



# Orion Investor presentation

Updated on 7 February 2018

# 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) Highlights of 1-12/2017
- 4) Outlook and financials
- 5) Business units





## Orion in brief

# Orion today - year 2017 in figures



Net sales 1,085 MEUR  
Operating profit 293 MEUR



Personnel 3,464



R&D investments  
105 MEUR

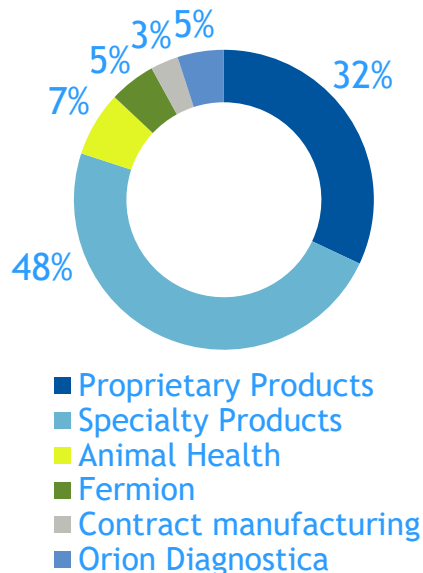


6 production sites in  
Finland

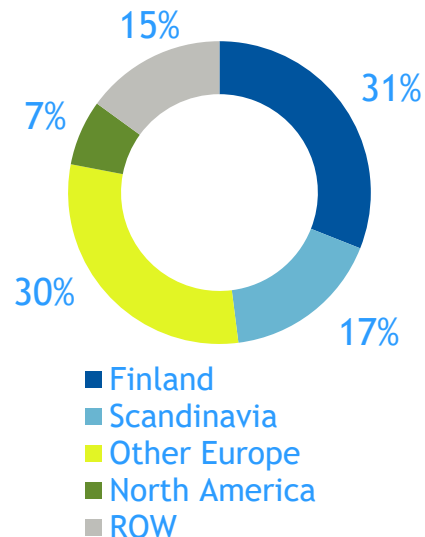


Own sales unit in  
26 European countries

Sales by business

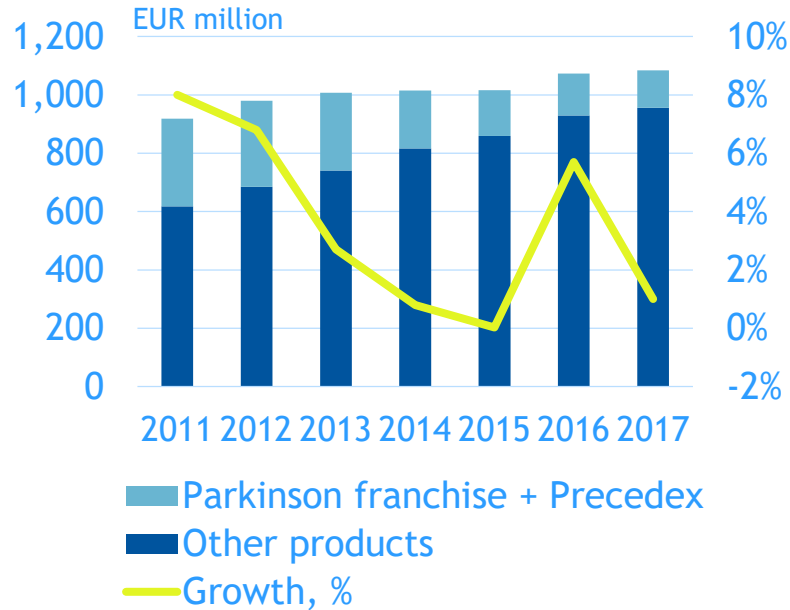


Sales by market area

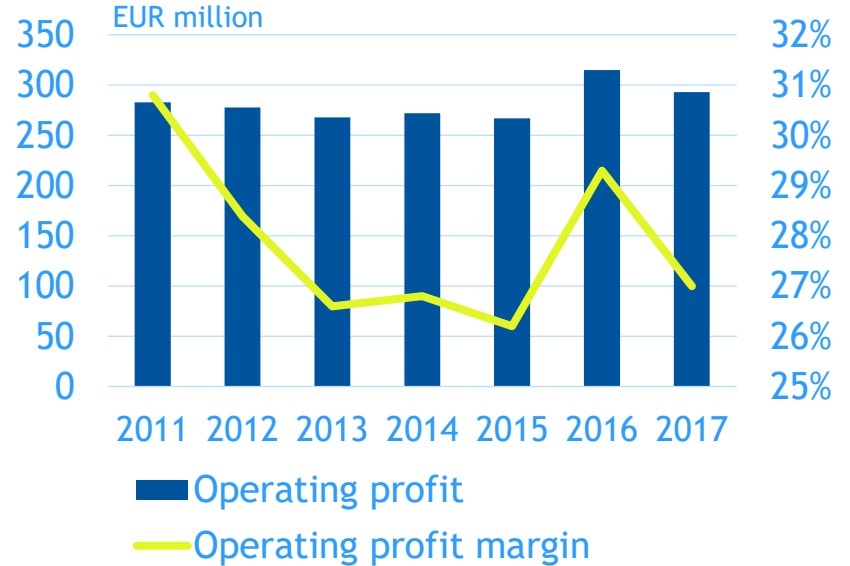


# Steady development despite patent expiries

## Net sales

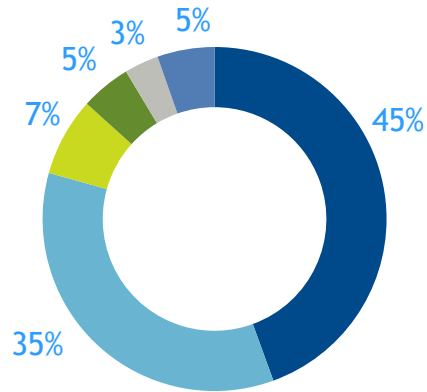


## Operating profit

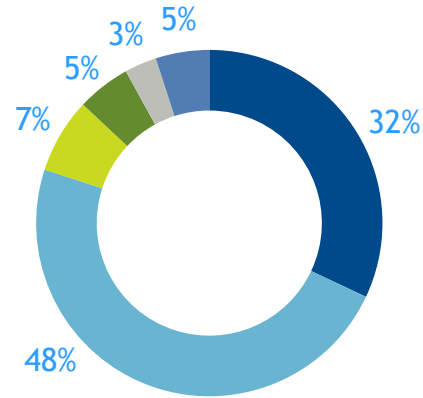


# Orion's product mix has changed

Sales by business 2011



Sales by business 2017



■ Proprietary Products

■ Animal Health

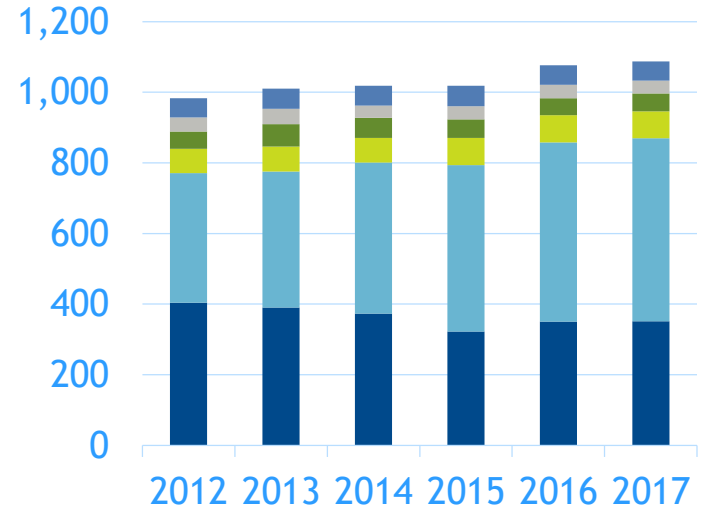
■ Contract manufacturing & other

■ 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, biosimilars



## 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



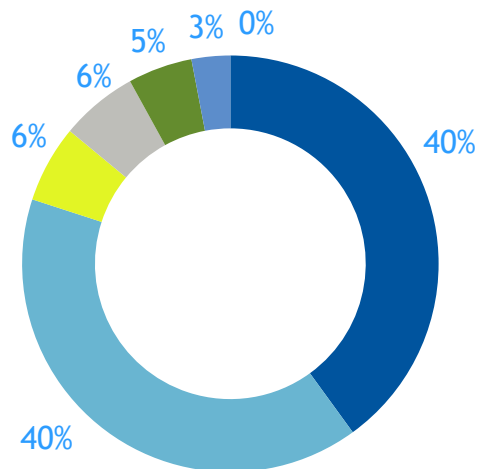


# Orion's strategy - Mission to build well-being

Ageing population	Advancements in science					
Cost burden in healthcare	Launching innovative and cost-effective pharmaceuticals and treatment methods for patients		Working together for our customers		Succeeding together!	
Increased personal responsibility for health	Continuously improving our performance in sustainability	Growing faster than the market		Quality and safety	Productivity and flexibility	
	Strong development of profitability is a target		Partnerships	Competitive product portfolio		Future R&D
Megatrends	Strategic targets				Top Supply Chain	
Focus areas	Strategic development projects					

# Orion has ~57,000 shareholders (December 31, 2017)

By number of shares



■ Households (Finnish retail)

■ Non-Finnish holders and nominee-registered

■ Private corporations

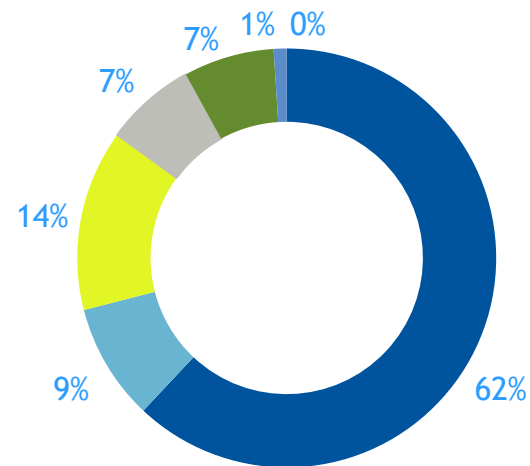
■ Public sector

■ 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.

## Fermission



- 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

## Research

## Early development

## Late stage development

Target identification and validation

8–24 mo.

Hit to Lead generation

12–24 mo.

Lead optimisation

18–36 mo.

Candidate selection, preclinical development  
12–24 mo.

Phase I

12–14 mo.

Phase II

12–36 mo.

Phase III

18–48 mo.

Collaboration with partners

Collaboration with partners



AsahiKASEI






# Key clinical pharmaceutical development projects

Project	Indication	PHASE			Registration
Easyhaler® salmeterol-fluticasone	Asthma, COPD	Bioequivalence study			Registration
Easyhaler® tiotropium	COPD	Bioequivalence study			
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 (alpha-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, Inc. The research results will be evaluated together with Janssen Pharmaceuticals, Inc. and the decision on continuation of the project will be taken later.

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

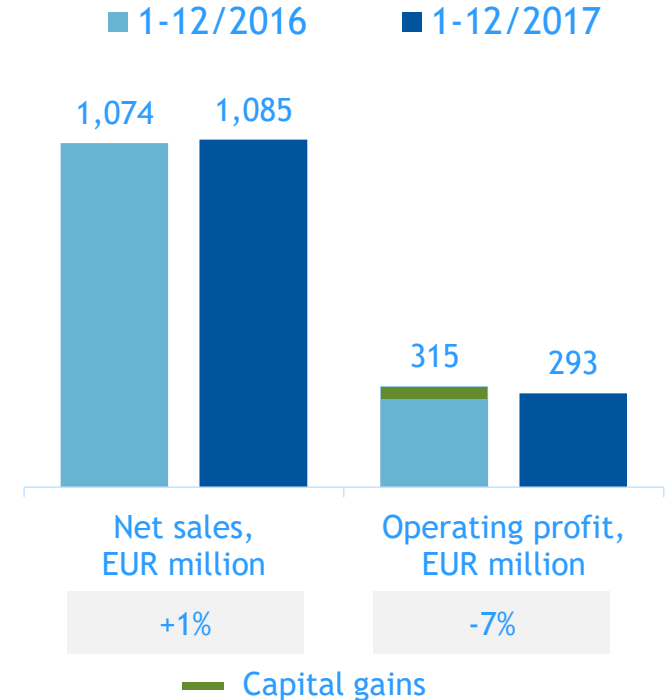
 = Phase completed  
 = Phase ongoing  
 = Status changed



## Orion highlights 1-12/2017

# Orion had a good centenary year

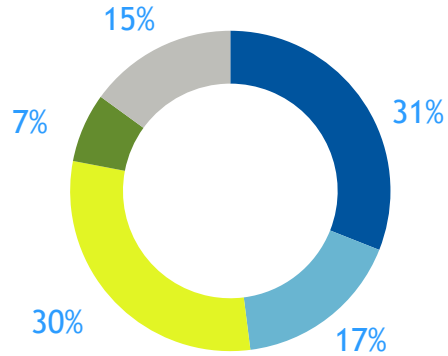
- Net sales were at previous year's level.
- The operating profit in comparative period included EUR 22 million of capital gains.
- Dexdor and Easyhaler product family continued to grow.
- Growth in sales of biosimilar Remsima generated a significant portion of Specialty Products growth.
- Narrowing of price band in Finland had EUR 15 million negative effect.
- Targeted efficacy objectives were not met in Alzheimer's disease Phase IIa clinical trial (ORM-12741).
- Development of new Easyhaler formulation (tiotropium) commenced.
- Board of Directors proposes payment of dividend of EUR 1.45 per share.



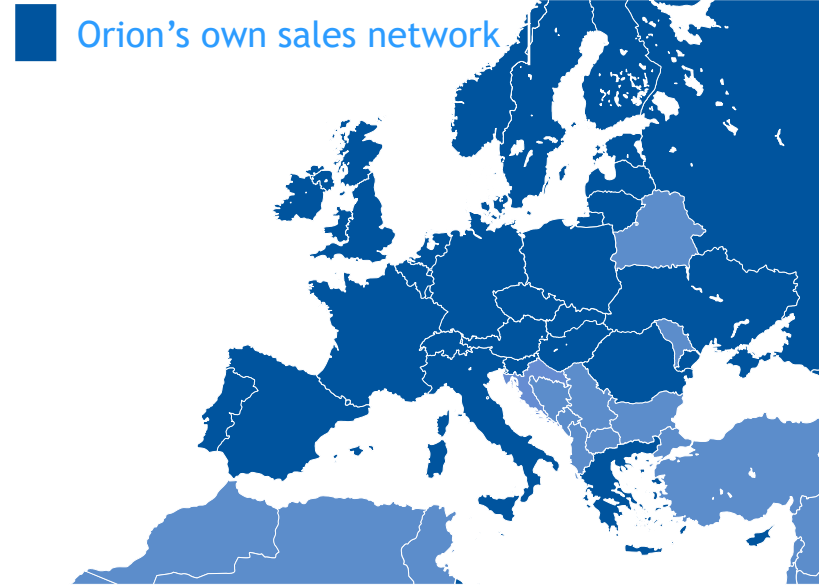


# Geographical breakdown of net sales

1-12/2017

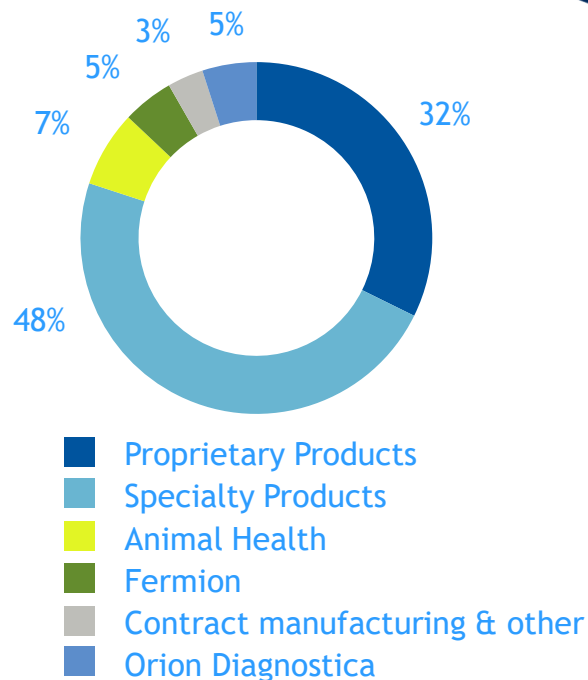


- Finland
- Scandinavia
- Other Europe
- North America
- ROW














## Breakdown of net sales by business division

Net sales, EUR million	1-12/ 2017	1-12/ 2016	Change
Specialty Products	519	508	+2%
Proprietary Products	351	350	0%
Animal Health	76	77	-2%
Fermion	51	48	+7%
Contract manufacturing & other	36	39	-6%
Orion Diagnostica	54	55	-2%



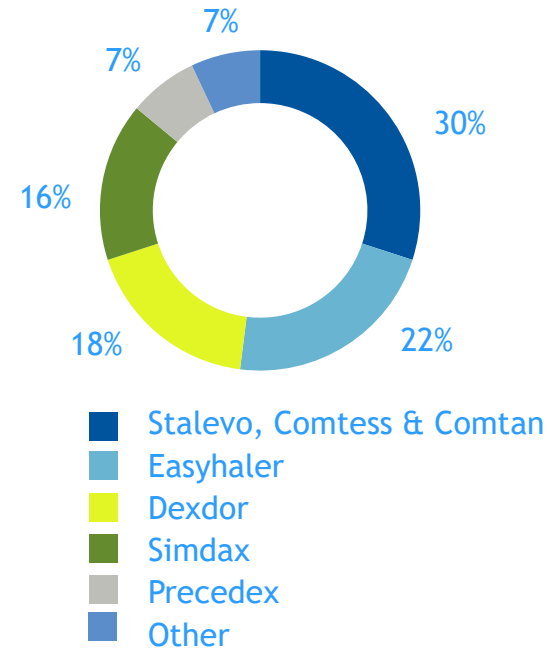
# Best-selling pharmaceuticals 1-12/2017

	Product	Indication	Net sales, EUR million	Change vs. 1-12/16
1.	 <i>Stalevo</i> <i>Comtess</i> <i>COMTan</i>	Parkinson's disease	104	-16%
2.	 Easyhaler®	Asthma, COPD	77	+20%
3.	 dexdor	Intensive care sedative	64	+13%
4.	 SIMDAX levosimendan	Acute decompensated heart failure	57	+2%
5.	 Remsima™ Infliximab	Rheumatoid arthritis, inflammatory bowel diseases	57	+34%
6.	 DEXDOMITOR  DOMITOR  DOMOSEDAN  ANTISEDAN	Animal sedatives	31	+9%
7.	 Precedex® (dexmedetomidine HCl Injection)	Intensive care sedative	25	+28%
8.	 burana®	Inflammatory pain	23	+1%
9.	<b>Marevan®</b>	Anticoagulant	19	+5%
10.	Generic entacapone products	Parkinson's disease	19	+42%
	= Products of Proprietary Products business division			

## Proprietary Products

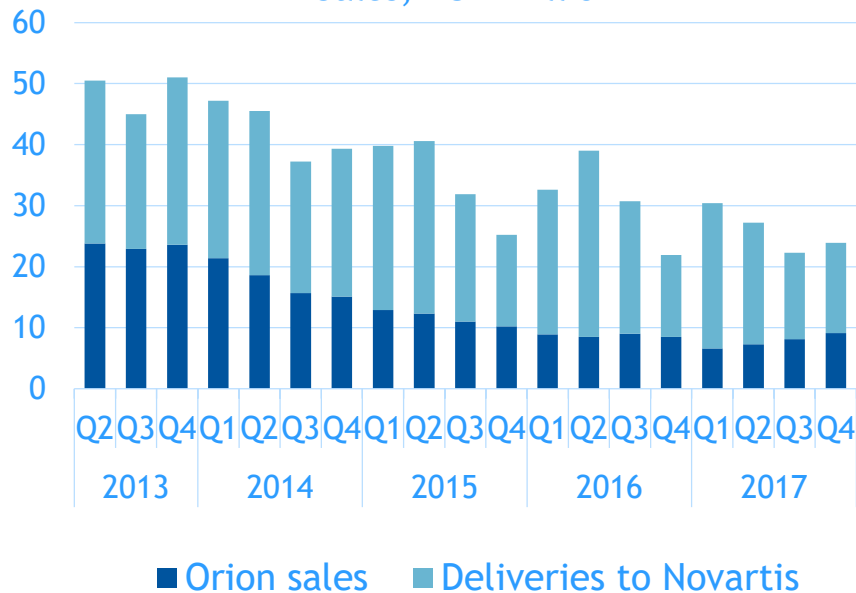
- As expected, sales of Stalevo, Comtess and Comtan continued to decline, but growth in other products compensated for the decline.
- Budesonide-formoterol Easyhaler product has been launched in all key European markets.
- Sales of Dexdor grew, despite generic competition commencing in Germany.
- Sales of Simdax were at the previous year's level. The basic Simdax patent has expired, but this is not estimated to materially impact its sales in 2018.

Breakdown of net sales

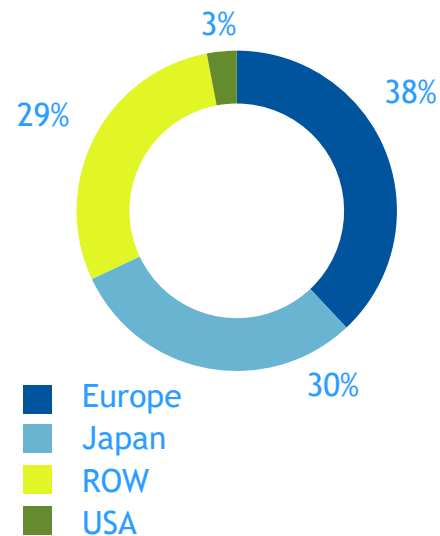


# Parkinson's drugs

Sales, EUR million



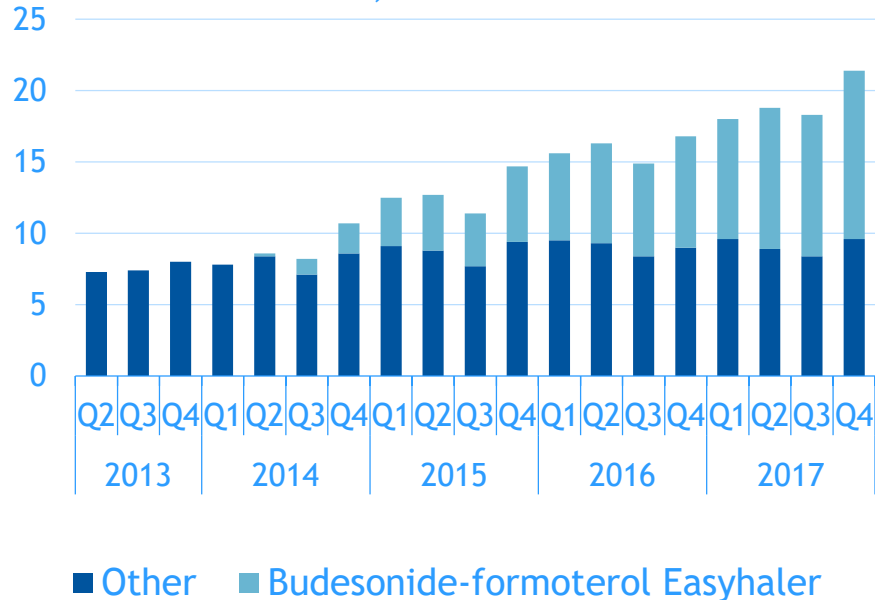
Sales of Orion's branded Parkinson's drugs by market area\*



\*Source: IMS Health sales statistics MAT9/2017

# Easyhaler product family

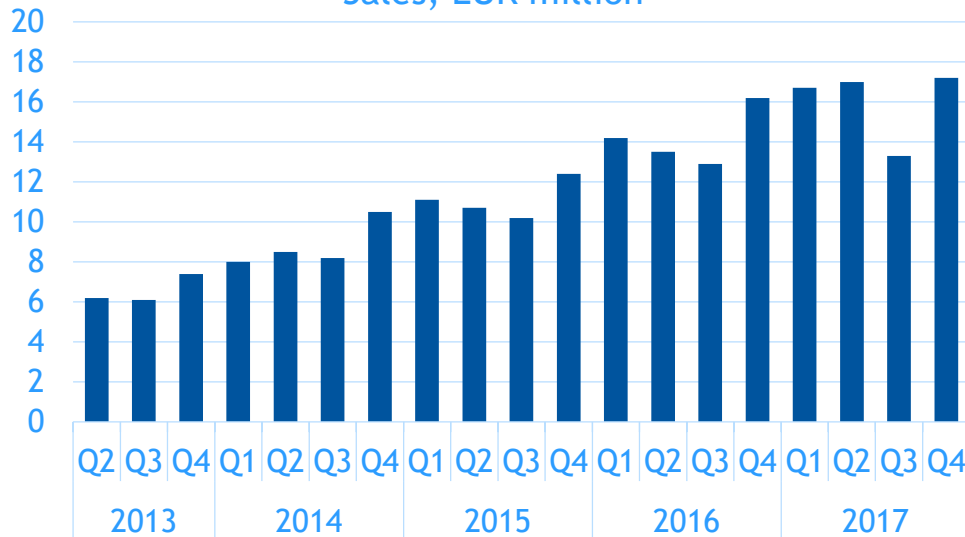
Sales, EUR million



- Easyhaler product family sales grew by 20%, driven by budesonide-formoterol Easyhaler, which grew by 46%.
- Budesonide-formoterol Easyhaler has been launched in all key European markets.
  - Menarini is marketing budesonide-formoterol in Southern Europe, new agreement on distribution in APAC countries. First marketing authorisation applications in MENA region submitted (agreement with Hikma).
- Marketing authorisation process for salmeterol-fluticasone combined formulation is progressing according to planned schedule.
- Orion is expanding the product family by developing a new tiotropium formulation for treatment of chronic obstructive pulmonary disease.

# Dexdor intensive care sedative

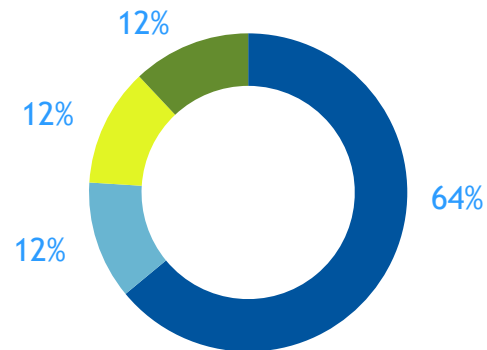
Sales, EUR million



## European sedative market

MAT9/2017\*

Total market value  
EUR 537 million (+2%)



- Propofol EUR 345 million (-1%)
- Midazolam EUR 64 million (-9%)
- Dexmedetomidine EUR 62 million (+42%)
- Remifentanyl EUR 66 million (+2%)

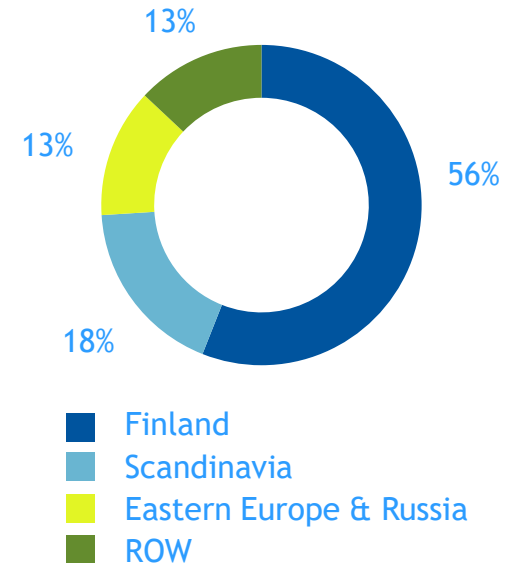
\*Source: IMS Health sales statistics MAT9/2017

# Specialty Products

Net sales in key markets 1-12/2017	EUR million	vs. 1-12/2016
Finland	292	-2%
Scandinavia	94	+14%
Eastern Europe and Russia	65	+10%

- Specialty Products net sales at similar level to previous year.
- 34% growth in sales of Remsima® biosimilar was driver of net sales growth.
  - Competition has intensified and price level declined.
- The launch of Ritemvia® biosimilar has started.
- Change to pricing system in Finland reduced Specialty Products sales by EUR 15 million.

Breakdown of net sales by market area



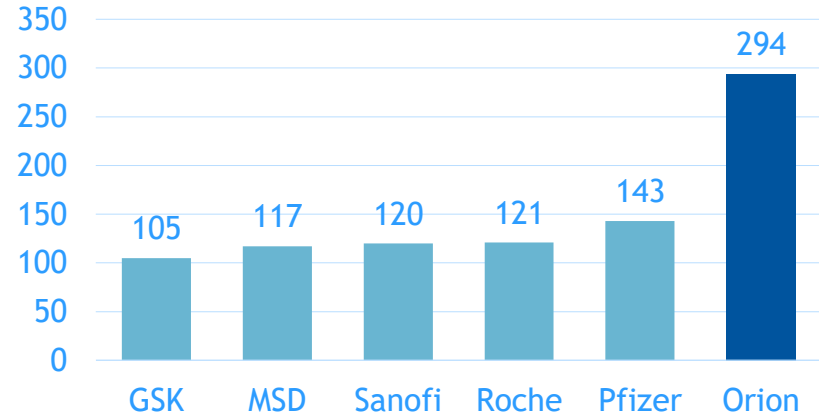


# Orion strong in home market Finland

Finnish human pharmaceuticals market 1-12/2017:

- Wholesale EUR 2,378 million
- Orion's market share 12%
- Growth of total market was 2%, Orion's sales decreased by 2%
  - Changes to the pricing system of substitutable prescription drugs (narrowing of price band) reduced Orion's net sales in 2017 by EUR 15 million.
  - Effect is expected to continue in 2018.

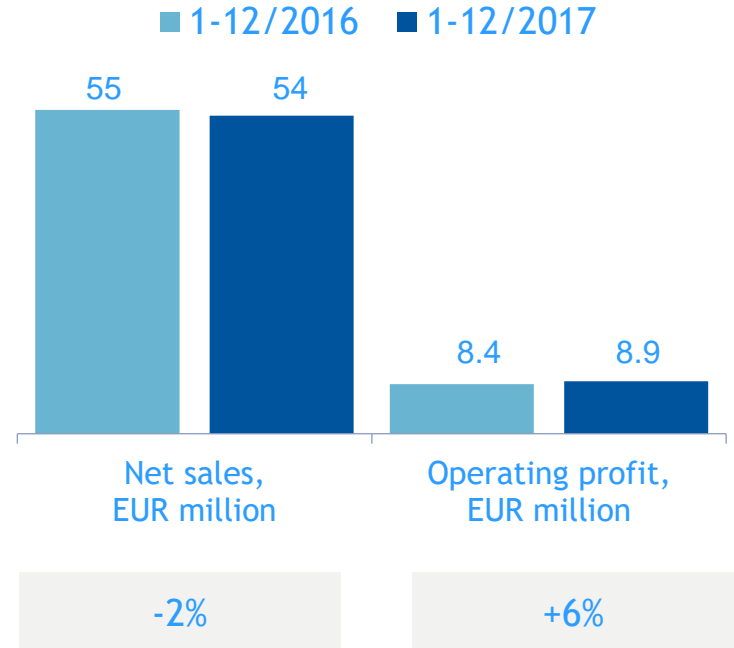
Finland's biggest pharmaceutical companies 1-12/2017, EUR million



Source: IMS Health sales statistics MAT9/2017

# Orion Diagnostica

- Orion has decided to investigate the possible sale of Orion Diagnostica or other transaction that would result in transfer of Orion Diagnostica outside the Orion Group.
- Orion Diagnostica manufactures in vitro diagnostic tests and testing systems suitable for point-of-care testing.
- QuikRead® point-of-care tests are the main product, and the product family is about to grow with four new tests.





## Outlook and financials

# Outlook for 2018

<b>Net sales</b>	Due to generic and price competition we estimate that in 2018 net sales will be at the same level or slightly lower than in 2017 (net sales were EUR 1,085 million in 2017).
<b>Operating profit</b>	Orion continues persistent actions to generate growth. Due to the estimated sales development and these actions the operating profit excluding material capital gains is estimated to be lower than in 2017 (operating profit excluding capital gains was EUR 293 million in 2017).

# 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.



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



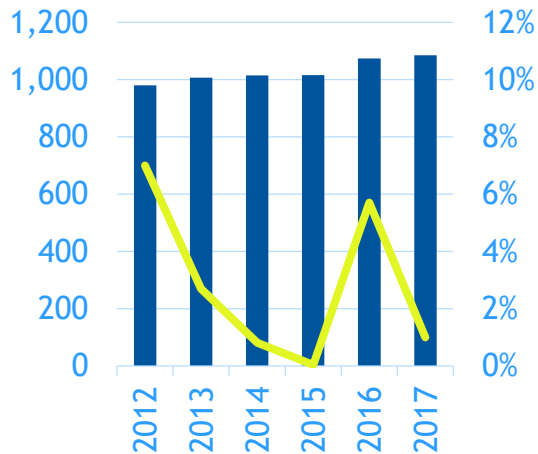
**Keeping the equity ratio at least 50%.**



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

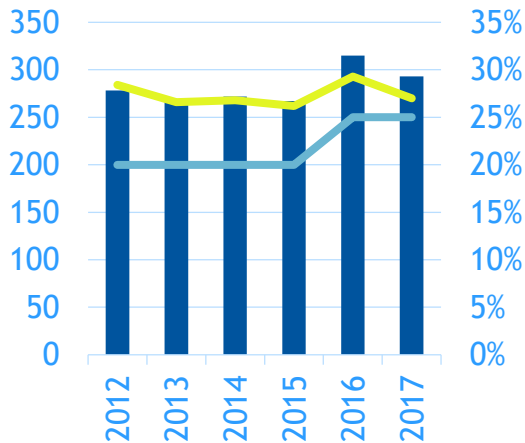
# Financial objectives

## Net sales



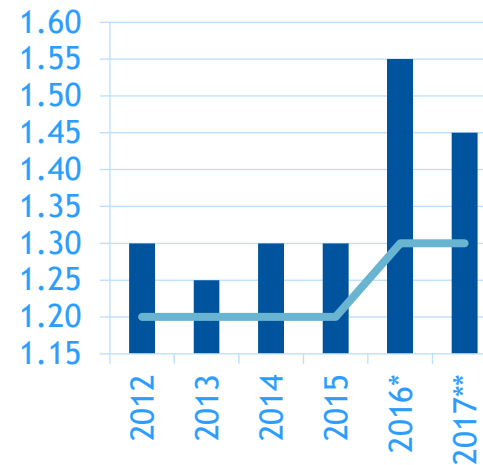
■ Net sales, EUR million  
— Growth, %

## Operating profit



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

## Dividend

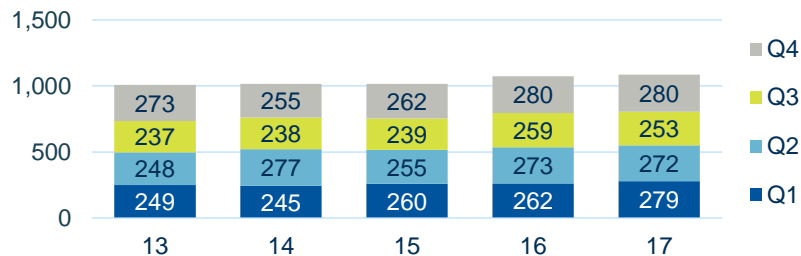


■ Dividend per share, EUR  
— Dividend target

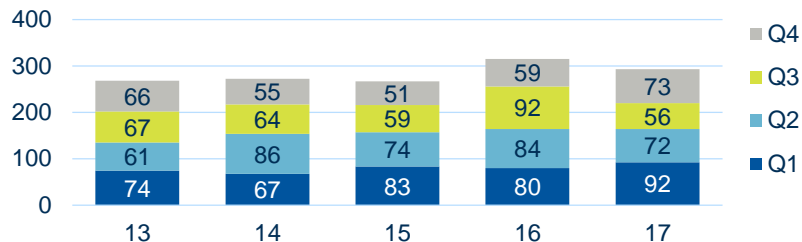
\*)2016: includes extra dividend EUR 0.20  
 \*\*)2017: dividend proposal by BoD

# Key figures by quarter

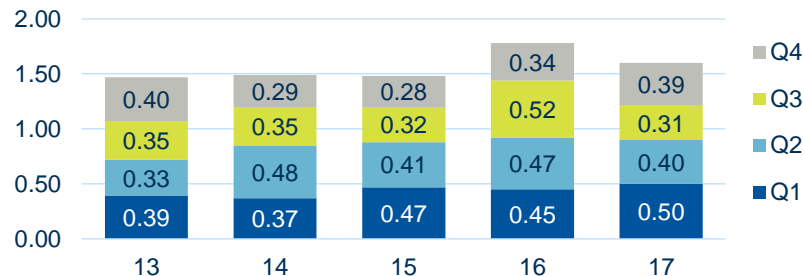
## Net sales, EUR million



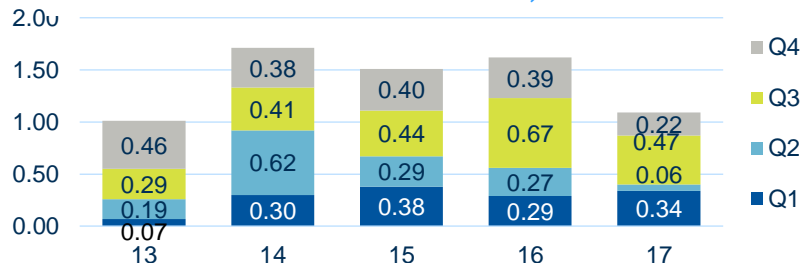
## Operating profit, EUR million



## Basic earnings per share, EUR



## Cash flow per share before financial items, EUR



# Key figures

Orion's key figures	2013	2014	2015	2016	2017	Change % vs. 2016
Net sales, EUR million	1,006.9	1,015.3	1,015.6	1,073.5	1,084.6	+1.0%
Operating profit, EUR million	267.7	272.4	266.6	314.6	293.0	-6.9%
Profit before taxes, EUR million	264.0	267.8	262.3	310.9	286.5	-7.9%
R&D expenses, EUR million	101.9	106.2	108.1	118.2	105.1	-11.0%
Equity ratio, %	53.6%	52.3%	57.4%	60.8%	64.6%	
Gearing, %	8.4%	-4.7%	-9.6%	-12.4%	-1.9%	
ROCE (before taxes), %	38.5%	36.6%	35.7%	40.9%	36.2%	
Return on equity, %	40.3%	41.1%	37.5%	40.3%	34.2%	
Basic earnings per share, EUR	1.46	1.50	1.48	1.77	1.61	-9.2%
Cash flow per share before financial items, EUR	1.02	1.72	1.51	1.62	1.09	-32.5%
Dividend per share, EUR	1.25	1.30	1.30	1.55*	1.45**	-6.5%

\*)2016: dividend includes extra dividend of EUR 0.20

\*\* )2017: dividend proposal by BoD



# Income Statement

Formation of profits, EUR million	2013	2014	2015	2016	2017	Change % vs. 2016
Net sales	1,006.9	1,015.3	1,015.6	1,073.5	1,084.6	+1.0%
Cost of goods sold	-393.5	-401.7	-405.8	-421.7	-440.6	+4.5%
Gross profit	613.4	613.6	609.8	651.8	664.0	-1.2%
Other operating income and expenses	5.6	1.7	1.5	24.3	1.8	-92.6%
Sales and marketing expenses	-204.9	-193.4	-190.4	-194.7	-198.6	+2.0%
R&D expenses	-101.9	-106.2	-108.1	-118.2	-105.1	-11.0%
Administrative expenses	-44.5	-43.3	-46.2	-48.7	-49.1	+0.9%
Operating profit	267.7	272.4	266.6	314.6	293.0	-6.9%
Profit before taxes	264.0	267.8	262.3	310.9	286.5	-7.9%
Profit for the period	206.2	211.3	208.2	249.0	226.0	-9.3%

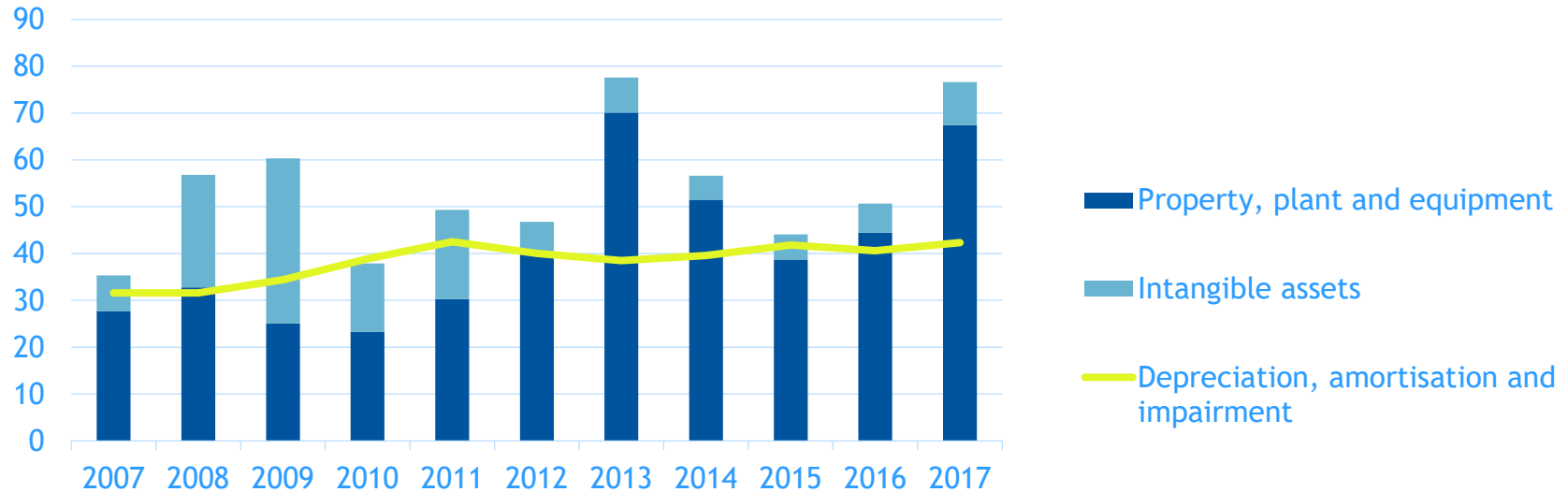
# Financial position

EUR million	12/ 2017	12/ 2016	Change %
<b>Non-current assets total</b>	<b>434.7</b>	371.5	+17.0%
Inventories	225.4	227.5	-0.9%
Trade receivables	199.0	200.1	-0.6%
Other receivables	32.4	31.9	+1.5%
Cash & cash equivalents & money market investments	164.1	200.9	-18.3%
<b>Current assets total</b>	<b>620.8</b>	691.4	-10.2%
<b>Assets total</b>	<b>1,055.5</b>	1,062.9	-0.7%

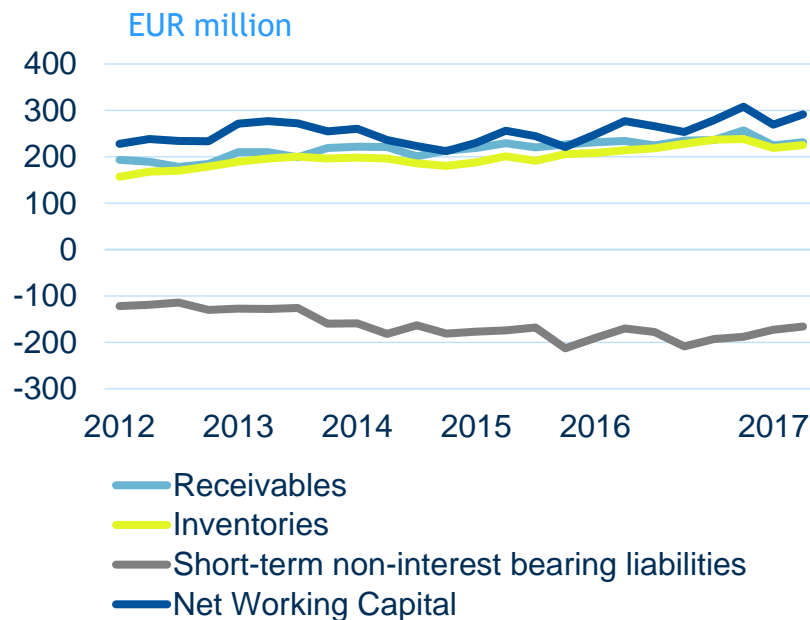
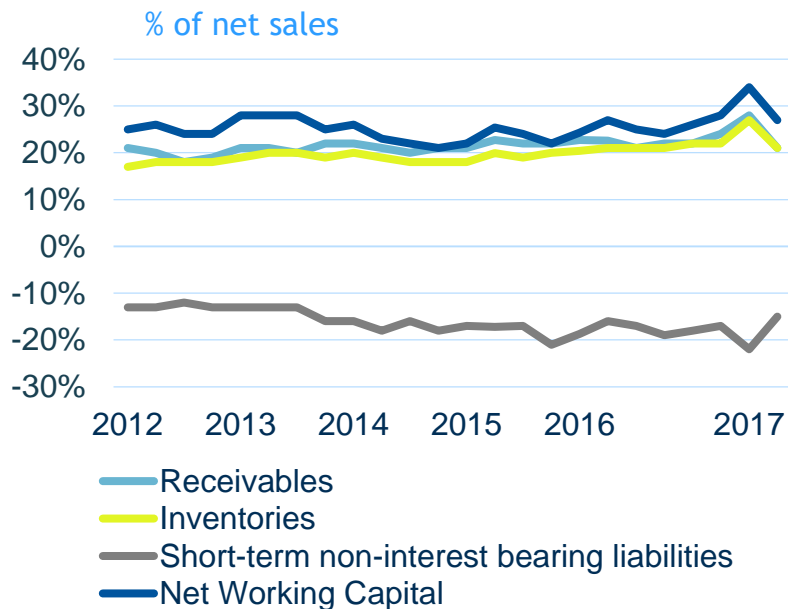
EUR million	12/ 2017	12/ 2016	Change %
<b>Equity total</b>	<b>679.7</b>	641.4	+6.0%
Interest-bearing non-current liabilities	150.3	150.2	
<b>Non-current liabilities total</b>	<b>196.2</b>	190.8	+2.8%
<b>Current liabilities total</b>	<b>179.7</b>	230.7	-22.1%
<b>Liabilities total</b>	<b>375.8</b>	421.5	-10.8%
<b>Equity and liabilities total</b>	<b>1,055.5</b>	1,062.9	-0.7%

# Development of capital expenditure

Orion Capex, EUR million



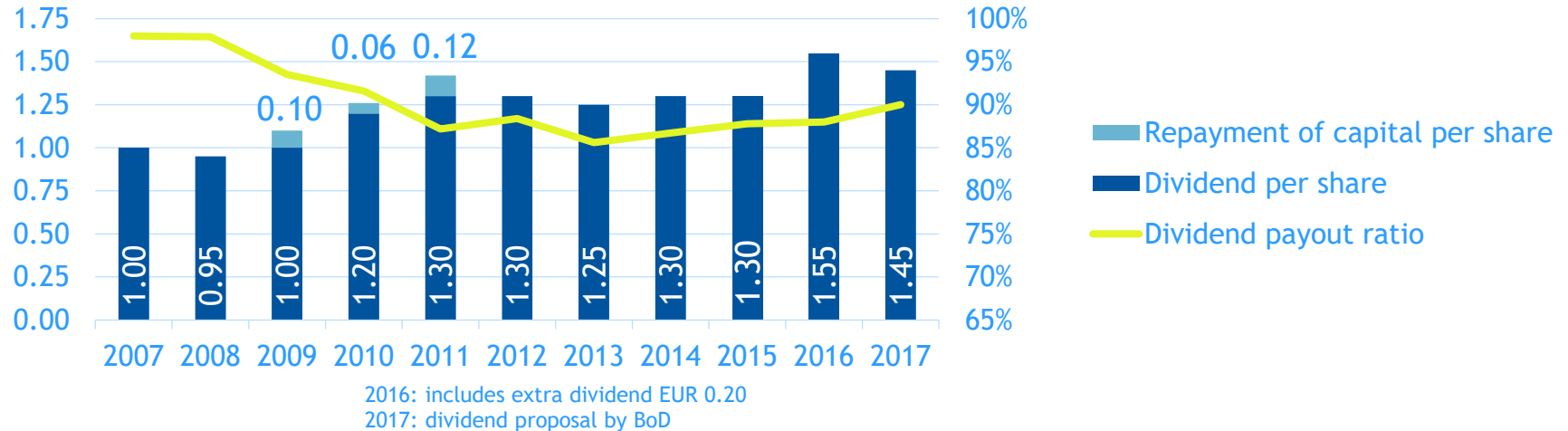
# Development of Net working capital



# Dividend distribution policy

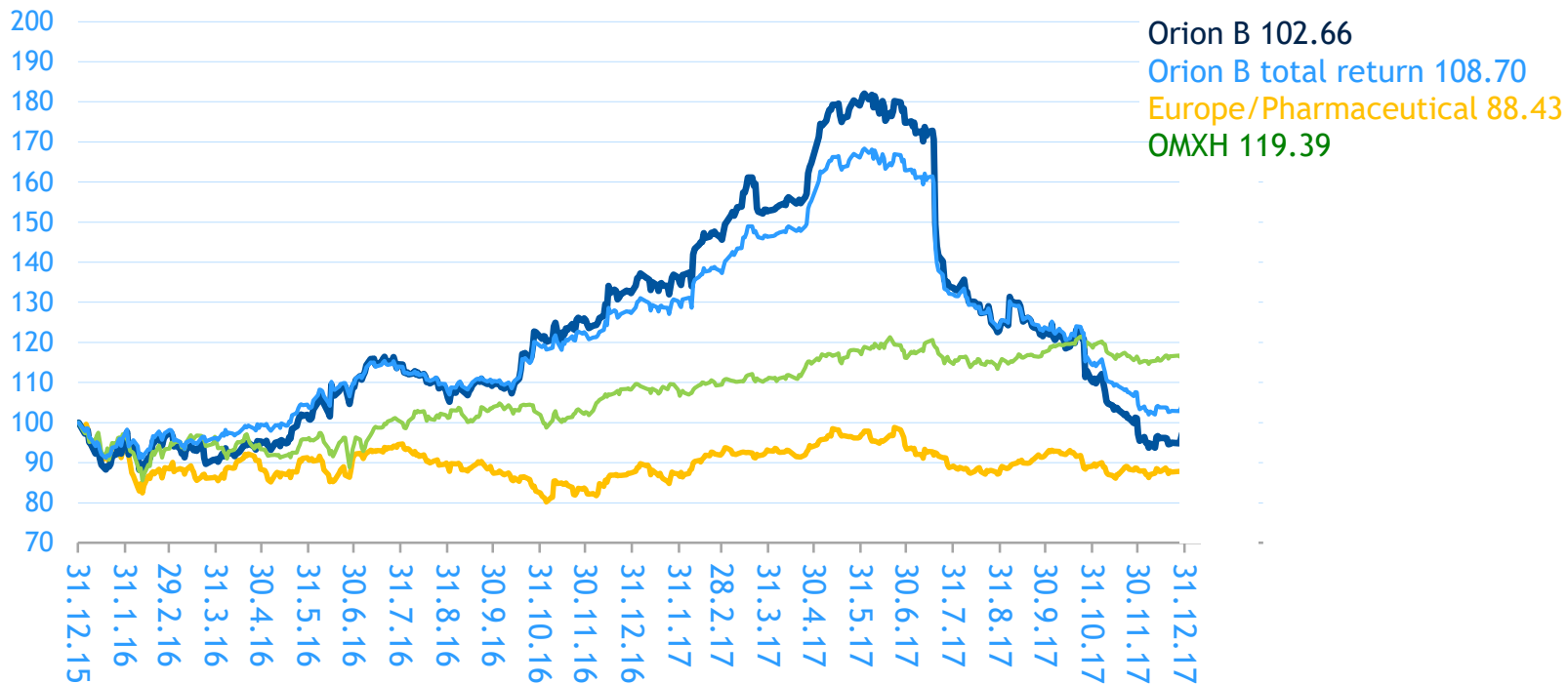
- Orion's dividend distribution takes into account distributable funds and capital expenditure and other financial requirements in medium and long term to achieve the financial objectives.

EUR Dividend distribution history



# Orion B share performance, 1/2016-12/2017

Index 31.12.2015=100





## Business units

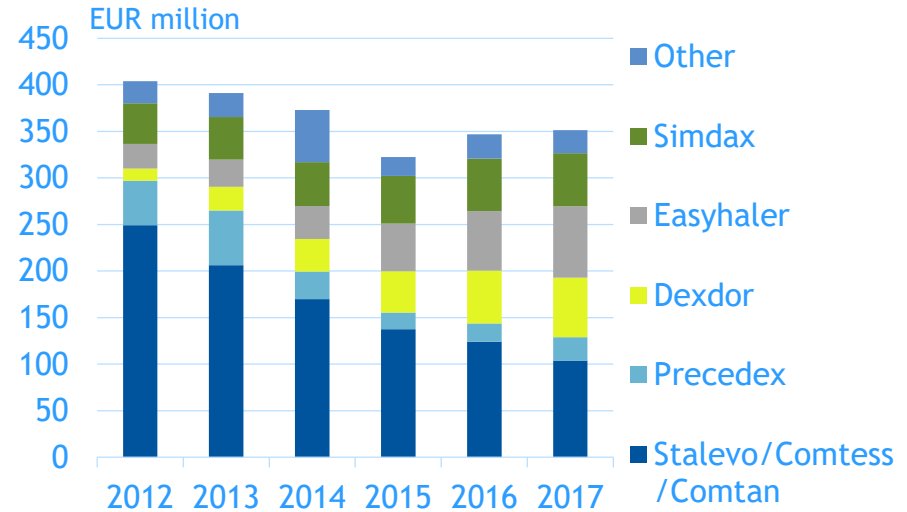
# Proprietary Products

- 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
- ▲ New products from R&D pipeline
- ▼ Generic competition for Stalevo and Comtess/Comtan

## Net sales



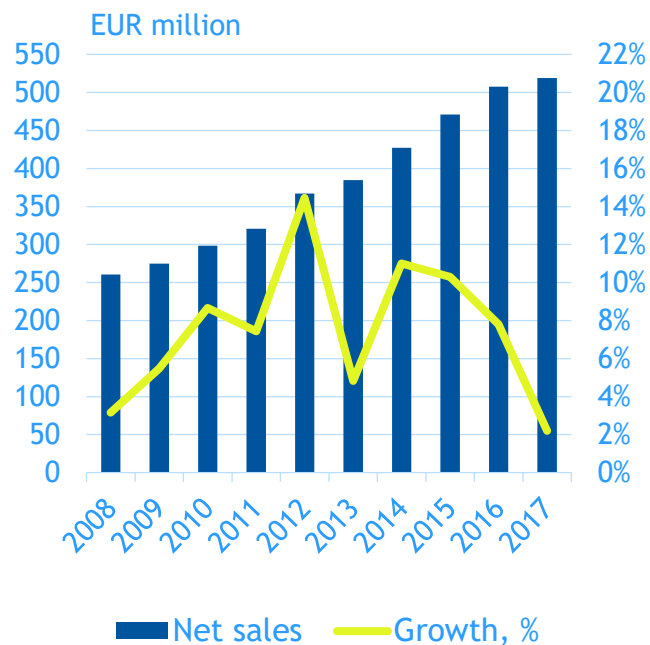


# Proprietary human pharmaceuticals developed by Orion

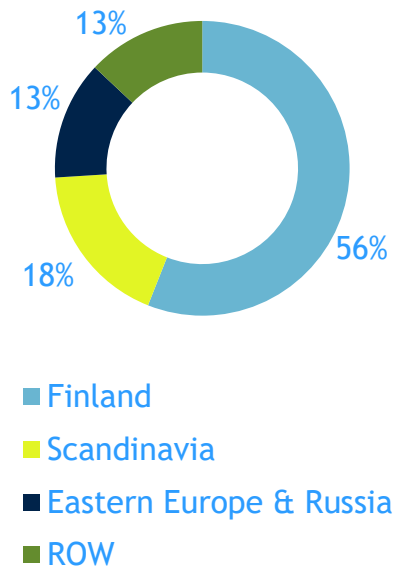
Product	Indication	Year	 Easyhaler®	Year	Indication
	Sedative for ICU use	2011	Bufomix Easyhaler®	2014	
	Parkinson's disease	2003	Formoterol Easyhaler®	2004	
	Acute decompensated heart failure	2000	Budesonid Easyhaler®	2002	Asthma and COPD
	Sedative for ICU use	1999	Beclomet Easyhaler®	1994	
 	Parkinson's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

# Steady sales growth for Specialty Products

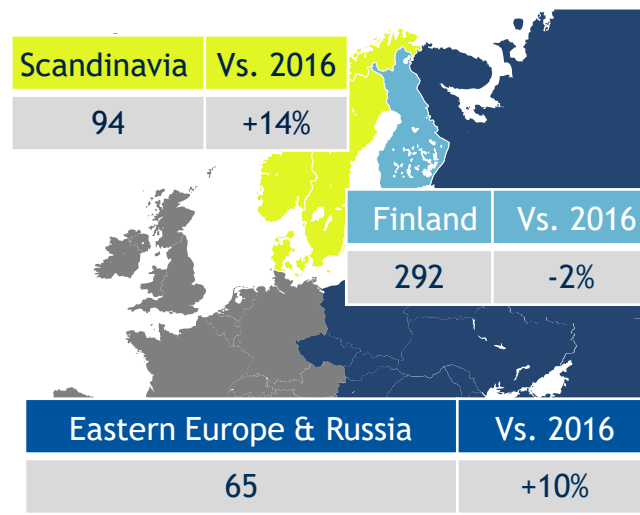
## Orion Specialty Products = Gx + OTC including also non-medicinal products



Sales split 2017



Net sales in key markets in 2017, EUR million



# Specialty Products

– portfolio of hundreds of different product



Generic prescription drugs

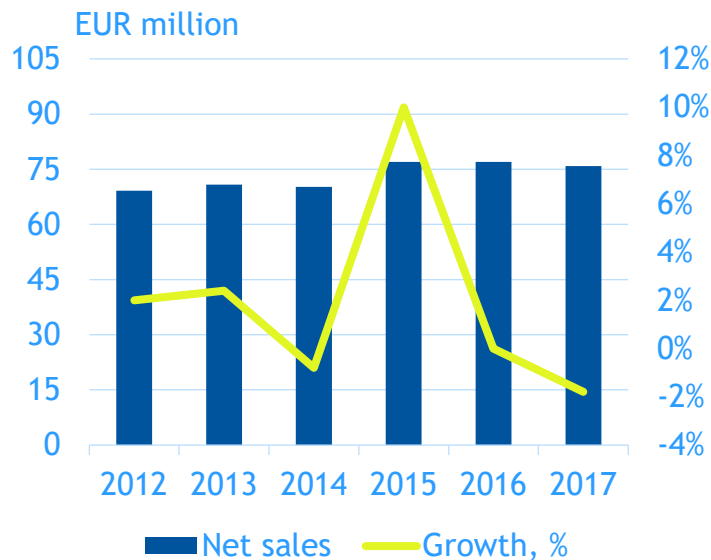


OTC and self-care



Biosimilars

# Animal Health

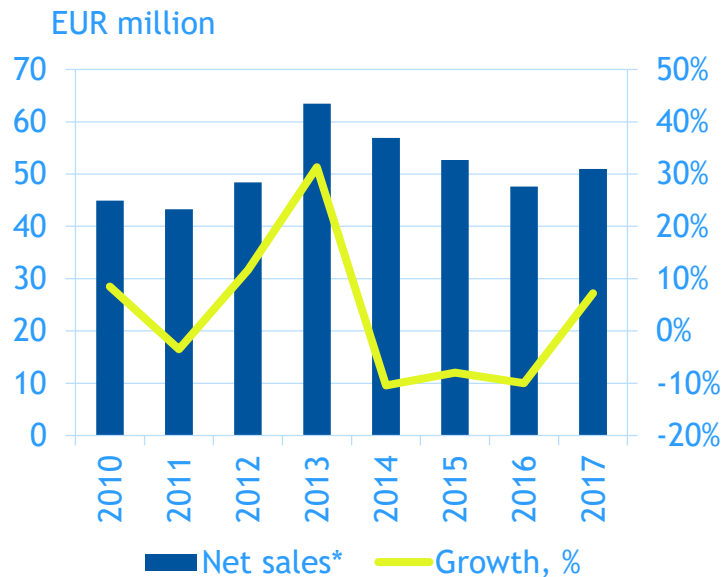


## In-house developed proprietary products



- 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



\*) Excluding supply to Orion



APIs for Orion's proprietary products



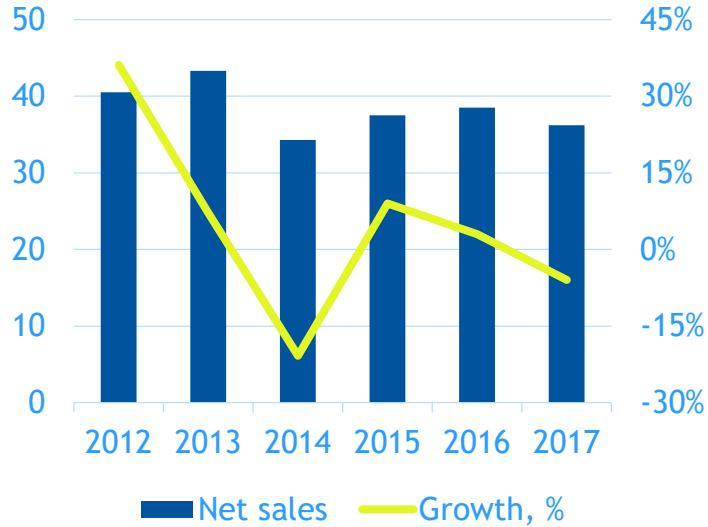
Generic APIs for Orion and other pharmaceutical companies



Contract development and manufacturing

# Contract manufacturing & other

EUR million

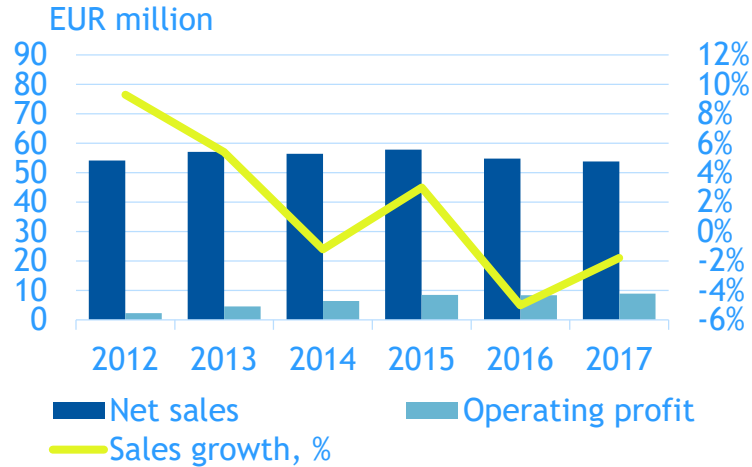


Pharmaceutical manufacturing for other companies



Orion has special capacity e.g. in hormonal products

# Orion Diagnostica



- Develops and manufactures point-of-care diagnostics test and test systems for health-care professionals and hygiene testing for industry.
- Main market areas: Europe (especially Northern Europe), China, USA, Japan
- Own sales units in 9 European countries (Finland, Sweden, Denmark, Norway, Germany, Czech Republic, Slovakia, Poland and Hungary), distributor network covering approx. 50 countries
- Focus in point-of-care IVD
- Key products: QuikRead® and GenRead® platforms

	2017	% of Orion Group
Net sales, EUR million	54	5%
Operating profit, EUR million	8.9	3%
Assets, EUR million	52	5%
Employees at year end	282	8%

# Orion Diagnostica's flagship product: QuikRead® test systems for point-of-care diagnostics

- The **QuikRead go®** portfolio currently includes the following tests:
  - **CRP** (C-reactive protein)
  - **CRP+Hb** (C-reactive protein and hemoglobin)
  - **Strep A** (Streptococcus pyogenes in throat samples)
  - **iFOBT** (immunochemical test for detection and quantification of human haemoglobin in faeces in suspected bleeding from the lower gastrointestinal tract)
- The key product, C-reactive protein (CRP) test helps clinicians in differentiating bacterial and viral infections.
  - Avoiding unnecessary antibiotic treatment helps in tackling the growing problem of antibiotic resistance.
- QuikRead® platform is about to grow with four new tests, including a new glycosylated haemoglobin test.







**Building  
well-being**



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