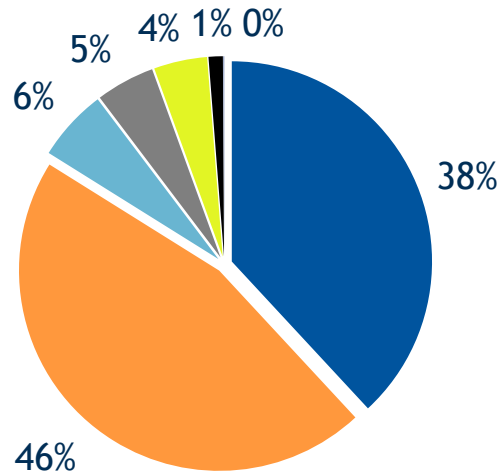


# Orion's strategy – Mission to build well-being



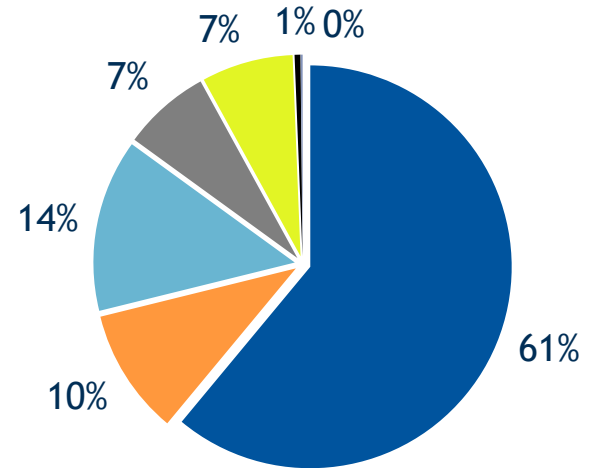
# Orion has ~50,000 shareholders (June 30, 2017)

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



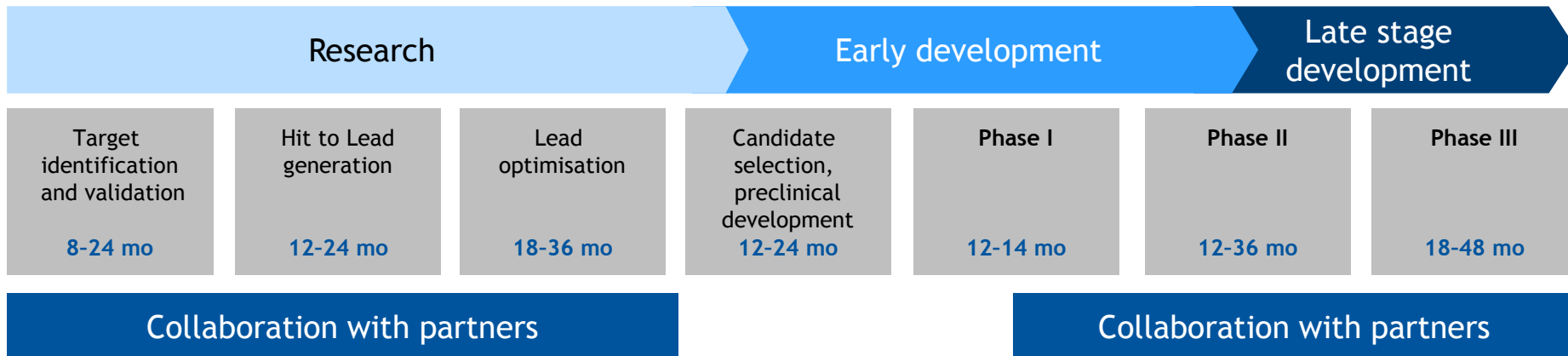
- APIs to Orion's proprietary products
- Generic APIs
- Contract development for pharmaceutical companies

## Orion Diagnostica



- QuikRead test system
- GenRead test system

# Together we can achieve more in R&D



AsahiKASEI



# Key clinical pharmaceutical development projects

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	
ODM-109 (oral levosimendan)	ALS	I	II		
ORM-12741 (alfa-2c adrenoceptor antagonist) <sup>2)</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>1)</sup> In collaboration with Bayer

<sup>2)</sup> In collaboration with Janssen Pharmaceuticals

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

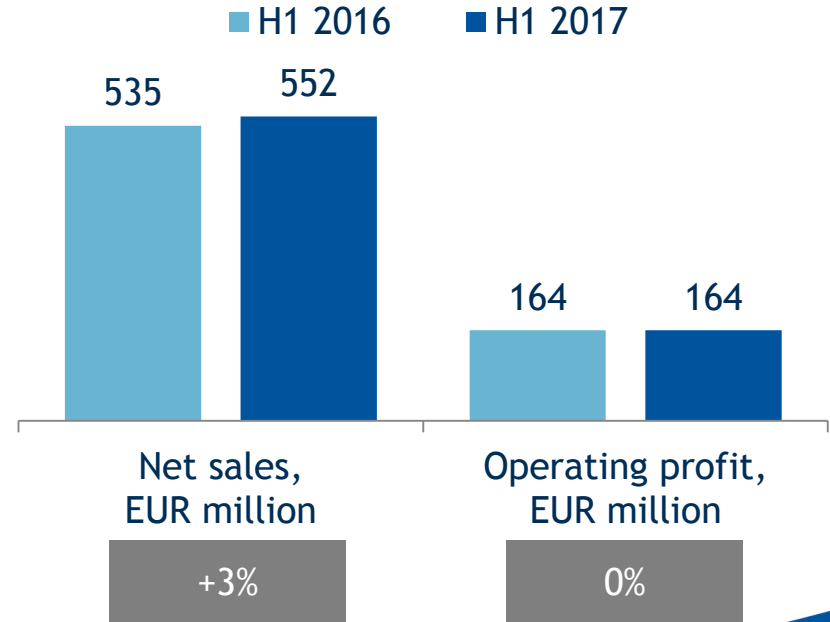
<span style="background-color: #0070C0; color: white; padding: 2px;"> </span>	= Phase completed
<span style="background-color: #FF8C00; color: white; padding: 2px;"> </span>	= Phase ongoing
<span style="border: 1px solid black; padding: 2px;"> </span>	= Status changed



## Orion highlights 1-6/2017

# Year has progressed as planned

- Net sales grew slightly from the comparative period.
- Operating profit at similar level to previous year.
- Easyhaler product family maintained good growth. Dexdor, biosimilar Remsima, Fermion and Animal Health also increased sales.
- Easyhaler budesonide-formoterol product launched in German market. Marketing authorisation application for Easyhaler salmeterol-fluticasone combined formulation submitted in Europe.
- Outlook estimate for 2017 unchanged.

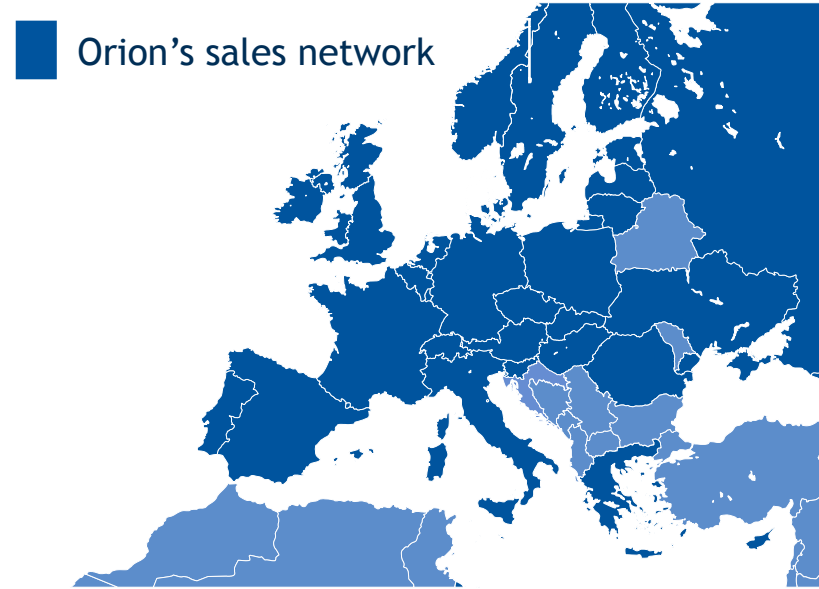
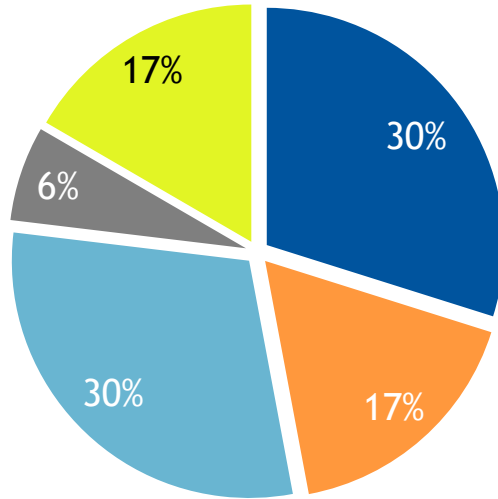




# Geographical breakdown of net sales

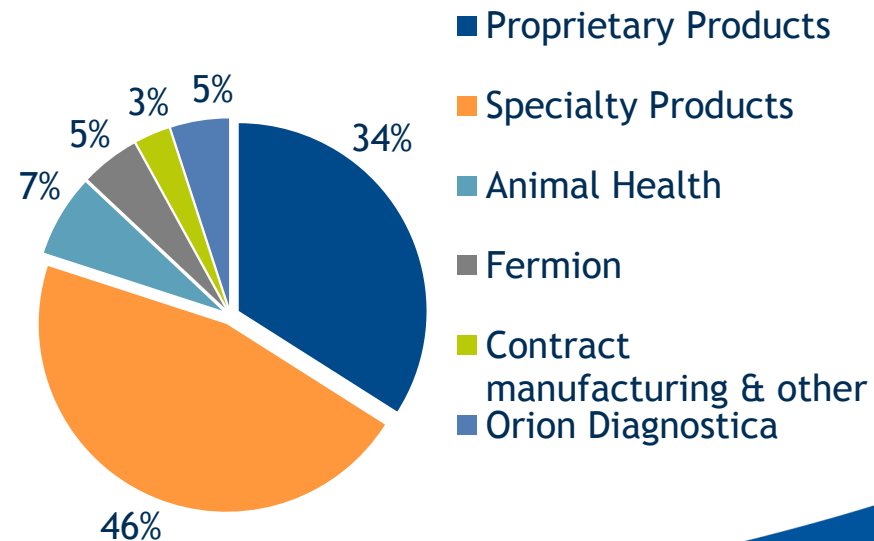
H1 2017

- Finland
- Scandinavia
- Other Europe
- North America
- ROW

















## Breakdown of net sales by business division

Net sales, EUR million	H1 2017	H1 2016	Change
Specialty Products	255	246	+4%
Proprietary Products	186	185	+0%
Animal Health	41	38	+7%
Fermion	28	20	+39%
Contract manufacturing & other	17	19	-12%
Orion Diagnostica	27	28	-4%



# Best-selling pharmaceuticals H1 2017

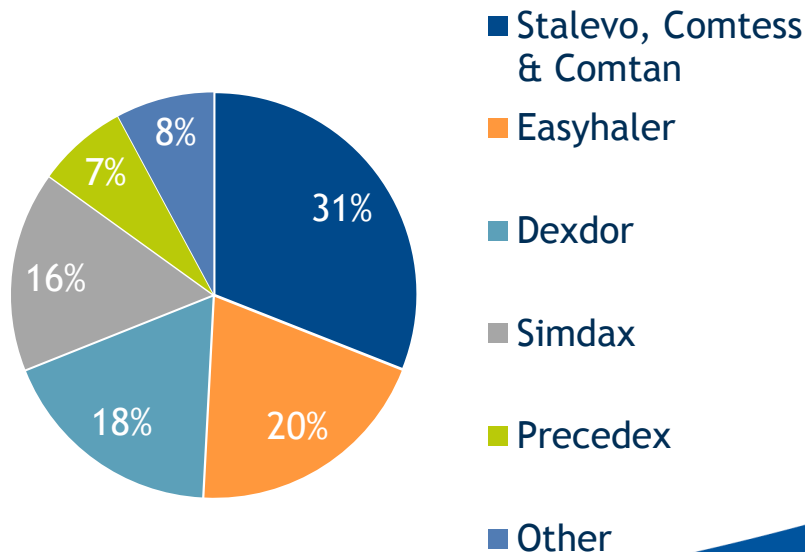
	Product	Indication	Net sales, EUR million	Change vs. H1 2016
1.	 <i>Stalevo</i>  <i>Comtess</i>  <i>COMTan</i>	Parkinson's disease	58	-19%
2.	 <i>Easyhaler</i> <sup>®</sup>	Asthma, COPD	37	+16%
3.		Intensive care sedative	34	+22%
4.	 <i>SIMDAX</i> levosimendan	Acute decompensated heart failure	30	+8%
5.	 <i>Remsima</i> <sup>™</sup> Infliximab	Rheumatoid arthritis, inflammatory bowel diseases	28	+28%
6.	 <i>DEXDOMITOR</i> <sup>®</sup>  <i>DOMITOR</i> <sup>®</sup>  <i>DOMOSEDAN</i> <sup>®</sup>  <i>ANTISEDAN</i> <sup>®</sup>	Animal sedatives	18	+45%
7.	 <i>Precedex</i> <sup>®</sup> (dexmedetomidine HCl Injection)	Intensive care sedative	13	+36%
8.	 <i>burana</i> <sup>®</sup>	Inflammatory pain	11	+10%
9.	 <i>Marevan</i> <sup>®</sup>	Anticoagulant	10	+6%
10.	Divina <sup>®</sup> range	Menopausal symptoms	9	+24%

= Products of Proprietary Products business division

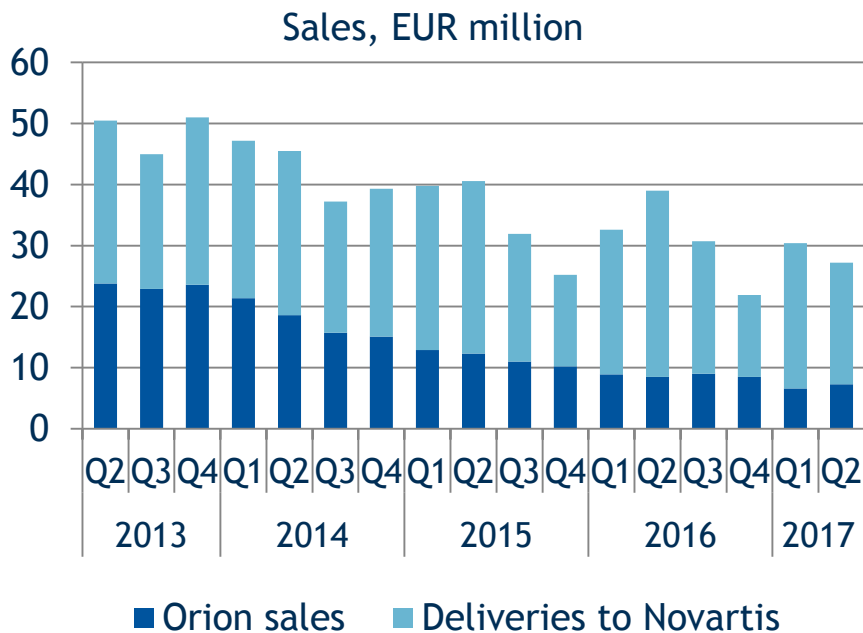
# Proprietary Products

- As expected, sales of Stalevo, Comtess and Comtan continued to decline, but good growth of other products compensated for the decrease.
- Easyhaler product family, Dexdor and Simdax sales increased.
- Easyhaler budesonide-formoterol product launch ongoing in Germany.
- Marketing authorisation application for Easyhaler salmeterol-fluticasone combined formulation submitted in Europe.
- Competitor has launched a generic version of Dexdor in German market.

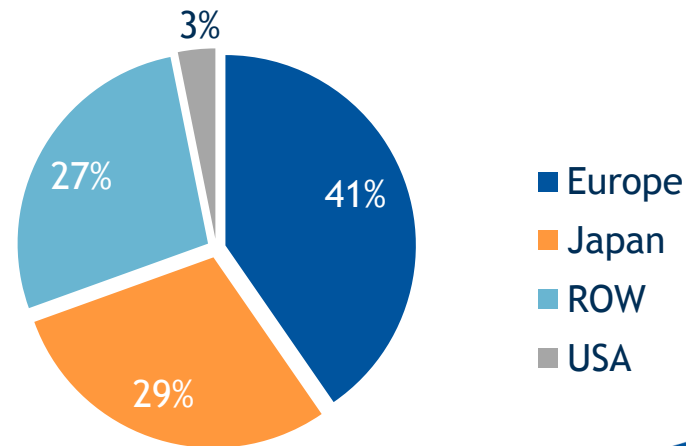
Breakdown of net sales



# Parkinson's drugs

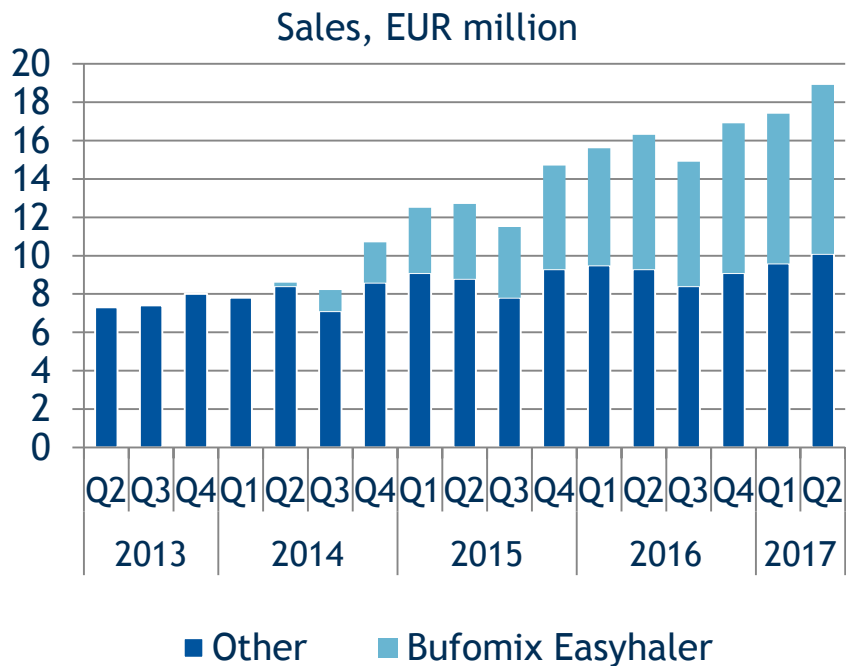


Sales of Orion's branded Parkinson's drugs by market area MAT3/2017



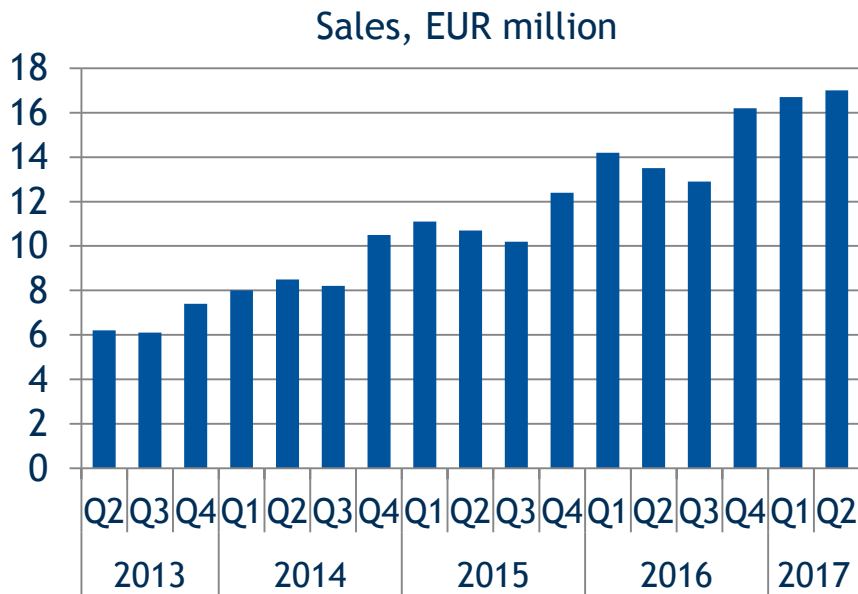
Source: IMS Health sales statistics MAT3/2017

# Easyhaler product family

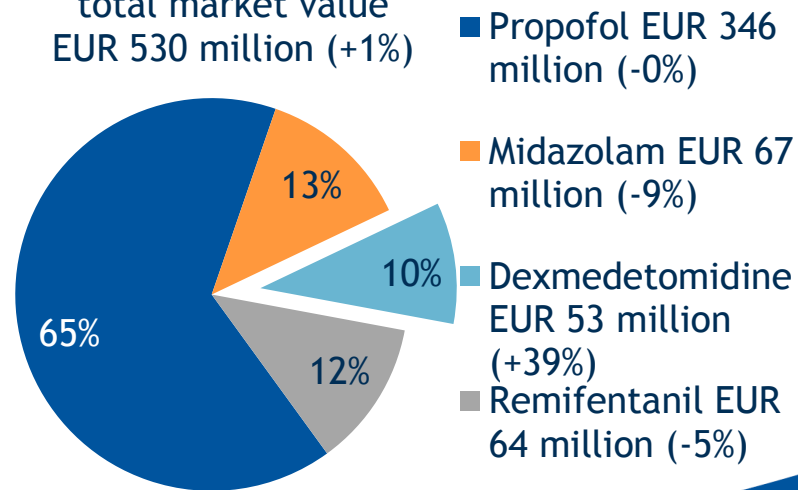


- Total Easyhaler product family sales grew by 16%.
- Bufomix Easyhaler sales grew by 31%.
- Marketing authorisation application for Easyhaler salmeterol-fluticasone combined formulation submitted in Europe.
- Easyhaler budesonide-formoterol launched in Germany.
- Negotiations about commercialisation of product family ongoing in new markets.
- The evaluation of possible new products is ongoing.

# Dexdor intensive care sedative



European sedative market  
MAT3/2017,  
total market value  
EUR 530 million (+1%)



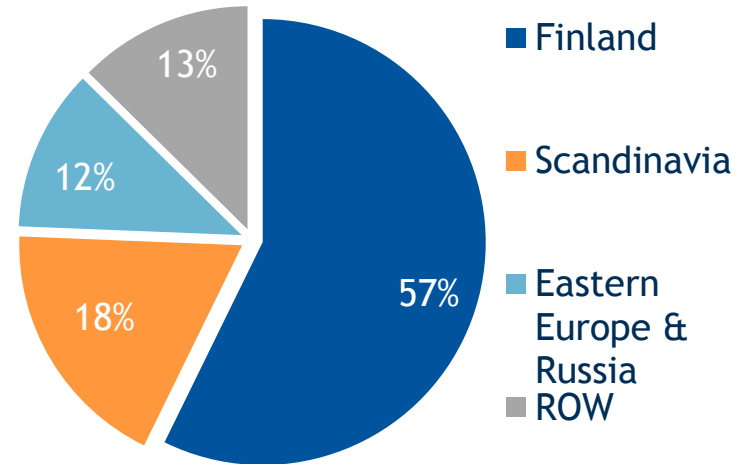
Source: IMS Health sales statistics MAT3/2017

# Specialty Products

Net sales in key markets H1 2017

	EUR million	vs. H1 2016
Finland	145	+2%
Scandinavia	47	+12%
Eastern Europe and Russia	30	+15%

Breakdown of net sales



- Sales of self-care products and biosimilar Remsima developed well. Growth in net sales of Remsima was mainly due to winning national tendering competition in Norway and commencement of deliveries.
- In Finland changes to reference pricing system for substitutable prescription drugs at beginning of year narrowed so-called price band.

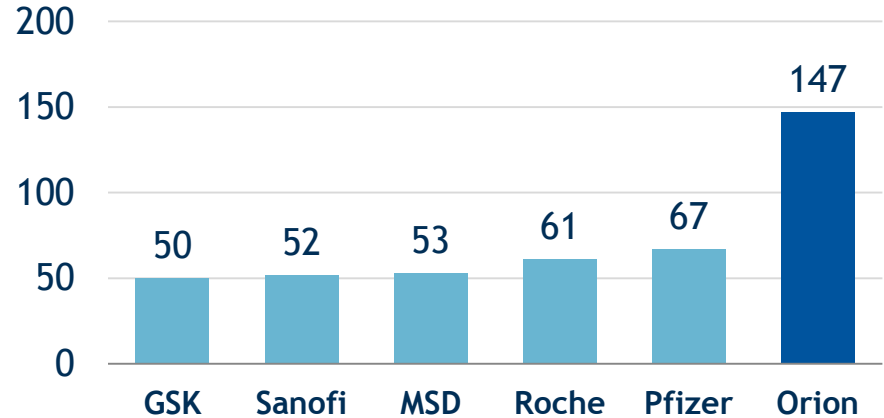


# Orion strong in home market Finland

Finnish human pharmaceuticals market H1 2017:

- Wholesale EUR 1,131 million
- Orion's market share 13%
- Growth of total market +1%
- Orion's growth +2%
  - Orion's growth was mainly due to good development in sales of self-care products and Remsima®.

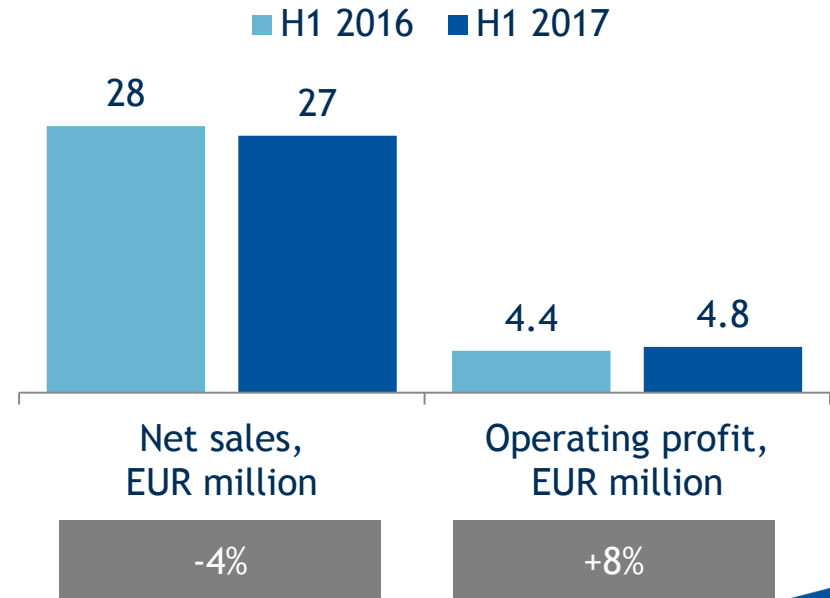
Finland's biggest pharmaceutical companies H1 2017, EUR million



Source: IMS Health sales statistics MAT3/2017

# Orion Diagnostica

- QuikRead® tests remained the main product.
- Net sales decreased due to, among other things, periodisation of purchases by significant collaboration partner.





## 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%.**

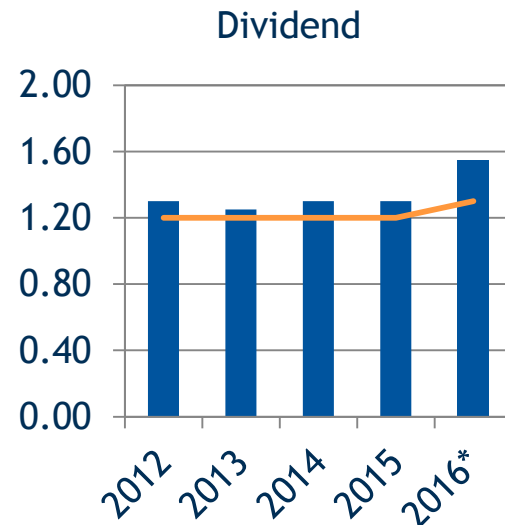
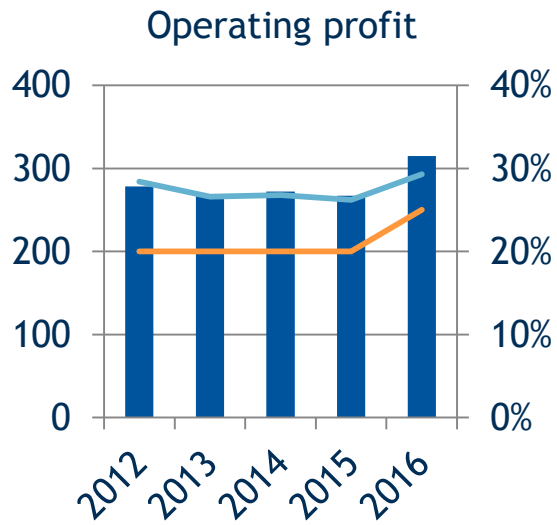
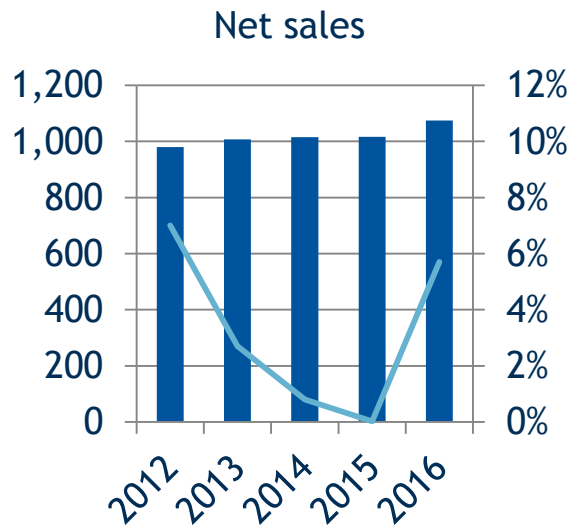


**Maintaining profitability at a good level.** The aim is operating profit that exceeds 25% of net sales.



**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



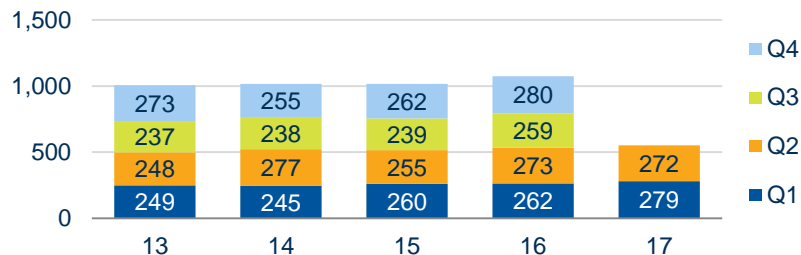
■ Net sales, EUR million  
— Growth, %

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

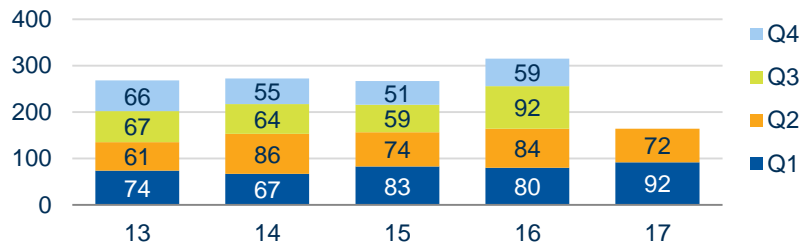
■ Dividend per share  
— Dividend target

# Key figures by quarter

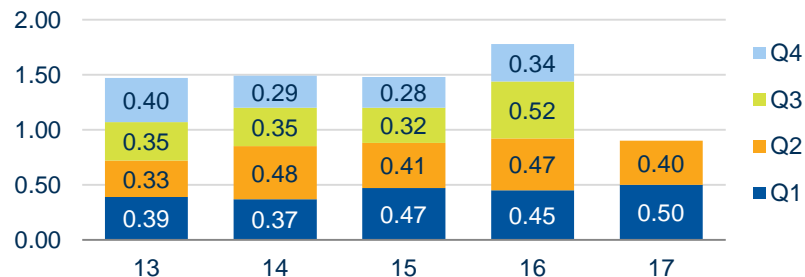
## Net sales, EUR million



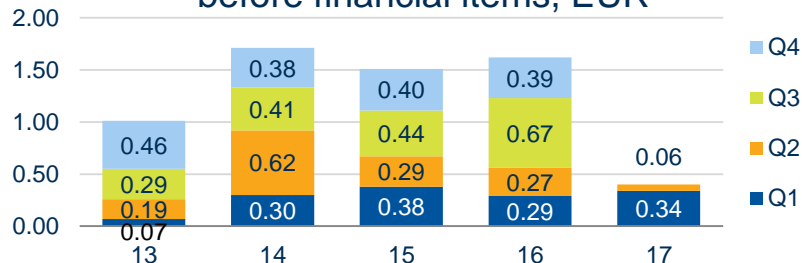
## Operating profit, EUR million



## Basic earnings per share, EUR



## Cash flow per share before financial items, EUR



# Key figures for 2013-H1/2017

Orion's key figures	2013	2014	2015	2016	H1/2017	Change % vs. H1/2016
Net sales, EUR million	1,006.9	1,015.3	1015.6	1,073.5	551.6	+3.1%
Operating profit, EUR million	267.7	272.4	266.6	314.6	163.5	-0.2%
Profit before taxes, EUR million	264.0	267.8	262.3	310.9	159.5	-1.7%
R&D expenses, EUR million	101.9	106.2	108.1	118.2	52.3	-2.0%
Equity ratio, %	53.6%	52.3%	57.4%	60.8%	58.4%	
Gearing, %	8.4%	-4.7%	-9.6%	-12.4%	15.2%	
ROCE (before taxes), %	38.5%	36.6%	35.7%	40.9%	43.9%	
Return on equity, %	40.3%	41.1%	37.5%	40.3%	42.5%	
Basic earnings per share, EUR	1.46	1.50	1.48	1.77	0.90	-1.5%
Cash flow per share before financial items, EUR	1.02	1.72	1.51	1.62	0.40	-29.2%
Dividend per share, EUR	1.25	1.30	1.30	1.55*		

\*) Dividend includes extra dividend of EUR 0.20



# Income Statement 2011-H1/2017

Formation of profits, EUR million	2013	2014	2015	2016	H1/2017	Change % vs. H1/2016
Net sales	1,006.9	1,015.3	1015.6	1,073.5	551.6	+3.1%
Cost of goods sold	-393.5	-401.7	-405.8	-421.7	-211.4	+4.8%
Gross profit	613.4	613.6	609.8	651.8	340.1	+2.0%
Other operating income and expenses	5.6	1.7	1.5	24.3	0.1	+256.5%
Sales and marketing expenses	-204.9	-193.4	-190.4	-194.7	-100.5	+8.3%
R&D expenses	-101.9	-106.2	-108.1	-118.2	-52.3	-2.0%
Administrative expenses	-44.5	-43.3	-46.2	-48.7	-23.9	+2.3%
Operating profit	267.7	272.4	266.6	314.6	163.5	-0.2%
Profit before taxes	264.0	267.8	262.3	310.9	159.5	-1.7%
Profit for the period	206.2	211.3	208.2	249.0	126.7	-1.7%

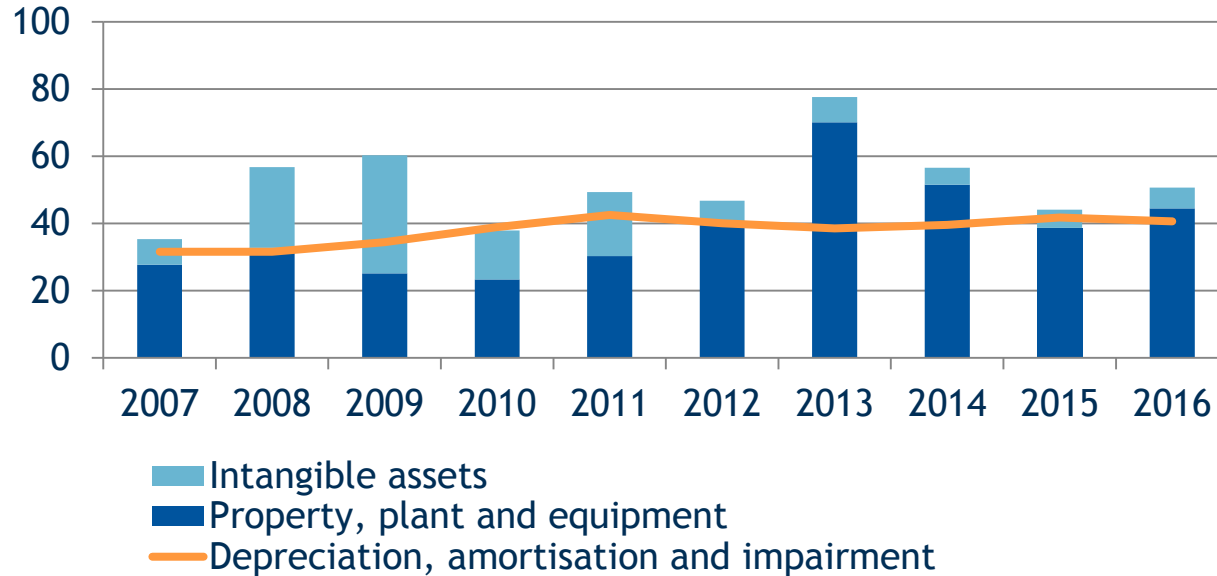
# Financial position

EUR million	6/17	6/16	Change%
<b>Non-current assets total</b>	<b>385.3</b>	371.4	+3.7%
Inventories	238.4	213.6	+11.6%
Trade receivables	208.1	186.9	+11.3%
Other receivables	48.0	44.1	+8.9%
Cash & cash equivalents & money market investments	67.7	119.7	-43.0%
<b>Current assets total</b>	<b>562.2</b>	564.3	-0.4%
<b>Assets total</b>	<b>947.5</b>	935.7	+1.3%

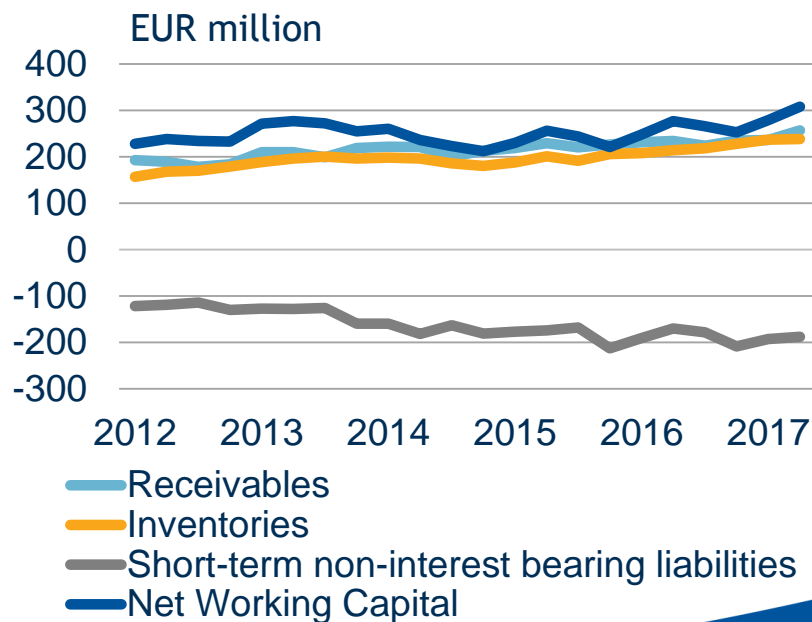
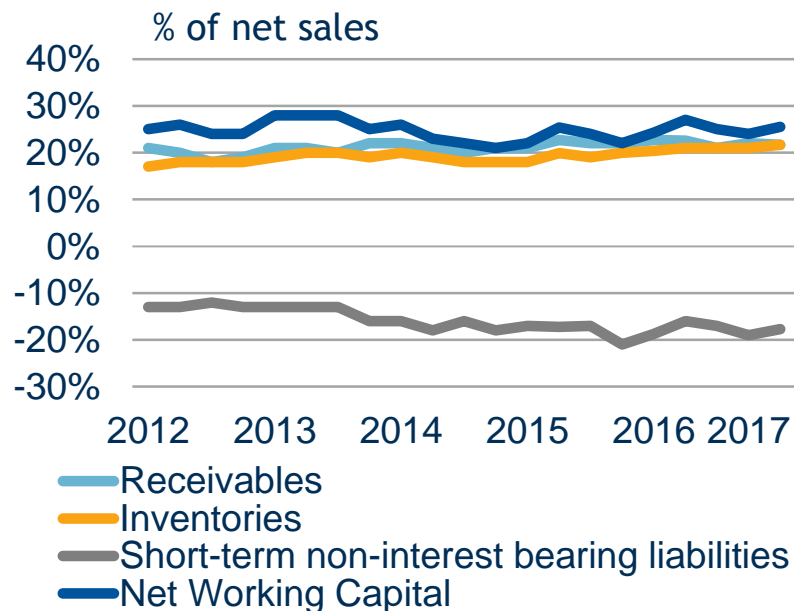
EUR million	6/17	6/16	Change %
<b>Equity total</b>	<b>550.3</b>	523.0	+5.2%
Interest-bearing non-current liabilities	150.3	175.7	-14.5%
<b>Non-current liabilities total</b>	<b>190.7</b>	216.5	-11.9%
<b>Current liabilities total</b>	<b>206.5</b>	196.1	+5.3%
<b>Liabilities total</b>	<b>397.2</b>	412.6	-3.7%
<b>Equity and liabilities total</b>	<b>947.5</b>	935.7	+1.3%

# Development of capital expenditure

Orion Capex, EUR million

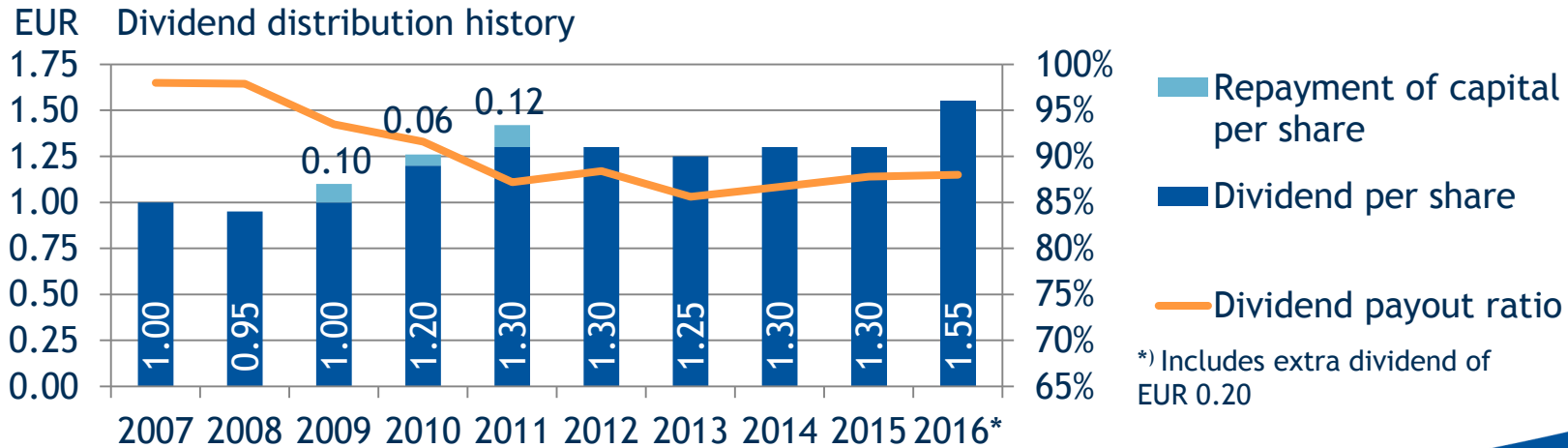


# Development of Net working capital

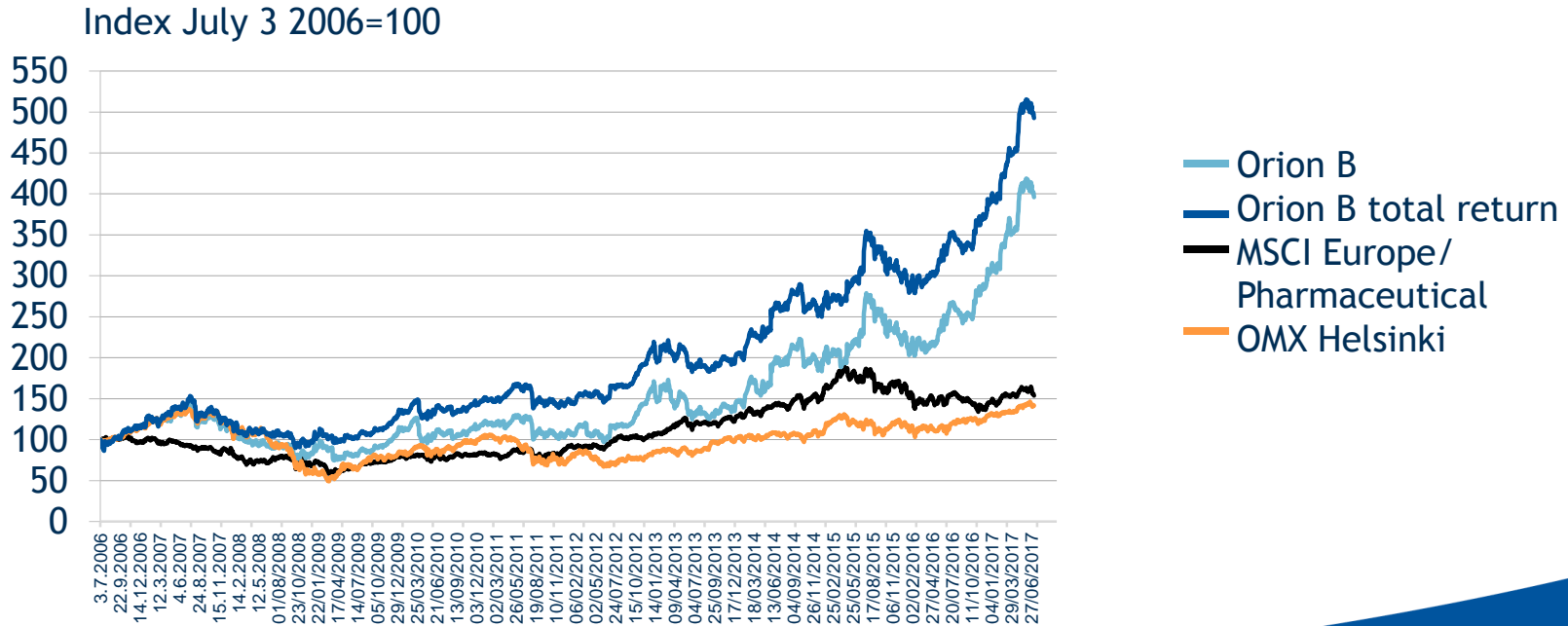


# Dividend distribution policy

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 - 30 June 2017





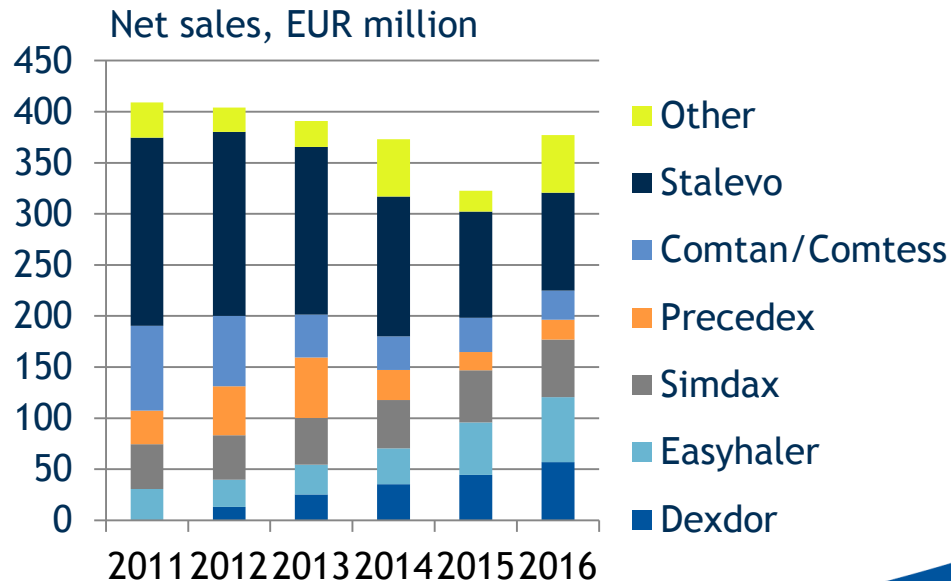
## Business units

# 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



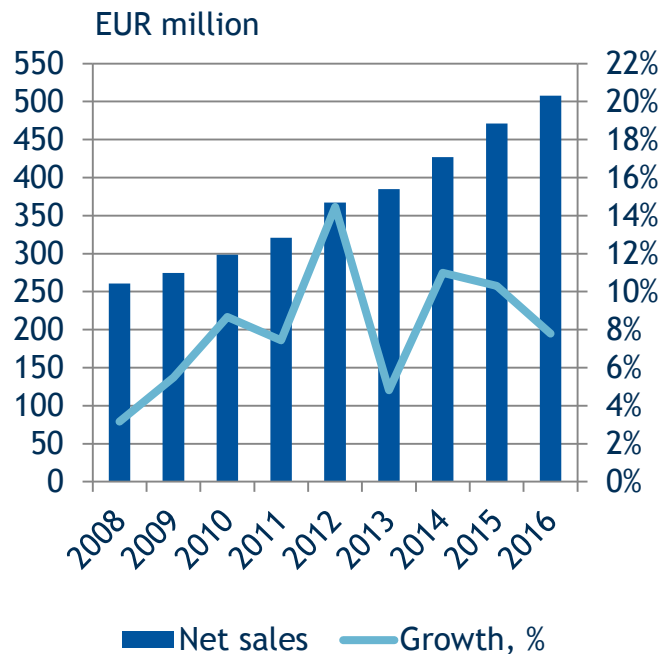


# Proprietary human pharmaceuticals developed by Orion

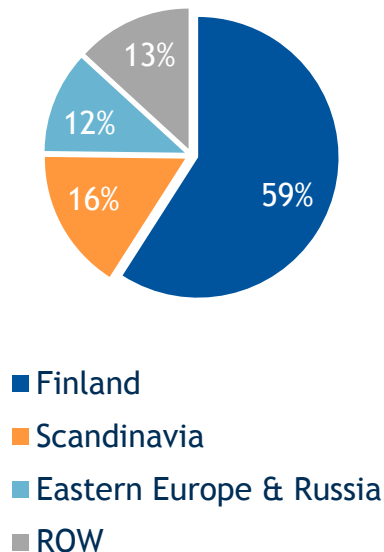
Product	Indication	Year	 Easyhaler®	Year	Indication
	Sedative for ICU use	2011	Bufomix Easyhaler®	2014	
	Parkinson's disease	2003	Formoterol Easyhaler®	2004	
	Acute decompensated heart failure	2000	Budesonid Easyhaler®	2002	Asthma and COPD
	Sedative for ICU use	1999	Beclomet Easyhaler®	1994	
 	Parkinson's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

# Steady sales growth for Specialty Products

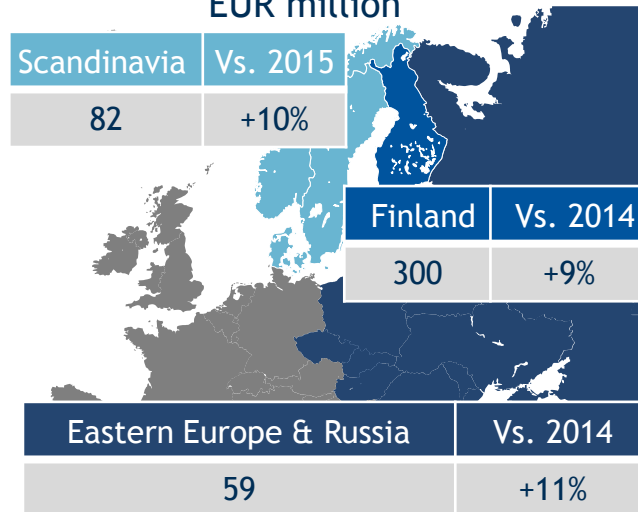
## Orion Specialty Products = Gx + OTC including also non-medicinal products



Sales split 2016



Net sales in key markets in 2016, EUR million



# Specialty Products – portfolio of hundreds of different product



Generic  
prescription drugs

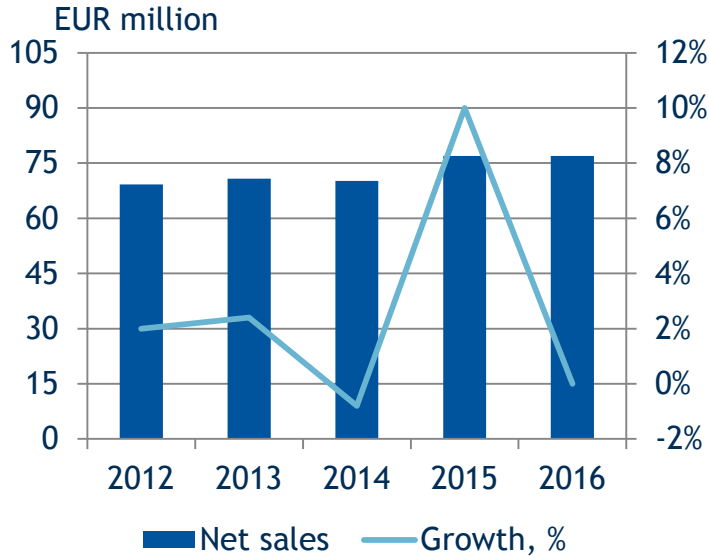


OTC and self-care



Biosimilars

# Animal Health

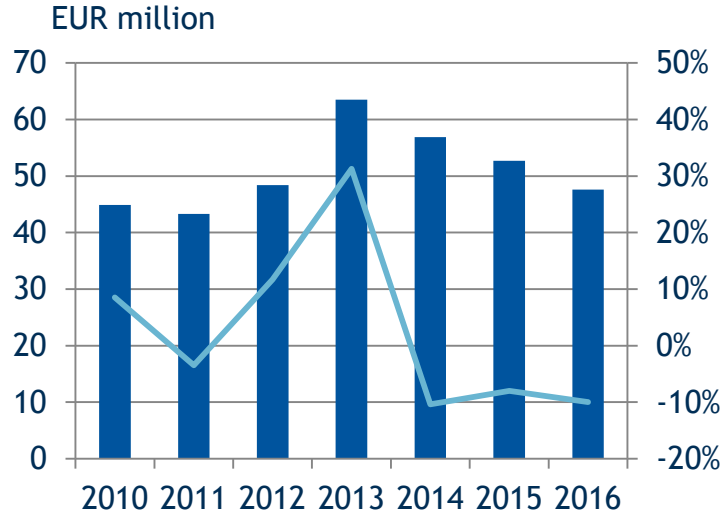


## In-house developed proprietary products



- 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



■ Net sales\*    — Growth, %

\*) Excluding supply to Orion



APIs for Orion's  
proprietary  
products



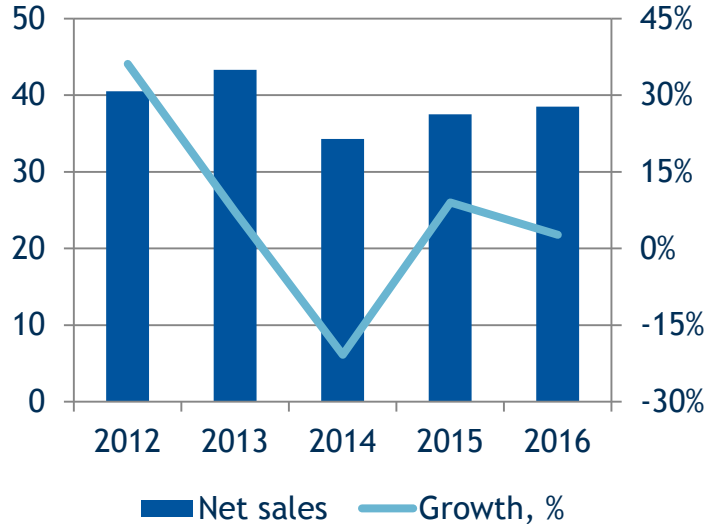
Generic APIs for  
Orion and other  
pharmaceutical  
companies



Contract  
development and  
manufacturing

# Contract manufacturing & other

EUR million

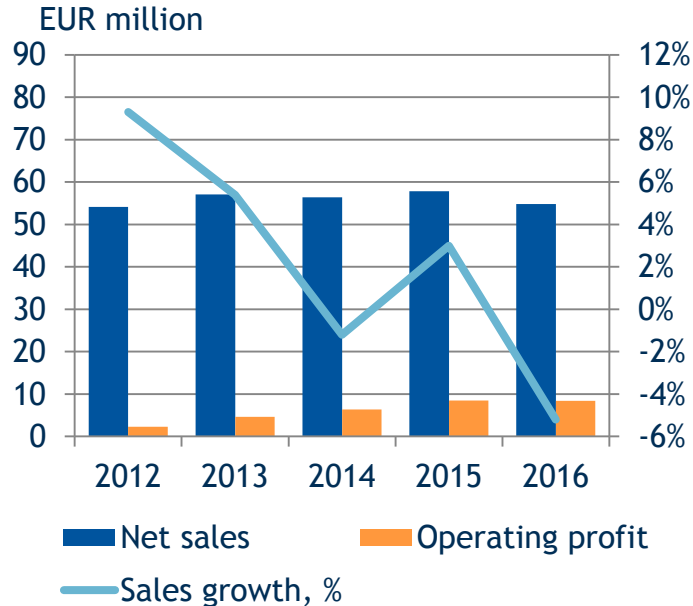


Pharmaceutical manufacturing for other companies



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*

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

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

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

## 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.

## 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

## 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.



# 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*  
**100**

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



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