Views on capital allocation and value creation

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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.

Orion’s strategic growth target to reach EUR 1.5 billion net sales by the end of 2025 expresses the above growth target in more tangible manner.

Financial targets are all important	Right balance needed	Relative importance of targets change over time

Capital allocation and value creation

Basic assumptions – long-term approach

- In a long run profitable growth is needed for sustainable increase in market capitalisation and shareholder return
- Orion is over 100 years old company
- Key strategic question: How to generate best return on capital allocation?
- Pharmaceutical R&D is long-term

Examples of variables

- Right level of R&D funding
- Probability of success in R&D
- Business portfolio and the role of different business divisions
- The role of M&A
- Does the market find the chosen strategy credible
- Role of growth vs. value/dividends
- Changes in environment

How to create shareholder value

Long-term value creation is ultimately dependent on company's ability to grow profits

Use retained earnings to pay dividends or to make share buybacks	↔	Share price increase
• Value creation more based on historical profits and growth • High dividend payout ratio cannot compensate lack of growth • Capability to deliver steady growth of dividends in the future		• Credible long-term profit and cash flow growth trajectory • Value creation mostly based on expected future growth

Why growth is important

Growth

Without growth margins will gradually decrease even with good cost control due to price competition and inflation

Larger scale of operations
-> Easier to carry fixed legacy costs
-> Improved margins & ROCE

Larger scale of operations
-> Improved capacity to proceed with growth opportunities

Increased capability to take risks operationally and financially

More/New opportunities for employees
-> retain & attract talent

Profits & dividends

+

R&D and other growth investments

=

Shareholder value

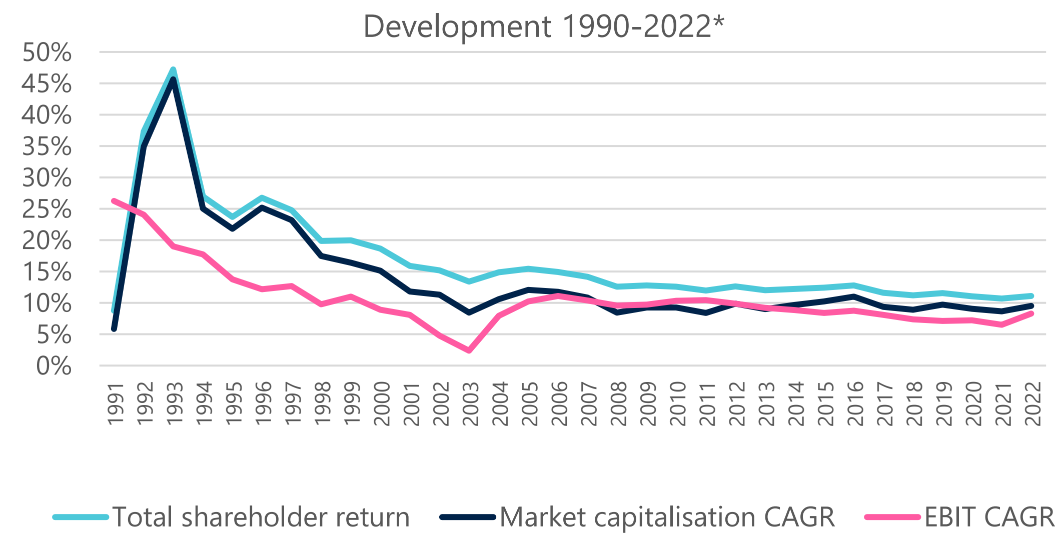
Other considerations

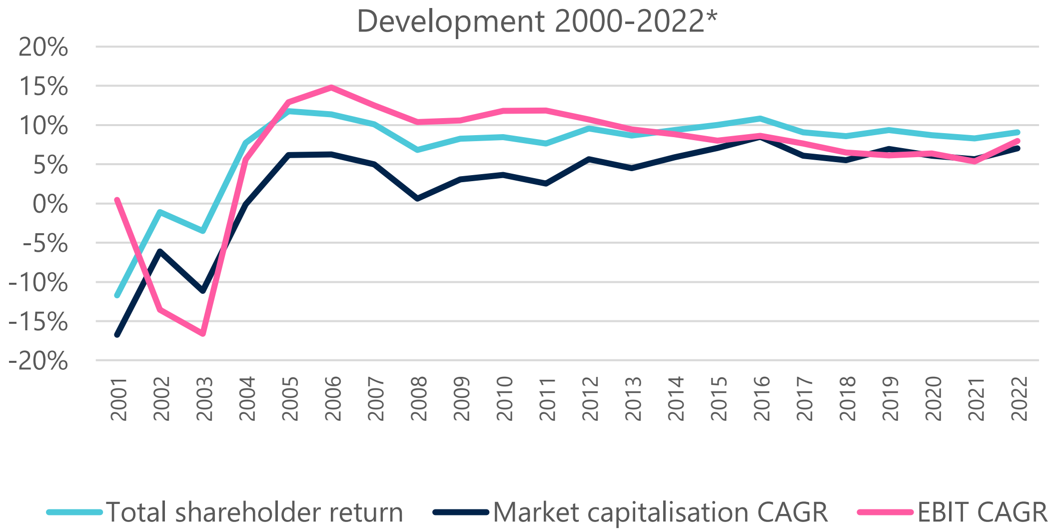
Interest/discount rates and impact on total shareholder return

High P/E increases volatility of share price

In the long-run, profits and market capitalisation tend to follow each other

Dividends have played major role in Orion's total shareholder return





* Pro forma for years 1990–2005 before demerger, current Orion Corporation 2006–2022

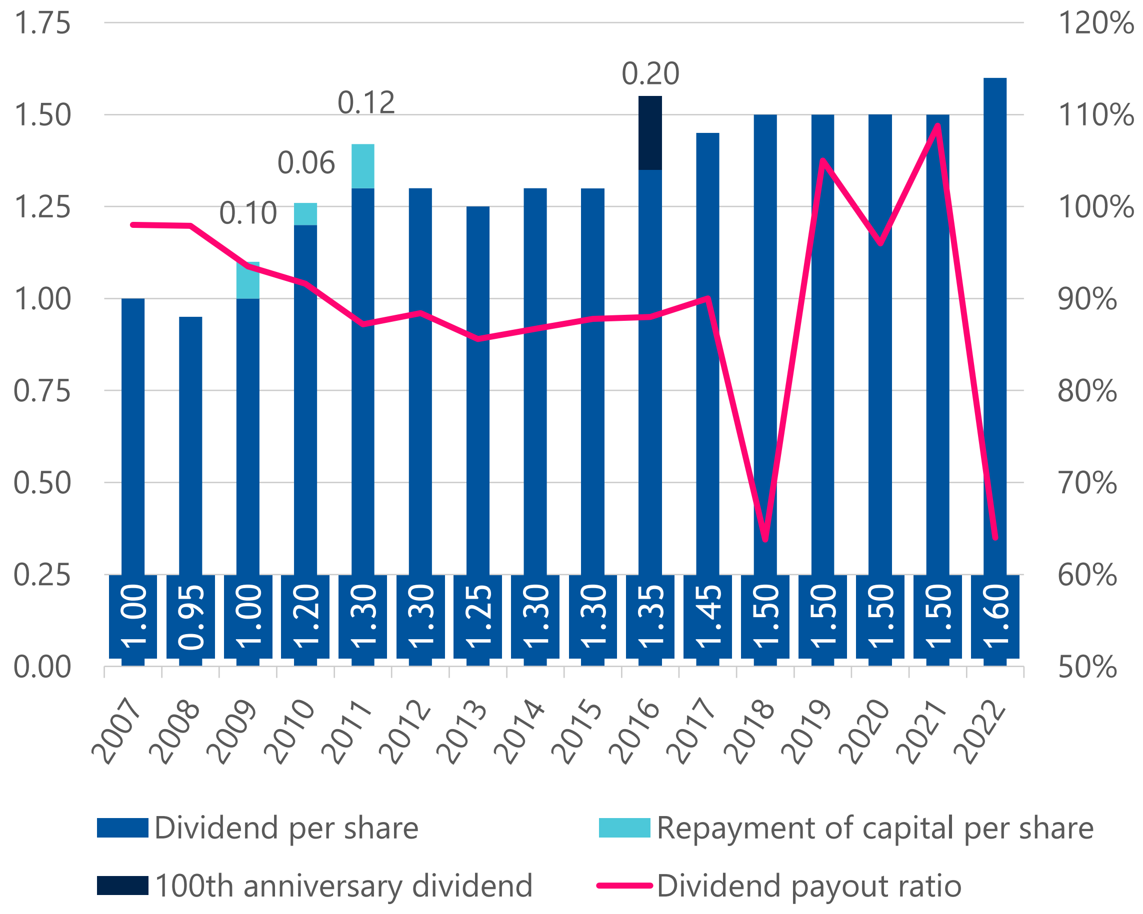
Capital allocation and value creation in Orion

TSR ~11% p.a. since 1990[1]

Average P/E 21 for the past 10 years. Current P/E ~30[2]

Dividend payout ratio higher than in most pharma companies

Currently high P/E and high payout ratio, but not anymore unusually high dividend yield



[1] Pro forma for years 1990–2005 before demerger, current Orion Corporation 2006–2022 [2] Current share price / consensus EPS for 2023

Views on Orion's future alternatives: General

Growing margins – especially due to Nubeqa®

Enjoy Nubeqa® revenues but already prepare for post-Nubeqa® era

1. Increase net profit and dividends → Shareholder value by growing dividends

2a. Increase R&D and S&M spending → develop more/faster new products → Shareholder value by higher future cash flows and market cap

2b. Use M&A to get access to new products / sales / geographical regions → Shareholder value by higher future cash flows and market cap

Timing challenge in R&D and commercialisation

- Already high payout ratio cannot be increased
- Long term post-Nubeqa® value creation based on future growth and high enough P/E

Higher R&D spending, product acquisitions and credibility of Orion’s R&D needed

Timing challenge (R&D and launch costs years before sales)

- Value creation requires also capability to commercialise as partnering/royalties will not alone generate high enough risks adjusted returns
- ->No sharing of Ph3 costs

- Combination of gradual market expansion and clever partnering likely needed

Hybrid approach

Views on Orion's future alternatives: M&A

Funding currently available		
New debt w/o share issue	**EUR 400-500 million** (while meeting the 50% equity ratio target)	Higher debt possible as profits grow
Share issue	**14,000,000 B shares**	Allows also more debt
Additional debt	**EUR 600 million+**	
TOTAL	**~EUR 1.5-1.7 billion**	

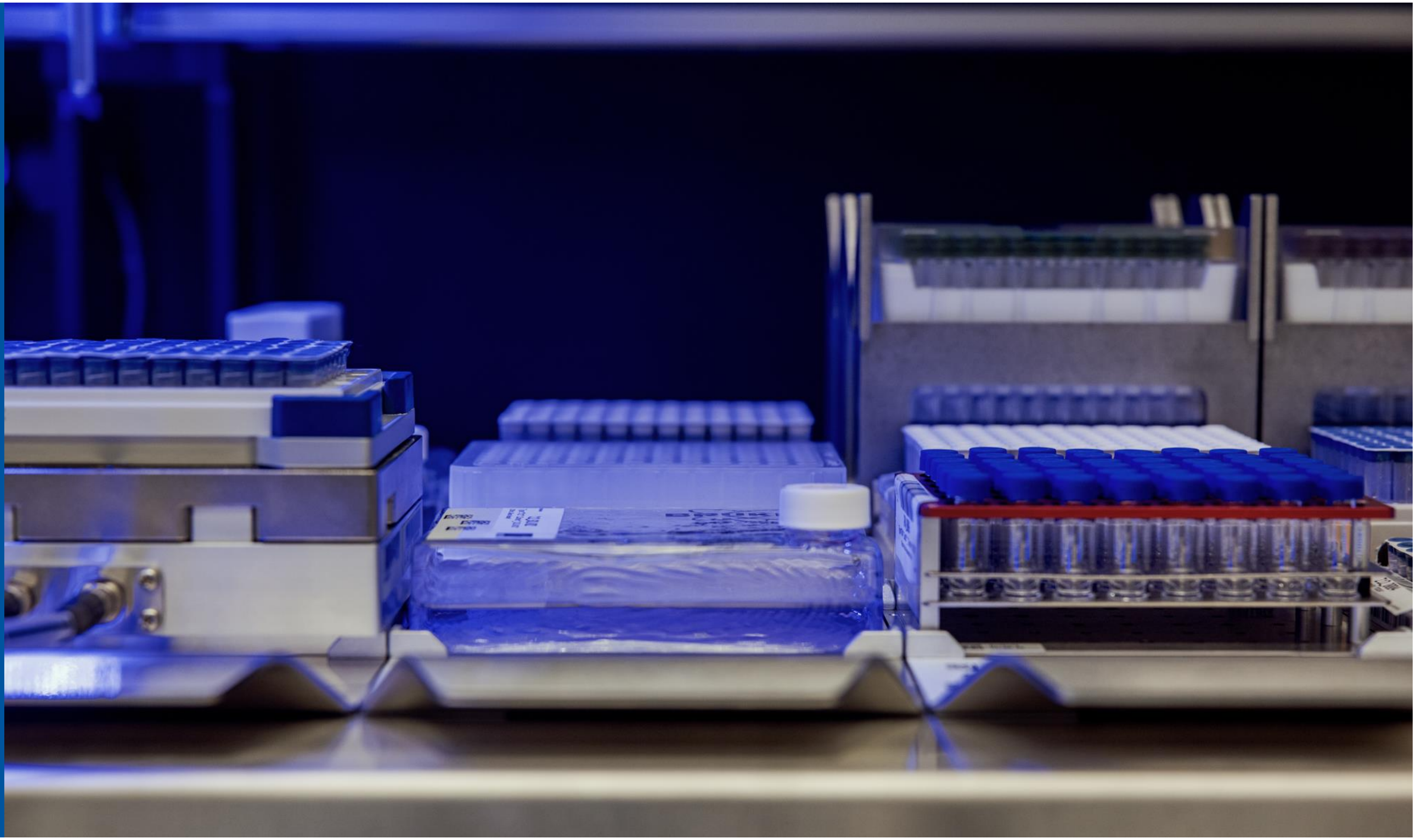
Upside potential		
R&D	**>**	M&A
Risks		
R&D	**≥**	M&A

How to mitigate M&A related risks?

- Rather smaller than larger transactions
- Acquire business – not only pipeline

Key takeaways

1. Profitable growth key to shareholder value increase
2. Capital allocation needs to support growth with right balance between short-term profitability and long-term returns
3. Selective M&As
4. Manage risks with partnering and right M&A strategy
5. Predictable and over time increasing dividends

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